

Commonwealth of Pennsylvania



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

Edward G. Rendell
Governor



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Commonwealth of Pennsylvania

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009

Edward G. Rendell, Governor



Prepared By:

Mary A. Soderberg, Secretary
Office of the Budget

Anna Maria Kiehl, CPA, CGFM
Chief Accounting Officer

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Commonwealth of Pennsylvania
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended June 30, 2009

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COMMONWEALTH OF PENNSYLVANIA
GOVERNOR'S OFFICE
HARRISBURG

January 22, 2010

MARY SODERBURG
SECRETARY
OFFICE OF THE BUDGET

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

We are pleased to present this Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2009. The Office of the Budget, Office of Comptroller Operations, prepared this report, which includes the Basic Financial Statements (BFS), 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, dated October 11, 1984.

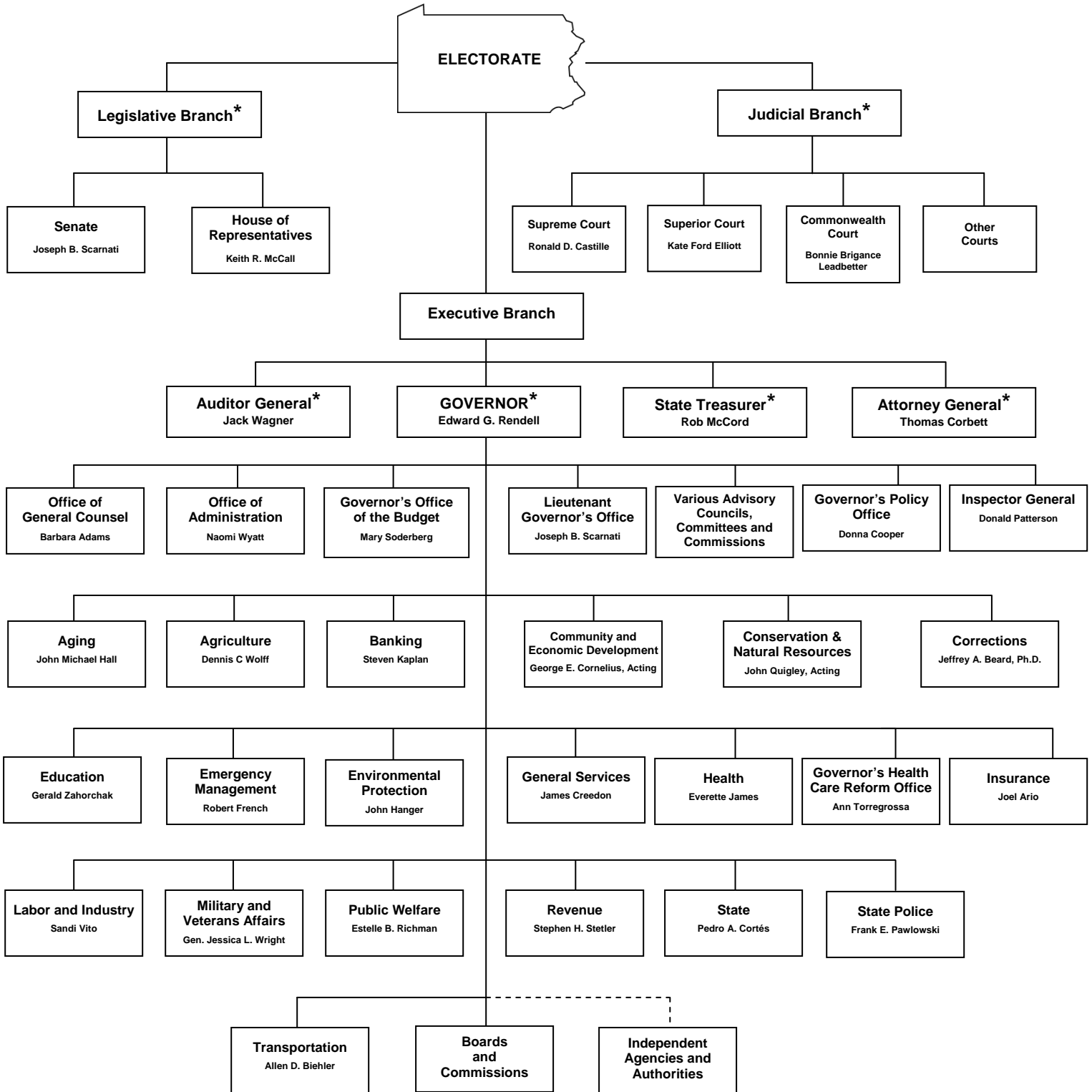
The BFS were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). We believe the financial statements are fairly stated in all material respects and that they are presented in a manner designed to fairly report the Commonwealth's financial position, results of operations, and changes in net assets/fund balances. All disclosures necessary to enable the Governor, the members of the General Assembly, the public, and the financial community to fully understand the Commonwealth's operations and financial affairs have been included. The BFS include information about discretely presented component units, which are legally separate organizations for which the Commonwealth is financially accountable. Responsibility for the completeness and fairness of the presentation, including all disclosures, rests with the Commonwealth of Pennsylvania, Office of the Budget, Office of Comptroller Operations. The Commonwealth relies on its comprehensive framework of internal control in the preparation of basic financial statements. The Commonwealth has established a cost-effective system of internal controls; that is however, subject to inherent limitations, as is in any system of internal controls, in that there is reasonable, but not absolute, assurance as to the effectiveness of the internal control system.

Management's Discussion and Analysis (MD&A), which precedes the June 30, 2009 BFS, provides an overview of the Commonwealth's financial position and activities thus helping readers to understand the government-wide statements. This section immediately follows the auditors' opinion. In addition to the MD&A and BFS, this CAFR includes: budgetary comparison schedules, combining fund financial statements; supporting schedules; certain narrative information describing individual funds; and statistical tables presenting financial trends, revenue capacity, debt capacity, demographic and economic information, capital asset and operating information about the Commonwealth.

PROFILE OF THE GOVERNMENT

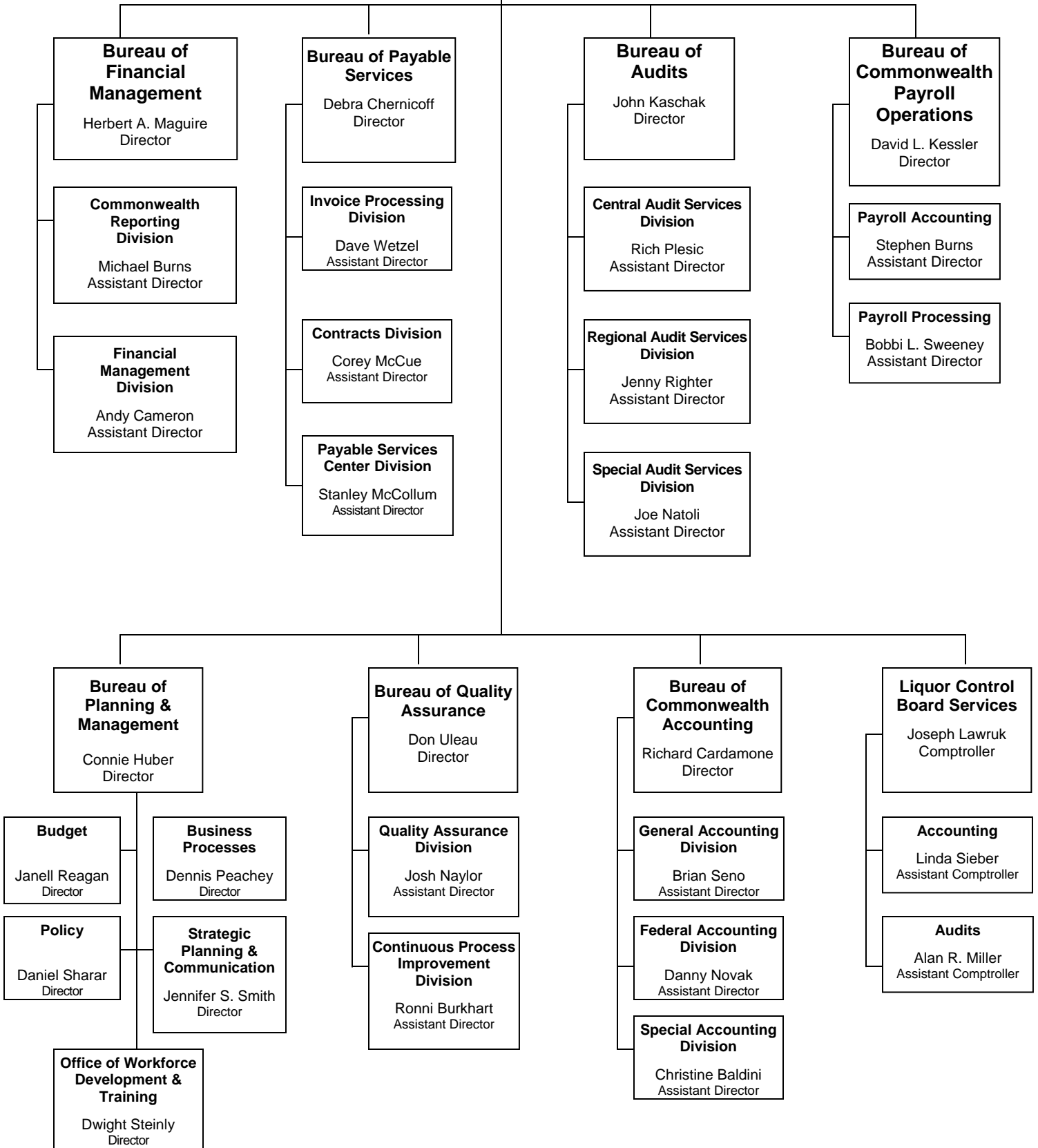
Pennsylvania provides a wide variety of services to protect and improve the lives of its 12.5 million inhabitants. Its nickname, the Keystone State, comes from its central location among the original 13 colonies and unique economic ability to sustain industry of the north and the agriculture of the south. Like the Federal government, Pennsylvania's government operates under the direction of a constitution, which created a thorough system of checks and balances among its three equal and independent branches. The legislative branch passes Commonwealth laws, a responsibility carried out by the State Senate and House of Representatives. The Governor, Lieutenant Governor, Attorney General, Auditor General, State Treasurer, and the appointed members of the Governor's cabinet constitute the executive branch. The judicial branch consists of the Supreme Court of Pennsylvania, Superior Court, Commonwealth Court, Court of Common Pleas, and other Special Courts. The following organization charts identify specific Commonwealth officials and staff within Comptroller Operations, at June 30, 2009:

COMMONWEALTH OF PENNSYLVANIA ORGANIZATION AND OFFICIALS CHART June 30, 2009



* Independently Elected

Chief Accounting Officer
Anna Maria Kiehl



**THE GENERAL FUND
BUDGETARY BASIS**

The General Fund, the Commonwealth's largest operating fund, may be used to assess Pennsylvania's financial position and activities for the fiscal year ended June 30, 2009. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in other special funds, and reflects a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate income, and sales and use taxes, constitute approximately 90.8 percent of the non-federal General Fund budgetary basis revenues. General Fund expenditures are reported in the following functional assignments, along with the related percentage of non-federal expenditures: direction and supportive services (3.56), protection of persons and property (12.44), health and human services (37.34), public education (39.82), recreation and cultural enrichment (1.08), economic development (2.63), transportation (.04) and transfers to debt service funds (3.09) for all obligations except those incurred for highway or other special revenue fund purposes.

**BUDGET ADOPTION AND LEGAL COMPLIANCE
BUDGETARY COMPARISON SCHEDULE**

A discussion of the Commonwealth's annual budget process is included as Required Supplementary Information (RSI) immediately following the Notes to the Financial Statements. The legally adopted budget provides statutory control over spending. Under Commonwealth law, expenditures cannot exceed amounts appropriated. Budgetary control is exercised by specific, line-item appropriation. The Budgetary Comparison Schedule, included as RSI, provides original budget, final budget and actual budgetary results for the fiscal year ended June 30, 2009.

**BUDGETARY BASIS FUND BALANCE INCREASE/(DECREASE)
FIVE MOST RECENT FISCAL YEARS**

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

General Fund <u>At June 30</u>	Unreserved/ Undesignated Fund Balance <u>(Deficit)</u>	Budgetary Basis Increase <u>(Decrease)</u>
2005	\$ 364.8	\$ 287.3
2006 (restated)	522.2	157.4
2007	530.9	8.7
2008 (restated)	585.3	54.4
2009	(2,030.4)	(2,615.7)

During the fiscal year ended June 30, 2009, total General Fund expenditures and other uses exceeded revenues and other sources by \$2,615.7 and, at June 30, 2009, the Commonwealth reported an unreserved/undesignated fund deficit (budgetary basis) of \$(2,030.4) in the General Fund. This compares to a budgetary basis fund balance of \$585.3 (restated) at June 30, 2008. The budgetary basis results for the fiscal year ended June 30, 2009 include revenue collections totaling \$44,992.7, less appropriation authorizations totaling \$47,772.3, plus other net financing sources totaling \$163.8. Included in the \$47,772.3 appropriation authorizations are \$(712.3) of state supplemental appropriation reductions and \$1,851.8 in Federal supplemental appropriations authorized during the fiscal year ended June 30, 2009 (amounts in millions). The Federal supplemental appropriations include \$1,759.3 for federal stimulus funding authorized by the Federal American Recovery and Reinvestment Act of 2009.

ECONOMIC OUTLOOK

The worst economic recession since the Great Depression continues to adversely impact the national economy. While the bottom of the recession likely occurred in June 2009, prospects for economic growth remain muted. While output is recovering, job losses continue to mount as the unemployment figure now tops 10 percent nationally. Gains in productivity are aiding the economy but at the expense of jobs. Consumer spending remains weak given higher debt levels, depleted consumer wealth and tight credit. Improvements in the housing sector are slowly taking hold and business investment is stabilizing. Aggressive action by the Federal Government in the form of the fiscal stimulus package has likely added 1.0 percentage points to the national Gross Domestic Product. In 2009, the Federal Reserve has been focused on increasing liquidity in the credit markets and preventing further bank failures. Federal fiscal stimulus is expected to assist state governments who continue to face declining state revenues and burgeoning budget deficits as a result of the economic contraction.

LONG-TERM FINANCIAL PLANNING

Each year, the Governor's Executive Budget includes estimates of total revenues, available balances carried forward and expenditures for all Commonwealth funds for a budget year and four subsequent fiscal years. These multi-year projections illustrate expected revenue and spending changes, which inform the state's policy makers about the status of the Commonwealth's budget. Based on the enacted budget for the 2009-2010 fiscal year, the Commonwealth expects to receive General Fund revenues and transfers of \$27.6 billion and to spend \$25.2 billion from the Commonwealth's General Fund. The excess revenue will be used to satisfy the \$2 billion unreserved/undesignated fund deficit from the 2008-2009 fiscal year and provide an available balance for the 2010-2011 fiscal year. The next Executive Budget will be available in February 2010 and will include planned revenues and expenditures for five fiscal years, through the fiscal year ending June 30, 2015.

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 in Note M 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 healthcare benefits and tort liabilities, including automobile, employee and transportation-related claims. Reserves have been established to fund self-insured claims. First-party coverage is obtained for property losses in excess of \$1 million per occurrence, to a limit of \$350 million (\$250 million prior to September 19, 2007) per occurrence. Coverage for property losses less than \$1 million or in excess of \$350 million (\$250 million prior to September 19, 2007) is maintained through the Commonwealth's self-insurance program.

INDEPENDENT AUDIT

The Commonwealth's June 30, 2009 Basic Financial Statements have been jointly audited by the Department of the Auditor General and Ernst & Young LLP, an independent public accounting firm. The independent auditors' opinion is included in the beginning of the Financial Section of this CAFR. The auditors' opinion provides a reasonable basis for users to rely on the information included in the BFS.

CERTIFICATE OF ACHIEVEMENT

The CAFR will be submitted to the Government Finance Officers Association of the United States and Canada (GFOA) to determine its eligibility for the GFOA's Certificate of Achievement for Excellence in Financial Reporting. The 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, 2008. This represents the twenty-third 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, 2009 conforms to the GFOA's award criteria.

ACKNOWLEDGMENTS

We wish to express our 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 our commitment to you to maintain the highest standards of accountability in financial reporting to the citizens of the Commonwealth.

Sincerely,



Mary A. Soderberg
Secretary
Office of the Budget



Anna Maria Kiehl, CPA, CGFM
Chief Accounting Officer
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, 2008

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.



A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".

President

A handwritten signature in black ink, appearing to read "JEFFREY R. EGAN".

Executive Director

Financial Section



Fall Foliage McKean County



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Report of Independent Auditors

The Honorable Edward G. Rendell, Governor
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Pennsylvania (the Commonwealth), as of and for the year ended June 30, 2009, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not jointly audit the financial statements of the Tobacco Settlement Fund, a major Special Revenue Fund, the Tuition Payment Fund, a major Enterprise Fund, and certain component units, which represent 99 percent of total assets, 99 percent of total net assets and 99 percent of total revenues of the aggregate discretely presented component units, and certain agencies, which represent 2 percent of expenditures of the General Fund and 1 percent of expenses of Governmental Activities. We also did not jointly audit 99 percent of the total assets, 99 percent of total net assets and 99 percent of the total revenues of the Pension and Other Employee Benefit Trust Funds and 100 percent of the total assets, 100 percent of the total net assets, and 100 percent of the total revenues of the Private Purpose Trust Fund. This comprises 84 percent of total assets, 94 percent of total net assets and 85 percent of total revenues of the aggregate remaining fund information. The financial statements of the Tobacco Settlement Fund, Tuition Payment Fund, and these component units, agencies, and Pension and Other Employee Benefit and Private Purpose Trust Funds were audited by other auditors, including Ernst & Young LLP and the Department of the Auditor General acting separately, whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Tobacco Settlement Fund, Tuition Payment Fund, and those component units, agencies, and the Pension and Other Employee Benefit and Private Purpose Trust Funds, are based solely on the reports of the other auditors. Ernst & Young LLP has audited, separately, 100 percent of the Tuition Payment Fund, 34 percent of total assets, 19 percent of total net assets and 31 percent of total operating revenues of the discretely presented component units, as well as 2 percent of the expenditures of the General Fund and 1 percent of expenses of Governmental Activities. The Department of the Auditor General has audited separately 100 percent of the Tobacco Settlement Fund.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Commonwealth's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

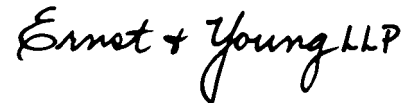
As discussed in Note A, the Commonwealth adopted Governmental Accounting Standards Board Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations."

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Commonwealth of Pennsylvania as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with US generally accepted accounting principles.

As discussed in Notes N and R to the financial statements, disruptions in the capital markets have impacted The Pennsylvania Higher Education Assistance Agency's, a discretely presented component unit, ability to fund the origination of new student loans and to fulfill its commitments to purchase loans from various financial institutions.

Management's discussion and analysis, schedules of funding progress and employer contributions of other postemployment benefit plans, and budgetary comparison information on pages 16 through 35 and 137 through 142 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth of Pennsylvania's basic financial statements. The introductory section, combining non-major fund and component unit financial statements, budgetary comparison schedules for budgeted non-major special revenue funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund and component unit financial statements and budgetary comparison schedules for budgeted non-major funds have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



January 22, 2010

Management's Discussion and Analysis



Little League World Series Lycoming County

The Management's Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania's Comprehensive Annual Financial Report (CAFR) is presented as Required Supplementary Information and provides a review and analysis of the Commonwealth's financial statements for the fiscal year ended June 30, 2009 and a comparison to the prior fiscal year. The MD&A should be reviewed in conjunction with the Letter of Transmittal, which begins on page 4 of this report, and with the Commonwealth's financial statements, which follow.

Executive Summary

Government-wide Statements at-a-glance

Net Assets – Governmental activities net assets totaled \$23.2 billion at June 30, 2009, compared to \$25.3 billion (restated from \$25.6 billion) at June 30, 2008. This represents a year over year decrease of \$2.1 billion, following a prior fiscal year increase in net assets of \$1.0 billion (restated from \$1.3 billion). For business-type activities, net assets were \$.6 billion at June 30, 2009, a decrease of \$2.6 billion compared to \$3.2 billion at June 30, 2008. On a combined basis, Total Net Assets for Governmental Activities and Business-Type Activities decreased by \$4.7 billion for the primary government during the fiscal year ended June 30, 2009.

General Obligation Bonds – During the fiscal year, total general obligation bond indebtedness increased by \$.5 billion (\$1.3 billion issued and \$.8 billion repaid) from \$8.6 billion to \$9.1 billion, while total governmental activities liabilities decreased by \$0.2 billion.

Fund Statements at-a-glance

Governmental Funds – Total Fund Balances – Were \$6.089 billion at June 30, 2009 compared to \$8.860 billion (restated from \$8.830 billion) at June 30, 2008, for a year-over-year decrease of \$2.771 billion.

General Fund – Fund Balance – Was \$.515 billion at June 30, 2009, compared to \$2.974 billion at June 30, 2008, for a year-over-year decrease of \$2.459 billion.

Overview and discussion of basic financial statements

The Financial Section of the CAFR consists of several parts: the Independent Auditors' Report, Management's Discussion and Analysis, Basic Financial Statements (BFS), Required Supplementary Information, Combining Financial Statements, and Statistical Section. The BFS includes two sets of statements that present different views of the Commonwealth – the government-wide financial statements and the fund financial statements. The Notes to the Financial Statements present additional details and clarification regarding the information presented in these statements.

Government-wide financial statements

Government-wide financial statements portray the Commonwealth's overall financial position (Statement of Net Assets) at June 30, 2009 and its aggregate revenues and expenses (Statement of Activities) for the fiscal year ended June 30, 2009. The Statement of Net Assets presents the assets, liabilities, and net assets for the Commonwealth as a whole. The Statement of Activities presents, by function or program, the expenses, offsetting revenues, and changes in net assets. Both statements classify amounts by Governmental Activities, Business-Type Activities, and Component Units. The component units are organizations that are legally separate from the Commonwealth's primary government. Information related to component units is not included in the MD&A. Each component unit is identified and described in Note A – Summary of Significant Accounting Policies. Audited financial statements for component units are available through the Commonwealth Chief Accounting Officer.

The government-wide financial statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basis of accounting is similar to the basis used by most business entities and recognizes revenues and expenses when they occur, regardless of when related cash was received or paid.

Fund financial statements – governmental funds

Funds are groups of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth uses fund accounting to demonstrate compliance with finance related legal requirements. The Commonwealth's Funds are categorized as governmental funds, proprietary funds or fiduciary funds. Further discussion of these categories is in Note A – Summary of Significant Accounting Policies – to the financial statements. Fund financial statements differ from government-wide financial statements in a few ways:

- 1) While the government-wide statements focus on the government taken as a whole, the fund statements reveal more detailed, fund-specific information for major governmental and proprietary funds, and for aggregated, non-major fund information.
- 2) Unlike the aggregated columns for governmental and business-type activities in government-wide statements, the fund statements report individual funds which are established by state law and used to account for specific, mandated activities. Two examples of specific funds are the Motor License Fund, a special revenue fund where gasoline taxes and motor vehicle registration fees are collected and used to repair and build highways, and the Unemployment Compensation Fund, an enterprise fund, used to collect amounts from employers to pay for unemployment compensation to workers.
- 3) The government-wide statements use the full accrual basis of accounting. In the fund statements, governmental funds use the modified accrual basis of accounting and current financial resources measurement focus; whereas the proprietary funds and fiduciary funds use the accrual basis of accounting and economic resources measurement focus.

Government-wide financial analysis

The following presents condensed financial statement information from the Statement of Net Assets (amounts in billions):

	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Change	2009	2008	Change	2009	2008	Change
Assets:									
Cash and investments.....	\$ 10.4	\$ 14.5	\$ (4.1)	\$ 4.6	\$ 6.7	\$ (2.1)	\$ 15.0	\$ 21.2	\$ (6.2)
Capital assets (net).....	26.7	25.1	1.6	0.1	0.1	-	26.8	25.2	1.6
All other assets.....	7.1	6.9	0.2	1.4	1.3	0.1	8.5	8.2	0.3
Total assets.....	44.2	46.5	(2.3)	6.1	8.1	(2.0)	50.3	54.6	(4.3)
Liabilities:									
Accounts payable.....	6.0	5.3	0.7	0.9	0.7	0.2	6.9	6.0	0.9
All other current liabilities....	3.7	5.7	(2.0)	2.1	1.7	0.4	5.8	7.4	(1.6)
Total current liabilities.....	9.7	11.0	(1.3)	3.0	2.4	0.6	12.7	13.4	(0.7)
Bonds payable.....	8.5	8.0	0.5	-	-	-	8.5	8.0	0.5
All other long-term liabilities	2.8	2.2 ¹	0.6	2.5	2.5	-	5.3	4.7	0.6
Total long-term liabilities.....	11.3	10.2	1.1	2.5	2.5	-	13.8	12.7	1.1
Total Liabilities.....	21.0	21.2	(0.2)	5.5	4.9	0.6	26.5	26.1	0.4
Net assets:									
Invested in capital assets, net of related debt.....	22.8	21.5	1.3	0.1	0.1	-	22.9	21.6	1.3
Restricted.....	4.5	4.7	(0.2)	0.9	3.2	(2.3)	5.4	7.9	(2.5)
Unrestricted/(deficit).....	(4.1)	(0.9) ²	(3.2)	(0.4)	(0.1)	(0.3)	(4.5)	(1.0)	(3.5)
Total net assets.....	\$ 23.2	\$ 25.3 ³	\$ (2.1)	\$ 0.6	\$ 3.2	\$ (2.6)	\$ 23.8	\$ 28.5	\$ (4.7)

To give retroactive effects of implementing GASB Statement No. 49 (restatement provided in Note B to the Basic Financial Statements):

¹increased by \$.3 billion (from \$1.9 billion reported in the 2008 CAFR)

²decreased by \$.3 billion (from \$-0.6 billion reported in the 2008 CAFR)

³decreased by \$.3 billion (from \$25.6 billion reported in the 2008 CAFR)

Changes in assets and liabilities

During the fiscal year ended June 30, 2009, total governmental activities cash and investments decreased by \$4.1 billion, due primarily to 1) the size of the Treasury securities lending program decreasing by nearly \$2.0 billion year-over-year and 2) total governmental activities expenses exceeding revenues by \$2.1 billion during the fiscal year ended June 30, 2009. The current fiscal year's cash and investments decrease follows a \$1.9 billion increase for the prior year. The net capital assets increase of \$1.6 billion follows a \$1.2 billion increase in the prior fiscal year and represents an expansion of, and improvements to, the Commonwealth's reported highway and bridge infrastructure, along with other types of capital assets. Governmental activities accounts payable and accrued liabilities balances increased by \$.7 billion due to higher overall expenses and the specific timing of invoice processing and voucher payment requests to the Treasury Department. All other governmental activities current liabilities decreased by \$2.0 billion because of lower year-over-year securities lending obligation balances resulting from the previously-mentioned decrease in the Treasury securities lending program.

Year over year changes in business-type activities assets and liabilities resulted in a net decrease in net assets of \$2.6 billion; total assets decreased \$2.0 billion and total liabilities increased by \$0.6 billion. Total assets decreased primarily as a result of decreases in cash and investments (amounting to nearly \$2.1 billion) reported by the Unemployment Compensation Fund (\$1.376 billion decrease); the State Lottery Fund (\$.374 billion decrease); the Tuition Payment Fund (\$.227 billion decrease); and the State Workers' Insurance Fund (\$.081 billion decrease). Total liabilities increased primarily because of a new advance from the Federal government to the Unemployment Compensation Fund (\$.528 billion).

The following presents condensed, financial statement information from the Statement of Activities (amounts in billions):

	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Change	2009	2008	Change	2009	2008	Change
Revenues:									
Program revenues:									
Charges for sales and services.....	\$ 4.1	\$ 4.3	\$ (0.2)	\$ 7.5	\$ 7.1	\$ 0.4	\$ 11.6	\$ 11.4	\$ 0.2
Operating grants and contributions	20.2	17.9	2.3	1.8	0.4	1.4	22.0	18.3	3.7
Total program revenues.....	24.3	22.2	2.1	9.3	7.5	1.8	33.6	29.7	3.9
General revenues:									
Taxes and investment income.....	27.6	30.2	(2.6)	-	-	-	27.6	30.2	(2.6)
Total general revenues.....	27.6	30.2	(2.6)	-	-	-	27.6	30.2	(2.6)
Total revenues.....	51.9	52.4	(0.5)	9.3	7.5	1.8	61.2	59.9	1.3
Expenses:									
Governmental activities:									
Direction and supportive services...	1.5	1.4	0.1	-	-	-	1.5	1.4	0.1
Protection of persons and property.	5.5	5.2 ¹	0.3	-	-	-	5.5	5.2	0.3
Public education.....	14.0	13.1	0.9	-	-	-	14.0	13.1	0.9
Health and human services.....	26.5	25.2	1.3	-	-	-	26.5	25.2	1.3
Economic development.....	1.6	1.7	(0.1)	-	-	-	1.6	1.7	(0.1)
Transportation.....	4.3	4.2	0.1	-	-	-	4.3	4.2	0.1
Recreation and cultural enrichment	0.6	0.6	-	-	-	-	0.6	0.6	-
Interest.....	0.4	0.3	0.1	-	-	-	0.4	0.3	0.1
Business-type activities:									
State lottery.....	-	-	-	3.2	3.2	-	3.2	3.2	-
Unemployment compensation.....	-	-	-	6.4	2.3	4.1	6.4	2.3	4.1
Liquor control.....	-	-	-	1.4	1.3	0.1	1.4	1.3	0.1
Workers' compensation.....	-	-	-	0.4	0.6	(0.2)	0.4	0.6	(0.2)
Tuition payment.....	-	-	-	0.1	0.2	(0.1)	0.1	0.2	(0.1)
Total expenses.....	54.4	51.7	2.7	11.5	7.6	3.9	65.9	59.3	6.6
Excess/(deficiency) before transfers.....	(2.5)	0.7	(3.2)	(2.2)	(0.1)	(2.1)	(4.7)	0.6	(5.3)
Transfers.....	0.4	0.3	0.1	(0.4)	(0.3)	(0.1)	-	-	-
Increase (decrease) in net assets.....	(2.1)	1.0	\$ (3.1)	(2.6)	(0.4)	\$ (2.2)	(4.7)	0.6	\$ (5.3)
Net assets, beginning.....	25.3	24.3		3.2	3.6		28.5	27.9	
Net assets, ending.....	\$23.2	\$25.3 ²		\$ 0.6	\$ 3.2		\$ 23.8	\$ 28.5	

To give retroactive effects of implementing GASB Statement No. 49 (restatement provided in Note B to the Basic Financial Statements):

¹increased by \$.3 billion (from \$4.9 billion reported in the 2008 CAFR)

²decreased by \$.3 billion (from \$25.6 billion reported in the 2008 CAFR)

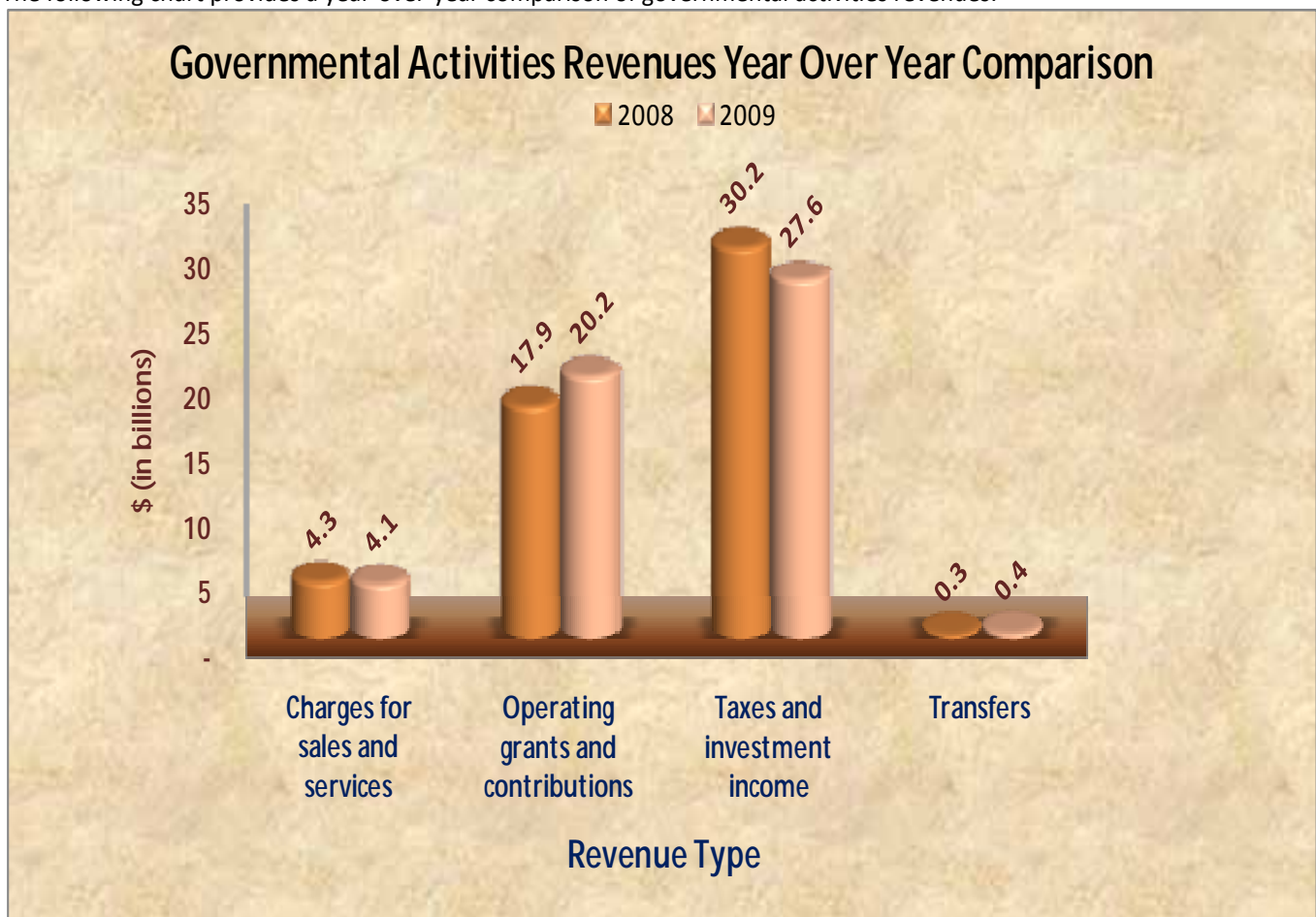
Overall changes in net assets

During the fiscal year ended June 30, 2009, the overall financial position (net assets) of the Commonwealth, including both governmental and business-type activities, decreased by \$4.7 billion, or nearly 16.5 percent of total beginning (restated) net assets of \$28.5 billion. For governmental activities, the net decrease in net assets was \$2.1 billion or 8.3 percent of beginning (restated) net assets of \$25.3 billion. Total investments, excluding the State Employees' Retirement Fund and all other fiduciary funds, amounted to over \$14.3 billion and total cash balances were over \$633 million at June 30, 2009. These amounts represent significant decreases from prior fiscal year investment (\$19.3 billion) and cash (\$1.8 billion) balances. Such decreases were primarily caused by much lower General Fund and other tax revenues, a sharp decrease in Unemployment Compensation net assets, and lower investment income during the current fiscal year. The current fiscal year decrease in governmental activities net assets (\$2.1 billion) represents a \$3.1 billion change from the prior fiscal year's (restated) increase of \$1.0 billion. These current fiscal year decreases represent significant year-over-year deteriorations in the Commonwealth's overall financial position when compared to the prior fiscal year ended June 30, 2008.

The \$2.6 billion decrease in total net assets for business-type activities follows a \$.4 billion decrease during the prior fiscal year. The \$2.2 billion year over year decrease is primarily attributable to a net assets decrease of over \$1.9 billion in the unemployment compensation program, where the prior fiscal year net assets decrease was less than \$0.1 billion. During the current fiscal year, unemployment compensation revenues increased by nearly \$2.1 billion while expenses increased by \$4.0 billion; in the prior fiscal year revenues decreased by \$106 million and expenses increased by \$213 million. Also, during the fiscal year ended June 30, 2009, combined decreases in net assets of the State Lottery Fund (\$280 million decrease in the current fiscal year compared to \$213 million decrease in the prior fiscal year) and the Tuition Payment Fund (\$150 million decrease in the current fiscal year compared to \$132 million decrease in the prior fiscal year) were reported.

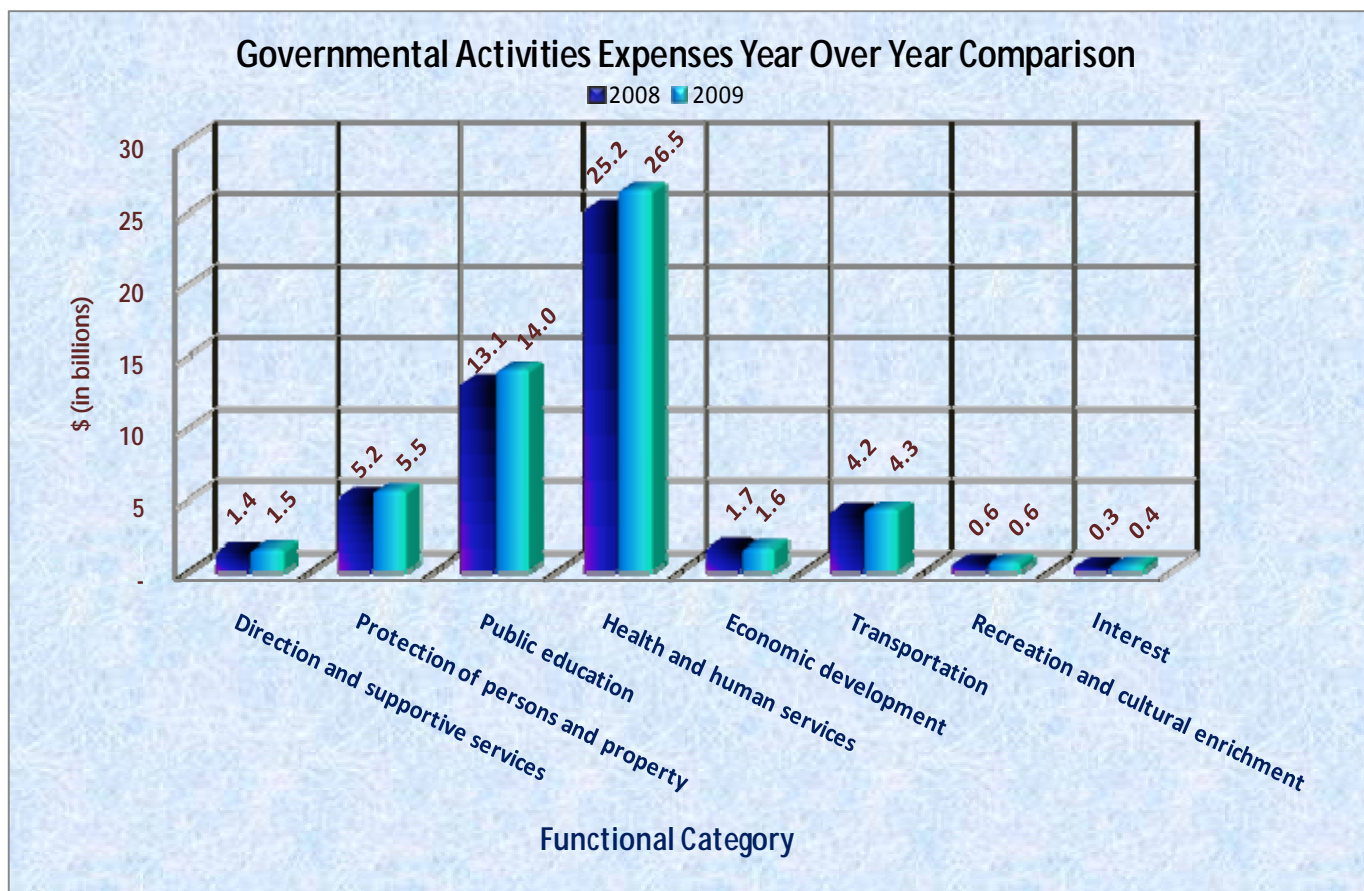
Changes in revenues and expenses for governmental activities

The following chart provides a year-over-year comparison of governmental activities revenues:



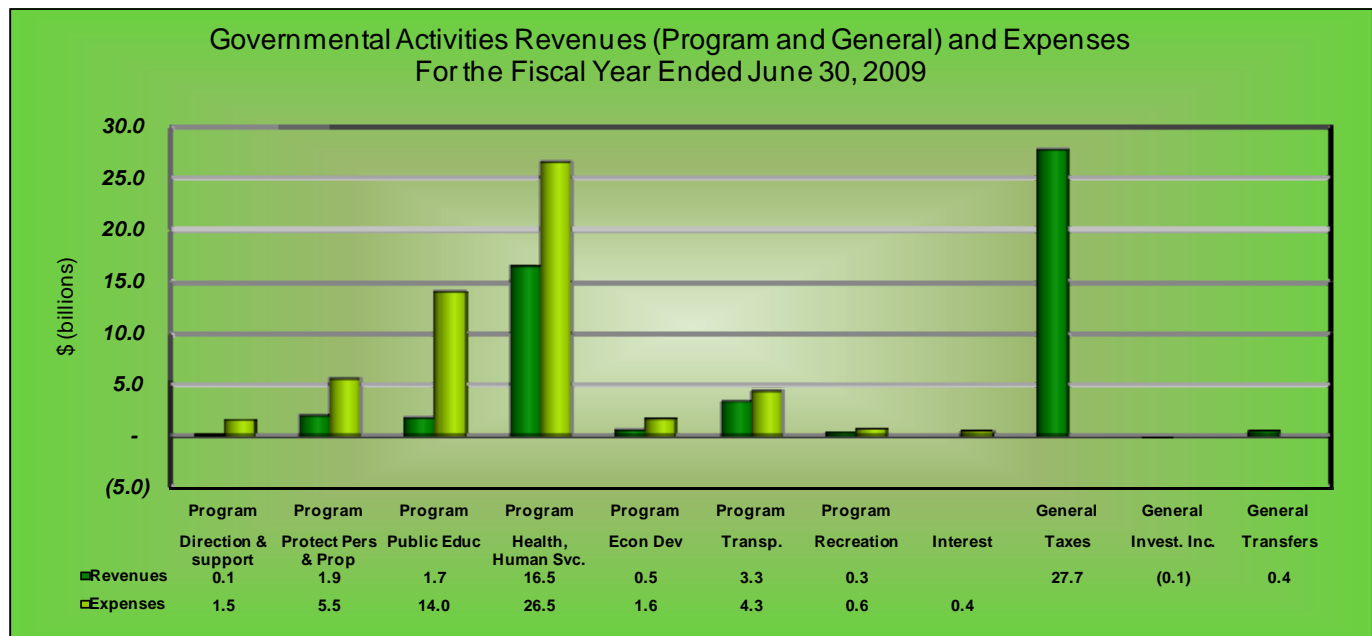
For governmental activities, general revenues decreased by over \$2.6 billion, net, during the fiscal year, largely as a result of decreases in reported General Fund tax revenues (over \$2.3 billion), a decrease in General Fund investment income (over \$266 million), and a decrease in Motor License Fund tax revenues (\$48 million), offset by an increase in gaming tax revenues (\$230 million). Tax revenues decreases resulted from declines in overall economic activity in the Commonwealth; the largest of such decreases was personal income taxes reported on a full accrual basis – nearly \$900 million. Net decreases in tax revenues were reported along with year-over-year decreases in investment income (over \$473 million) for aggregate governmental funds. Operating grants and contributions, which largely represents Federal participation in specific General Fund and other programs, increased by over \$2.3 billion during the fiscal year primarily because of significantly higher year over year expenditures, especially Medical Assistance and other types of health and human services expenditures. Also, new, first-year revenues from the Federal American Recovery and Reinvestment Act of 2009 (ARRA) amounted to over \$1 billion. Also, revenues from the Pennsylvania Turnpike Commission (PTC), a discretely presented component unit, totaled \$850 million, a \$100 million increase over the prior fiscal year. These revenues were received under the provisions of Act 44 of 2007 and the related Lease and Funding Agreement between the PTC and Commonwealth primary government (Department of Transportation). During the prior fiscal year ended June 30, 2008, Federal revenues in General Fund programs increased only \$258 million, while Federal revenues in Motor License Fund programs were nearly flat.

The following chart provides a year-over-year comparison of governmental activities expenses:



For governmental activities, total expenses increased \$2.7 billion (5.2 percent) largely due to significant increases in expenses for health and human services (\$1.3 billion), public education (\$.9 billion) and protection of persons and property (\$.3 billion).

The following chart presents governmental activities revenues compared to expenses for the fiscal year ended June 30, 2009:



Changes in revenues and expenses for business-type activities

During the current fiscal year, total business-type activities expenses exceeded total revenues by \$2.2 billion; in the prior fiscal year, total expenses were \$0.1 billion higher than revenues. Including the effects of current fiscal year net transfers to other Funds of \$.4 billion (\$.3 billion in the prior fiscal year), business-type activities net assets decreased by \$2.6 billion during the current fiscal year versus a \$.4 billion decrease during the prior fiscal year. The primary reasons for the overall year-over-year net decrease of \$2.2 billion were a \$2.1 billion increase in Unemployment Compensation Fund revenues (primarily Federal revenues) and a \$4.0 billion increase in related benefit claims expenses; offset by a \$16 million increase in tuition payment revenues combined with a \$124 million decrease in tuition payment expenses.

Operating grants and contributions for business-type activities increased \$1.4 billion largely due to a substantial increase in Federal revenues for the Unemployment Compensation program (\$1.8 billion), offset by a significant year-over-year decrease in investment income for all business-type activities of over \$366 million during the current fiscal year, from \$174 million during the prior fiscal year to a negative \$192 million during the current fiscal year.

Overall, expenses for business-type activities increased by \$3.9 billion, a 51.3 percent increase over the prior fiscal year. Expenses for unemployment compensation increased by \$4.0 billion, while expenses for workers compensation decreased by \$222 million.

General Fund – economic factors during the fiscal year ended June 30, 2009

The worst economic recession since the Great Depression continues to adversely impact the national and state economy. Sharp declines in the housing and financial markets nationally have impacted the economy in Pennsylvania, leading to job losses and declining state revenues. Unemployment levels grew to 10 percent nationally, with Pennsylvania fairsing only slight better with unemployment averaging a full percentage point lower in Pennsylvania. Economic activity, as measured by the gross domestic product (GDP), declined sharply during the first part of the fiscal year, contracting at an annual rate of 6.3 percent and 6.4 percent during the fourth quarter of 2008 and the first quarter of 2009 respectively. The economic contraction slowed during the last quarter of fiscal year 2009, resulting in a -0.7 percent change in GDP. In response to tight credit, declining wealth and job losses, consumer spending plummeted during the fiscal year. As result of the combined forces of the economic contraction, fiscal year 2009 revenue collections were 11.3 percent below the estimate, resulting in a revenue shortfall of \$3.2 billion.

General Fund – budgetary basis – comparison between original budget and final budget

The Budgetary Comparison Schedule for the General Fund for the fiscal year ended June 30, 2009 is presented immediately following the Notes to the Financial Statements. In the Final Budget, State Program revenues were adjusted to include revenues received by fiscal year-end (but not included in the Commonwealth's official revenue estimate), in an amount equal to 2008-09 supplemental appropriations passed on October 9, 2009 by Act 10-A.

Final budgeted revenues for total state programs were less than the original budget by \$364 million. This includes a net \$701 million decrease in tax revenues and an \$80 million decrease in investment income as a result of economic conditions. The \$364 million decrease also includes a net increase of \$449 million in departmental services revenue that is attributable to transfers of \$449 million in augmenting revenues from the Motor License Fund for State Police protection of Commonwealth highways (in this case there is no true increase in funds available to the State Police).

The General Fund Schedule also discloses that the final budget includes \$967 million more in expenditures than the original budget. The \$967 million increase includes \$819 million in state program expenditure increases and \$148 million of increased Federal participation in various programs. Of the \$819 million net state program difference, a \$469 million increase in protection of persons and property expenditures results primarily from a \$449 million increase in spending authority for State Police protection of Commonwealth highways. The \$319 million increase in health and human services expenditures primarily reflects higher than projected medical assistance (MA) eligibility growth, the impact of ARRA MA prompt payment requirements and a re-alignment of MA payments by service month rather than payment month. The increase of \$148 million in Federal programs and corresponding revenues relates primarily to additional appropriations and executive authorizations passed or authorized throughout the fiscal year. The difference between the Original Budget and Final Budget for prior year lapses are comprised of the following: direction and supportive services, \$14 million; protection of persons and property, \$29 million; health and human services, \$78 million; public education, \$23 million; economic development, \$16 million; and all other affected agencies, \$4 million.

General Fund – budgetary basis – comparison between final budgeted and actual results

Actual budgetary State Program revenues were \$2,542 million less than the final budgeted State Program revenues. The \$2,542 million net decrease results primarily from a \$2,147 million decrease in tax revenues related primarily to the national and state economic conditions, a \$287 million decrease in investment income related to market conditions, a \$64 million decrease in unclaimed property and a \$28 million decrease in miscellaneous revenue. Budgetary lapses for a variety of specific appropriations and executive authorizations in the amount of \$470 million were also posted to reduce State Program spending authority in recognition of declining revenues. Actual Federal revenues and corresponding expenditures were \$176 million lower than budgeted for the following agencies: Public Welfare, \$135 million; Health, \$17 million; Emergency Management Agency, \$13 million; and all other affected agencies, \$11 million.

Measurement focus and basis of accounting – governmental funds

The General Fund and special revenue, debt service and capital projects fund types are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are normally included on the balance sheet. Operating statements of these fund types 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, governmental funds recognize revenue in the fiscal year that it becomes susceptible to accrual (both measurable and available) to pay current fiscal year liabilities. Grant revenues, including Federal government grant revenues, are recognized when earned. Revenue recognition from most other sources occurs at receipt. Recognition of expenditures generally occurs 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. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating a portion of related cost to the fiscal year when the items are actually used.

Investment Valuation at June 30, 2009 and Investment Income during Fiscal Year Ended June 30, 2009

During the fiscal year ended June 30, 2009 investment security valuations increased and decreased with significant variation, ending the fiscal year lower (in most cases) than June 30, 2008 valuations. Accordingly, reported investment balances are relatively lower at June 30, 2009 than at June 30, 2008. Such lower valuations have resulted in relatively higher unrealized losses at fiscal year end, reducing reported investment income for the fiscal year ended June 30, 2009.

Also, to mitigate losses on the sale of shares for Treasury Investment Program (TIP) participants, daily activity in a variety of specific Commonwealth Funds was transacted in the Liquid Asset Pool, which reduced respective holdings in the Common Investment Pool. In some cases, this resulted in recognized, reported investment losses, reducing reported investment income, depending on the specific Fund's cash receipts and the cost and holding period of the share activity in the Common Investment Pool. Historically, Liquid Asset Pool investments are managed with an objective to maintain an overall, constant value of \$1.00 per share; in contrast, Common Investment Pool investments are managed on a fluctuating, variable 'net asset value' per share.

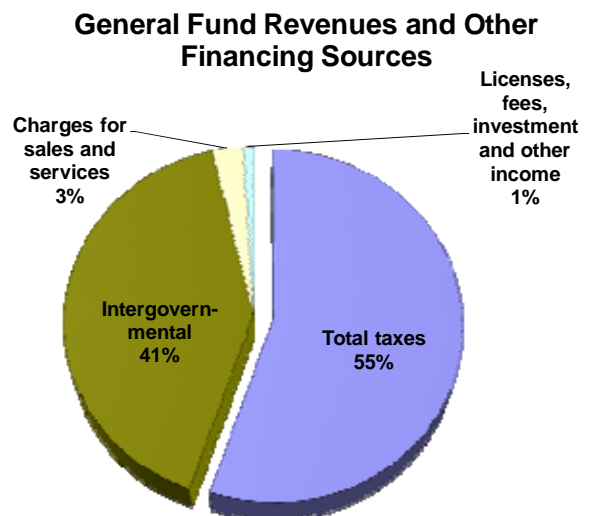
In addition, during the fiscal year ended June 30, 2009 recognized, reported investment losses were posted due to the financial failure of one of the counterparties to the securities lending agreement between the Treasury Department and its custodian. Such investment losses, amounting to \$24 million in the Common Investment Pool and \$4.5 million in the Liquid Asset Pool, were allocated among the specific Funds participating in those Pools and charged to investment income.

As a result of one or more of the above three factors, numerous specific Funds, including the General Fund, Motor License Fund, Tobacco Settlement Fund, State Workers Insurance Fund (December 31, 2008) and the State Lottery Fund, reported overall negative investment income for the fiscal year ended June 30, 2009.

Discussion of individual funds, balances and transactions

General Fund

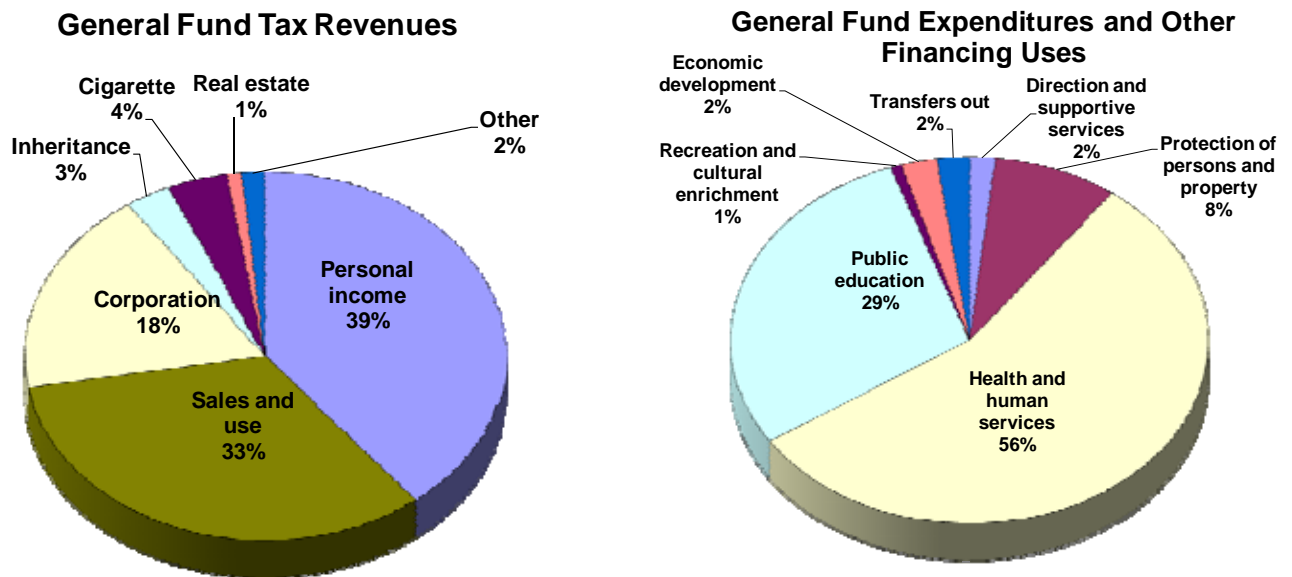
The General Fund, the Commonwealth's largest fund, accounts for over 79 percent of the total governmental fund type revenues and other financial sources and 80 percent of the total governmental fund type expenditures and other financing uses. The General Fund collects over 86 percent of the total tax revenues and is the primary funding source for most Commonwealth agencies. The charts depicted on this page and the following page present a comparison of the major types of revenues and expenditures reported in the General Fund. Taxes and intergovernmental revenues represent the largest sources of revenue, while health and human services and education represent the largest outflows or expenditures.



General Fund Tax Revenues

The largest significant source of tax revenues -- net of refunds -- (\$24,118) is Personal Income Tax (PIT). Reported PIT (\$9,468) accounts for 39 percent of all taxes reported. Sales tax, which represents a tax on various items purchased by consumers, is the second largest category. Reported sales tax (\$7,968) accounts for 33 percent of all taxes reported. Corporation tax, which represents different taxes (including the Corporate Net Income Tax and the Capital Stock/Foreign Franchise Tax) on various corporations, is the third largest category. Reported corporation tax (\$4,354) accounts for 18 percent of all taxes reported. These three tax categories represent the Commonwealth's largest own-source revenues.

Although not available for the current fiscal year, prior fiscal year statistical information for these three tax categories is presented in the Revenue Capacity portion of the Statistical Section (amounts in millions).



Expenditures

The General Fund reported a total of \$46,266 in total expenditures (\$45,248) and other financing uses (\$1,018) during the fiscal year ended June 30, 2009. Expenditures for health and human services (\$25,689) accounted for over 55 percent of all General Fund expenditures and other financing uses. Of these health and human services expenditures, over 95 percent (\$24,505) were reported by the Department of Public Welfare. The second largest category, public education, accounts for nearly 29 percent (\$13,340) of the reported expenditures and other financing uses. Of the public education expenditures, over 92 percent (\$12,359) are reported by the Department of Education. The chart shown on the right, above, reports the percentages expended in each category (amounts in millions).

Comparative Financial Statements for the General Fund

Condensed comparative General Fund balance sheets at June 30, 2009 and 2008 are as follows (amounts in millions):

	2009	2008	Increase (Decrease)	Percent
Assets:				
Cash and investments.....	\$ 3,401	\$ 6,680	\$ (3,279)	-49%
Receivables, net.....	3,527	3,806	(279)	-7%
Due from other funds/governments/advances/other...	2,389	2,003	386	19%
Total assets.....	\$ 9,317	\$ 12,489	\$ (3,172)	-25%
Liabilities:				
Accounts payable and tax refunds payable.....	\$ 5,503	\$ 4,839	\$ 664	14%
Securities lending obligations.....	20	1,326	(1,306)	-98%
Due to other funds/governments/advances/other.....	1,170	1,168	2	0%
Unearned revenue.....	2,109	2,182	(73)	-3%
Total liabilities.....	8,802	9,515	(713)	-7%
Fund Balance:				
Reserved.....	3,056	2,585	471	18%
Unreserved:				
Designated.....	-	379	(379)	-100%
Undesignated.....	(2,541)	10	(2,551)	-25510%
Total fund balance.....	515	2,974	(2,459)	-83%
Total liabilities and fund balance.....	\$ 9,317	\$ 12,489	\$ (3,172)	

During the fiscal year ended June 30, 2009, cash and investments decreased by \$3,279 million (49 percent) compared to the prior fiscal year; a significant portion of this decrease is due to a sharp decrease in securities lending collateral/obligations of \$1,306 million, as the General Fund holdings in the Treasury Common Investment Pool decreased and holdings in the Treasury Liquid Asset Pool increased during the fiscal year. (At June 30, 2009 there was no Treasury Securities Lending Program related to the Treasury Liquid Asset Pool.) The remaining cash and investments decrease of \$1,973 million is directly related to a \$2,273 year-over-year decrease in tax revenues. Accounts payable increased by over \$658 million primarily due to year over year increases in accrued expenditures (\$216 million) and year over year increases in invoices approved for payment but unpaid (\$433 million); tax refunds payable increased nearly \$6 million. Unearned revenue decreased by \$73 million, primarily because of the reduction in the unavailable portion (\$43 million) of the decrease in taxes receivable of over \$176 million.

Fund balance reservations increased \$471 million primarily due to a \$232 million increase for restricted revenues, a \$217 increase for encumbrances in continuing programs, and a \$25 million increase for advances to other funds. There was no year-over-year change in the amount reserved for the statutory Budget Stabilization Reserve Fund, which is reported as part of the General Fund. Prior fiscal year-end fund balance designations of \$379 million were eliminated as of June 30, 2009 because total fund balance decreased to \$515 million, with a \$2,541 million undesignated deficit. Such deficit fund balance prevents any amounts from being reported as fund balance designations. The prior-year designated amounts were for: group medical and life insurance (\$342.6 million), waste tire and safe water programs (\$28.0 million), job creation tax credits (\$2.6 million), and nearly \$6.0 million of other designations. Overall fund balance decreased by \$2,459 million during the fiscal year ended June 30, 2009.

Condensed, comparative, General Fund operating statements for the fiscal years ended June 30, 2009 and 2008 follow (amounts in millions):

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease)</u>	
			<u>Change</u>	<u>Percent</u>
Revenues:				
Taxes, net of refunds				
Personal income.....	\$ 9,468	\$ 10,402	\$ (934)	-9%
Sales and use.....	7,968	8,391	(423)	-5%
Corporation.....	4,354	4,984	(630)	-13%
Inheritance.....	734	781	(47)	-6%
Cigarette.....	981	1,006	(25)	-2%
Real estate.....	296	425	(129)	-30%
Other.....	317	402	(85)	-21%
Total taxes, net of refunds.....	24,118	26,391	(2,273)	-9%
Intergovernmental.....	17,897	15,419	2,478	16%
Charges for sales and services.....	1,192	1,384	(192)	-14%
Licenses/fees/investment and other income.....	407	738	(331)	-45%
Total revenues.....	43,614	43,932	(318)	-1%
Expenditures:				
Direction and supportive services.....	782	1,080	(298)	-28%
Protection of persons and property.....	3,897	3,547	350	10%
Health and human services.....	25,689	24,318	1,371	6%
Public education.....	13,340	12,996	344	3%
Recreation and cultural enrichment.....	341	331	10	3%
Economic development.....	1,115	1,122	(7)	-1%
Transportation.....	49	25	24	96%
Capital outlay.....	35	19	16	84%
Total expenditures.....	45,248	43,438	1,810	4%
Revenues over (under) expenditures.....	(1,634)	494	(2,128)	-431%
Other financing sources (uses):				
Transfers in.....	189	120	69	58%
Transfers out.....	(1,018)	(1,012)	(6)	1%
Capital lease and installment purchase obligations.....	4	1	3	300%
Net other financing uses.....	(825)	(891)	66	-7%
Net change in fund balance.....	(2,459)	(397)	\$ (2,062)	
Fund balance, beginning.....	2,974	3,371		
Fund balance, ending.....	\$ 515	\$ 2,974		

Total General Fund revenues decreased by \$318 million (just over .7 percent) during the fiscal year ended June 30, 2009.

General Fund tax revenues decreased overall by over \$2.2 billion (8.6 percent) during the fiscal year ended June 30, 2009. Decreases in the three largest tax types (amounting to nearly \$2 billion) were directly attributable to declines in economic activity during the current fiscal year. Similarly, real estate tax revenues decreased (\$129 million) due to weaknesses in the housing market.

Intergovernmental revenues increased by \$2,478 million, net, resulting primarily from Federal participation in significantly higher expenditures for Medical Assistance and other types of health and human services expenditures. Nearly \$1 billion of the higher Federal revenues were from the Federal American Recovery and Reinvestment Act of 2009. Combined licenses/fees/investment and other revenues decreased by \$331 million primarily because of a year-over-year decrease in investment income of nearly \$260 million. Charges for sales and services revenues decreased by \$192 million as the Public Welfare's revenues decreased by nearly \$318 million, primarily due to the end of the Intergovernmental Transfers program (\$284 million decrease), the current fiscal year revenue accrual being lower than the prior fiscal year (\$135 million decrease), with offsetting increases in hospital/nursing home and other assessments (\$91 million) during the current fiscal year. Also, a \$100 million decrease in prior fiscal year revenues related to Act 67 Job Creation tax credits did not occur in the current fiscal year, thus increasing year-over-year revenues by \$100 million. Finally, \$30 million of posted revenues during the prior fiscal year did not recur during the current fiscal year.

Total General Fund expenditures increased by 4.17 percent during the fiscal year ended June 30, 2009, by \$1.8 billion. Reported expenditures for health and human services expenditures increased by \$1,371 million, caused by a higher aggregate need for medical assistance services, and income or cash grant assistance. Public education expenditures increased by \$344 million due primarily to increases in basic education (\$274 million), charter school reimbursements (\$65 million), special education (\$16 million), pupil transportation (\$12 million), non-public transportation (\$12 million), school employee social security (employer share)(\$22 million); also, a decrease in school employee retirement (employer share)(\$90 million). Protection of person and property expenditures increased by \$350 million primarily because of an intra-fund expenditure elimination during the prior fiscal year that was not necessary during the current fiscal year (\$177 million); higher expenditures for the Children's Health Insurance Program (\$52 million), caused by both higher enrollment and higher utilization; higher expenditures for Corrections and State Police agencies (\$63 million) for personnel costs, legal settlements and other legal costs; and higher Military and Veterans Affairs agency facilities expansion expenditures (over \$30 million). Direction and supportive services expenditures decreased by \$298 million, net, primarily because of the aforementioned \$177 million prior fiscal year intra-fund expenditure elimination that was not necessary during the current fiscal year and because of decreases in posted expenditures for payments to an external healthcare benefits plan administrator (over \$123 million).

Reported Transfers to the General Fund increased by \$69 million, net, primarily because of 1) a \$45.0 million increase from the State Stores Fund, 2) a new \$15.0 million transfer from the Recycling Fund, 3) a new \$15.0 million transfer from the Banking Department Fund, 4) a prior fiscal year \$9.4 million transfer from the Environmental Stewardship Fund that did not occur in the current fiscal year, 5) a \$5.0 million transfer from the Manufacturing Fund which did not occur in the prior fiscal year, 6) a prior fiscal year \$3.0 million transfer from the Capital Facilities Fund that did not occur in the current fiscal year, and 7) a new \$2.0 million transfer from the Hazardous Sites Cleanup Fund.

Reported Transfers from the General Fund increased by \$6 million, net, primarily because of 1) a \$24.4 million increase to debt service funds, 2) prior fiscal year transfers of \$13.9 million to various Commonwealth Funds that did not occur during the current fiscal year, 3) a \$12.8 million decrease in transfers to the Hazardous Sites Cleanup Fund, 4) a \$5.5 million increase in transfers to the Vocational Rehabilitation Fund, and 5) a new \$4.5 million transfer to the Keystone Help Program Fund.

The overall decrease in fund balance, \$2,459 million during the fiscal year, represents a year-over-year decrease in the change in total fund balance of \$2,062 million. The prior fiscal year decrease in fund balance was \$397 million.

Motor License Fund

Condensed, comparative, financial statement information for the Motor License Fund is as follows (amounts in millions):

Description	2009		2008		Increase (Decrease)	
	Amount	Percent	Amount	Amount	Percent	
Cash and investments.....	\$ 1,992	83%	\$ 2,300	\$ (308)	-13%	
Other assets.....	410	17%	362	48	13%	
Total assets.....	\$ 2,402	100%	\$ 2,662	\$ (260)	-10%	
Accounts payable.....	\$ 524	59%	\$ 475	\$ 49	10%	
Securities lending obligations.....	258	29%	492	(234)	-48%	
Other liabilities.....	110	12%	98 ¹	12	12%	
Total liabilities.....	892	100%	1,065	(173)	-16%	
Total fund balance.....	1,510	100%	1,597	(87)	-5%	
Total liabilities and fund balance.....	\$ 2,402	100%	\$ 2,662	\$ (260)	-10%	
Tax revenues.....	\$ 1,976	40%	\$ 2,024	\$ (48)	-2%	
Licenses and fees.....	875	18%	907 ²	(32)	-4%	
Intergovernmental.....	2,062	41%	1,913	149	8%	
Other revenues.....	75	2%	115	(40)	-35%	
Total revenues.....	4,988	100%	4,959	29	1%	
Direction and supportive services.....	71	1%	67	4	6%	
Protection of persons and property.....	639	13%	647	(8)	-1%	
Transportation.....	2,105	42%	2,198	(93)	-4%	
Capital outlay.....	2,218	44%	1,793	425	24%	
Other expenditures.....	2	0%	2	-	0%	
Total expenditures.....	5,035	100%	4,707	328	7%	
Net transfers out.....	(40)	100%	(74)	34	-46%	
Net change in fund balances.....	\$ (87)		\$ 178 ³	\$ (265)		

To give retroactive effects of correction of prior year error (restatement provided in Note B to the Basic Financial Statements):

¹decreased by \$30 million (from \$128 million reported in the 2008 CAFR)

²increased by \$30 million (from \$877 million reported in the 2008 CAFR)

³increased by \$30 million (from \$148 million reported in the 2008 CAFR)

Overall, total revenues increased by \$29 million during the fiscal year ended June 30, 2009; this represents a 0.6 percent increase over the prior fiscal year. The most significant factor was a \$99 million increase in Intergovernmental revenues for Federal aid for bridge projects as a result of increased bridge expenditures. In addition, Act 44 of 2007 mandated an additional \$50 million in intergovernmental revenues from the Pennsylvania Turnpike Commission. A decrease in tax revenues (\$48 million) was primarily caused by decreased gasoline and diesel fuel consumption during the current fiscal year. Most of the decrease in other revenues was caused by a \$42 million decrease in investment income due to lower securities valuation and other factors as of June 30, 2009.

On a net basis, the combination of Capital Outlay (\$425 million increase) and Transportation (\$93 million decrease) expenditures increased by \$332 million over the prior fiscal year. Current fiscal year Bridge Projects Appropriation expenditures increased by \$229 million as a result of additional funding established by Act 54 of 2008 (authorizing the issuance of debt for bridge programs) and the inclusion of additional bridge projects in Act 96 of 2008. Also, current fiscal year Expanded Highway and Bridge Appropriation expenditures increased by \$120 million as a result of Act 44 of 2007 funding, which began during the prior fiscal year. Finally, current fiscal year Bridge Preservation Appropriation expenditures decreased by \$21 million as a result of the appropriation being combined into the Expanded Highway and Bridge appropriation.

The \$74 million decrease in cash and investments (\$308 decrease), net of securities lending obligations (\$234 decrease), is a result of total expenditures exceeding total revenues during the current fiscal year. Other assets increased by \$48 million primarily because Federal receivables for the Bridge Projects Appropriation were \$12 million higher as a result of increased Bridge expenditures. Similarly, bridge projects included in Act 96 of 2008 accounted for \$14 million in higher receivables

from the Capital Facilities Fund. American Recovery and Reinvestment Act activity accounted for an additional \$3.3 million in Federal receivables. Accounts payable increased by \$49 million, primarily as a result of overall increases in expenditures.

Net transfers to other Funds declined by \$34 million due primarily to one-time activity occurring in the prior fiscal year: a \$41.4 million transfer to the PA Infrastructure Bank Fund providing additional funding for the Municipal Loan Program and transfers from the General Fund (\$7.9 million) and the Public Transportation Trust Fund (\$3.3 million).

Tobacco Settlement Fund

Condensed, comparative, financial statement information for the Tobacco Settlement Fund is as follows (amounts in millions):

Description	2009		2008		Increase (Decrease)	
	Amount	Percent	Amount	Amount	Percent	
Cash and investments.....	\$ 1,257	78%	\$ 1,419	\$ (162)	-11%	
Other assets.....	354	22%	345	9	3%	
Total assets.....	\$ 1,611	100%	\$ 1,764	\$ (153)	-9%	
Accounts payable.....	\$ 179	31%	\$ 179	\$ -	0%	
Securities lending obligations.....	106	18%	167	(61)	-37%	
Other liabilities.....	299	51%	260	39	15%	
Total liabilities.....	584	100%	606	(22)	-4%	
Total fund balance.....	1,027	100%	1,158	(131)	-11%	
Total liabilities and fund balance.....	\$ 1,611	100%	\$ 1,764	\$ (153)	-9%	
Intergovernmental.....	\$ 159	28%	\$ 133	\$ 26	20%	
Investment income.....	(110)	-19%	(35)	(75)	214%	
Other revenues.....	521	91%	473	48	10%	
Total revenues.....	570	100%	571	(1)	0%	
Protection of persons and property.....	165	24%	165	-	0%	
Health and human services.....	511	75%	442	69	16%	
Economic development.....	9	1%	9	-	0%	
Total expenditures.....	685	100%	616	69	11%	
Net transfers (out).....	(16)	100%	(28)	12	-43%	
Net change in fund balances.....	\$ (131)		\$ (73)	\$ (58)		

The year-over-year decrease in cash and investments of \$162 million is due largely to lower investment valuations resulting in portfolio losses and a \$61 million decrease in the size of Treasury's securities lending program as of June 30, 2009. Other liabilities increased by \$39 million due to 1) a \$14 million increase in unearned revenues related to the Master Settlement Agreement receivable; and 2) a \$21 million increase in the amount due to other funds related to the current fiscal year accrual for Medical Assistance for Workers with Disabilities expenditures and 3) a \$6 million decrease in various liabilities.

During the fiscal year, investment income decreased \$75 million due to lower year-over-year investment valuations. It should be noted that \$62 million of the current fiscal year investment loss is unrealized as of June 30, 2009. Other revenues increased by \$48 million due to 1) a \$37 million increase in Master Settlement Agreement revenues and 2) an \$11 million increase in Community Health Reinvestment revenues. Expenditures for health and human services increased \$69 million due to increased appropriation expenditure authority, primarily a \$29 million increase in expenditures for Medical Assistance Long-Term Care.

Measurement focus and basis of accounting – proprietary funds

The enterprise funds and internal service funds (proprietary funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets and liabilities associated with the operations of these fund types are included on the statement of net assets. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned, and expenses are recognized in the fiscal year incurred. Enterprise funds that report loan, insurance and tuition payment programs report most revenues as operating revenues; non-operating revenues are

reported for other programs and include grant revenues and all investment income. Four enterprise funds are reported as major funds and are discussed.

Unemployment Compensation Fund

Condensed, comparative, financial statement information for the Unemployment Compensation Fund is as follows (amounts in millions):

Description	2009		2008		Increase (Decrease)	
	Amount	Percent	Amount	Amount	Percent	
Cash and investments.....	\$ 370	33%	\$ 1,746	\$ (1,376)	-79%	
Unemployment assessments receivable..	442	39%	466	(24)	-5%	
Other assets.....	325	29%	175	150	86%	
Total assets.....	1,137	100%	2,387	(1,250)	-52%	
Accounts payable.....	252	32%	91	161	177%	
Other liabilities.....	543	68%	8	535	6688%	
Total liabilities.....	795	100%	99	696	703%	
Total net assets.....	\$ 342	100%	\$ 2,288	\$ (1,946)	-85%	
Sales and services.....	\$ 2,421	100%	\$ 2,061	\$ 360	17%	
Other revenues.....	1	0%	77	(76)	-99%	
Total operating revenues.....	2,422	100%	2,138	284	13%	
Cost of sales and services.....	6,250	100%	2,289	3,961	173%	
Total operating expenses.....	6,250	100%	2,289	3,961	173%	
Operating income/(loss).....	(3,828)		(151)	(3,677)	2435%	
Nonoperating revenues.....	1,885		77	1,808	2348%	
Income (loss) before transfers.....	(1,943)		(74)	(1,869)	2526%	
Transfers.....	(3)		(4)	1	-25%	
Increase(decrease) in net assets.....	\$ (1,946)		\$ (78)	\$ (1,868)		

During the fiscal year ended June 30, 2009 operating expenses increased by nearly \$4 billion (173 percent), as approximately 68% more unemployment claims were filed during the current fiscal year than during the prior fiscal year. Additionally, extended unemployment claims were 59.1% higher than in the prior fiscal year (14.3 million as compared to 9 million). Due to the current economic recession, the \$4 billion increase includes expenses for normal claims plus supplemental Federal benefit programs passed by Congress, due to the severity of the current economic recession. These programs include Emergency Unemployment Compensation (EUC) (passed in 2008 (Tier I and Tier II) and later extended through 2010). As unemployment rates continued to rise, Pennsylvania offered Extended Benefits (EB) on February 15, 2009. In February 2009 the American Recovery and Reinvestment Act (ARRA) provided additional benefits, authorizing an additional \$25 per week for each claimant. Due to the large number of claims and related benefit claim payments from the UC Trust Fund (over \$100 million per week during the second half of the fiscal year), the UC Trust Fund borrowed from the Federal government, beginning in March 2009.

Drawdown amounts from the UC Trust Fund of \$517 million combined with a year over year decrease in employer assessments of \$181 million represent the majority of the \$360 million (17%) increase in sales and services revenues during the current fiscal year.

Total liabilities increased by \$696 million due to 1) the Federal advance of \$528 million and 2) increases in first-time claim activity for regular UC Claims from \$7.8 million to \$12.7 million per week.

During the fiscal year ended June 30, 2009 total assets decreased by \$1,250 million. This was primarily due to a \$1,376 million decrease in funds available in the Pennsylvania Unemployment Compensation Trust Fund (UC Trust Fund).

State Workers' Insurance Fund (December 31, 2008)

Condensed, comparative, financial statement information for the State Workers' Insurance Fund (SWIF) is as follows (amounts in millions):

Description	2008		2007		Increase (Decrease)	
	Amount	Percent	Amount	Amount	Percent	
Cash and short-term investments.....	\$ 581	25%	\$ 551	\$ 30	5%	
Long-term investments.....	1,624	71%	1,734	(110)	-6%	
Other assets.....	88	4%	108	(20)	-19%	
Total assets.....	2,293	100%	2,393	(100)	-4%	
Securities lending obligations.....	532	23%	465	67	14%	
Unearned revenue.....	100	4%	120	(20)	-17%	
Insurance loss liability.....	1,635	71%	1,691	(56)	-3%	
Other liabilities.....	36	2%	26	10	38%	
Total liabilities.....	2,303	100%	2,302	1	0%	
Net assets.....	\$ (10)	100%	\$ 91	\$ (101)	-111%	
Sales and services.....	\$ 292	105%	\$ 384	\$ (92)	-24%	
Provision for uncollectible accounts.....	(15)	-5%	(19)	4	-21%	
Total operating revenues.....	277	100%	365	(88)	-24%	
Cost of sales and services.....	370	100%	592	(222)	-38%	
Total operating expenses.....	370	100%	592	(222)	-38%	
Operating loss.....	(93)		(227)	134	-59%	
Investment income.....	(4)		140	(144)	-103%	
(Investment expense).....	(4)		(5)	1	-20%	
Net nonoperating revenue.....	(8)		135	(143)	-106%	
Decrease in net assets.....	\$ (101)		\$ (92)	\$ (9)		

During calendar year 2008, reported year over year premium revenues (sales and services) decreased from \$384 million to \$292 million, primarily due to market influences and decreases in policies written. Application statistics show that new applications decreased by 13 percent from 2007 (14,496 vs. 16,607) and renewal applications decreased 6 percent (38,291 vs. 40,722). Private insurance carriers continue to increase their share of the workers compensation market and applications for SWIF coverage are expected to continue to decrease. Cash and short-term investments (excluding a \$67 million increase in securities lending balances) decreased by \$37 million due to a decrease in short-term bonds held at year end 2008 vs. 2007. Long-term investments, notably stocks, decreased by \$110 million as a result of lower market valuations, mainly, and restructuring the investment portfolio to include a higher concentration in fixed income securities (bonds). Other assets include decreases in receivables (resulting from decreased business), offset by an increase in investment sales proceeds receivable. During 2008, SWIF continued to have significant savings in insurance loss liability/reserves as a result of the Compromise and Release Initiative, which enabled SWIF to identify claims that meet requirements for settlement. The initiative increased settled claims from 1,297 in 2007 to 1,590 in 2008. Removing the loss reserves associated with these settled claims reduced the insurance loss liability by \$78.7 million in 2008 and \$52.3 million in 2007. Investment income decreased by \$144 million primarily due to a decrease of \$29 million in realized gains on sales of investments and an increase of \$83 million in unrealized losses.

State Lottery Fund

Condensed, comparative, financial statement information for the State Lottery Fund is as follows (amounts in millions):

Description	2009		2008		Increase (Decrease)	
	Amount	Percent	Amount	Amount	Percent	
Cash and short-term investments.....	\$ 274	85%	\$ 646	\$ (372)	-58%	
Long-term investments.....	5	2%	7	(2)	-29%	
Other assets.....	44	14%	61	(17)	-28%	
Total assets.....	323	100%	714	(391)	-55%	
Accounts payable.....	435	93%	416	19	5%	
Securities lending obligations.....	7	1%	141	(134)	-95%	
Other liabilities.....	26	6%	22	4	18%	
Total liabilities.....	468	100%	579	(111)	-19%	
Net assets.....	\$ (145)	100%	\$ 135	\$ (280)	-207%	
Sales and services.....	\$ 3,088	100%	\$ 3,101	\$ (13)	0%	
Other revenues.....	-	0%	99	(99)	-100%	
Total operating revenues.....	3,088	100%	3,200	(112)	-4%	
Cost of sales and services.....	3,054	96%	3,052	2	0%	
Other expenses.....	119	4%	107	12	11%	
Total operating expenses.....	3,173	100%	3,159	14	0%	
Operating income.....	(85)		41	(126)	-307%	
Nonoperating revenues.....	93		4	89	2225%	
Income before transfers.....	8		45	(37)	-82%	
Transfers in.....	49		100	(51)	-51%	
Transfers out.....	(337)		(358)	21	-6%	
Transfers, net.....	(288)		(258)	(30)	12%	
Decrease in net assets.....	\$ (280)		\$ (213)	\$ (67)		

As of June 30, 2009 the year over year decrease in cash and investments of \$372 million was the result of lower securities lending program balances (\$134 million), combined with lower year over year investment valuations and the result of total expenses and transfers exceeding total revenues and transfers by \$280 million. Also, periodically, investments were sold to meet the current cash flow needs of the State Lottery Fund, and the transfers to other Funds.

Other expenses increased by \$12 million as a result of more individuals applying for and qualifying for Federal assistance.

The current fiscal year transfers from other Funds decreased by \$51 million. Act 1 of Special Session 1 of 2006 authorized \$48.5 million during the current fiscal year to finance the expansion of the Property Tax Rent Rebate (PTRR) program, which was significantly expanded by Act 1 of Special Session 1 of 2006.

The current fiscal year transfers to other Funds decreased by \$21 million. This was primarily due to a \$23.90 million decrease in State Lottery Fund resources needed to support the PACE Program (pharmaceutical benefits for the elderly) Fund due to decreases in both utilization and number of enrollees. Also, as a result of Act 44 of 2007, the Public Transportation Trust Fund (PTTF) was established to provide additional funding for public transportation in the Commonwealth. A portion of PTTF funding was provided by the State Lottery Fund to finance expenditures associated with the *Shared Ride* and *Free Transit* programs for older Pennsylvanians. During the current fiscal year \$82.1 million was transferred to PTTF, which was an increase of \$2.1 million. The funding was ultimately disbursed as grants to public transit agencies.

Tuition Payment Fund

Condensed, comparative, financial statement information for the Tuition Payment Fund is as follows (amounts in millions):

Description	2009		2008		Increase (Decrease)	
	Amount	Percent	Amount	Amount	Percent	
Cash and short-term investments.....	\$ 347	28%	\$ 428	\$ (81)	-19%	
Long-term investments.....	905	72%	1,050	(145)	-14%	
Other assets.....	8	1%	15	(7)	-47%	
Total assets.....	1,260	100%	1,493	(233)	-16%	
Securities lending obligations.....	198	13%	238	(40)	-17%	
Tuition benefits payable.....	1,269	86%	1,322	(53)	-4%	
Other liabilities.....	17	1%	7	10	143%	
Total liabilities.....	1,484	100%	1,567	(83)	-5%	
Net assets.....	\$ (224)	100%	\$ (74)	\$ (150)	-203%	
Sales and services.....	154	100%	138	16	12%	
Total operating revenues.....	154	100%	138	16	12%	
Cost of sales and services.....	96	100%	220	(124)	-56%	
Total operating expenses.....	96	100%	220	(124)	-56%	
Operating loss.....	58		(82)	140	-171%	
Nonoperating revenues.....	(208)		(50)	(158)	316%	
Increase(decrease) in net assets.....	\$ (150)		\$ (132)	\$ (18)		

Current fiscal year operating revenues increased by \$15.5 million over prior fiscal year operating revenues due primarily to increases in tuition credit purchases of \$15.6 million, based on successful marketing efforts. Current fiscal year operating expenses were \$123.9 million less than prior fiscal year operating expenses, almost entirely due to a year-over-year decrease in tuition benefit expenses of \$122.4 million. Actual payments to educational institutions increased by \$21.6 million, to \$135.4 million, during the current fiscal year as 12,913 beneficiaries used 303,945 credits in the current fiscal year versus 11,490 beneficiaries using 270,448 credits during the prior fiscal year. Net investment income, reported as a component of nonoperating revenues, decreased by \$157.4 million from the prior fiscal year primarily because of lower investment valuations at June 30, 2009 versus June 30, 2008 and lower investment income earned on debt securities due to lower interest rates during the current fiscal year.

Capital asset activity during the fiscal year ended June 30, 2009

Throughout the fiscal year, Commonwealth agencies acquire or construct capital assets. In governmental fund financial statements, expenditures for capital assets are typically reported as capital outlay. Funding for a significant portion of capital asset acquisition is provided by proceeds of general obligation bonds issued; such proceeds are generally accounted for in the capital projects funds in the governmental fund financial statements as an other financing source. In the government-wide statements, bond proceeds are reported as additions to long-term bond liabilities and completed project expenditures and construction in progress at fiscal year end are reported as part of general capital assets. Construction in progress for Department of General Services (public works) and Department of Transportation (highway and bridge) projects at June 30, 2009 amounted to \$0.8 and \$2.1 billion, respectively. Authorized but unissued general obligation bonds at June 30, 2009 totaled \$76.7 billion.

General capital assets of the Commonwealth are those used in the performance of specific governmental functions during more than one fiscal year. Capital assets of the proprietary funds are reported in both proprietary fund financial statements and in government-wide financial statements. Fiduciary fund capital assets are reported in fiduciary fund financial statements; fiduciary funds are not included in government-wide statements. General capital assets as of June 30, 2009 amounted to \$26.7 billion at actual or estimated historical cost, net of accumulated depreciation of \$14.7 billion. In the government-wide statements, depreciation expense for all capital assets is reported to recognize the cost of "using up" capital assets over their estimated useful lives. This treatment differs from reporting capital outlay as 'current expenditures' by governmental fund types. Highway and bridge infrastructure assets are typically funded with Motor License Fund taxes, license and registration fees and Federal revenues. The Motor License Fund reports transportation and capital outlay expenditures in its financial statements; a portion of such expenditures is reported as additions to capital assets in

government-wide financial statements. Depreciation of highway and bridge infrastructure assets is not related to the quality or relative value of these assets; rather, it is a specific accounting treatment to recognize the cost of “using up” the assets over long periods of time (25 years for highways and 50 years for bridges.) Depreciation is an allocation of an asset’s cost over its estimated useful life and is reported in the government-wide financial statements. Note E to the financial statements provides more information on capital asset activities during the fiscal year ended June 30, 2009.

Long-term debt activity during the fiscal year ended June 30, 2009

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, 2009 was \$56.1 billion. Outstanding capital project debt at August 31, 2009 amounted to \$7.5 billion, for a remaining legal debt margin of \$48.6 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, water facilities restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

Total general obligation bond indebtedness outstanding at June 30, 2009 was \$9.150 billion. Total debt service fund transfers paid from General Fund and Motor License Fund appropriations to make principal and interest payments to bondholders during the fiscal year ended June 30, 2009 amounted to \$904.5 million and \$37.9 million, respectively. The table that follows shows total outstanding long-term indebtedness for general obligation bonds at the end of the eight most recent fiscal years (expressed in billions).

<u>At June 30</u>	<u>Outstanding Bond Indebtedness</u>
2002	\$ 6.072
2003	7.031
2004	7.225
2005	7.151
2006	7.658
2007	8.246
2008	8.632
2009	9.150

Note K to the financial statements provides more specific details on long-term debt balances and activity during the fiscal year ended June 30, 2009.

Debt administration – fiscal year ending June 30, 2010

During the fiscal year ending June 30, 2010, the Office of the Budget currently plans general obligation bond issuances, excluding refundings, amounting to \$1,933 million, an increase of \$869 million as compared to actual bond issuances of \$1,064 million, excluding refundings, during the fiscal year ended June 30, 2009. This plan reflects the need to make continued investments in the Commonwealth’s capital infrastructure, local capital projects and mass transportation. Additionally, a significant portion of the projected issuances for the 2010 fiscal year is attributable to the construction of three new prisons, each containing 2,000 plus beds, as well as the ongoing expansion of the Pennsylvania Convention Center in Philadelphia. Debt principal retirements of \$626.1 million are currently planned for the fiscal year ending June 30, 2010.

The Commonwealth continues to evaluate refunding opportunities for its outstanding bonds to reduce interest costs. During the fiscal year ended June 30, 2009, the Commonwealth closed one refunding issue that refunded \$154.4 million of outstanding bonds and will produce \$8.0 million of interest savings over the remaining life of those bonds. On September 1, 2009, the Commonwealth closed a refunding issue that refunded \$712.1 million of outstanding bonds and will produce \$31.5 million of interest savings. As market conditions provide additional opportunities, the Commonwealth may pursue additional refundings.

In addition to general obligation bonds, the Commonwealth may issue tax anticipation notes to meet operating cash needs during certain months of the fiscal year. Tax anticipation notes may be issued only for the General Fund and the Motor License Fund. They may not exceed 20 percent of the funds' estimated revenues for the fiscal year and must mature during the fiscal year in which they were issued. Cash shortages may occur during the fiscal year because tax receipts, unlike cash disbursements, are concentrated in the last four months of the fiscal year. The Commonwealth has not issued tax anticipation notes during the past eleven fiscal years but did issue \$800 million of such notes for the General Fund during December 2009. This amount is in addition to the \$650 million the General Fund borrowed from the Motor License Fund for cash flow purposes in October 2009. The General Fund must repay the Motor License Fund within eight months of the date of the loan.

There were no changes in credit ratings, and there were no debt limitations, restrictions or commitments during the fiscal year ended June 30, 2009 that may affect the Commonwealth's plans during the fiscal year ending June 30, 2010.

American Recovery and Reinvestment Act of 2009 (ARRA)

In February 2009, the Federal American Recovery and Reinvestment Act of 2009 (ARRA) was passed and signed into law. Among other things, the ARRA increased Federal participation in specific, targeted programs to increase economic growth and create new jobs. Through June 30, 2009, the ARRA, also known as the 'Recovery Act' and 'Federal Stimulus', financed over \$1.2 billion of qualifying Commonwealth program costs since the enactment date of February 17, 2009. Of the \$1.2 billion in stimulus funding, in the General Fund, \$957 million was attributable to higher Federal Medical Assistance Percentage medical assistance and nearly \$6 million funded higher Child Support Enforcement; in the Unemployment Compensation Fund, \$190 million and nearly \$42 million, respectively, funded larger and extended unemployment benefit payments to claimants; in the Motor License Fund, \$9 million funded highway and bridge rehabilitation projects; and funded over \$3.8 million in other programs. Also, as of June 30, 2009 nearly \$385 million was committed for future expenditure, primarily for highway and bridge projects (\$307.4 million) and job training/youth employment programs (\$71.9 million).

General Fund fiscal year 2009-2010 budget

The adopted General Fund budget for the fiscal year ending June 30, 2010 provides appropriations totaling \$25.2 billion of state (excluding Federal) funds with estimated revenues, net of tax refunds, of \$27.6 billion. \$2.0 billion of the \$2.4 billion difference between estimated revenues and budgeted appropriations will finance the beginning (July 1, 2009) budgetary fund deficit.

The General Fund's fiscal year 2010 enacted budget decreases state General Fund expenditures by \$1.9 billion, or 7.0 percent. When \$2.6 billion in Federal American Recovery and Reinvestment Act (ARRA) funds that offset General Fund expenditures are included, the 2010 enacted budget expenditures are decreased by \$524 million or 1.8 percent. Major state General Fund expenditure decreases include public welfare funding of \$698.5 million or 7.4 percent, education funding of \$630.5 million, or 5.4 percent and community and economic development at \$302.7 million or 53.3 percent. The decreases in state expenditures for public welfare and education were primarily due to the availability ARRA stimulus funding.

In public welfare, medical assistance state funding decreased by \$640.8 million or 15.7 percent and long term living state funding, including both institutional and community-based services, decreased by \$87.9 million or 10.6 percent. ARRA Enhanced Medical Assistance funding is estimated to provide an 11 percent increase to the regular Federal medical assistance percentage. Offsetting these decreases were increases in mental health funding, including institutional and community-based services, of \$20.8 million or 2.9 percent and cash assistance and supplemental security income funding increases of \$27 million or 6.8 percent

In education, the state Basic Education funding appropriation is decreased by \$354.8 million or 6.8 percent. An additional \$654.7 million from the ARRA State Fiscal Stabilization Fund is provided for Basic Education funding, resulting in a net increase of \$300 million or 5.7 percent. The Pre-K Counts program to expand early learning opportunities remains funded at \$86.4 million.

The Cover All Kids program, providing the fourth year of expanded access to affordable health care for uninsured children, funds an enrollment increase of 8 percent at a cost increase of \$10.2 million.

Funding for administration of state government maintains efficient and effective operations while continuing to reduce the cost of running state government with administrative costs totaling 9 percent less than the fiscal year 2002-2003 costs. Cost reductions in the General Fund include the elimination of 142 of 657 appropriation line items from the 2008-2009 fiscal year's budget and reductions to another 360 appropriation line items.

In addition to several actions taken during the fiscal year ended June 30, 2009 to reduce General Fund expenditures (including directing agencies to reduce overall expenditures by 4.25 percent, refraining agencies from purchasing non-essential goods or services, implementing a general hiring freeze, banning the purchase of new and replacement vehicles and freezing management and non-union salaries), actions taken during the fiscal year ending June 30, 2010 include reducing agency abilities to expend funds appropriated.

Fiscal Code amendments during fiscal year 2009-2010

Act 50 of 2009, signed October 9, 2009 includes annual amendments to the Fiscal Code that include General Fund budget implementation language as well as a number of inter fund transfers. Given the delay in enacting the fiscal year 2009-2010 budget, the number of bills that were enacted during budget negotiations was reduced so far during this fiscal year. Most items of a fiscal or economic nature were included in the Fiscal Code amendments. These amendments include authorization to issue bonds for funding the Water and Sewer Systems Assistance Act and the PA H2O Act. Both of these programs were enacted during the fiscal year ended June 30, 2009 but additional language was needed to allow the Commonwealth and the Commonwealth Financing Authority to issue bonds to fund these programs. Also included in the Fiscal Code amendments are the school funding formulas for basic education and special education subsidies. The Fiscal Code amendments provided for certain revenues needed to balance the fiscal year 2009-2010 General Fund budget and a number of fund transfers. Such transfers include: the balance in the Budget Stabilization Reserve Fund and certain restricted revenues and other balances such as Health Care Provider Retention Account, which are all financially reported as part of the General Fund. In addition, from non-General Fund sources, legislation provides for the following amounts:

	<u>Amount</u>
Oil and Gas Lease Fund.....	\$ 203,000
Tobacco Settlement Fund.....	167,673
Medical Care Availability and Reduction of Error Fund.....	144,000
State Stores Fund.....	105,000
Keystone Recreation, Park and Conservation Fund.....	18,853
PA Higher Education Assistance Agency.....	<u>11,284</u>
Total.....	<u>\$ 649,810</u>

General Fund fiscal year 2009-2010 revenue collections

For the six months ended December 31, 2009 General Fund revenue collections amounted to \$12,406.2 million, which were \$254.2 million, or 2.0 percent, below the Official Revenue Estimate of \$12,660.4 million for the six-month period. Fiscal year-to-date revenue collections were over \$1,248.5 million more than prior fiscal year revenues collected during the same period (\$11,157.7 million), an increase of 11.2 percent. The Revenue Department's December 2009 Monthly Revenue Report is available at http://www.portal.state.pa.us/portal/server.pt/community/monthly_revenue_reports/14801.

Management's discussion and analysis is intended to enhance the reader's understanding of the basic financial statements, which immediately follow. This supplementary information should be read in conjunction with the government-wide financial statements, the fund financial statements and the notes to financial statements.

Basic Financial Statements



Pittsburgh Public Theater Allegheny County

Government-Wide Financial Statements



Fort Roberdeau
Blair County

Commonwealth of Pennsylvania

Statement of Net Assets

June 30, 2009

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets:				
Cash—Note D.....	\$ 221,309	\$ 66,311	\$ 287,620	\$ 1,929,062
Cash with fiscal agents.....	-	345,793	345,793	-
Temporary investments—Note D.....	9,110,845	1,632,711	10,743,556	1,604,685
Receivables (net):				
Taxes—Note G.....	2,437,740	-	2,437,740	-
Unemployment assessments.....	-	442,450	442,450	-
Accounts.....	738,698	194,717	933,415	138,909
Accrued interest.....	12,638	51,892	64,530	177,353
Loans—Note G.....	5,468	54,442	59,910	1,445,718
Lease rentals—Note G.....	553	-	553	4,458
Investment sale proceeds.....	14,939	4,550	19,489	-
Other.....	38,885	13	38,898	384,584
Due from pension trust funds—Note H.....	4,741	12	4,753	-
Due from primary government—Note H.....	-	-	-	11,288
Due from component units—Note H.....	8,069	845	8,914	100
Due from Federal government.....	2,318,981	97,156	2,416,137	54,430
Due from political subdivisions.....	9,952	13,934	23,886	-
Due from other governments.....	62	70,099	70,161	48
Inventory.....	107,306	208,810	316,116	33,998
Prepaid and deferred expenses.....	-	1,866	1,866	14,352
Other assets.....	9,038	17,049	26,087	164,938
Total current assets.....	<u>15,039,224</u>	<u>3,202,650</u>	<u>18,241,874</u>	<u>5,963,923</u>
Noncurrent assets:				
Long-term investments—Note D.....	1,034,556	2,533,645	3,568,201	1,605,529
Receivables (net):				
Taxes—Note G.....	1,178,023	-	1,178,023	-
Accrued interest.....	-	-	-	30,362
Loans—Note G.....	87,557	261,758	349,315	16,629,011
Lease rentals—Note G.....	-	-	-	1,427
Due from component units—Note H.....	83,708	-	83,708	-
Non-depreciable capital assets—Note E:				
Land.....	2,269,871	323	2,270,194	288,769
Construction in progress.....	2,834,994	2,141	2,837,135	1,576,950
Depreciable capital assets—Note E:				
Land improvements.....	541,392	-	541,392	259,997
Buildings and building improvements.....	5,932,699	45,021	5,977,720	2,989,043
Machinery and equipment.....	955,675	120,951	1,076,626	879,318
Turnpike infrastructure.....	-	-	-	5,199,598
Highway infrastructure.....	20,582,027	-	20,582,027	-
Bridge infrastructure.....	8,315,048	-	8,315,048	-
Waterway infrastructure.....	22,058	-	22,058	-
Infrastructure-other.....	112,374	-	112,374	-
Library books.....	-	-	-	84,036
Other capital assets.....	-	-	-	54,579
Less: accumulated depreciation.....	(14,823,424)	(89,875)	(14,913,299)	(4,900,562)
Net depreciable capital assets.....	<u>21,637,849</u>	<u>76,097</u>	<u>21,713,946</u>	<u>4,566,009</u>
Other assets.....	-	-	-	234,627
Total non-current assets.....	<u>29,126,558</u>	<u>2,873,964</u>	<u>32,000,522</u>	<u>24,932,684</u>
TOTAL ASSETS.....	<u>\$ 44,165,782</u>	<u>\$ 6,076,614</u>	<u>\$ 50,242,396</u>	<u>\$ 30,896,607</u>

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania

Statement of Net Assets

June 30, 2009

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities.....	\$ 5,982,352	\$ 873,015	\$ 6,855,367	\$ 443,030
Investment purchases payable.....	29,228	14,234	43,462	-
Tax refunds payable.....	755,881	-	755,881	-
Tuition benefits payable—Note F.....	-	197,969	197,969	-
Securities lending obligations.....	638,259	790,826	1,429,085	77,566
Internal balances—Note H.....	(112,317)	111,667	(650)	-
Due to pension trust funds—Note H.....	13,079	265	13,344	-
Due to primary government—Note H.....	-	-	-	7,118
Due to component units—Note H.....	11,005	-	11,005	100
Due to political subdivisions.....	1,106,278	5,182	1,111,460	-
Due to other governments.....	32,464	545,453	577,917	2
Interest payable.....	153,034	-	153,034	167,562
Unearned revenue.....	46,668	114,147	160,815	104,438
Notes payable—Note J.....	-	-	-	726,412
General obligation bonds payable—Note K.....	626,090	-	626,090	-
Bonds payable—Note K.....	-	-	-	38,255
Revenue bonds payable—Note K.....	-	-	-	925,918
Self insurance liabilities—Note M.....	142,753	5,020	147,773	2,317
Compensated absence liability—Notes F, K.....	93,560	4,517	98,077	21,927
Insurance loss liability—Note F.....	-	316,308	316,308	-
Other financing obligations—Note J.....	1,000	-	1,000	84,247
Pollution remediation obligations—Note K.....	26,077	-	26,077	-
Other liabilities—Note K.....	104,543	21,084	125,627	372,875
Total current liabilities.....	<u>9,649,954</u>	<u>2,999,687</u>	<u>12,649,641</u>	<u>2,971,767</u>
Noncurrent liabilities:				
Tuition benefits payable—Note F.....	-	1,070,880	1,070,880	-
Due to primary government—Note H.....	-	-	-	83,708
Unearned revenue.....	-	-	-	4,284
Demand revenue bonds payable—Note J.....	-	-	-	8,535,124
Insurance loss liability—Note F.....	-	1,319,559	1,319,559	-
Notes payable—Note J.....	-	-	-	2,286,206
General obligation bonds payable—Note K.....	8,524,272	-	8,524,272	-
Bonds payable—Note K.....	-	-	-	701,425
Revenue bonds payable—Note K.....	-	-	-	10,018,101
Capital lease/installment purchase obligations—Note K.....	36,730	-	36,730	-
Other financing obligations—Note J.....	66,500	-	66,500	190,609
Compensated absence liability—Note F, K.....	664,067	32,210	696,277	112,428
Self insurance liabilities—Note M.....	617,356	21,639	638,995	24,468
Other postemployment benefit obligations—Note I.....	506,349	16,121	522,470	663,756
Pollution remediation obligations—Note K.....	248,026	-	248,026	-
Other liabilities—Note K.....	612,635	-	612,635	425,749
Total non-current liabilities.....	<u>11,275,935</u>	<u>2,460,409</u>	<u>13,736,344</u>	<u>23,045,858</u>
TOTAL LIABILITIES.....	<u>20,925,889</u>	<u>5,460,096</u>	<u>26,385,985</u>	<u>26,017,625</u>
NET ASSETS—Note C				
Invested in capital assets, net of related debt.....	22,821,832	78,561	22,900,393	1,980,363
Restricted for:				
Smoking cessation and other health-related programs.....	1,291,318	1,059	1,292,377	3,569
Transportation.....	1,342,189	103,652	1,445,841	-
Capital projects.....	-	-	-	2,322,959
Debt service.....	16,834	-	16,834	476,192
Unemployment/worker's compensation.....	125,515	342,098	467,613	-
Elderly programs.....	62,183	-	62,183	-
Environmental and conservation programs.....	529,274	-	529,274	-
Economic development.....	23,576	283,012	306,588	81,976
Gaming licensing/regulation.....	917,466	-	917,466	-
Correctional industries and procurement.....	37,701	-	37,701	-
Emergency support.....	57,324	134,685	192,009	-
Higher education.....	8,985	-	8,985	432,796
Other purposes.....	58,842	76,573	135,415	557,944
Deficit.....	(4,053,146)	(403,122)	(4,456,268)	(976,817)
TOTAL NET ASSETS.....	<u>\$ 23,239,893</u>	<u>\$ 616,518</u>	<u>\$ 23,856,411</u>	<u>\$ 4,878,982</u>

Commonwealth of Pennsylvania

Statement of Activities

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Direction and supportive services.....	\$ 1,492,541	\$ 74,320	\$ 37,397	\$ -	\$ (1,380,824)	\$ -	\$ (1,380,824)	\$ -
Protection of persons and property.....	5,480,770	1,083,889	774,070	36,452	(3,586,359)	-	(3,586,359)	-
Public education.....	14,045,890	15,756	1,740,921	-	(12,289,213)	-	(12,289,213)	-
Health and human services.....	26,615,566	1,559,638	14,844,699	-	(10,211,229)	-	(10,211,229)	-
Economic development.....	1,614,214	15,553	541,441	-	(1,057,220)	-	(1,057,220)	-
Transportation.....	4,278,022	944,486	2,384,682	10,778	(938,076)	-	(938,076)	-
Recreation and cultural enrichment.....	602,365	312,287	47,006	90	(242,982)	-	(242,982)	-
Interest.....	382,065	-	-	-	(382,065)	-	(382,065)	-
Total governmental activities.....	54,511,433	4,005,929	20,370,216	47,320	(30,087,968)	-	(30,087,968)	-
Business-type activities:								
State lottery.....	3,173,322	3,088,231	92,890	-	-	7,799	7,799	-
State workers' insurance.....	388,424	291,677	(3,686)	-	-	(100,433)	(100,433)	-
Tuition payment.....	100,028	153,892	(204,255)	-	-	(150,391)	(150,391)	-
Unemployment compensation.....	6,250,213	2,423,125	1,884,732	-	-	(1,942,356)	(1,942,356)	-
Liquor control.....	1,437,168	1,507,512	(2,598)	-	-	67,746	67,746	-
Economic development and other.....	14,171	19,067	(6,259)	-	-	(1,363)	(1,363)	-
Total business-type activities.....	11,363,326	7,483,504	1,760,824	-	-	(2,118,998)	(2,118,998)	-
Total primary government.....	<u>\$ 65,874,759</u>	<u>\$ 11,489,433</u>	<u>\$ 22,131,040</u>	<u>\$ 47,320</u>	<u>(30,087,968)</u>	<u>(2,118,998)</u>	<u>(32,206,966)</u>	<u>-</u>
Component units:								
Total component units.....	<u>\$ 5,771,097</u>	<u>\$ 2,703,958</u>	<u>\$ 2,002,651</u>	<u>\$ 171,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(892,807)</u>
General revenues:								
Taxes:								
Personal income.....					9,553,538	-	9,553,538	-
Sales and use.....					8,417,292	-	8,417,292	-
Corporation.....					4,209,705	-	4,209,705	-
Liquid fuels and motor carriers.....					1,975,678	-	1,975,678	57,379
Gaming.....					999,247	-	999,247	-
Inheritance.....					733,405	-	733,405	-
Cigarette.....					1,000,987	-	1,000,987	-
Real estate.....					348,003	-	348,003	-
Other.....					492,420	-	492,420	-
Total taxes.....					<u>27,730,275</u>	<u>-</u>	<u>27,730,275</u>	<u>57,379</u>
Investment income.....					(137,831)	-	(137,831)	-
Total general revenues.....					<u>27,592,444</u>	<u>-</u>	<u>27,592,444</u>	<u>57,379</u>
Transfers—Note H.....					430,398	(430,398)	-	-
Net general revenues and transfers.....					<u>28,022,842</u>	<u>(430,398)</u>	<u>27,592,444</u>	<u>57,379</u>
Change in net assets.....					(2,065,126)	(2,549,396)	(4,614,522)	(835,428)
Net assets, July 1, 2008 (restated)—Note B.....					<u>25,305,019</u>	<u>3,165,914</u>	<u>28,470,933</u>	<u>5,714,410</u>
Net assets, June 30, 2009—Note C.....					<u>\$ 23,239,893</u>	<u>\$ 616,518</u>	<u>\$ 23,856,411</u>	<u>\$ 4,878,982</u>

- The notes to the financial statements are an integral part of this statement. -

Fund Financial Statements



Speed Boat Racing Huntingdon County

Commonwealth of Pennsylvania

Balance Sheet

Governmental Funds

June 30, 2009

(Amounts in thousands)

	General Fund	Motor License Fund	Tobacco Settlement Fund	Nonmajor Funds	Total
ASSETS					
Assets:					
Cash—Note D.....	\$ 179,986	\$ 948	\$ 259	\$ 28,002	\$ 209,195
Temporary investments—Note D.....	3,221,445	1,990,776	655,120	3,202,041	9,069,382
Long-term investments—Note D.....	-	-	601,677	432,879	1,034,556
Receivables, net:					
Taxes—Note G.....	3,424,298	168,965	-	22,500	3,615,763
Accounts.....	90,426	22,365	251,413	32,084	396,288
Accrued interest.....	2,147	139	4,105	6,239	12,630
Loans—Note G.....	9,924	-	-	83,100	93,024
Lease rentals—Note G.....	-	-	-	553	553
Investment sale proceeds.....	-	-	7,419	7,520	14,939
Other.....	-	15,744	-	23,141	38,885
Due from other funds—Note H.....	65,286	22,196	27,019	94,756	209,257
Due from pension trust funds—Note H.....	1,329	150	-	-	1,479
Due from component units—Note H.....	1,559	-	-	1,803	3,362
Due from Federal government.....	2,170,686	180,062	63,929	26,318	2,440,995
Due from political subdivisions.....	8,023	782	-	1,146	9,951
Due from other governments.....	3	-	-	-	3
Advances to other funds—Note H.....	139,108	-	-	3,000	142,108
Other assets.....	3,000	-	-	-	3,000
TOTAL ASSETS.....	\$ 9,317,220	\$ 2,402,127	\$ 1,610,941	\$ 3,965,082	\$ 17,295,370
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities.....	\$ 4,748,758	\$ 522,845	\$ 151,756	\$ 493,353	\$ 5,916,712
Investment purchases payable.....	-	-	26,197	3,031	29,228
Tax refunds payable.....	753,862	2,019	-	-	755,881
Securities lending obligations.....	20,100	257,738	106,271	249,715	633,824
Due to other funds—Note H.....	147,695	24,824	41,802	20,911	235,232
Due to component units—Note H.....	3,081	7,631	-	293	11,005
Due to pension trust funds.....	10,565	2,245	-	240	13,050
Due to political subdivisions.....	924,060	49,676	6,136	126,406	1,106,278
Due to other governments.....	14,134	17,778	1	495	32,408
Unearned revenue.....	2,108,937	4,064	251,413	23,131	2,387,545
Advances from other funds—Note H.....	67,500	3,575	-	10,333	81,408
Other liabilities.....	3,350	-	-	-	3,350
TOTAL LIABILITIES.....	8,802,042	892,395	583,576	927,908	11,205,921
Fund balances:					
Reserved for:					
Encumbrances.....	785,864	652,352	149	1,432,894	2,871,259
Advances—Note C.....	139,108	-	-	3,000	142,108
Loans receivable.....	9,924	-	-	83,100	93,024
Budget Stabilization Reserve Fund.....	745,949	-	-	-	745,949
Other—Note C.....	1,375,432	10,225	664,156	242,332	2,292,145
Unreserved:					
Designated for, reported in:					
Highways.....	-	700,018	-	-	700,018
Special Revenue funds.....	-	-	-	8,666	8,666
Debt Service funds.....	-	-	-	16,834	16,834
Capital Projects funds.....	-	-	-	33,527	33,527
Undesignated (deficit)-reported in:					
General Fund.....	(2,541,099)	-	-	-	(2,541,099)
Special Revenue Funds.....	-	147,137	363,060	1,938,186	2,448,383
Capital Projects Funds.....	-	-	-	(721,365)	(721,365)
TOTAL FUND BALANCES.....	515,178	1,509,732	1,027,365	3,037,174	6,089,449
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 9,317,220	\$ 2,402,127	\$ 1,610,941	\$ 3,965,082	\$ 17,295,370

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Assets
June 30, 2009

(Amounts in thousands)

The governmental funds balance sheet reports total fund balance for all governmental funds. In the governmental activities column in the Statement of Net Assets, amounts are reported for all governmental funds and are adjusted to account for specific items that are treated differently on the Statement of Net Assets than on the governmental funds balance sheet. Under the modified accrual basis of accounting, numerous governmental assets are not reported because they may not be "available," (that is, they are not current financial resources) and, similarly, numerous governmental liabilities are not reported because they are not due and payable until after fiscal year end. The following reconciliation begins with total governmental funds fund balance and ends with total net assets for governmental activities. It includes all of the adjustments made to "convert" governmental fund information in the fund financial statements to governmental activities information in the Statement of Net Assets.

Total Fund Balances--Governmental Funds..... \$ 6,089,449

General capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds balance sheet. (Refer to Note E.)

These assets consist of:

Land.....	\$ 2,269,865	
Land improvements.....	541,210	
Buildings and building improvements.....	5,926,593	
Machinery and equipment.....	859,169	
Infrastructure.....	29,031,507	
Construction in progress.....	2,834,994	
Accumulated depreciation.....	<u>(14,758,328)</u>	
Net general capital assets.....		26,705,010

Certain revenues are earned but not available at fiscal year-end and therefore are reported as unearned revenues in the governmental funds balance sheet 2,340,877

Certain receivables are not reported as governmental fund assets because they are not collected during the availability period under the modified accrual basis of accounting..... 314,187

Internal service funds are proprietary in nature and charge the costs of certain goods and services to governmental funds. Therefore, the assets and liabilities of the internal service funds are included in the Statement of Net Assets as governmental activities 75,167

The Statement of Net Assets includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources..... 95,285

Certain general long-term liabilities are not due and payable at fiscal year-end and therefore are not reported in the governmental funds balance sheet. (Refer to Note K.)
 These liabilities are:

Bonds payable.....	\$ (9,150,362)	
Accrued bond interest payable.....	(153,034)	
Capital lease and installment purchase obligations.....	(36,492)	
Compensated absence liability.....	(755,481)	
Self-insurance liabilities.....	(758,182)	
Other liabilities.....	<u>(1,526,531)</u>	
		<u>(12,380,082)</u>

Total Net Assets--Governmental Activities..... \$ 23,239,893

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	General Fund	Motor License Fund	Tobacco Settlement Fund	Nonmajor Funds	Total
REVENUES:					
Taxes, net of refunds.....	\$ 24,117,729	\$ 1,975,678	\$ -	\$ 1,679,703	\$ 27,773,110
Licenses and fees.....	385,330	874,711	-	414,763	1,674,804
Intergovernmental.....	17,897,156	2,062,260	159,331	501,101	20,619,848
Charges for sales and services.....	1,191,920	113,847	-	291,984	1,597,751
Investment income.....	(135,806)	(41,324)	(109,527)	(19,867)	(306,524)
Lease rental principal and interest.....	-	-	-	99	99
Interest on notes and loans.....	1,450	-	-	1,614	3,064
Other.....	155,819	2,898	521,421	32,124	712,262
TOTAL REVENUES	43,613,598	4,988,070	571,225	2,901,521	52,074,414
EXPENDITURES:					
Current:					
Direction and supportive services.....	781,581	71,167	-	522,651	1,375,399
Protection of persons and property.....	3,897,371	638,844	165,126	468,036	5,169,377
Health and human services.....	25,687,548	-	510,625	351,617	26,549,790
Public education.....	13,340,204	806	-	678,460	14,019,470
Recreation and cultural enrichment.....	341,283	1,390	-	227,504	570,177
Economic development.....	1,115,359	-	9,349	480,805	1,605,513
Transportation.....	48,969	2,105,489	-	1,167,189	3,321,647
Capital outlay.....	34,551	2,217,691	-	560,546	2,812,788
Debt service:					
Principal retirement.....	-	-	-	598,850	598,850
Interest and fiscal charges.....	144	-	-	402,509	402,653
TOTAL EXPENDITURES	45,247,010	5,035,387	685,100	5,458,167	56,425,664
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,633,412)	(47,317)	(113,875)	(2,556,646)	(4,351,250)
OTHER FINANCING SOURCES (USES):					
Bonds issued.....	-	-	-	1,064,103	1,064,103
Refunding bonds issued.....	-	-	-	155,642	155,642
Premium on bonds/refunding bonds issued.....	-	-	-	88,921	88,921
Transfers in—Note H.....	189,329	-	12,000	1,492,014	1,693,343
Transfers out—Note H.....	(1,018,478)	(39,530)	(28,492)	(171,445)	(1,257,945)
Payment to refunded bond escrow agent.....	-	-	-	(166,978)	(166,978)
Capital lease and installment purchase obligations.....	3,638	-	-	-	3,638
NET OTHER FINANCING SOURCES (USES)	(825,511)	(39,530)	(16,492)	2,462,257	1,580,724
NET CHANGE IN FUND BALANCES	(2,458,923)	(86,847)	(130,367)	(94,389)	(2,770,526)
FUND BALANCES, JULY 1, 2008 (RESTATED)—NOTE B..	2,974,101	1,596,579	1,157,732	3,131,563	8,859,975
FUND BALANCES, JUNE 30, 2009	\$ 515,178	\$ 1,509,732	\$ 1,027,365	\$ 3,037,174	\$ 6,089,449

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statements of Activities

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

The governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances reports events and activities that affect, on a current financial resources basis, fund balance changes during the fiscal year. The governmental activities column on the government-wide Statement of Activities conveys information on an economic basis. In effect, the government-wide statement demonstrates all expenses and revenues related to the operation of the government for the fiscal year ended June 30, 2009. Expenses such as depreciation and certain claims and judgments and revenues that may not be collected for several months after fiscal-year end are included in the government-wide statement but are not included in the governmental funds statement. This reconciliation reports all economic events during the fiscal year that appear on the government-wide Statement of Activities but are not included in the governmental funds statement.

Net change in total fund balances of governmental funds..... \$ (2,770,526)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds; however, in the government-wide statements capital outlays are reported as increases in capital assets (not expenses) and the cost of general capital assets is allocated over their estimated useful lives and reported as depreciation expense. All depreciation is reported as part of functional program expenses. (Refer to Note E) The current amounts were:

Capital asset acquisitions	\$ 2,764,195	
Depreciation expense.....	(1,129,168)	
Capital lease, installment purchase and related payments.....	<u>4,792</u>	
Net excess of capital asset additions/installment purchase payments over depreciation expense.....		1,639,819

Bond proceeds provide current financial resources to governmental funds; however, issuing bonds increases general long-term liabilities in the statement of net assets. During the current fiscal year, proceeds were received from:

General obligation bonds, including a premium of \$77,585.....	\$ (1,141,688)	
Refunding bonds, including a premium of \$11,336.....	<u>(166,978)</u>	
Total bond proceeds		(1,308,666)

Repayment of general long-term liabilities is reported as an expenditure in governmental funds, but the repayment reduces general long-term liabilities in the statement of net assets. During the current fiscal year, these amounts consisted of:

Bond principal retirement.....	\$ 598,850	
Payments to refunded bond escrow agent.....	<u>166,978</u>	
Total long-term debt repayment.....		765,828

Internal service funds charge the costs of certain goods and services to individual funds. The net loss of the internal service funds is reported as part of governmental activities expenses..... (13,360)

Certain tax and other revenues due by fiscal year end will not be collected for several months or years after fiscal year end; they are not considered available revenues in the governmental funds, but they are reported as revenues in the statement of activities..... 224,745

Certain expense adjustments are reported in the statement of activities because they are due and payable and are funded with future economic resources rather than current available financial resources..... (602,966)

Net change in governmental net assets in the statement of activities..... \$ (2,065,126)

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania

Statement of Net Assets

Proprietary Funds

June 30, 2009

(Amounts in thousands)

	Enterprise Funds						
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2008)	State Lottery Fund	Tuition Payment Fund	Nonmajor Funds	Total	Internal Service Funds
ASSETS							
Current assets:							
Cash-Note D.....	\$ 19,488	\$ 4,712	\$ 21,706	\$ 2,283	\$ 18,122	\$ 66,311	\$ 12,114
Cash with fiscal agents.....	345,793	-	-	-	-	345,793	-
Temporary investments—Note D.....	4,265	575,922	251,806	344,278	456,440	1,632,711	41,463
Receivables (net):							
Unemployment assessments.....	442,450	-	-	-	-	442,450	-
Accounts.....	105,504	74,163	12,888	-	2,162	194,717	381
Accrued interest.....	36,512	11,497	78	3,643	162	51,892	8
Loans—Note G.....	-	-	-	-	54,442	54,442	-
Investment sale proceeds.....	-	-	-	4,550	-	4,550	-
Other.....	-	-	13	-	-	13	-
Due from other funds—Note H.....	5,676	-	-	-	2,860	8,536	25,004
Due from pension trust funds-Note H.....	12	-	-	-	-	12	3,262
Due from component units—Note H.....	845	-	-	-	-	845	252
Due from Federal government.....	92,666	-	4,380	-	110	97,156	3
Due from political subdivisions.....	13,934	-	-	-	-	13,934	-
Due from other governments.....	70,099	-	-	-	-	70,099	59
Advances to other funds-Note H.....	-	-	-	-	1,400	1,400	-
Inventory.....	-	-	-	-	208,810	208,810	12,021
Prepaid expenses.....	-	-	-	-	1,866	1,866	-
Other assets.....	-	2,437	14,612	-	-	17,049	28
Total current assets.....	1,137,244	668,731	305,483	354,754	746,374	3,212,586	94,595
Noncurrent assets:							
Long-term investments-Note D.....	-	1,623,788	5,111	904,746	-	2,533,645	-
Receivables (net):							
Loans—Note G.....	-	-	-	-	261,758	261,758	-
Non-depreciable capital assets—Note E:							
Land.....	-	-	-	-	323	323	6
Construction in progress.....	-	-	-	-	2,141	2,141	-
Depreciable capital assets—Note E:							
Land improvements.....	-	-	-	-	-	-	182
Buildings and building improvements.....	-	-	-	-	45,021	45,021	6,106
Machinery and equipment.....	-	1,512	49,040	-	70,399	120,951	96,506
Less: accumulated depreciation.....	-	(1,086)	(36,776)	-	(52,013)	(89,875)	(65,096)
Net depreciable capital assets.....	-	426	12,264	-	63,407	76,097	37,698
Total noncurrent assets.....	-	1,624,214	17,375	904,746	327,629	2,873,964	37,704
TOTAL ASSETS.....	\$ 1,137,244	\$ 2,292,945	\$ 322,858	\$ 1,259,500	\$ 1,074,003	\$ 6,086,550	\$ 132,299

Commonwealth of Pennsylvania

Statement of Net Assets

Proprietary Funds

June 30, 2009

(Amounts in thousands)

	Enterprise Funds						Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2008)	State Lottery Fund	Tuition Payment Fund	Nonmajor Funds	Total	
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities.....	\$ 251,651	\$ 6,255	\$ 434,903	\$ 2,442	\$ 177,764	\$ 873,015	\$ 32,179
Investment purchases payable.....	-	-	-	14,234	-	14,234	-
Tuition benefits payable—Note F.....	-	-	-	197,969	-	197,969	-
Securities lending obligations.....	568	532,344	6,958	198,204	52,752	790,826	4,435
Due to other funds—Note H.....	61	-	229	7	6,519	6,816	612
Due to pension trust funds—Note H.....	-	-	26	-	239	265	29
Due to political subdivisions.....	-	-	5,165	-	17	5,182	-
Due to other governments.....	542,866	-	2,033	-	554	545,453	56
Unearned revenue.....	-	100,118	11,423	-	2,606	114,147	-
Self insurance liabilities—Note M.....	-	333	349	-	4,338	5,020	363
Compensated absences—Note F.....	-	412	389	-	3,716	4,517	257
Insurance loss liability—Note F.....	-	316,308	-	-	-	316,308	-
Advances from other funds—Note H.....	-	1,787	-	-	113,000	114,787	14,300
Other liabilities.....	-	21,084	-	-	-	21,084	-
Total current liabilities.....	795,146	978,641	461,475	412,856	361,505	3,009,623	52,231
Noncurrent liabilities:							
Tuition benefits payable—Note F.....	-	-	-	1,070,880	-	1,070,880	-
Insurance loss liability—Note F.....	-	1,318,929	-	-	630	1,319,559	-
Installment purchase obligation-Note K.....	-	-	-	-	-	-	238
Compensated absences—Note F.....	-	2,013	2,856	128	27,213	32,210	1,889
Self insurance liabilities—Note M.....	-	1,435	1,503	-	18,701	21,639	1,564
Other postemployment benefit obligations—Note I.....	-	1,295	1,561	-	13,265	16,121	1,210
Total noncurrent liabilities.....	-	1,323,672	5,920	1,071,008	59,809	2,460,409	4,901
TOTAL LIABILITIES.....	795,146	2,302,313	467,395	1,483,864	421,314	5,470,032	57,132
NET ASSETS							
Invested in capital assets, net of related debt.....	-	426	12,264	-	65,871	78,561	37,466
Restricted for:							
Smoking cessation and other health-related programs.	-	-	-	-	1,059	1,059	-
Transportation.....	-	-	-	-	103,652	103,652	-
Unemployment/workers' compensation.....	342,098	-	-	-	-	342,098	-
Economic development.....	-	-	-	-	283,012	283,012	-
Correctional industries and procurement.....	-	-	-	-	-	-	37,701
Emergency support.....	-	-	-	-	134,685	134,685	-
Other purposes—Note C.....	-	-	-	-	76,573	76,573	-
Deficit.....	-	(9,794)	(156,801)	(224,364)	(12,163)	(403,122)	-
TOTAL NET ASSETS.....	\$ 342,098	\$ (9,368)	\$ (144,537)	\$ (224,364)	\$ 652,689	\$ 616,518	\$ 75,167

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30 2009

(Amounts in thousands)

	Enterprise Funds						Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2008)	State Lottery Fund	Tuition Payment Fund	Nonmajor Funds	Total	
OPERATING REVENUES:							
Sales and services.....	\$ 2,422,160	\$ 291,677	\$ 3,087,962	\$ 153,892	\$ 1,515,739	\$ 7,471,430	\$ 92,761
Interest on loans.....	-	-	-	-	7,812	7,812	-
Other.....	587	-	268	-	1,066	1,921	78
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS.....	2,422,747	291,677	3,088,230	153,892	1,524,617	7,481,163	92,839
Provision for uncollectible accounts.....	-	(15,227)	-	-	(4,610)	(19,837)	-
NET OPERATING REVENUES.....	2,422,747	276,450	3,088,230	153,892	1,520,007	7,461,326	92,839
OPERATING EXPENSES:							
Cost of sales and services.....	6,250,213	368,847	3,054,581	96,528	1,425,773	11,195,942	84,947
Depreciation.....	-	301	10,017	-	8,313	18,631	10,680
Other.....	-	-	108,724	-	-	108,724	-
TOTAL OPERATING EXPENSES.....	6,250,213	369,148	3,173,322	96,528	1,434,086	11,323,297	95,627
OPERATING INCOME (LOSS).....	(3,827,466)	(92,698)	(85,092)	57,364	85,921	(3,861,971)	(2,788)
NONOPERATING REVENUES (EXPENSES):							
Investment income.....	41,837	(3,686)	(17,677)	(204,255)	(8,857)	(192,638)	(2,024)
Investment expense.....	-	(4,049)	-	(3,500)	-	(7,549)	-
Grants and other revenues.....	1,843,273	-	110,568	-	1,962	1,955,803	1
Other expenses.....	-	-	-	-	(12,643)	(12,643)	(3,549)
NONOPERATING REVENUES (EXPENSES), NET.....	1,885,110	(7,735)	92,891	(207,755)	(19,538)	1,742,973	(5,572)
INCOME (LOSS) BEFORE TRANSFERS.....	(1,942,356)	(100,433)	7,799	(150,391)	66,383	(2,118,998)	(8,360)
TRANSFERS:							
Transfers in—Note H.....	-	-	48,500	-	62	48,562	-
Transfers out—Note H.....	(3,300)	-	(336,660)	-	(139,000)	(478,960)	(5,000)
TRANSFERS, NET.....	(3,300)	-	(288,160)	-	(138,938)	(430,398)	(5,000)
DECREASE IN NET ASSETS.....	(1,945,656)	(100,433)	(280,361)	(150,391)	(72,555)	(2,549,396)	(13,360)
TOTAL NET ASSETS, JULY 1, 2008.....	2,287,754	91,065	135,824	(73,973)	725,244	3,165,914	88,527
TOTAL NET ASSETS, JUNE 30, 2009.....	\$ 342,098	\$ (9,368)	\$ (144,537)	\$ (224,364)	\$ 652,689	\$ 616,518	\$ 75,167

- The notes to the financial statements are an integral part of this statement. -

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Commonwealth of Pennsylvania
Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2009
 (Amounts in thousands)

	Enterprise Funds						Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2008)	State Lottery Fund	Tuition Payment Fund	Nonmajor Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from employers.....	\$ 2,439,238	\$ 276,577	\$ -	\$ -	\$ -	\$ 2,715,815	\$ -
Receipts from customers.....	-	-	3,102,129	153,892	1,507,101	4,763,122	91,535
Receipts from borrowers.....	-	-	-	-	66,150	66,150	-
Receipt of premiums.....	-	-	-	-	5,849	5,849	-
Payments to programs for the elderly.....	-	-	(907,962)	-	-	(907,962)	-
Payments to prize winners.....	-	-	(1,730,476)	-	-	(1,730,476)	-
Payments to participants.....	-	-	-	(144,108)	-	(144,108)	-
Payments to claimants.....	(5,607,470)	(310,849)	-	-	(704)	(5,919,023)	-
Payments to borrowers.....	-	-	-	-	(72,559)	(72,559)	-
Payments for vendors, employees and other costs.....	-	(91,348)	(388,181)	(4,975)	(1,364,660)	(1,849,164)	(88,058)
Other receipts.....	1,754,405	-	672	15,766	2,484	1,773,327	54
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	(1,413,827)	(125,620)	76,182	20,575	143,661	(1,299,029)	3,531
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES							
Net borrowings (payments) under advances from other funds.....	-	(31)	-	-	25,000	24,969	-
Transfers in.....	-	-	48,500	-	62	48,562	-
Transfers out.....	(3,300)	-	(336,660)	-	(139,000)	(478,960)	(5,000)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES.....	(3,300)	(31)	(288,160)	-	(113,938)	(405,429)	(5,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets.....	-	-	(4,869)	-	(24,704)	(29,573)	(8,479)
Disposition of capital assets.....	-	-	-	-	155	155	-
Capital lease payments.....	-	-	(5,939)	-	-	(5,939)	-
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	-	-	(10,808)	-	(24,549)	(35,357)	(8,479)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of investments.....	(6,260)	(1,224,476)	(1,233,307)	(1,681,076)	(1,141,725)	(5,286,844)	(334,974)
Sales and maturities of investments.....	10,454	1,215,442	1,637,684	1,677,554	1,192,129	5,733,263	365,853
Investment income.....	41,719	71,085	(27,582)	27,222	1,033	113,477	(2,492)
Investment expense.....	-	(4,049)	-	(3,500)	-	(7,549)	-
Change in securities lending obligations.....	(1,220)	67,778	(133,774)	(39,612)	(58,074)	(164,902)	(11,234)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES.....	44,693	125,780	243,021	(19,412)	(6,637)	387,445	17,153
NET INCREASE (DECREASE) IN CASH.....	(1,372,434)	129	20,235	1,163	(1,463)	(1,352,370)	7,205
CASH AT JULY 1, 2008.....	1,737,715	4,583	1,471	1,120	19,585	1,764,474	4,909
CASH AT JUNE 30, 2009.....	\$ 365,281	\$ 4,712	\$ 21,706	\$ 2,283	\$ 18,122	\$ 412,104	\$ 12,114

Commonwealth of Pennsylvania
Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Enterprise Funds						Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2008)	State Lottery Fund	Tuition Payment Fund	Nonmajor Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss).....	\$ (3,827,466)	\$ (92,698)	\$ (85,092)	\$ 57,364	\$ 85,921	\$ (3,861,971)	\$ (2,788)
Depreciation and amortization.....	-	301	10,017	-	8,313	18,631	10,680
Provision for uncollectible accounts.....	-	15,227	-	-	4,610	19,837	-
Non-operating revenues (expenses).....	1,843,273	-	110,568	-	1,807	1,955,648	1
Changes in assets and liabilities:							
Accounts receivable.....	(15,243)	5,360	13,223	7,256	(9,232)	1,364	2,095
Unemployment compensation assessments receivable.....	23,878	-	-	-	-	23,878	-
Inventory.....	-	-	-	-	(8,687)	(8,687)	(2,315)
Due from other funds.....	(2,383)	-	1	-	(1,116)	(3,498)	(3,997)
Due from component units.....	(461)	-	-	-	1	(460)	300
Due from other governments.....	(126,118)	-	(1,440)	-	(41)	(127,599)	(25)
Due from political subdivisions.....	(6,272)	-	-	-	-	(6,272)	-
Other current assets.....	-	(400)	45	-	(1,861)	(2,216)	(26)
Accounts payable and accrued liabilities.....	160,165	(163)	19,214	9,073	45,447	233,736	(2,175)
Tuition benefits payable.....	-	-	-	(53,146)	-	(53,146)	-
Due to other funds.....	54	-	(103)	1	2,661	2,613	112
Due to political subdivisions.....	-	-	5,030	-	(7)	5,023	-
Due to other governments.....	536,807	-	1,866	-	(221)	538,452	12
Unearned revenue.....	(61)	(20,060)	944	-	(611)	(19,788)	(8)
Insurance loss liability.....	-	(56,014)	-	-	284	(55,730)	-
Other liabilities.....	-	22,827	1,909	27	16,393	41,156	1,665
Total Adjustments.....	2,413,639	(32,922)	161,274	(36,789)	57,740	2,562,942	6,319
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ (1,413,827)	\$ (125,620)	\$ 76,182	\$ 20,575	\$ 143,661	\$ (1,299,029)	\$ 3,531
Decrease in fair value of investments during the fiscal year.....	\$ (74)	\$ (72,654)	\$ (101)	\$ (135,674)	\$ (17,359)	\$ (225,862)	\$ (492)

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

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Statement of Fiduciary Net Assets
 Fiduciary Funds
 June 30, 2009

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund INVEST Program for Local Governments (December 31, 2008)	Private Purpose Trust Fund Tuition Account Investment Program	Agency Funds
ASSETS				
Cash—Note D.....	\$ 4,564	\$ 28,960	\$ 1,754	\$ 19,567
Cash with fiscal agents.....	-	-	-	30,318
Temporary investments—Note D.....	50,614	825,979	-	1,150,716
Long-term investments—Note D.....	111,761	-	547,633	2,952,503
Short-term funds—Note D.....	6,768,432	-	-	-
Corporate obligations—Note D.....	3,747,929	-	-	-
Collective trust funds—Note D.....	8,782,166	-	-	-
Real estate—Note D.....	6,141,966	-	-	-
Alternative—Note D.....	20,829,786	-	-	-
Securities lending collateral—Note D.....	2,301,587	-	-	-
Asset-backed securities—Note D.....	32,132	-	-	-
Domestic equities—Note D.....	3,871,675	-	-	-
International equities—Note D.....	8,729,876	-	-	-
International private debt securities—Note D.....	573,258	-	-	-
International public debt securities—Note D.....	773,432	-	-	-
Mortgage-backed securities—Note D.....	4,220,713	-	-	-
Private placements—Note D.....	214,690	-	-	-
State and municipal obligations—Note D.....	1,532	-	-	-
U.S. Treasury obligations—Note D.....	2,468,382	-	-	-
U.S. government agency debt securities—Note D.....	433,217	-	-	-
Receivables, net:				
Taxes—Note G.....	-	-	-	26,997
Accounts.....	34	-	24	111,991
Accrued interest.....	66,297	838	-	633
Loans—Note G.....	-	-	-	160
Pension contributions—Note I.....	451,409	-	-	-
Investment sale proceeds.....	573,396	23,511	-	344
Other.....	381,310	-	-	206,100
Due from other funds—Note H.....	6,417	-	-	-
Due from pension trust funds—Note H.....	10,518	-	-	-
Due from component units—Note H.....	3,617	-	-	-
Due from political subdivisions.....	3,553	-	-	-
Due from other governments.....	3,339	-	-	-
Advances to other funds—Note H.....	-	-	-	67,500
Depreciable capital assets:				
Machinery and equipment.....	11,463	-	-	-
Less: accumulated depreciation.....	(10,933)	-	-	-
Net depreciable capital assets.....	530	-	-	-
Other assets.....	-	-	-	2,760,275
TOTAL ASSETS.....	71,558,132	879,288	549,411	7,327,104
LIABILITIES				
Liabilities:				
Accounts payable and accrued liabilities.....	130,917	67	475	39,166
Investment purchases payable.....	1,069,187	52,364	312	556
Securities lending obligations.....	2,365,067	-	-	46,286
Due to other funds—Note H.....	985	-	-	-
Due to pension trust funds—Note H.....	6,115	-	-	-
Due to political subdivisions.....	-	-	-	358,821
Due to other governments.....	-	-	-	209
Interest payable.....	-	1,007	-	-
Self insurance liabilities.....	-	-	-	448
Other postemployment benefit obligations—Note I.....	-	-	-	298
Other liabilities.....	370,558	-	-	6,881,320
TOTAL LIABILITIES.....	3,942,829	53,438	787	7,327,104
NET ASSETS:				
Held in trust for:				
Pension benefits.....	65,791,293	-	-	-
Postemployment healthcare benefits.....	299,924	-	-	-
Employee salary deferrals.....	1,524,086	-	-	-
INVEST Program participants.....	-	825,850	-	-
Tuition Account Investment Program participants.....	-	-	548,624	-
TOTAL NET ASSETS.....	\$ 67,615,303	\$ 825,850	\$ 548,624	\$ -

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund INVEST Program for Local Governments (December 31, 2008)	Private Purpose Trust Fund Tuition Account Investment Program
ADDITIONS:			
Pension contributions:			
Employer.....	\$ 875,226	\$ -	\$ -
Employee.....	1,555,502	-	-
Transfer in from other plans.....	18,423	-	-
Total contributions.....	<u>2,449,151</u>	<u>-</u>	<u>-</u>
Investment income:			
Net depreciation in fair value of investments.....	(28,763,046)	-	(96,670)
Interest income.....	1,020,170	20,997	15,025
Dividend income.....	657,918	-	-
Rental and other income.....	283,894	-	-
Total investment activity income.....	<u>(26,801,064)</u>	<u>20,997</u>	<u>(81,645)</u>
Less: investment expenses			
Investment activity expense.....	(789,874)	(934)	-
Net investment earnings.....	<u>(27,590,938)</u>	<u>20,063</u>	<u>(81,645)</u>
Securities lending activities:			
Income.....	96,893	-	-
Expenses.....	(129,647)	-	-
Total securities lending income (loss).....	<u>(32,754)</u>	<u>-</u>	<u>-</u>
Total net investment income (loss).....	<u>(27,623,692)</u>	<u>20,063</u>	<u>(81,645)</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares purchased.....	-	2,395,233	133,842
Shares issued in lieu of cash distributions.....	-	19,125	-
Shares redeemed.....	-	(2,475,723)	(36,295)
Net increase (decrease) in net assets from share transactions.....	<u>-</u>	<u>(61,365)</u>	<u>97,547</u>
TOTAL ADDITIONS	<u>(25,174,541)</u>	<u>(41,302)</u>	<u>15,902</u>
DEDUCTIONS:			
Benefit payments.....	7,147,034	-	-
Refunds of contributions.....	29,742	-	-
Transfers to other plans.....	82,572	-	-
Administrative expenses.....	78,259	-	3,163
Other expenses.....	2,427	-	-
Distributions to participants.....	-	20,063	-
TOTAL DEDUCTIONS	<u>7,340,034</u>	<u>20,063</u>	<u>3,163</u>
CHANGE IN PLAN NET ASSETS HELD IN TRUST FOR:			
Pension benefits.....	(32,198,331)	-	-
Postemployment healthcare benefits.....	3,926	-	-
Employee salary deferrals.....	(320,170)	-	-
INVEST program participants.....	-	(61,365)	-
Tuition Account Investment Program participants.....	-	-	12,739
TOTAL CHANGE IN PLAN NET ASSETS HELD IN TRUST...	<u>(32,514,575)</u>	<u>(61,365)</u>	<u>12,739</u>
Net assets, July 1, 2008	<u>100,129,878</u>	<u>887,215</u>	<u>535,885</u>
Net assets, June 30, 2009	<u>\$ 67,615,303</u>	<u>\$ 825,850</u>	<u>\$ 548,624</u>

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Statement of Net Assets
Discretely Presented Component Units
June 30, 2009

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2009)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
ASSETS							
Current assets:							
Cash—Note D.....	\$ 592,135	\$ 591,911	\$ 94,597	\$ 10,512	\$ 118,534	\$ 521,373	\$ 1,929,062
Temporary investments—Note D.....	94,148	8,894	436,742	490,618	332,302	241,981	1,604,685
Receivables:							
Accounts	29,098	-	27,240	-	81,642	929	138,909
Accrued interest.....	3,197	1,966	166,940	2,713	-	2,537	177,353
Loans—Note G.....	-	104,310	1,117,242	159,023	5,938	59,205	1,445,718
Lease rentals—Note G.....	-	-	-	-	-	4,458	4,458
Other	-	302,575	-	-	81,455	554	384,584
Due from primary government—Note H.....	7,968	-	-	-	425	2,895	11,288
Due from component units—Note H.....	-	39	-	61	-	-	100
Due from Federal government.....	-	-	52,664	1,422	-	344	54,430
Due from other governments	-	-	-	-	-	48	48
Inventory.....	19,144	-	-	-	14,223	631	33,998
Prepaid and deferred expenses.....	-	-	6,134	-	6,927	1,291	14,352
Other assets.....	-	45,597	107,655	-	3,400	8,286	164,938
Total current assets	<u>745,690</u>	<u>1,055,292</u>	<u>2,009,214</u>	<u>664,349</u>	<u>644,846</u>	<u>844,532</u>	<u>5,963,923</u>
Noncurrent assets:							
Long-term investments—Note D.....	311,219	288,830	63,469	-	910,598	31,413	1,605,529
Receivables (net):							
Accrued interest.....	-	-	30,362	-	-	-	30,362
Loans—Note G.....	-	4,046,489	10,052,598	1,778,614	33,650	717,660	16,629,011
Lease rentals—Note G.....	-	-	-	-	-	1,427	1,427
Non-depreciable capital assets—Note E:							
Land.....	204,665	2,454	2,946	-	38,350	40,354	288,769
Construction in progress.....	1,229,835	-	-	-	294,368	52,747	1,576,950
Depreciable capital assets—Note E:							
Land improvements.....	60,322	-	-	-	199,675	-	259,997
Buildings and building improvements.....	742,815	29,935	73,204	-	1,981,043	162,046	2,989,043
Machinery and equipment.....	401,944	10,152	28,078	-	393,751	45,393	879,318
Turnpike infrastructure.....	5,199,598	-	-	-	-	-	5,199,598
Library books.....	-	-	-	-	83,529	507	84,036
Other capital assets.....	-	-	54,239	-	-	340	54,579
Less: accumulated depreciation.....	(3,747,739)	(8,399)	(98,684)	-	(926,373)	(119,367)	(4,900,562)
Net depreciable capital assets.....	<u>2,656,940</u>	<u>31,688</u>	<u>56,837</u>	<u>-</u>	<u>1,731,625</u>	<u>88,919</u>	<u>4,566,009</u>
Other assets.....	50,512	9,067	63,065	184	96,768	15,031	234,627
Total noncurrent assets	<u>4,453,171</u>	<u>4,378,528</u>	<u>10,269,277</u>	<u>1,778,798</u>	<u>3,105,359</u>	<u>947,551</u>	<u>24,932,684</u>
TOTAL ASSETS.....	<u>5,198,861</u>	<u>5,433,820</u>	<u>12,278,491</u>	<u>2,443,147</u>	<u>3,750,205</u>	<u>1,792,083</u>	<u>30,896,607</u>

Commonwealth of Pennsylvania
Statement of Net Assets
Discretely Presented Component Units
June 30, 2009

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2009)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities.....	131,761	4,479	91,785	1,086	194,587	19,332	443,030
Securities lending obligations.....	-	-	-	71,817	-	5,749	77,566
Due to primary government—Note H.....	-	5	205	5,408	1,009	491	7,118
Due to component units—Note H.....	-	61	-	39	-	-	100
Due to other governments.....	-	-	-	-	-	2	2
Interest payable.....	73,482	50,435	29,239	582	-	13,824	167,562
Unearned revenue.....	28,555	-	126	29	50,675	25,053	104,438
Notes payable—Note J.....	-	-	726,019	-	-	393	726,412
Bonds payable—Note K.....	-	-	-	-	38,255	-	38,255
Revenue bonds payable—Note K.....	709,715	152,148	-	12,165	-	51,890	925,918
Self insurance liabilities.....	2,317	-	-	-	-	-	2,317
Compensated absences.....	10,108	-	806	38	10,541	434	21,927
Other financing obligations—Note J.....	-	-	84,247	-	-	-	84,247
Other liabilities.....	-	97,060	107,655	-	167,724	436	372,875
Total current liabilities.....	955,938	304,188	1,040,082	91,164	462,791	117,604	2,971,767
Non-current liabilities:							
Due to primary government—Note H.....	-	-	-	83,708	-	-	83,708
Unearned revenue.....	-	-	-	-	4,284	-	4,284
Demand revenue bonds payable—Note J.....	-	-	8,535,124	-	-	-	8,535,124
Notes payable—Note J.....	-	-	2,100,409	-	163,467	22,330	2,286,206
Bonds payable—Note K.....	-	-	-	-	701,425	-	701,425
Revenue bond payable—Note K.....	4,047,102	4,072,639	-	23,324	683,113	1,191,923	10,018,101
Other financing obligations—Note J.....	-	-	190,609	-	-	-	190,609
Compensated absences.....	6,800	-	14,072	275	89,057	2,224	112,428
Self insurance liabilities.....	24,468	-	-	-	-	-	24,468
Other postemployment benefit obligations—Note I.....	-	-	-	-	662,633	1,123	663,756
Other liabilities.....	8,583	310,520	632	-	104,864	1,150	425,749
Total non-current liabilities.....	4,086,953	4,383,159	10,840,846	107,307	2,408,843	1,218,750	23,045,858
TOTAL LIABILITIES.....	5,042,891	4,687,347	11,880,928	198,471	2,871,634	1,336,354	26,017,625
NET ASSETS—Note C:							
Invested in capital assets, net of related debt.....	1,263,878	14,215	(16,424)	-	570,569	148,125	1,980,363
Restricted for:							
Smoking cessation and other health-related programs.....	-	-	-	-	-	3,569	3,569
Capital projects.....	49,926	-	-	2,244,676	27,565	792	2,322,959
Debt service.....	-	208,358	263,489	-	-	4,345	476,192
Economic development.....	-	-	-	-	-	81,976	81,976
Higher Education.....	-	-	150,498	-	280,437	1,861	432,796
Other purposes.....	-	523,900	-	-	-	34,044	557,944
Unrestricted/(Deficit).....	(1,157,834)	-	-	-	-	181,017	(976,817)
TOTAL NET ASSETS.....	\$ 155,970	\$ 746,473	\$ 397,563	\$ 2,244,676	\$ 878,571	\$ 455,729	\$ 4,878,982

- The notes to the financial statements are an integral part of this statement. -

Commonwealth of Pennsylvania
Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2009)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
Expenses.....	\$ 1,672,025	\$ 744,662	\$ 1,085,819	\$ 36,319	\$ 2,037,448	\$ 194,824	\$ 5,771,097
Program revenues:							
Charges for goods and services.....	633,547	257,815	649,604	29,077	1,082,346	51,569	2,703,958
Operating grants and contributions.....	56,332	489,487	489,172	(971)	815,379	153,252	2,002,651
Capital grants and contributions.....	11,770	-	-	70,187	22,681	67,043	171,681
Total program revenues.....	701,649	747,302	1,138,776	98,293	1,920,406	271,864	4,878,290
Net (expense) revenue.....	(970,376)	2,640	52,957	61,974	(117,042)	77,040	(892,807)
General revenues:							
Taxes and other general revenues.....	57,379	-	-	-	-	-	57,379
Change in net assets.....	(912,997)	2,640	52,957	61,974	(117,042)	77,040	(835,428)
Net assets, July 1, 2008 (restated)—Note B....	1,068,967	743,833	344,606	2,182,702	995,613	378,689	5,714,410
Net assets, June 30, 2009.....	\$ 155,970	\$ 746,473	\$ 397,563	\$ 2,244,676	\$ 878,571	\$ 455,729	\$ 4,878,982

- The notes to the financial statements are an integral part of this statement. -

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The basic financial statements of the Commonwealth of Pennsylvania have been prepared in accordance with accounting principles generally accepted in the United States applicable to governments. The Governmental Accounting Standards Board (GASB) establishes accounting and financial reporting requirements for governments.

Government-Wide Financial Statements

Government-wide financial statements report financial position and results of activities for the Commonwealth of Pennsylvania as a whole. Separate columns are presented for governmental and business-type activities within the primary government (defined below) and discretely presented component units. The Statement of Net Assets reports all economic resources (assets) and all liabilities for the primary government of the Commonwealth. The Statement of Activities reports the total cost of providing governmental services, by function, net of related program revenues, and, after including general revenues, reports whether the total net assets of the government increased or decreased during the fiscal year ended June 30, 2009. The government-wide financial statements do not include any fiduciary fund assets, liabilities or activities for the primary government or component units (defined below) that are fiduciary in nature. Governmental activities within government-wide financial statements include specific balances and transactions related to Internal Service Funds that are reported as proprietary funds in fund financial statements. Business-type activities include information for all Enterprise Funds.

Financial Reporting Entity

Government-wide financial statements include separate columns and/or rows for the primary government and discretely presented component units. Fiduciary component unit balances are reported in the Statement of Fiduciary Net Assets and combining statements for all discretely presented component units are presented following fund financial statements as a Statement of Net Assets and a Statement of Activities.

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

Component Units: In addition to the PG, the financial reporting entity includes 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 includes appointment of a voting majority of an organization's governing body and (1) the ability of the PG to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the PG. Fiscal dependency is also considered. The following organizations are included in the financial reporting entity as component units, either by discrete presentation or as a Fiduciary Fund:

State Employees' Retirement System (SERS) (Fiduciary Fund) - The SERS is a public employee retirement system that covers Commonwealth employees. The PG appoints all voting board members and, on a very limited basis, imposes its will on the SERS. The PG uses the SERS to provide pension benefits to PG employees. The PG makes essentially all employer contributions to the SERS; PG employees make almost all of the employee contributions to the SERS (virtually all PG employees are required to join the SERS). The PG is responsible for all of the SERS pension obligations. The SERS provides services and benefits almost exclusively to the PG. The SERS administers both a defined benefit plan and a defined contribution plan. The defined benefit plan is funded through a combination of employee contributions, employer contributions and investment earnings. The defined contribution plan is funded by voluntary employee contributions and investment earnings. The SERS is reported for its fiscal year ended December 31, 2008.

State Public School Building Authority (SPSBA) and Pennsylvania Higher Educational Facilities Authority (PHEFA) - The SPSBA and the PHEFA issue limited obligation revenue bonds, the proceeds of which are used to finance the construction of

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

facilities for school districts and public/private colleges and universities. These bonds are repaid solely from lease/loan payments from the schools. The PG appoints all nine voting members of the SPSBA and the PHEFA 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's Department of Education approves the SPSBA projects (which indicates imposition of will and fiscal dependency). Neither the PG nor the Authorities are obligated for debt service payments (beyond lease/loan payments from schools).

Ben Franklin Technology Development Authority (BFTDA) - Similar to the predecessor Ben Franklin/IRC Partnership, the BFTDA promotes economic development through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the BFTDA, also increase Pennsylvania business competitiveness. The BFTDA works closely with the Department of Community and Economic Development (DCED) and includes a Revolving Loan Program. The PG appoints all 21 voting members of the governing board. The PG may appropriate funding for the BFTDA from the **General Fund**.

Port of Pittsburgh Commission (PPC) - The PPC promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities. The PG appoints all 15 voting members of the governing board and can remove board members at will. The PG provides funding for the PPC but is not required to do so.

Insurance Fraud Prevention Authority (IFPA) - The IFPA assists in the prevention, discovery, investigation and prosecution of insurance fraud. The IFPA is funded through assessments paid by the insurance industry and through certain criminal and civil fines, penalties and awards. The PG appoints six of seven voting members of the IFPA governing board; the Attorney General serves ex-officio as one of these six members. A significant portion of IFPA expenditures funds the Section on Insurance Fraud in the Office of Attorney General; this indicates a financial benefit/burden. The IFPA is not fiscally dependent on the PG.

Philadelphia Shipyard Development Corporation (PSDC) - The PSDC was created as a nonprofit corporation to assist the PG and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The PSDC obtains funding from the PG and a variety of other governmental sources to fund development, construction and job recruitment and training costs. The PG appoints three of five voting board members and provides a significant portion of funding for the PSDC. The PSDC is reported for its fiscal year ended December 31, 2008.

Philadelphia Regional Port Authority (PRPA) - The PRPA operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania. The PRPA charges rental and other fees to port users and obtains other funding from the PG. The PRPA also issues revenue bonds to finance its activities. The PG appoints all eleven voting board members and can remove board members at will. The PG provides operating and capital subsidies and pays rent in amounts equal to PRPA debt service requirements. The PRPA is fiscally dependent on the PG, as the Governor must approve the issuance of its debt.

Pennsylvania Higher Education Assistance Agency (PHEAA) - 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 20 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) - The PHFA makes loans to eligible individuals and organizations to purchase or construct housing. The loans benefit older adults, persons of modest means, persons with disabilities, and 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 Secretary of Banking, the Secretary of Community and Economic Development, the Secretary of Public Welfare, and the State Treasurer serve as ex-officio members. 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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Patient Safety Trust Authority (PSTA) - The PSTA is charged with taking steps to reduce and eliminate medical errors by identifying problems and recommending solutions that promote patient safety in hospitals, ambulatory surgical facilities and birthing centers. The Board of Directors has 11 members: the Pennsylvania Physician General, who serves as the Board chair, six members appointed by the Governor representing specific professional occupations, and four members appointed by the General Assembly. The Pennsylvania Department of Health determines whether or not PSTA recommendations will be adopted, establishing PG imposition of will; further, the enabling legislation limits the amount of assessments PSTA charges medical facilities to fund PSTA activities.

Pennsylvania Industrial Development Authority (PIDA) - The PIDA collaborates with local industrial development corporations to make loans that help preserve or expand the work force, assist targeted economic areas or assist specific companies. Loans are made at lower-than-market interest rates; the interest rates are based on local unemployment and other economic conditions. The PIDA issues revenue bonds to finance the loan program. Loan repayments are used for debt service payments. The PIDA operates closely with the DCED. The PG appoints all voting board members and is able to impose its will on the PIDA. The PG has provided capital contributions; "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) - The PENNVEST makes grants and low-interest loans to local governments and authorities, businesses and nonprofit organizations for the construction, improvement, repair or rehabilitation of drinking and waste water systems. The PENNVEST obtains funds through Commonwealth general obligation bond proceeds (approved by referendum), revenue bonds, the Federal government and contributed amounts from Commonwealth funds. Loan repayments finance the PENNVEST debt service costs. The PENNVEST operates closely with the Department of Environmental Protection. The PG appoints all voting board members; there are limitations on three of the thirteen appointments. By issuing general obligation debt and providing the proceeds to the PENNVEST as capital contributions, 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) - 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. 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 PTC debt. The PG is not obligated for PTC debt, but the PG could take certain actions to satisfy bondholders. The PTC is reported for its fiscal year ended May 31, 2009.

State System of Higher Education (SSHE) - 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 20 voting board members, which in turn appoint the university presidents and chancellor. Five of the 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.

Commonwealth Financing Authority (CFA) - The CFA administers and funds economic stimulus programs; the programs offer financial assistance through loans, grants, guarantees, sales, leases, investments, lines and letters of credit, and other authorized financial arrangements. The PG appoints the four voting members of the Board of Directors and may remove these members at will. The Secretary of Community and Economic Development, Secretary of the Budget, and Secretary of Banking serve as ex-officio members of the Board. The CFA is authorized to issue limited obligation revenue bonds and other types of limited obligation revenue financing. The bonds are payable solely from CFA revenues or funds appropriated to the CFA by the Commonwealth. While the enabling legislation provides that CFA bonds are not a debt or obligation of the Commonwealth, it is anticipated that **General Fund** appropriations will be required to support the annual debt service cost on CFA debt. The CFA is fiscally dependent on the PG, as the Secretary of the Budget must certify that the **General Fund** can support any appropriations needed to pay the debt service payments or costs incurred in any bond issuance.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Thaddeus Stevens College of Technology (College) - Founded in the early twentieth century, the College was financially reported as part of the PG through and including the fiscal year ended June 30, 2003. Legislation effective July 1, 2003 amended the Board of Directors to a body politic and corporate constituting a public corporation, making the College an entity legally separate from the PG. The Governor, with the advice of the Senate, appoints nine members of the Board, and the Secretary of Education serves as an ex-officio member. Although the PG selects the members of the Board, the members have great latitude to manage the College subsequent to their appointment. The PG has some ability to influence the structure or content of the College's budget through overview of the Department of Education. The College presents a financial burden to the PG, as the PG appropriates monies for College operations.

Pennsylvania Life and Health Insurance Guaranty Association (PLHIGA) (Fiduciary Fund) - The PLHIGA was created to protect insurance policy owners, insured persons, beneficiaries, annuitants, payees and assignees of direct non-group life, health, annuity and supplemental policies or contracts from potential insurer failure due to the impairment or insolvency of the insurer. The PLHIGA guarantees the payment of insurance benefits and continuation of coverage by assessing member insurers. The PLHIGA is also authorized to assist the Pennsylvania Insurance Commissioner in the prevention and detection of insurer impairments or insolvencies. The PG has appointment approval authority for all governing board members and the Insurance Commissioner has broad authority to impose will on the PLHIGA. There is a minor financial burden on the PG. The PLHIGA is reported for its fiscal year ended December 31, 2008.

Pennsylvania Property and Casualty Insurance Guaranty Association (PPCIGA) (Fiduciary Fund) - The PPCIGA was created to provide for the payment of insured property and casualty policy claim losses and to avoid losses to claimants or policyholders as a result of insurer insolvency. The PPCIGA guarantees the payment of insurance benefits and continuation of coverage by assessing member insurers. The PG has appointment approval authority for all governing board members and the Insurance Commissioner has broad authority to impose will on the PPCIGA. There is a minor financial burden on the PG. The PPCIGA is reported for its fiscal year ended December 31, 2008.

Public School Employees' Retirement System (PSERS) (Fiduciary Fund) - The PSERS was created to administer and provide pension benefits to public school employees in Pennsylvania. The PSERS covers almost all such employees. Covered elementary and secondary school employers make employer contributions with the PG reimbursing each employer at least half their required annual contribution. Employer contributions for covered employees of higher education institutions and covered employers and the PG share state-owned schools equally; all covered public school employees also contribute. The PG appoints eight of fifteen voting board members; the seven other members are appointed by active or retired public school employees or are appointed by public school boards. In addition to making significant contributions to the PSERS, the PG guarantees the payment of all annuities and other pension benefits. This represents a compelling PG financial burden.

Pennsylvania Economic Development Financing Authority (PEDFA) - The PEDFA was created to lend money primarily to businesses to promote economic development in the Commonwealth. The PEDFA issues revenue bonds to fund specific projects only and repayments are derived solely from project revenues. The debt is considered non-recourse, as the PEDFA is not obligated to bondholders beyond amounts received by the Authority from the funded projects. Financial statement information for the PEDFA is not reported because its only activity involves conduit debt. The PG appoints all sixteen board members; five members are ex-officio. The PG is not obligated for the PEDFA debt, but the PG could take certain actions to satisfy bondholders. Upon dissolution, the assets of PEDFA revert to the Commonwealth.

Pennsylvania Energy Development Authority (PEDA) - The PEDA was created to promote the development of energy sources within the Commonwealth. The PEDA issued revenue bonds and lent the proceeds to fund four specific projects. Loan repayments are derived solely from project revenues. The debt is considered non-recourse, as the PEDA is not obligated to bondholders beyond amounts received from the funded projects. The PEDA has not issued any debt since 1990. Financial statement information for the PEDA is not reported because its only significant economic activity involves conduit debt. The PG appoints all 19 board members; six members are ex-officio. The Governor must approve the issuance of PEDA debt. The PG is not obligated for the PEDA debt, but the PG could take certain actions to satisfy bondholders. The PEDA board reviewed and approved funding for certain alternative energy grant applications during the fiscal year ended June 30, 2009.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial Statements for Component Units and Investment Trust Fund**

Audited financial statements for component units are available by writing to the Commonwealth Chief Accounting Officer, 555 Walnut Street, Ninth Floor, Harrisburg, PA 17101-1921. The Commonwealth sponsors the INVEST Program for Local Governments, an external investment pool, which is reported as an Investment Trust Fund. Audited financial statements for that Program are also available through the Chief Accounting Officer.

Related Organizations

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

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

The **Philadelphia Parking Authority (Authority)** is financially reported as a discretely presented component unit in the City of Philadelphia's (City) financial reporting entity. Act 22 of 2001 provided, in part, for the Commonwealth to appoint a voting majority of the Authority's governing board. The Act provided for an increase from five to eleven board members; the Commonwealth appointed six new members by June 30, 2001. Effective June 30, 2006, the terms of board members appointed prior to June 2001 expired. No replacement appointments for those positions were made, pursuant to the provisions of the Act. Beginning June 1, 2006, the board consists of the six members appointed in 2001, whose terms expire in 2010, 2011 and 2012.

The **Philadelphia School District (School District)** is financially reported as a discretely presented component unit in the City of Philadelphia's (City) financial reporting entity. During 2001, the General Assembly passed Senate Bill 640 that provided, in part, for several changes to the Public School Code. Among other things, the changes provide for the Commonwealth to appoint a voting majority of the School Reform Commission that now governs the School District. Despite these changes, the School District remains fiscally dependent on the City.

Joint Venture

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

Excluded Organizations

School districts, local governments and counties are considered separate, stand-alone primary governments because 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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The PG appoints a portion, but not a voting majority, of the governing boards at the following four universities (commonly referred to as state related): Pennsylvania State University, University of Pittsburgh, Lincoln University and Temple University. The PG provides significant subsidies; however, given the absence of PG appointment of a governing board voting majority and the lack of fiscal dependency, these universities are excluded from the financial reporting entity.

Primary Government – Fund Structure

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 rare cases, by administrative action.

The fund financial statements include: three major governmental funds and total nonmajor governmental funds; four major enterprise funds and total nonmajor enterprise funds; and all fiduciary funds. The Commonwealth uses the following fund categories to account for each fund included in 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 main operating fund and is reported as a Major Fund. Other Major Funds are displayed in bold print in the Notes to the Financial Statements.

Special Revenue Funds—Account for the proceeds of specific revenue sources (other than debt service or capital projects funds) that are legally restricted to expenditures for specified purposes. The **Motor License Fund** and the **Tobacco Settlement Fund** are reported as Major Funds.

The **Motor License Fund** receives revenues from liquid fuels taxes, licenses and fees on motor vehicle registrations and operating privileges, aviation fuel taxes, federal aid for highway and aviation purposes, contributions from local subdivisions for highway projects and other miscellaneous highway revenues. The Fund makes expenditures for highway and bridge improvement, design, maintenance, and purchases of rights-of-way, as well as aviation activities and transportation licensing and safety activities. It also finances State Police highway patrol operations and pays subsidies to local subdivisions for construction and maintenance of roads.

The **Tobacco Settlement Fund** was originally established to deposit all payments received by the Commonwealth pursuant to the Master Settlement Agreement with tobacco product manufacturers. Deposits into this fund include: jurisdictional payments received by the Commonwealth from the master agreement, strategic contribution payments from the master agreement, quarterly payments from certain Pennsylvania health insurance companies and earnings from investments. Expenditures from this fund are determined by the annual budget appropriated to each program. For the fiscal year ended June 30, 2009 payments from the Master Settlement agreement were distributed as follows: 8 percent to the Health Endowment Account; 13 percent for Home and Community Based Services; 9 percent for Tobacco Use Prevention and Cessation; 19 percent for Health Related Research; 10 percent for Uncompensated Care; 20 percent for Health Investment Insurance; 8 percent for the expansion of the PACENET Program and 13 percent for various health-related purposes. Amounts received from the Pennsylvania health insurance companies are held in a restricted account and used exclusively for Department of Insurance initiatives.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Funds—Account for the accumulation of resources, principally transfer from other funds, for the payment of general long-term debt principal and interest. There are no major debt service funds.

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). There are no major capital projects 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 Lottery Fund**, **State Workers' Insurance Fund**, **Unemployment Compensation Fund** and **Tuition Payment Fund** are all reported as Major Funds.

The **State Lottery Fund** provides for the operation of the Pennsylvania State Lottery and for programs to support older Pennsylvanians. Revenues are derived from the sale of lottery tickets, interest earned on securities and deposits, unclaimed prize monies and Federal grants. Fund expenses pay for prizes to holders of winning lottery tickets and commissions to local lottery agents. Amounts remaining after payment of lottery prizes and commissions are used to fund programs benefiting older Pennsylvanians including PENNCARE, PACE, PACENET, free mass transit and reduced fare shared-ride programs, and property tax and rent rebates.

The **State Workers' Insurance Fund (SWIF)** was created by legislation on June 2, 1915 and operates within the Department of Labor and Industry. It is a self-sustaining fund providing workers' compensation insurance to employers, including those who are refused policies by private insurance firms. SWIF is subject to underwriting rules, classifications and rates promulgated by rating bureaus authorized by the Commonwealth Insurance Commissioner. Premium rates are established by the bureaus based on the history of accidents by industry classification. Revenues are generated by premiums charged to policyholders plus investment income. Workers' compensation payments and administration costs are paid from the Fund. The **State Workers' Insurance Fund** is reported for its fiscal year ended December 31, 2008.

The **Unemployment Compensation (UC) Fund** is comprised of four basic components: the Employer Contribution Fund, the UC Benefit Payment Fund, the Special Administration Fund, and the UC Trust Fund in Rockville, MD. The purpose of these funds is to collect employer assessments for UC and transfer the assessments to the Federal government for deposit in the UC Trust Fund. As needed, these funds are drawn back to pay unemployment compensation payments to claimants. The Special Administration Fund is used to isolate penalty and interest charges from employers and claimants. It is used to supplement grant-funding shortfalls and pay audit disallowances with any remaining amounts over \$200 thousand at each June 30 being transferred to the UC Trust Fund. The UC Benefit Payment Fund also receives funds from the Federal government to reimburse Pennsylvania for those Federal workers who collected UC benefits from Pennsylvania.

The **Tuition Payment Fund** offers a college savings program allowing participants to purchase college credits at the current year rates. The program is administered by the Tuition Account Program Bureau within the Treasury Department with oversight by the Tuition Account Program Advisory Board. Revenue is derived primarily from application fees, participant contributions and investment income. Fund expenses consist mainly of payments to educational institutions and administrative costs.

During the fiscal year ended June 30, 2009 the State Stores Fund began using June 30 as its fiscal year end; previously, the State Stores Fund reported based on a 52/53 week fiscal year basis. The prior-year fiscal period ended June 24, 2008.

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. The Purchasing Fund is used to purchase materials, supplies, services, and equipment for use by departments, agencies, boards, and commissions of state government, and to pay costs associated with administering the fund. The fund receives reimbursements from the various Commonwealth departments, boards, and commissions for the materials, services, and supplies they obtain from appropriations and periodic loans from the **General Fund**, from the sale of vehicles and unserviceable property and from interest earned on securities. The Manufacturing Fund is a fund that uses inmate labor to produce items for the Department of Corrections and other state agencies. The revenue source is the sale of items produced or services provided. Expenses are for raw materials, inmate labor, and general and administrative costs.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Pension (and other employee benefit) Trust Funds, an Investment Trust Fund, a Private Purpose Trust Fund and Agency Funds.

The State Employees' Retirement System, a pension trust fund, is a component unit and accounts for the payment of retirement, disability and death benefits to members of the State Employees' Retirement System and their beneficiaries. The Deferred Compensation Fund is an other employee benefit pension trust fund that collects and administers amounts contributed by Commonwealth employees who are deferring a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

The INVEST Program for Local Governments is an Investment Trust Fund that invests amounts owned by local governments and school districts. The Tuition Account Investment Program is a Private Purpose Trust Fund that invests amounts on behalf of participants who are saving for college tuition costs.

The largest Agency Fund, the Statutory Liquidator Fund, converts the remaining assets of insolvent insurance companies to cash for remittance to policyholders, creditors and stockholders in accordance with the order of distribution established in Article V of the Pennsylvania Insurance Department Act of 1921 and on a Commonwealth Court approved percentage of claim basis. Although not yet determined, the actual amounts to be paid based on the amount of the remaining assets are expected to be less than the amounts actually claimed by creditors, policyholders and stockholders. The Underground Storage Tank Indemnification Fund holds assets on behalf of owners and operators of underground storage tanks who incur a liability for taking corrective actions associated with underground storage tank releases. The Municipal Pension Aid Fund holds a portion of casualty insurance company tax assessments, which are remitted to municipalities to help defray municipal police and fire fighter pension costs.

The State Employees' Retirement System, a pension trust fund, the Deferred Compensation Fund, an other employee benefit trust fund, and the INVEST Program for Local Governments, an Investment Trust Fund, are reported for their fiscal years ended December 31, 2008.

Measurement Focus and Basis of Accounting- Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. This means that the Statement of Net Assets reports all assets (including receivables regardless of when collected and capital assets, such as heavy trucks, highways and bridges) and liabilities regardless of when payment is due. The Statement of Activities includes all revenues and expenses, regardless of when cash is respectively received or paid. The Statement of Activities reports program revenues, which are revenues derived directly from a specific governmental function and are reported by the function, which generates the revenue. Charges for goods or services, most investment income, grant revenues and fines are reported as program revenues. Neither program revenues nor expenses are reported for donated works of art, historical treasures or similar assets received during the fiscal year because such donations are not material. Except for unemployment compensation tax revenues, which are reported as charges for sales and services program revenues, all tax revenues are classified as general revenues in the Statement of Activities. The Statement of Activities also reports governmental activities expenses that include governmental fund expenditures (those which are not eliminated or reclassified) and current year depreciation on capital assets, which recognizes the cost of ordinary use of the assets over their estimated useful lives. The costs of most employee benefits earned during the fiscal year (such as vacation time earned) and increases in self-insurance liabilities are also reported as expenses in the statement, regardless of when the benefits are used or the liabilities are paid.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting – Fund Financial Statements**Governmental Funds**

The **General Fund**, special revenue, debt service and capital projects funds (governmental funds) are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are normally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Unreserved fund balance represents a measure of available, spendable resources. Under the modified accrual basis of accounting, revenues of governmental funds are recognized in the year that they become susceptible to accrual (both measurable and available) to pay current fiscal year liabilities. The Commonwealth accrues the following major revenue sources that are both measurable and available (available is treated as being received within 60 days of fiscal year end for these revenues): sales and use taxes, cigarette taxes, corporation taxes, personal income taxes, liquid fuels taxes, inheritance taxes, liquor taxes, investment income, institutional revenues and sales of goods and services. Grant revenues, including Federal government grant revenues, are recognized when earned; accrued amounts due from the Federal government are treated as available in the period in which all applicable eligibility requirements have been met. Revenues from most 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. Prepaid items and inventory purchases are reported as current fiscal year expenditures, rather than allocating a portion of related cost to the fiscal year when the items are actually used. Expenditures are reported for amounts accrued at fiscal year end that normally would be liquidated with expendable available financial resources.

Proprietary Funds, Pension (and other employee benefit) Trust Funds and Investment Trust Fund

The enterprise, internal service (proprietary funds), pension (and other employee benefit) trust funds and the investment trust funds are reported using the 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 Statement of Net Assets. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred.

Proprietary Funds classify revenues and expenses as either 'operating' or 'nonoperating', depending on the nature of the activities reported in the individual Fund. The majority of transactions are reported as 'operating'; however, investment income and grants are reported as 'nonoperating' revenues by all Proprietary Funds. Under the Governmental Accounting Standards Board's (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Commonwealth has elected not to adopt the Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Agency Funds

Assets and liabilities of agency funds are reported using the accrual basis of accounting. Agency funds have no measurement focus and do not report operating statements.

Significant Accounting Policies

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Investment Pools: The Fiscal Code provides the Treasury Department with investment control over most Commonwealth funds. The Treasury Department uses a variety of sophisticated internal investment pools that seek to provide preservation of principal, liquidity, diversification and income for Commonwealth funds. All participating funds report amounts invested in such pools as temporary and/or long-term investments; the pools themselves are not financially reported. The Treasury Department maintains an external investment pool, the INVEST Program for Local Governments, which separately issues audited financial statements and is reported as an Investment Trust Fund. Financial statements for the INVEST Program include a Statement of Net Assets and a Statement of Changes in Net Assets prepared using the economic resources measurement focus and the accrual basis of accounting.

Temporary Investments: The Treasury Department manages the Treasury Investment Program (TIP); practically all individual funds that are part of primary government are participants in the TIP. The Treasury Department accounts for each participating fund's equity (considered "shares") in the TIP on a daily basis. "Share" balances of participating funds fluctuate considerably during the fiscal year, based on the timing of cash receipts and disbursements in the participating fund, and are reported as temporary investments. The TIP is considered an internal investment pool. Periodic TIP earnings are allocated to specific participating funds based on either the weighted daily average share balance or the net asset value on redemption date combined with share balances on declaration date.

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

Long-Term Investments: Investments expected to be realized in cash after more than twelve months from fiscal year end are reported as long-term investments. Such investments are generally not managed by the Treasury Department. Long-term investments are reported at fair value, except for certain nonparticipating interest-bearing contracts, which are reported at cost. Fair values are based on published market prices, quotations from national securities exchanges and securities pricing services, or by the respective fund managers for securities that are not actively traded. Certain pension trust fund investments, including real estate, venture capital, private equity, private placements and alternative investments are valued based on appraisals, independent advisors or the present value of projected future income.

Investment Income: Investment income includes interest, dividends, realized gains and losses and the change in the fair value of investments, if any, during the fiscal year. If the change in the fair value of investments decreases during any specific fiscal year, such decreases could cause reported, overall investment income to be negative within specific Funds. Similarly, realized losses could cause reported, overall investment income to be negative within specific Funds. Certain investment income from specific Funds' investments is assigned to another Fund and is reported by the receiving Fund if the income is transferred for legal or contractual reasons; otherwise, the investment income is reported as a transfer by the receiving Fund. Specific Fund disclosures for assigned investment income are provided in Note H.

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

Inventories and Prepaid Expenses: Inventories of operating materials and supplies are reported by certain governmental activities and operating and merchandise inventories are reported by Proprietary Funds and the State System of Higher Education, a discretely presented component unit. Operating materials and supplies inventories are valued at cost (first-in, first-out) and merchandise inventories are reported at the lower of cost or market. In the governmental fund financial statements, inventories are accounted for using the purchases method whereby expenditures are reported for current-year purchases of operating materials and supplies. Also, in governmental fund financial statements, prepaid expenses are not reported.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation: General capital assets (including infrastructure) and other capital assets are reported at cost or estimated historical cost in the Statement of Net Assets. Donated capital assets are reported at fair market value at the time of donation. The cost of all land is reported; for other types of capital assets, the following minimum dollar reporting thresholds are used (in thousands):

Land improvements, buildings and building improvements.....	\$25
Machinery and equipment.....	\$25
Highway and bridge infrastructure	\$100
All other infrastructure.....	\$25

Commonwealth agencies maintain inventories of all their respective capital assets, including assets acquired for less than the above minimum amounts, which are not reported in the Basic Financial Statements. The Pennsylvania Historical and Museum Commission (PHMC) owns diverse collections of historical, architectural, prehistoric and artistic artifacts, archives and manuscripts and scientific specimens. The Commonwealth does not capitalize these collections, as they meet the following criteria: PHMC's mission in acquiring these collections is for the purpose of preservation, education, research and exhibition; PHMC secures and preserves all collections in order to adequately preserve Commonwealth history; and all acquisitions and deaccessions must be approved by the PHMC Collections Committee and the PHMC Executive Director. All amounts received from the deaccessioning of artifacts/collections are placed in a restricted account that can only be used for the purchase of new artifacts/collections. The Commonwealth does not capitalize expenditures for software or expenditures to protect farmland under the Agricultural Area Security Law. Capital assets (excluding land and construction in progress) are depreciated over the estimated useful lives of major capital asset classes using the straight-line method. Depreciation expense is reported in the Statement of Activities as part of direct functional expenses; all depreciation is allocated to a specific function. Capital assets reported by proprietary funds are reported in those funds at cost or estimated historical cost. Depreciation is reported on the straight-line basis over the capital assets' estimated useful lives. Depreciation expense associated with capital assets being procured under capital lease arrangements is reported as part of depreciation expense for other capital assets. The following useful lives are used for primary government governmental activities:

Buildings and building improvements.....	40 years
Improvements other than buildings.....	30 years
Machinery and equipment.....	10 years
Highway heavy equipment.....	15 years
Highway infrastructure.....	25 years
Bridge infrastructure	50 years
Dams, dikes and pier infrastructure	50 years
Other infrastructure	20 years

Primary government business-type activities report depreciation expense using useful lives that are very similar to the above and do not report any infrastructure. Certain land, buildings and improvements owned by the Commonwealth and used by the State System of Higher Education (SSHE), a discretely presented component unit, which were acquired or constructed before July 1, 1983 (the inception date for the SSHE), are financially reported as governmental activities general capital assets. All general capital assets acquired or constructed for the SSHE subsequent to June 30, 1983 without the use of university funds or incurrence of SSHE debt are also reported as governmental activities general capital assets. This reporting treatment is used to conform to the enabling legislation for the SSHE, which includes the vesting of title for the SSHE-used property. Capital assets reported by the SSHE are stated at cost. Depreciation of SSHE capital assets is recognized over the estimated useful life of the assets.

Capital Asset Impairments: Through a variety of policies, Commonwealth management requires agencies to perform periodic assessments of general and other capital assets. Beyond initial reporting (upon acquisition), agencies must adhere to continuing policies regarding usability, function and condition of reported capital assets. With few exceptions, reported capital assets are used by Commonwealth agencies on a daily or other periodic basis and agencies must report impairments promptly. In particular, Commonwealth highways and bridges are inspected on a frequent, scheduled basis. As a matter of public safety, such assets are inspected very closely as part of routine operating procedures. Other general capital assets,

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

such as structures, are used for housing or office space. Many pieces of equipment, including rolling stock, are used almost daily.

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

Compensated Absences: Employees earn annual leave, depending on length of credited service, from between 2.7 percent to 10 percent of regular hours paid. Generally, a maximum of 45 days may be carried forward at the end of each calendar year. Employees are paid for accumulated annual leave upon termination or retirement.

Employees earn sick leave based on 5 percent of regular hours paid. Generally, a maximum of 300 days may be carried forward at the end of each calendar year. Most 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 liabilities payable with expendable available financial resources are reported by Governmental Funds; all compensated absences payable are reported by governmental activities and Proprietary Funds and Pension Trust Funds.

Liabilities: In the Statement of Net Assets, governmental activities liabilities are presented as either “current” or “noncurrent.” Liabilities are segregated into these categories by establishing an average maturity for the liability class and classifying the portion due within one year of the statement date as current and the portion due beyond one year of the statement date as noncurrent. For liabilities without specific maturity or due dates, estimates are made of maturities. Liabilities without specific due dates include those related to self-insurance and compensated absences.

Pollution Remediation Obligations: In the government-wide Statement of Net Assets, pollution remediation obligations are reported at the current value of expected outlays to fund remediation costs using the expected cash flow technique. This technique measures the sum of probability-weighted amounts in a range of possible estimated amounts and uses all expectations about possible cash flows on a site-specific basis. Such ranges are weighted within ‘most likely’, ‘worst case’ and/or ‘best case’ scenarios and are based on actual remediation cost experience, remediation cost estimates and/or discrete cost remediation treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation activities beyond site investigation/assessment or feasibility studies have not begun, remaining remediation costs are not reasonably estimable and liabilities for such cases are not reported.

Pension Costs: The Commonwealth’s policy is to fund pension costs incurred and to amortize prior service costs over varying periods not exceeding 20 years. Actuarial assets and liabilities are amortized over either a 10-year or a 30-year period.

Indirect Expenses: In the Statement of Activities, the full-cost allocation treatment is used, whereby reported program expenses, by function, include any expenses which could be treated as indirect expenses of another function.

Interest Expense: In the Statement of Activities, no interest expense is reported by direct program costs. No interest expense was capitalized during the fiscal year ended June 30, 2009.

Intergovernmental Revenues: These amounts represent revenues received principally from the Federal government and include revenues received from the Pennsylvania Turnpike Commission (PTC), a discretely presented component unit, based

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

on Act 44 of 2007 and the related Lease and Funding Agreement between the PTC and the primary government Department of Transportation.

Restricted Net Assets: These amounts were determined based on enabling legislation that provides for restrictions on how the resources of special (non-**General Fund**) funds may be used. At June 30, 2009, a portion of governmental activities net assets was restricted based on a Federal government purpose restriction. Practically all reported restricted net assets could become unrestricted based on possible future legislative changes.

Budget Stabilization Reserve Fund: Act 91 of 2002 provided for this Fund effective July 1, 2002 to gradually provide a budgetary reserve amounting to 6 percent of the revenues of the **General Fund**. For the fiscal year beginning July 1, 2002 and in any fiscal year thereafter in which the Secretary of the Budget certifies that there is a surplus in the **General Fund**, 25 percent of the surplus is to be deposited by the end of the next succeeding quarter into this Fund. The last such transfer was \$177 million (based on the June 30, 2007 surplus) during the fiscal year ended June 30, 2008. Due to July 2008 legislation, there was no transfer from the **General Fund** during the fiscal year ended June 30, 2009. Further, the enacted **General Fund** budget for the fiscal year ending June 30, 2010 provided that the entire balance in this Fund be transferred to the **General Fund**; that transfer occurred during October, 2009. Since this Fund is financially reported as part of the **General Fund** (as a fund balance reservation), all transfers between this Fund and the **General Fund** are eliminated in the basic financial statements.

Tobacco Master Settlement Agreement Proceeds: In 1997, the Pennsylvania Attorney General began litigation in the Philadelphia court of common pleas against several defendant tobacco product manufacturers to recover specified damages. Similar litigation was filed by many other states. In 1998, the Commonwealth joined in the Master Settlement Agreement which settled litigation against certain defendant manufacturers and 52 governmental entities, including Pennsylvania. As part of the settlement, the manufacturers agreed to remit periodic payments to the Commonwealth and other states in perpetuity. Amounts remitted are calculated based on a variety of specific settlement provisions; actual tobacco product sales are one key factor. The Agreement contains procedures for resolving disputes over payment or other issues that may arise. A dispute regarding the amount to be paid for cigarette sales that took place in 2003 is currently being litigated.

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

Bonds Issued, Premium/Discount on Bonds Issued and Bond Issuance Costs: In governmental fund financial statements, the face amount of bonds issued and related premium/discount are separately reported. Bond issuance costs are reported as expenditures. In government-wide financial statements, the face amount of bonds issued is reported as a liability and related premium/discount is amortized over the life of the outstanding debt and is reported as interest expense as part of functional governmental activities expenses. Bond issuance costs are reported as expenses.

Interfund Transactions: The Commonwealth has the following types of transactions between funds, between primary government governmental activities and business-type activities and between primary government and discretely presented component units:

Statutory Transfers—Legally required transfers from specific Funds that subsidize receiving Fund programs are reported when paid as “Transfers in” by the receiving Fund and as “Transfers out” by the disbursing Fund. Legally required payments from the primary government to component unit organizations are reported when paid as governmental activities program expenses and as either Operating Grants and Contributions or Capital Grants and Contributions by component unit organizations. Interfund balances (amounts due from/to other funds) are reported for unremitted, due and payable, transfers at fiscal year end. In the Statement of Activities, only transfers between governmental activities and business-type activities are reported as transfers.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Services Provided and Used—Charges or collections for services provided by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund are reclassified and treated as reimbursements (above) in fund financial statements and the Statement of Activities.

Interfund balances: Interfund balances (amounts due from/to other funds) are reported for unremitted charges or collections at fiscal year end that arise in connection with routine, ordinary governmental fund and proprietary fund operations. The composition of the Commonwealth's interfund receivables/payables at June 30, 2009 and transfers in/out during the fiscal year ended June 30, 2009 are presented in Note H. Interfund balances between two governmental funds or two proprietary funds are not reported in the Statement of Net Assets.

New Accounting Pronouncements – Adopted:

In December 2006, the GASB issued Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." GASB Statement No. 49 establishes recognition 'triggers,' any one of five obligating events, and requires governments to estimate expected outlays (expected cash flows) for pollution remediation costs at polluted sites associated with obligating events. Pollution remediation obligations are not reported unless one or more obligating events has occurred. The Commonwealth has adopted the standard effective July 1, 2008 and has restated and reduced previously reported governmental activities net assets as of June 30, 2008; disclosure of such restatement is included as part of Note B to the financial statements. Disclosures related to pollution remediation obligations are included as part of 'Significant Accounting Policies,' this Note, and Note K to the financial statements.

In November 2007, the GASB issued Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments." GASB Statement No. 52 changes how permanent and term endowments, including permanent funds, report land and other real estate held as investments. The prior standard required reporting such investments at historic cost; the new standard requires reporting such investments at fair value, along with several note disclosures. The Commonwealth adopted the standard effective July 1, 2008 with no effect on the primary government or any discretely presented component units as of and for the fiscal year ended June 30, 2009.

In December 2008, the GASB issued Technical Bulletin 2008-1, "Determining the Annual Required Contribution Adjustment for Postemployment Benefits." The Technical Bulletin clarifies the requirements of GASB Statement Nos. 27 and 45 for employer governments calculating the annual required contribution adjustment. The Commonwealth adopted the standard effective July 1, 2008 with no effect on the primary government or any discretely presented component units as of and for the fiscal year ended June 30, 2009.

In March 2009, the GASB issued Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments." GASB Statement No. 55 codifies, within a GASB pronouncement, the longstanding treatment the Commonwealth has been using and has been adopted effective March 2009 with no effect on the primary government or any discretely presented component units as of and for the fiscal year ended June 30, 2009.

In March 2009, the GASB issued Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards." GASB Statement No. 56 codifies, within a GASB pronouncement, specific standards issued by the American Institute of Certified Public Accountants which affect state and local government financial statements. The Commonwealth's longstanding treatment has been to comply with such standards and has adopted the new GASB standard effective March 2009 with no effect on the primary government or any discretely presented component units as of and for the fiscal year ended June 30, 2009.

New Accounting Pronouncements – To Be Adopted:

In June 2007, the GASB issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." GASB Statement No. 51 clarifies pertinent provisions of GASB Statement No. 34 which address capital asset reporting requirements. Among other things, the Commonwealth must begin to report such intangible assets as computer software, which are not presently capitalized and amortized over varying periods of time.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2008, the GASB issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." GASB Statement No. 53 requires that derivative instruments be reported at fair value; further, periodic changes in those fair values for investment derivatives or other derivatives which are ineffective are reported as a component of investment income. For derivatives which are effective hedging instruments, periodic changes in fair value are deferred on statements of net assets.

In February 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 changes the existing components within governmental funds fund balances from 1) Reserved, Unreserved and, within Unreserved, Designated and Undesignated fund balances to 2) Nonspendable and Spendable and, within Spendable, Restricted, Committed, Assigned and Unassigned. Also, governmental funds fund type classifications are clarified.

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans." GASB Statement No. 57 amends certain current standards related to: employer accounting and reporting for OPEB; and OPEB plan reporting. The newer requirements are intended to increase the number of employer governments which may use the 'alternative method' and clarifies that the same frequency and timing of determining OPEB measures are required for both agent multiple-employer plans and those plans' participating employer governments.

In December 2009, the GASB issued Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies." GASB Statement No. 58 establishes requirements for recognizing and measuring the effects of governments requesting bankruptcy protection under Chapter 9 of the United States Bankruptcy Code on assets and liabilities and for classifying changes in those items and related costs.

The new standards must be adopted as follows:

- GASB Statement No. 51 Effective July 1, 2009, for financial statements for the fiscal year ending June 30, 2010.
- GASB Statement No. 53 Effective July 1, 2009, for financial statements for the fiscal year ending June 30, 2010.
- GASB Statement No. 54 Effective July 1, 2010, for financial statements for the fiscal year ending June 30, 2011.
- GASB Statement No. 57 Effective immediately for employer alternative measurement purposes and effective July 1, 2011 for OPEB plan financial statements for fiscal years ending June 30, 2012.
- GASB Statement No. 58 Effective July 1, 2009, for financial statements for the fiscal year ending June 30, 2010.

NOTE B – RESTATEMENTS

Primary Government

Restatement Due to Adoption of New Accounting Standard

Effective July 1, 2008 the previously reported governmental activities net assets of \$25,578,673 at June 30, 2008 are being restated and reduced by \$303,713 at July 1, 2008 as a result of implementing GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Aggregate pollution remediation obligations totaling \$303,713 (amounts in thousands) were measured on a retroactive basis, as of June 30, 2008, during the fiscal year ended June 30, 2009 and represent the Commonwealth's share of total site-specific estimated remediation liabilities. Additional disclosures about pollution remediation obligations are included in Notes A and K to the financial statements.

Restatement Due to Correction of Error

Effective July 1, 2008 the previously reported fund balance of the **Motor License Fund**, a Special Revenue Fund, of \$1,566,520 at June 30, 2008 is being corrected and increased by \$30,059 to \$1,596,579 (amounts in thousands) as a result of understated commercial vehicle revenues previously reported during the fiscal years ended June 30, 2008 and 2007 related to the Commonwealth's share of reimbursements based on the International Registration Plan's Clearinghouse Program.

This restatement also corrects and increases previously reported governmental activities net assets at June 30, 2009 by \$30,059. The combination of adopting GASB Statement No. 49 (\$303,713 decrease) and the **Motor License Fund** correction (\$30,059 increase) results in a net decrease of \$273,654 in previously reported governmental activities net assets, to \$25,305,019 (amounts in thousands), as of July 1, 2008.

Discretely Presented Component Units

Restatement Due to Correction of Errors

Effective July 1, 2008 the previously reported net assets of the Pennsylvania Industrial Development Authority (PIDA) have been corrected and reduced from \$273,305 at June 30, 2008 to \$263,664 as a result of two reporting errors in prior periods. The first amount is \$4,522 and relates to a previously unreported arbitrage interest rebate liability; the second amount is \$5,119 and relates to an overstatement of previously reported investment income. The total decrease in PIDA net assets as of July 1, 2008 amounts to \$9,641 (amounts in thousands).

As a result of this restatement, total discretely presented component unit net assets were reduced from \$5,724,051 as previously reported at June 30, 2008 to \$5,714,410 as of July 1, 2008 (amounts in thousands).

NOTE C – NET ASSETS/FUND EQUITY

Governmental Activities and Business-Type Activities Net Assets: Total Net Assets are the difference between Total Assets and Total Liabilities reported on the Statement of Net Assets. Total Net Assets are reported in three distinct components: Invested in capital assets, net of related debt; Restricted net assets; and Unrestricted net assets.

Invested in capital assets, net of related debt represents total capital assets less accumulated depreciation and the outstanding liability (excluding unspent proceeds) for debt specifically related to the acquisition of the capital assets. At June 30, 2009, governmental and business-type activities, respectively, reported \$22,821,832 and \$78,561 in net assets invested in capital assets, net of related debt (amounts in thousands).

Restricted net assets represents net assets amounts which are statutorily restricted based on enabling legislation; such amounts may only be used for specific legislated purposes. All reported restricted net assets are restricted based on enabling legislation. Governmental fund balance “designations” are not treated as restricted net assets because they represent plans and can easily be changed. Restraints established by enabling legislation, on the other hand, are not easily changed. At June 30, 2009, governmental and business-type activities, respectively, reported \$4,471,207 and \$941,079 in restricted net assets. Net assets restricted for other purposes of \$58,842 and \$76,573 for governmental activities and business-type activities, respectively, at June 30, 2009 include amounts for a range of dissimilar statutory purposes (amounts in thousands).

Unrestricted net assets represents total net assets minus the totals of invested in capital assets, net of related debt and restricted net assets. At June 30, 2009, governmental and business-type activities, respectively, reported unrestricted net assets deficits of \$4,053,146 and \$403,122 (amounts in thousands).

Governmental Fund Balance Reservations: Fund balance reservations reported in governmental fund balance sheets represent portions of governmental fund balances that are legally segregated for a specific future use or are not available for expenditure.

The amount reserved for advances in the **General Fund**, \$139.1 million, is applicable to advances as follows: \$14.3 million to the Purchasing Fund, an Internal Service Fund; \$2.3 million to the **State Workers’ Insurance Fund** and \$110.0 million to the State Stores Fund, both Enterprise Funds; \$2.2 million to the **Motor License Fund** and \$10.3 million to the Pharmaceutical Assistance Fund, both Special Revenue Funds.

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

Governmental funds reported total fund balance “other” reservations of \$2,292,145 at June 30, 2009. This amount consists of \$1,375,432 reserved in the **General Fund**, \$1,145,544 for restricted revenue and \$229,888 for continuing programs; \$664,156 reserved in the **Tobacco Settlement Fund** for various health-related programs; \$10,225 in the **Motor License Fund** for transportation-related programs, and \$242,332 reserved in nonmajor Funds for the following programs (amounts in thousands):

Land reclamation and other mining operations.....	\$ 31,564
Pharmaceutical assistance.....	10,455
Recreation.....	8,325
Conservation, recycling, and economic development.....	4,302
Workers compensation.....	31,428
Hazardous materials.....	36
Gaming activities.....	<u>147,766</u>
Total nonmajor Special Revenue programs.....	<u>233,876</u>
General State Authority maintenance in the	
Capital Facilities Fund.....	6,819
Land and water reclamation.....	<u>1,637</u>
Total nonmajor Capital Projects programs.....	<u>8,456</u>
Total nonmajor Funds other reservations.....	<u>\$ 242,332</u>

NOTE C – NET ASSETS/FUND EQUITY (continued)

Governmental Funds Fund Balance Deficits: None of the governmental funds reported a fund balance deficit in the governmental funds balance sheet at June 30, 2009.

The Capital Facilities Fund, a Capital Projects Fund, reported a deficit unreserved/undesignated fund balance of \$719,990 at June 30, 2009. In total, the Capital Facilities Fund reported a fund balance of \$265,268 at June 30, 2009. The Land and Water Development Fund, a Capital Projects Fund, reported a deficit unreserved/undesignated fund balance of \$1,375 at June 30, 2009. Total Capital Projects Funds reported reservations for encumbrances of \$1,067,217; other reservations of \$8,456; designations for Capital Projects of \$33,527; and a deficit unreserved/undesignated fund balance of \$721,365; for total combined fund balances of \$387,835 at June 30, 2009 (amounts in thousands).

Proprietary Funds Net Assets: Nonmajor Enterprise funds reported total restricted net assets for “other purposes” of \$76,573 at June 30, 2009 for the following programs: mine subsidence insurance, \$64,181; vocational rehabilitation, \$3,303; and \$9,089 for other programs (amounts in thousands).

Component Unit Net Assets: Net assets of most component units are restricted, consistent with enabling legislation for component units. Net assets are restricted for purposes specifically identified by the legislation that created the component unit entity. At June 30, 2009 the Pennsylvania Industrial Development Authority reported unrestricted net assets of \$261,782 and the Commonwealth Financing Authority reported deficit unrestricted net assets of \$80,765 (amounts in thousands).

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**Authority for Deposits and Investments****Treasury Department**

The deposit and investment policies of the Treasury Department are governed by Sections 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929, P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929, P.L. 177, No. 175).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments. This authority is subject, however, to the exercise of that degree of judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are familiar with such matters exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived there from as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

As of June 30, 2009, the Treasury Department manages the Treasury Investment Program (TIP). Practically all Commonwealth Funds of the primary government are invested on a temporary basis in the TIP. The objectives of the TIP are preservation of principal, liquidity, diversification and income. All investments are made in accordance with the statutory authority described in the preceding paragraph. The TIP investment pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the Treasury Investment Program. Asset allocation targets between equity securities and fixed income securities are established in order to meet these overall objectives.

The TIP consists of two types of pools, currently known as The Common Investment Pool and The Treasury Liquid Asset Pool. The Common Investment Pool consists of three portfolios as follows: the Short-Term Diversified Portfolio, which consists of fixed income investments in a Short-Term Funds segment and a 2-Year Duration Target segment; the Mixed-Term Diversified Portfolio, which consists of fixed income investments, including high yield, and equity investments; and the Discretionary Assets Portfolio, which includes certain economically targeted investments deemed appropriate by the State Treasurer. The Treasury Liquid Asset Pool is a portfolio consisting of fixed income investments with a maximum term not greater than 13 months managed by the Treasury Department.

Other Investing Organizations

Certain investing organizations have statutory authority, which is comparable to the Treasury Department 'prudent person' authority above. The investments of such organizations are accounted for in the following Funds: **Tobacco Settlement**, Workers Compensation Security Trust, **State Workers' Insurance**, **Tuition Payment**, Tuition Account Investment Program, INVEST Program for Local Governments (INVEST), Statutory Liquidator, and Underground Storage Tank Indemnification (collectively, other investing organizations). Among other things, the other investing organizations typically invest for longer periods of time than the TIP. Therefore, the other investing organizations own, in relative terms, more intermediate or long-term investments than the TIP. Most of the other investing organizations establish contractual arrangements with investment managers, which identify investment objectives without providing strict limitations on 'allowable' investment purchases. Most of the other investing organizations prohibit investing in certain assets, such as commodities and futures contracts, private placements, except Section 144, limited partnerships, and corporations that are engaged in the tobacco industry. Several of the organizations also prohibit short selling and marginal transactions. One notable exception is **Tobacco Settlement**; this organization permits some or all of the previously mentioned prohibited assets and transactions as well as foreign investments.

Pension Trust Funds

The State Employees' Retirement System (SERS), the Deferred Compensation Program (DCP), the Public School Employees' Retirement System (PSERS) and the Other Post Employment Benefit Investment Pool constitute combined Pension (and Other Employee Benefit) Trust Funds (Pension Trust Funds) reported in the basic financial statements. Pension Trust Funds avoid deposit risks; as such deposits must be authorized by the Treasury Department. Several state laws govern investment authority for the SERS and the PSERS; such laws provide 'prudent person' investing authority. Allowable DCP investment options are established by the SERS under its applicable statutory authority. A very large portion of total Pension Trust Fund investments consists of equity securities, real estate and a wide variety of mutual funds.

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Deposit Risks

At June 30, 2009, Treasury Department bank balances of \$5,905 were subject to custodial risk because they were uninsured and uncollateralized. In addition, \$30,318 of Statutory Liquidator Fund deposits were subject to custodial credit risk because they were uninsured and uncollateralized. The PSERS had deposits totaling \$42,360 at June 30, 2009 that were not required to be collateralized by statute or policy at M&T Bank which has a credit rating of A-/A3. None of the other investing organizations or the Pension Trust Funds was exposed to either custodial credit risk or foreign currency risk for its deposits at June 30, 2009 (December 31, 2008 for the **State Workers' Insurance**, SERS, INVEST and DCP) (amounts in thousands).

Investment Risks

Risk Management Policies: The Treasury Department, which is responsible for the TIP, **Tuition Payment** and INVEST Program, has formally adopted a written investment policy. Provisions of the written investment policy and current management of the investments address custodial credit risk, concentration of credit risk, credit risk, interest rate risk, and foreign currency risk. Most of the other investing organizations have adopted investment policies intended to reduce the various risks or, in the case of foreign currency risk, to avoid it entirely. Pension Trust Fund policies avoid custodial credit risk entirely but are exposed to credit risk, interest rate, and foreign currency risk. To a large degree, credit risk is avoided by following policies to purchase only 'investment grade' securities (Baa/BBB/BBB or better). Where interest rate risk policies have been adopted, risk is avoided by establishing maximum maturities. To a degree, the establishment of policies limiting investment purchases from a single issuer avoids concentration risk. The individual risk policies and related disclosures are discussed in greater detail below. Either collectively or individually, none of the five non-Treasury investing organizations subject themselves to significantly higher risks than the Treasury Department. Based on the long-term nature of Pension Trust Fund investments, those Funds are exposed to interest rate risk, foreign currency risk and, to a smaller degree, credit risk.

Investments by Type

At June 30, 2009 the Treasury and other investing organizations disclosed a total of \$19,133,546 in investments. This consists of 87 percent fixed income securities (\$16,718,310), nearly 11 percent common stock securities (\$2,131,145), and the remaining two percent consists of private equity, annuities, foreign cash and cash equivalents, and others. The investment types and related amounts are as follows (amounts in thousands):

<u>Investment Type</u>	<u>Amount</u>
Alternative.....	\$ 240,954
Annuity.....	1,473
Asset backed securities.....	118,556
Cash & cash equivalents.....	91,997
Certificates of deposit.....	610,648
Commercial paper.....	2,136,755
Convertible securities.....	778
Corporate obligations.....	1,753,873
Derivatives.....	3,538
Equity.....	2,131,145
Money market.....	5,063,340
Mortgaged backed securities.....	1,045,882
Mutual funds.....	673,850
Preferred securities.....	4,730
Private equity.....	113,397
Private placement.....	91,157
Repurchase agreement.....	1,327,792
Sovereign debt.....	36,533
State & municipal obligations.....	282,877
US government agency backed.....	3,323
US government agency sponsored	1,766,971
US treasury.....	1,633,976
Total.....	\$ 19,133,546

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event a counterparty fails to uphold its agreement to a transaction, with either the Treasury Department, the other investing organizations or the Pension Trust Funds, they would not be able to recover the value of investment or collateral securities in the possession of an outside party. In accordance with a contractual relationship between the Treasury Department and its custodial agents, substantially all investments, where securities are used as evidence of the investment, are held by the custodians in book entry form in the name of the Commonwealth or the custodian. The TIP, **Tuition Payment** and INVEST investments are insured or registered; and the securities are held by the Treasury Department or its agent. Similarly, investments of the other investing organizations and the Pension Trust Funds are almost always registered in the name of the Commonwealth, as the Treasury Department is the statutory custodian for such investments. At June 30, 2009, only the Statutory Liquidator Fund owned investment securities subject to custodial credit risk, in the amount of approximately \$1.81 billion. Such securities are neither insured nor registered and are either held by the counterparty or the counterparty’s trust department or agent but not in the name of the Commonwealth. The investment types and related amounts are as follows (amounts in thousands):

<u>Investment Type</u>	<u>Amount</u>
Asset backed securities.....	\$ 36,337
Commercial paper.....	91,602
Equities.....	24,244
Corporate obligations.....	752,986
Derivatives.....	3,212
Mortgage backed securities.....	467,467
Repurchase agreements.....	120,827
State and municipal obligations.....	5,736
U.S. Treasury.....	213,926
U.S. government agency sponsored	93,817
Total.....	\$ 1,810,154

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the government’s investment in a single issuer. The Treasury Department places a 10 percent limit on the concentration of investments in any one fixed income issuer within both the TIP, **Tuition Payment** and INVEST. This limitation excludes government-sponsored enterprises (GSEs), direct obligations of the U.S. Treasury or U.S. agencies, and repurchase agreements. The Treasury Department also places a five percent limit on the concentration of investments in one equity issuer within the Common Investment Pool. Similarly, to a degree, the five other investing organizations limit exposure to concentration of credit risk. Several other investing organizations have adopted policies, which allow greater than five percent of portfolios to consist of securities issued by the U.S. Treasury. Among Treasury and other investing organizations, the following concentrations existed as of June 30, 2009 (December 31, 2008 for the **State Workers’ Insurance Fund** and INVEST) (amounts in thousands):

<u>Issuer Name</u>	<u>Amount</u>	<u>% of Total Portfolio</u>
Federated Investors.....	1,270,335	6.64%
Bank of America.....	990,120	5.17%

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

As of and during the year ended December 31, 2008 the **State Workers' Insurance Fund** owned more equity securities (at cost) than allowed by applicable statutory authority. Act 41 of 2005 permits the **State Workers' Insurance Fund** to invest in equities (at cost) not exceeding the lesser of 1) 20 percent of the Fund's assets or 2) the statutory surplus after discount. Since the reported statutory surplus after discount at December 31, 2008 was negative, all equity holdings of \$180 million (at cost) at that date exceeded the allowable limit. **State Workers' Insurance Fund's** governing board has directed its investment consultant to make recommendations to rebalance the portfolio and specify action necessary to ensure compliance with Act 41 (amounts in thousands).

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies (NRSRA) such as Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch). The Treasury Department requires purchases of TIP assets to be investment grade (Baa/BBB/BBB or better) at the time of purchase. The fixed income portfolio includes a provision for the asset allocation to allow up to 10 percent of the portfolio to be in high yield investments. These investments, by definition, are not restricted to the investment grade requirements and include investments rated at Ba/BB/BB or below. Generally the other investing organizations limit exposure to credit risk through policies which prevents purchasing below investment grade (Baa/BBB/BBB or better).

At June 30, 2009 approximately \$16,718,310 of total Treasury and other investing organization investments of \$19,133,546 are fixed income investments, susceptible to credit quality rating; the remainder is primarily common stock (\$2,131,145) and private equity (\$113,397). Of the amount susceptible to credit quality rating, \$5,470,471 is rated; ratings are not available for \$11,247,839 of fixed income investments. The following tables discloses aggregate fair value, by the lowest rating obtained by credit quality rating category, at June 30, 2009 for the Treasury Department and the other investing organizations fixed income investments (amounts in thousands):

<u>Moody's Investor Services</u>	<u>Amount</u>
Aaa.....	\$ 1,389,084
Aa1.....	13,516
Aa2.....	80,663
Aa3.....	45,900
A1.....	96,789
A1e.....	633
A2.....	255,815
A3.....	107,300
Ba1.....	27,502
Ba2.....	69,490
Ba3.....	80,094
B1.....	59,349
Baa1.....	93,906
Baa2.....	152,232
Baa3.....	107,659
B2.....	17,401
B3.....	32,569
C2.....	221
Caa1.....	24,776
Caa2.....	9,478
Caa3.....	4,967
CA.....	3,395
Ca2.....	532
C.....	113
D.....	103
P-1.....	1,234,696
Moody's Investor Services subtotal.....	\$ 3,908,183

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

<u>Standard and Poor's</u>	<u>Amount</u>
AAA.....	\$ 43,119
AA+.....	14,969
AA.....	15,348
AA-.....	20,200
A-1+.....	100,000
A-1.....	917,097
A+.....	70,882
A.....	80,231
Ae.....	2,421
A-.....	33,082
A2.....	322
BBB+.....	26,518
BBB.....	47,024
BBB-.....	16,462
BB+.....	8,314
BB.....	16,901
BB-.....	8,248
B+.....	6,262
B.....	11,048
B-.....	8,266
CCC+.....	2,032
CCC.....	6,842
CCC-.....	122
CC.....	535
C.....	273
D.....	2,105
Standard and Poor's subtotal.....	<u>\$ 1,458,623</u>
<u>Fitch Ratings</u>	<u>Amount</u>
AAA.....	\$ 17,662
AA+.....	1,038
AA.....	3,942
AA-.....	13,156
A+.....	1,651
A.....	9,632
A-.....	1,556
BBB+.....	3,283
BBB.....	14,691
BBB-.....	2,474
BB+.....	480
BB.....	7,953
BB-.....	1,994
B+.....	3,859
B.....	3,628
B-.....	123
CCC.....	8,085
CC.....	4,546
C.....	912
F1.....	3,000
Fitch Ratings subtotal.....	<u>\$ 103,665</u>
Total Rated.....	<u>\$ 5,470,471</u>
Unrated.....	<u>\$ 11,247,839</u>
Total fixed income investments.....	<u><u>\$ 16,718,310</u></u>

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

At June 30, 2009 one percent (\$218,019) of fixed income investments are rated below investment grade. Approximately 67 percent (\$11,247,839) of the fixed income portfolio in Treasury and other investing organizations is not rated by any of the Nationally Recognized Securities Rating Agencies (NRSRA). Unrated Fixed Income Investments include securities that did not have a credit rating available from a NRSRA at June 30, 2009 (December 31, 2008 for the **State Workers' Insurance Fund** and **INVEST**). These unrated securities include U.S. Government Obligations which were not rated by an NRSRA. They are negotiable debt obligations of the U.S. Government secured by its full faith and credit. Also included in the Unrated Fixed Income Investments are U.S. Government Sponsored Enterprises (GSEs). GSE securities are not normally rated and are not explicitly backed by the full faith and credit of the U.S. Government.

The Pension Trust Funds may expose themselves to greater credit risk than Treasury Department or other investing organizations to meet specific investment objectives. SERS and DCP fixed income securities, which are exposed to credit risk, are rated as follows (amounts in thousands):

Moody's Investor Services ^a	SERS	DCP
Aaa.....	\$ 18,680	\$ 117,831
Aa.....	10,213	13,500
A.....	90,184	134,062
Baa.....	170,100	29,557
Ba.....	457,523	1,216
B.....	418,047	771
Caa.....	133,657	16
Ca.....	8,161	-
C.....	7,195	63
D.....	5,625	-
Unrated ^b	302,706	409,187
Treasury Investment Program.....	820,125	69,774
Total.....	\$ 2,442,216	\$ 775,977

^a The Moody's rating represents all of the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of Ba1 is shown as a rating of Ba in this table.

^b Represents securities that were either not rated or had a withdrawn rating. These Unrated securities include U.S. Government Obligations which were not rated by an NRSRA. They are negotiable debt obligations of the U.S. Government secured by its full faith and credit. Also included in the Unrated Fixed Income Investments are U.S. Government Sponsored Agencies totaling \$99,717 for SERS and \$71,238 for DCP. GSE securities are not normally rated and are not explicitly backed by the full faith and credit of the U.S. Government (amounts in thousands).

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

PSERS fixed income securities, which are subject to credit risk rating, are listed below using the rating (expressed as S&P equivalent), available from Fitch, Moody’s, and/or S&P that indicates the greatest degree of risk at June 30, 2009 (amounts in thousands):

<u>Standard and Poor’s Equivalent</u> ^a	<u>Amount</u>
AAA.....	\$ 4,434,124
AA.....	672,450
A.....	888,204
BBB.....	812,151
BB and below.....	895,804
Unrated ^b	3,068,343
U.S. government guaranteed ^c	1,596,060
Short-Term Investment Fund.....	<u>4,365,142</u>
Total.....	<u>\$16,732,278</u>

^a The Standard and Poor's rating represents all of the securities that fall within subcategories of the ratings shown in this table. For example, a security with a rating of A+ is shown as a rating of A in this table.

^b Unrated represents securities that were not rated by S&P; \$2,529,667 in collective trust funds and \$538,676 in other investments.

^c Represents securities issued by the U.S. Government and agency obligations explicitly guaranteed by the U.S. Government and not considered to have credit risk.

Interest Rate Risk: Interest rate risk is the risk that an investment’s value will change, advantageously or adversely, due to a change in the absolute value of interest rates. The Treasury Department measures interest rate risk using duration. To limit Treasury’s exposure to fair value losses arising from rising interest rates, Treasury’s long-term asset allocation diversifies its fixed income core segment between intermediate duration and longer duration strategies. Duration is a measure of an investment’s sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. Treasury measures interest rate risk using option-adjusted duration, which takes into account embedded options affecting cash flows. Other investing organizations use less sophisticated measurements to manage interest rate risk; several limit the maximum term-to-maturity of investment purchases. Further, to avoid interest rate risk, many other organizations deliberately hold a given percentage of total investments in very short-term securities to avoid the potential need to sell such securities at a loss. At June 30, 2009, TIP and other investing organizations, excluding Statutory Liquidator, fixed income portfolio had the following option-adjusted durations (in years) by investment type (amounts in thousands):

<u>Investment Type</u>	<u>Amount of Securities with Duration</u>	<u>Option-Adjusted Duration</u>	<u>Amount of Securities with no Duration</u>
Asset backed securities.....	\$ 79,594	1.422	\$ 2,624
Cash & cash equivalents.....	84,374	0.042	4,438
Certificates of deposit.....	588,603	0.096	-
Commercial paper.....	2,020,153	0.030	25,000
Convertible securities.....	778	1.888	-
Corporate obligations.....	995,799	4.119	5,088
Money market.....	4,139,084	0.083	-
Mortgaged backed securities.....	544,436	3.324	33,979
Private placement.....	77,332	3.476	13,826
Repurchase agreement.....	1,206,965	0.001	-
Sovereign debt.....	5,391	13.788	30,000
State & municipal obligations.....	38,045	6.083	239,095
US government agency backed.....	3,041	7.289	-
US government agency sponsored	1,501,363	1.574	171,791
US Treasury.....	1,420,332	6.160	-
Total.....	<u>\$ 12,705,290</u>		<u>\$ 525,841</u>

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The Statutory Liquidator Fund and Tuition Account Investment Program do not use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for those Funds (amounts in thousands):

Investment Type	Matures in less than 1 Year	Matures in 1 to 5 Years	Matures in 6 to 10 Years	Matures in 11 to 20 Years	Matures in 21 to 30 Years	Matures in 31 to 40 Years	Matures in Over 40 Years	No Maturity Date	Total
Alternative	\$ 1,176	\$ 1,339	\$ -	\$ -	\$ -	\$ -	\$ 34,481	\$ 31,839	\$ 68,835
Annuities.....	-	-	-	-	-	-	-	1,473	1,473
Asset backed securities.....	-	21,528	1,736	2,158	9,388	1,526	-	-	36,336
Cash & cash equivalents.....	-	-	-	-	-	-	-	45,897	45,897
Certificates of deposit.....	21,549	-	-	-	496	-	-	-	22,045
Commercial paper.....	90,379	732	490	-	-	-	-	-	91,601
Corporate bonds & notes.....	85,006	271,667	241,946	7,905	8,732	23,382	20,280	94,068	752,986
Derivatives.....	3,212	-	-	-	-	-	-	-	3,212
Money market.....	-	-	299	-	-	98,399	284	782,563	881,545
Mortgage backed securities.....	510	5,885	14,080	16,881	327,237	93,176	9,697	-	467,466
Mutual fund.....	-	-	-	-	-	-	-	126,217	126,217
Preferred stocks.....	-	-	-	-	-	-	-	1,092	1,092
Repurchase agreement.....	120,827	-	-	-	-	-	-	-	120,827
Sovereign debt.....	-	1,142	-	-	-	-	-	-	1,142
State & Municipal obligations.....	-	-	3,911	1,825	-	-	-	-	5,736
U.S. Government agency sponsored.....	41,973	46,607	5,237	-	-	-	-	-	93,817
U. S. Treasury.....	95,236	62,911	51,177	-	4,602	-	-	-	213,926
Total.....	\$ 459,868	\$ 411,811	\$ 318,876	\$ 28,769	\$ 350,455	\$ 216,483	\$ 64,742	\$ 1,083,149	\$ 2,934,153

Based on specific investment objectives, the Pension Trust Funds may expose themselves to greater interest rate risk than Treasury Department or other investing organizations. Several investment choices, which may be selected by Deferred Compensation Program participants, include the Stable Value Account, Aggregate Bond Index, and U.S. Tactical Asset Allocation Fund, include a variety of fixed income securities. Each Pension Trust Fund uses option-adjusted duration (in years) as a measure of interest rate risk, as follows (amounts in thousands):

Investment Type	SERS Amount	DCP Amount	SERS Option-Adjusted Duration	DCP Option-Adjusted Duration
Asset backed securities.....	\$ 6,368	\$ 25,764	1.80	1.70
Corporate obligations.....	842,393	178,219	3.40	4.50
Mortgage backed securities.....	74,847	405,249	2.50	3.40
Other investments ^a	491,736	-	N/A	N/A
Sovereign debt.....	416,921	10,326	4.60	5.90
Treasury Investment Program.....	820,125	69,791	0.10	0.10
U.S. government agency	1,262,227	122,800	3.30	3.90
U.S. government sponsored enterprises.....	30,361	71,237	1.80	2.90
U.S. private placements.....	200,832	13,858	2.90	2.20
Total.....	\$ 4,145,810	\$ 897,245		

^aOther Investments represents certain SERS securities with maturities ranging through 2024 and the value of swap agreements as of December 31, 2008.

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

PSERS:

Investment Type	Amount	Option-Adjusted Duration
Domestic mortgage-backed securities.....	\$ 3,740,617	1.7
U.S. government and agency obligations.....	1,416,505	3.6
Domestic corporate and taxable municipal bonds.....	2,271,173	3.0
Miscellaneous domestic fixed income.....	456,144	0.4
Fixed income collective trust funds.....	2,529,667	4.3
International fixed income.....	919,443	3.8
PSERS Short-Term Investment Fund.....	4,365,142	0.1
Total.....	\$ 15,698,691	

Fixed income investment managers enter into futures contracts to adjust the durations of their portfolios as a whole. In total, futures contracts have adjusted PSERS’ total fixed income and Short-Term Investment Fund portfolio duration upward by 0.1 at June 30, 2009.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Treasury Department’s policy requires all investments to be denominated in U.S. dollars, issued under U.S. laws and regulations, designed for U.S. investors, and traded in U.S. markets. Among the other investing organizations, the **Tobacco Settlement Fund** and the **Tuition Payment Fund** are authorized to purchase securities denominated in a foreign currency. At June 30, 2009, the **Tobacco Settlement Fund** reported \$83.5 million and the **Tuition Payment Fund** reported \$32.3 million of foreign currency-denominated holdings. The foreign currency holdings make up nearly 4.5 percent of the **Tuition Payment Fund**’s total investment portfolio and nearly 7.3 percent of the **Tobacco Settlement Fund**’s total investment portfolio. The amounts invested, by currency, are as follows (amounts in thousands):

Foreign Currency	Short Term Holdings	Equities	Private Equity	Total
Euro.....	\$ 121	\$ 36,697	\$ 2,366	\$ 39,184
Japanese yen.....	31	18,364	-	18,395
British pound sterling.....	64	18,244	-	18,308
Swiss franc.....	34	7,661	-	7,695
Canadian dollar.....	120	7,390	-	7,510
Hong Kong dollar.....	61	7,125	-	7,186
Australian dollar.....	15	4,920	-	4,935
Danish krone.....	-	2,793	-	2,793
Swedish krona.....	8	2,436	-	2,444
Brazil real.....	5	1,279	-	1,284
Norwegian krone.....	-	1,211	-	1,211
South Korean won.....	7	1,161	-	1,168
Singapore dollar.....	2	1,147	-	1,149
Mexican peso.....	-	717	-	717
South African rand.....	-	637	-	637
New Turkish lira.....	-	572	-	572
Czech koruna.....	-	211	-	211
Thailand baht.....	4	173	-	177
Israeli shekel.....	-	134	-	134
Indonesian rupiah.....	-	60	-	60
Total.....	\$ 472	\$ 112,932	\$ 2,366	\$ 115,770

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Each Pension Trust Fund is exposed to foreign currency risk as part of meeting specific investing objectives or allocations among different classes of investments. The SERS is exposed to foreign currency risk primarily for equity securities at December 31, 2008 as follows (amounts in thousands):

Foreign Currency	Short Term Investments ^a	Fixed Income	Equity	Real Estate	Alternative Investments	Total
Euro.....	\$ 7,367	\$ 4,772	\$ 604,864	\$ 21,801	\$ 274,218	\$ 913,022
Japanese yen.....	4,682	-	387,330	43,936	-	435,948
British pound sterling.....	3,862	115	363,715	10,464	-	378,156
Swiss franc.....	1,958	-	169,743	2,079	-	173,780
Hong Kong dollar.....	736	-	139,820	31,040	-	171,596
Australian dollar.....	454	-	40,726	21,899	-	63,079
South Korean won.....	3	-	58,033	-	-	58,036
Brazil real.....	713	18,423	25,114	506	-	44,756
South African rand.....	1,297	15,584	19,798	-	-	36,679
New Taiwan dollar.....	820	-	32,609	-	-	33,429
Singapore dollar.....	146	-	22,361	6,010	-	28,517
Thailand baht.....	1,144	11,496	11,830	-	-	24,470
Swedish krona.....	532	-	18,997	2,316	1,761	23,606
Canadian dollar.....	6	4,829	11,175	3,696	-	19,706
Mexican new peso.....	645	14,729	4,237	-	-	19,611
Polish zloty.....	619	18,175	735	-	-	19,529
Indian rupee.....	110	-	17,731	-	-	17,841
Other Currencies.....	2,293	38,670	62,401	-	-	103,364
Total.....	\$ 27,387	\$ 126,793	\$ 1,991,219	\$ 143,747	\$ 275,979	\$ 2,565,125

^a Includes receivables and payables as of December 31, 2008 for securities sold and purchased.

One of several investing choices that may be selected by DCP participants is the European, Australian and Far East (EAFE) Equity Index Fund, which owns international equities and is managed by an external manager. The EAFE Equity Index Fund within the DCP seeks to track the more than 1,000 foreign stocks representing established companies in 21 countries located in Western Europe and the Pacific Rim that are a part of the Morgan Stanley Capital International EAFE Index. At December 31, 2008, the DCP had the following currency exposures related to equity securities (amounts in thousands):

Foreign Currency	Fair Value
Euro.....	\$ 20,148
British pound sterling.....	12,689
Japanese yen.....	16,213
Swiss franc.....	5,364
Australian dollar.....	3,817
Hong Kong dollar.....	1,275
Swedish krona.....	1,289
Singapore dollar.....	672
Norwegian krone.....	385
Danish krone.....	547
New Zealand dollar.....	1,617
Total.....	\$ 64,016

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The PSERS is exposed to foreign currency risk for equity and other securities as follows (amounts in thousands):

Foreign Currency	Equity	Fixed Income	Alternative Investments and Real Estate	Short-term*	Total
Euro.....	\$ 1,047,301	\$ 269,565	\$ 1,247,221	\$ 92,495	\$ 2,656,582
Japanese yen.....	1,254,289	55,862	-	182,435	1,492,586
British pound sterling	1,078,529	31,998	6,776	86,898	1,204,201
Hong Kong dollar.....	566,206	-	-	2,429	568,635
Australian dollar.....	347,456	1,879	-	44,524	393,859
Swiss franc.....	378,039	-	-	(3,390)	374,649
Canadian dollar.....	407,085	2,761	4,304	(41,540)	372,610
South African rand.....	167,544	-	-	51,311	218,855
Brazil real.....	124,471	17,867	-	25,069	167,407
Indian rupee.....	109,516	314	-	44,161	153,991
Other currencies.....	886,940	89,209	-	(63,368)	912,781
Total.....	\$ 6,367,376	\$ 469,455	\$ 1,258,301	\$ 421,024	\$ 8,516,156

* Includes investment receivables and payables.

Securities Lending Program

The Treasury Department provides a securities lending program in which the various investments under custody of the Treasury Department participate. A contract between the Treasury Department and its custodian, acting as a lending agent, provides that the custodian lends securities owned by the participants to independent brokers, dealers and banks, acting as borrowers in exchange for collateral.

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

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

The program requires that the lending agent indemnify the Treasury Department for all claims, liabilities and costs resulting from the lending agent’s negligence or intentional misconduct. During the fiscal year ended June 30, 2009 (December 31, 2008 for the **State Workers Insurance Fund (SWIF)** and the State Employees’ Retirement System (SERS)), there were no failures by any borrower to return securities lent or pay distributions thereon. Also, there were no losses resulting from a lending agent or borrower default and there were no Treasury Department restrictions on the amount of the loans that could be made.

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

During the fiscal year ended June 30, 2009, the Securities Lending Program suffered investment losses in the amount of \$133,428 due to the financial failure of an issuer of a security held in the securities lending collateral pool. At the time of acquisition, the security was highly rated and in compliance with Treasury investment policies. Consequently, Treasury revised the investment policy to prevent future losses.

At June 30, 2009 (December 31, 2008 for the SWIF and the SERS), there was no Treasury Department or participant credit risk to the borrowers because the fair value of collateral received was greater than the fair value of the securities lent, consistent with the lending agreements outstanding. The total fair value of the securities lent, along with the type of investments lent, were as follows (amounts in thousands):

	Securities Lent Amount	U.S. Government		Corporate Obligations	Equities	Sovereign Debt	Exchange Traded
		U.S. Treasury Obligations	Agency Sponsored				
Tobacco Settlement Fund.....	\$ 103,732	\$ 74,170	\$ 18,768	\$ 1,160	\$ 9,634	\$ -	\$ -
State Lottery Fund.....	2,142	2,142	-	-	-	-	-
State Workers Insurance Fund.....	499,314	445,961	35,979	11,646	5,728	-	-
Tuition Payment Fund.....	192,375	48,725	8,091	4,640	32,345	-	98,574
Workers Compensation Security Trust Fund.....	94,408	83,452	2,402	4,103	4,451	-	-
Underground Storage Tank Indemnification.....	8,915	6,913	-	697	366	-	939
Other Postemployment Benefits Investment Pool.....	37,776	-	-	-	-	-	37,776
State Employees' Retirement System.....	840,667	126,028	5,416	57,305	645,336	6,582	-
Public School Employees' Retirement System.....	2,109,420	199,529	22,143	191,598	1,605,745	36,613	53,792
Treasury Investment Program.....	603,502	153,672	37,659	52,558	129,292	-	230,321

Financial Instruments with Off-Balance Sheet Risk

Tobacco Settlement Fund

The Tobacco Settlement Fund enters into derivatives and structured instruments primarily to enhance the performance and reduce the volatility of its investment portfolio. It enters into futures contracts to gain or hedge exposure to certain investment markets and to manage interest rate risk.

Futures contracts are standardized, exchange-traded contracts to purchase or sell 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. Because of daily settlement, the futures contracts have no fair value.

The Tobacco Settlement Fund has entered into certain futures contracts maturing through March 2011. The notional value of these contracts at June 30, 2009 is as follows (amounts in thousands):

Futures Contract	Purchase Contracts	Sell Contracts
U.S. Treasury futures....	\$ 7,706	\$ (4,670)
Eurodollar futures.....	17,139	-
S&P 500 futures.....	42,800	-
U.S. Bond.....	1,538	-
Euro stock.....	101	-

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Statutory Liquidator Fund

The Statutory Liquidator Fund enters into derivatives and structured instruments primarily to enhance the performance and reduce volatility of its investment portfolio. It enters into futures contracts to gain or hedge exposure to certain investment markets and to manage interest rate risk.

Futures contracts are standardized, exchange-traded contracts to purchase or sell 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. Because of daily settlement, the futures contracts have no fair value.

The Statutory Liquidator Fund has entered into certain futures contracts maturing through June 2010. The notional value of these contracts at June 30, 2008 is as follows (amounts in thousands):

Futures Contract	Buy Contracts	Sell Contracts
Eurodollar futures.....	\$ 60,032	\$ -
Fixed income futures.....	62,544	-

State Employees' Retirement System (SERS)

The SERS enters into certain derivative and structured financial instruments primarily to enhance the performance and reduce the volatility of its investment portfolio. It enters into foreign exchange contracts and foreign currency options contracts to hedge foreign currency exposure, futures contracts to gain or hedge exposure to certain equity markets and to manage interest rate risk, and swaps to gain broad equity exposure, as well as hedge against the effects of inflation.

Foreign Currency	Purchase Contracts	Unrealized Gain/(Loss)	Sell Contracts	Unrealized Gain/(Loss)
Euro.....	\$ 18,392	\$ 1,302	\$ 35,576	\$ 1,918
Brazil real.....	16,139	(179)	4,131	93
Singapore dollar.....	13,433	(128)	6,846	(132)
Chinese yuan renminb....	13,375	(87)	4,608	72
Malaysian ringgit.....	11,804	218	1,846	(53)
Mexican new peso.....	8,125	(488)	8,901	294
Australian dollar.....	6,694	(1,151)	3,154	(5)
Indonesian rupiah.....	6,319	18	1,774	(2)
British pound sterling....	5,338	(1,126)	15,018	3,297
New Turkish lira.....	4,811	141	-	-
Czech koruna.....	4,661	183	4,661	(26)
Chilean peso.....	4,254	(200)	-	-
Russian rubel.....	4,007	(1,429)	3,577	384
Thailand baht.....	3,338	(29)	2,446	(26)
Polish zloty.....	2,975	(168)	3,980	301
Columbian peso.....	2,192	90	1,881	(103)
Peruvian nuevo sol.....	2,123	(47)	-	-
Philippines peso.....	1,294	(54)	1,303	(23)
Swiss franc.....	1,077	(21)	4,990	91
Other currencies.....	2,043	90	17,189	(1,243)
Total.....	\$132,394	\$ (3,065)	\$121,881	\$4,837

Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The SERS uses these contracts primarily to hedge the currency exposure of its international investments. To reduce the risk of counterparty nonperformance, the SERS generally enters into these contracts with institutions regarded as meeting high standards of credit worthiness. The unrealized gain/loss on contracts is included in the SERS' net assets and represents the fair value of the contracts on December 31. At December 31, 2008, the SERS had contracts to purchase and sell, by major foreign currency, as follows (amounts in thousands):

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Futures contracts are standardized, exchange-traded contracts to purchase or sell 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. Because of daily settlement, the futures contracts have no fair value.

The SERS has entered into certain futures contracts maturing through December 14, 2009. The notional value of these contracts at December 31, 2008 is as follows (amounts in thousands):

<u>Futures Contract Type</u>	<u>Purchase Contracts</u>	<u>Sell Contracts</u>
U.S. Treasury.....	\$ 194,137	\$ -
Eurodollar.....	143,441	-
S&P Midcap.....	-	58,286

The exchange on which futures contracts are traded assumes the counterparty risk and generally requires margin payments to minimize such risk. The SERS pledges investment securities to provide the initial margin requirements on the futures contracts it buys.

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, or credit worthiness. During 2008, the SERS entered into various types of swaps: commodity, S&P 500 total return, Russell 2000, MSCI EAFE, MSCI Emerging Market Free (EMF), credit default, and interest rate. Under the commodity swap arrangements, the SERS receives the net return of the Goldman Sachs Commodity Index from the swap counterparty in return for a spread, which the SERS pays to the counterparty. The commodity swaps are used as an inflation hedge and settle on a monthly basis. The S&P 500 total return swaps, Russell 2000 swaps, MSCI EAFE swaps, and MSCI EMF swaps are used to gain broad equity exposure. Under those arrangements, the SERS receives the return of the respective equity indices in exchange for a short-term rate plus a spread. The SERS uses contracts with multiple counterparties as well as collateral posting requirements to manage its counterparty credit risk. The contracts have varying maturity dates ranging from February 27, 2009 through December 31, 2009. Credit default swaps are agreements with counterparties to either purchase or sell credit protection. The SERS' advisors use credit default swaps to either increase or decrease credit exposure to certain credit markets. Interest rate swaps are over-the-counter contracts that allow counterparties to exchange a fixed rate liability for a floating rate liability. The SERS uses interest rate swaps as a cost-effective way of gaining exposure to certain sectors of the fixed income market.

The table below presents the SERS' swap exposure at December 31, 2008 (amounts in thousands):

<u>Swap Type</u>	<u>Notional Value</u>	<u>Receivable/(Payable)</u>
S&P 500 Total Return Index.....	\$ 1,484,908	\$ (363,123)
MSCI-EAFE Index.....	1,270,215	(467,621)
MSCI EMF Total Return Index.....	39,275	2,994
Russell 2000 Index.....	112,386	(38,880)
Interest Rate.....	170,000	6,886
Credit Default.....	57,300	(11,614)
Lehman Brothers Aggregate.....	40,000	1,228

The SERS mitigates its legal risk on investment holdings, including the previously discussed instruments, by carefully selecting portfolio managers and extensively reviewing their documentation. It manages its exposure to market risk within risk limits set by management.

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The SERS also indirectly holds foreign exchange contracts, futures contracts, and certain swap contracts through its investments in collective trust funds. Those collective trust funds invest in those investments directly and indirectly (through a securities lending collateral pool), to hedge foreign exchange exposure, to synthetically create equity-like returns, and to manage interest rate risk by altering the average life of the investment portfolio.

Deferred Compensation Program (DCP)

The DCP, through the Barclays Global Investors (BGI) managed accounts, indirectly holds certain derivative financial instruments. Certain accounts directly participate in futures contracts, which are standardized, exchanged-traded contracts to purchase or sell a specific financial instrument at a predetermined price. The accounts enter into future contracts to gain exposure to certain equity markets. In those accounts where the use of futures contracts is permitted, BGI limits the account positions to a small amount of the account’s total assets, subject to each account’s investment and credit risk guidelines. The exchange on which the futures are traded assumes counterparty risk and generally requires margin payments to minimize such risk.

The BGI-managed accounts may also indirectly hold foreign exchange contracts, futures contracts, and certain swap contracts through a securities lending collateral pool. Those instruments are held to create “synthetic cash transactions.” Generally, synthetic cash transactions involve investing in one or more instruments that taken either individually or together have an interest rate, credit, or liquidity exposure similar to that of a conventional money market instrument. This may be so even though none of the individual instruments themselves have a money market risk profile. Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Swap agreements provide for periodic payments between parties based on the net difference in the cash flows of underlying assets, indexes, or rates. To reduce the risk of counterparty nonperformance, the collateral pool generally enters into these contracts with institutions regarded as meeting high standards of credit worthiness.

BGI mitigates its legal risk related to derivative financial instruments by using them only in the accounts for which they are authorized. BGI manages its exposure to market risk within risk limits set for the accounts by buying or selling instruments or entering into offsetting positions. The following table discloses the futures contracts held and the derivatives held indirectly in the security lending collateral pool as of December 31, 2008 (amounts in thousands):

	<u>Notional Value</u>
Equity Index Fund	
Futures directly held.....	\$ 10,968
Derivatives held indirectly in security lending cash collateral funds.....	12,013
Extended Market Fund	
Futures directly held.....	5,388
Derivatives held indirectly in security lending cash collateral funds.....	8,168
EAFE Equity Index Fund	
Futures directly held.....	4,468
Derivatives held indirectly in security lending cash collateral funds.....	1,856

Public School Employees’ Retirement System (PSERS)

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 obtain or hedge foreign currency exposure; swap agreements to gain exposure to certain sectors of the equity and fixed income markets; collateralized mortgage obligations (CMOs); other forward contracts, and U.S. Treasury STRIPS. The PSERS is not a dealer, but an end-user of these instruments. The contracts are used primarily to enhance investment performance and reduce the volatility of the investment portfolio. The PSERS is exposed to credit risk in the event of non-performance by counterparties to financial instruments. The PSERS generally enters into transactions only with high quality institutions. Legal risk is mitigated through selection of executing brokers and review of all documentation. The PSERS is exposed to market risk, the risk that future changes in market conditions may

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

make an instrument less valuable. Exposure to market risk is managed in accordance with risk limits set by senior management, through buying or selling instruments or entering into offsetting positions.

The notional or contractual 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 aggregate notional or contractual amounts for the PSERS’ derivative financial instruments at June 30, 2009 (amounts in thousands):

<u>Type of Derivative</u>	<u>Notional Value</u>
Futures contracts – long.....	\$ 3,310,264
Futures contracts – short.....	1,806,480
Foreign exchange forward and spot contracts, gross.....	6,266,360
Options – calls purchased.....	1,198,018
Options – puts purchased.....	766,916
Options – calls sold.....	972,583
Options – puts sold.....	827,220
Swaps – total return type.....	3,658,970
Swaps – interest rate.....	1,382,764

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 date and 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. In addition, the PSERS enters into short sales, sales of securities it does not presently own, to neutralize the market risk of certain equity positions. Initial margin requirements on futures contracts and collateral for short sales are provided by investment securities pledged as collateral and by cash held by various brokers. Although the PSERS has the right to access individual pledged securities, it must maintain the amount pledged by substituting other securities for those accessed. The value of securities pledged and the amount of cash held at June 30, 2009 represent a restriction on the amount of assets available as of fiscal year-end to use for other purposes.

Option contracts provide the option purchaser with the right, but not the obligation, to buy or sell the underlying security at a set price during a period or at a specified date. The option writer is obligated to buy or sell the underlying security if the option purchaser chooses to exercise the option. The PSERS generally uses exchange listed currency, index, stock, and futures options. The PSERS has authorized an investment manager to write covered call stock index option spreads up to a notional amount of \$1.5 billion.

Foreign exchange contracts involve an agreement to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The \$6,266 million of foreign currency contracts outstanding at June 30, 2009 consist of “buy” contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$3,610 million and “sell” contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$2,656 million. The unrealized loss on contracts of \$10 million at June 30, 2009 is included in the PSERS’ Statement of Plan Net Assets and represents the fair value of the contracts. The PSERS has authorized an investment manager to manage a currency hedge portfolio consisting of foreign exchange spot and forward contracts, currency futures, and currency options to hedge up to a notional amount of \$3.8 billion of the MSCI EAFE Index currencies to U.S. dollars.

Swap agreements provide for periodic payments at predetermined future dates between parties based on the change in value of underlying securities, indexes or interest rates. During the fiscal year ended June 30, 2009, the PSERS entered into total return type swaps and interest rate swaps. Under the total return type swap arrangements, the PSERS receives the net return of certain equity securities or indices in exchange for a short-term rate minus a spread or a predetermined fixed charge. The receivable on the total return type swap contracts of \$32.5 million at June 30, 2009 is included in the Statement

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

of Plan Net Assets and represents the fair value of the contracts. The contracts have varying maturity dates which range from July 15, 2009 to May 28, 2010. Interest rate swap agreements involve the exchange by the PSERS with another party of their respective commitments to pay or receive interest, e.g. an exchange of floating rate payments for fixed rate payments with respect to a notional amount of principal. The PSERS uses interest rate swaps as the most cost-effective way to gain exposure to certain sectors of the fixed income markets. The receivable on the interest rate swap contracts of \$10.3 million at June 30, 2009 is included in the Statement of Plan Net Assets and represents the fair value of the contracts. The contracts have varying maturity dates which range from October 31, 2009 to April 1, 2010.

The PSERS also invests in mortgage-backed securities (MBS) such as CMOs and MBS forward contracts to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a decrease in interest rates. The MBS forward contracts are subject to credit risk in the event of nonperformance by counterparties. The fair value of CMOs at June 30, 2009 is \$2.3 billion.

The PSERS invests in U.S. Treasury STRIPS, which essentially act as zero coupon bonds and are subject to market volatility from an increase or decrease in interest rates.

Through certain collective trust funds, the PSERS also indirectly holds various derivative financial instruments. The collective trust funds invest in futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, and total return swaps; interest-only STRIPS; and CMOs, to enhance the performance and reduce the volatility of their investment portfolios.

Discretely Presented Component Units**Authority for Deposits and Investments**

Component unit organizations typically control receipt and disbursement of their own deposits, often through a trustee. Enabling legislation provides varying authority for investments; several component unit organizations participate in the TIP.

Deposit Risks

At June 30, 2009, the Pennsylvania Higher Education Assistance Agency (PHEAA) had \$15,700 of deposits with financial institutions in excess of federal depository insurance limits that were uninsured and collateralized following an agreement to pledge assets on a pooled basis to secure public deposits in Pennsylvania. All collateral on deposits is held by the participating financial institution's trust department and is not held in the PHEAA's name. The Pennsylvania Housing Finance Agency (PHFA) had \$44,699 of cash deposits that were uninsured and collateralized with securities held by the pledging financial institution, its trust department or agent, but not in the PHFA's name. Commonwealth Financing Authority had \$466,064 of deposits that were uninsured and collateralized with securities held by the pledging bank's trust department not in the Authority's name. The State System of Higher Education had \$749 of uninsured and uncollateralized deposits; and \$9,255 of uninsured and uncollateralized deposits, but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended. The Philadelphia Regional Port Authority had \$2,788 of deposits uninsured but collateralized by the financial institution and \$1 in deposits that were uncollateralized. The Pennsylvania Infrastructure Investment Authority (PIIA) had \$332 in deposits that were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the PIIA's name. The Insurance Fraud Prevention Authority had deposits of \$86 that were uncollateralized (amounts in thousands).

Investment Risks

Risk Management Policies: At June 30, 2009 component unit policies for certain risks are established by governing boards; policies for the Pennsylvania Turnpike Commission are established by its bond indentures. Most of the organizations' policies address credit quality risk by establishing minimum NRSRA ratings for allowable investment purchases. Concentration of credit risk is also avoided by most of the organizations by limiting the concentration of investments in any one issuer. Some organizations have policies in place that prohibit a certain percent of the overall portfolio, whereas others determine concentration limits based on security type. Custodial credit risk is typically avoided through registration. The Pennsylvania Higher Education Assistance Agency investment policy does not include requirements that limit its exposure to custodial credit risk.

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Investments by Type

At June 30, 2009 the discretely presently component units reported total temporary investments of \$1,604,685 and long-term investments of \$1,605,529, including securities lending collateral of \$77,566. Excluding securities lending collateral balances, reported investments amount to \$3,132,648. Due to financial statement reporting/note disclosure category differences, total investments disclosed amount to \$3,463,201. Over 99 percent of this amount represents fixed income securities (\$3,443,071); the remainder consists of equity/balanced mutual funds (\$17,946), common stock (\$1,852) and cash equivalents (\$332). The investment types and related amounts are as follows (in thousands):

Investment Type	Amount
Money market mutual funds.....	\$ 1,080,704
U.S. Government agency obligations.....	770,799
Treasury Investment Program.....	530,484
Corporate obligations.....	328,756
Guaranteed investment contracts.....	236,231
Mortgage backed securities.....	168,785
Commercial paper.....	152,068
U.S. Treasury obligations.....	65,750
Repurchase agreements.....	27,146
Asset-backed securities.....	23,837
Municipal bonds.....	19,861
Equity/balanced mutual funds.....	17,946
Certificates of deposit.....	17,704
INVEST Program.....	9,705
GNMA mortgages.....	7,677
Fixed income mutual funds.....	3,564
Common stock.....	1,852
Cash equivalents.....	332
Total investments by type.....	\$ 3,463,201

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event a counterparty fails to uphold its agreement to a transaction, with any of the discretely presented component units, they would not be able to recover the value of investment or collateral securities in the possession of an outside party. At June 30, 2009 the Pennsylvania Higher Education Assistance Agency owned \$55,633 in commercial paper subject to custodial credit risk that were held by the same counterparty that was used to buy the securities (amounts in thousands).

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the organizations' investment in a single issuer. Several of the organizations limit concentration to five percent or more of their total investments, with the exception of U.S. Treasury and U.S. Government Agencies. The State System of Higher Education has policies that do not limit the concentration in any single issuer for corporate bonds, collateralized mortgage obligations, and asset-backed securities. The Pennsylvania Housing Finance Agency has not established a formal concentration risk policy. The following concentrations existed as of June 30, 2009 (May 31, 2009 for the Pennsylvania Turnpike Commission) (amounts in thousands):

Issuer Name	PA Turnpike Commission	PA Higher Education Assistance Agency	PA Industrial Development Authority
Federal Home Loan Bank.....	\$ 64,867	\$ -	\$ -
Federal National Mortgage Association.....	50,350	-	-
Federated Treasury Obligation.....	-	186,599	-
PFM Prime Money Market.....	-	48,116	-
Trinity Plus Funding Co.....	-	122,846	-
MBIA, Inc.....	-	63,469	-
First American Government.....	-	-	180,282

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Credit Risk: At June 30, 2009, \$3,443,071 of total discretely presented component unit investments of \$3,463,201 are fixed income investments, susceptible to credit rating. Of the amount of fixed income securities susceptible to credit quality rating, \$2,371,887 are rated and \$1,071,184 of fixed income investments do not have ratings available. The following table discloses aggregate fair value, by Moody’s or Standard and Poor’s credit quality rating category, at June 30, 2009 (May 31, 2009 for Pennsylvania Turnpike Commission) (amounts in thousands):

<u>Moody's Investor Services</u>	<u>Amount</u>	<u>Unrated</u>	<u>Amount</u>
Aaa	\$ 1,516,646	Corporate obligations	\$ 1,003
Aa1	13,792	Treasury Investment Program	530,484
Aa2	82,871	Money market mutual funds	324,711
Aa3	12,271	U.S. Treasury obligations	65,750
A1	18,312	Government agency	73,615
A2	20,946	Repurchase agreement	27,146
A3	8,301	Certificates of deposit	17,704
Ba	7,037	Guaranteed investment contracts	16,449
Baa1	5,076	GNMA obligations	7,677
BB	63,500	Fixed income mutual funds	3,564
P1	96,435	Asset backed securities	877
Moody's Investor Services subtotal	\$ 1,845,187	Mortgage backed securities	2,204
		Unrated subtotal	\$ 1,071,184
Standard and Poor's		Total fixed income investments	\$ 3,443,071
AAA	201,790		
AA	40,736	Equity/balanced mutual funds	17,946
A-1	118,169	Common stock	1,852
Aaa	33,500	Cash equivalents	332
A-2	122,800		
AAAam	9,705		
Standard and Poor's subtotal	\$ 526,700	Total investments	\$ 3,463,201
Rated subtotal	\$ 2,371,887		

U.S. government obligations include all securities issued by the U.S. Treasury, U.S. Agencies, and U.S. Government Sponsored Enterprises (GSEs). These include securities that are both explicitly and implicitly guaranteed by the full faith and credit of the U.S. Government. Many of these securities are not usually rated by a NRSRA and have an implied rating of Aaa/AAA.

Interest Rate Risk: Interest rate risk is managed using different techniques: weighted average maturity, maximum maturity dates, effective duration, modified duration or operational cash needs. The following table discloses option-adjusted duration (in years) by investment type for the fixed income portfolio of the discretely presented component units, excluding the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Housing Finance Agency, the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Industrial Development Authority, at June 30, 2009 (May 31, 2009 for the Pennsylvania Turnpike Commission) (amounts in thousands):

NOTE D – DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

Investment Type	Amount	Option-Adjusted Duration	Securities with no Duration
Asset backed securities.....	\$ 23,837	0.405	-
Certificates of deposit.....	17,680	1.280	24
Commercial paper.....	96,435	0.020	-
Corporate obligations.....	314,825	2.052	-
Guaranteed investment contracts.....	16,449	0.480	-
Invest Program.....	9,705	0.139	-
Mortgage backed securities.....	142,241	4.470	-
Mutual funds.....	3,564	3.980	-
State & municipal obligations.....	19,861	9.260	-
U.S. government obligations.....	747,597	2.627	-
U.S. Treasuries.....	34,212	2.580	-
Total.....	\$ 1,426,406		\$ 24

The Pennsylvania Higher Education Assistance Agency, the Pennsylvania Housing Finance Agency, the Pennsylvania Infrastructure Investment Authority and the Pennsylvania Industrial Development Authority do not use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for those organizations at June 30, 2009 (amounts in thousands):

Investment Type	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
	Commercial paper.....	\$ 55,633	\$ -	
Corporate obligations.....	4,556	9,364	-	13,920
Guaranteed investment contracts.....	156,313	63,469	-	219,782
Money markets.....	1,080,704	-	-	1,080,704
Mortgage backed securities.....	4,058	20,282	2,204	26,544
Repurchase agreements.....	27,146	-	-	27,146
U.S. Government obligations.....	280	1,181	42,918	44,379
U.S. Treasury securities.....	-	18,023	-	18,023
Total	\$ 1,328,690	\$ 112,319	\$ 45,122	\$1,486,131

At June 30, 2009, several discretely presented component units' investments included TIP holdings amounting to \$530,484 (amounts in thousands).

Foreign Currency Risk: Foreign currency risk is the risk of an investment's value changing, advantageously or adversely, due to changes in currency exchange rates. The State System of Higher Education disclosed that \$106 of its local investments were exposed to foreign currency risk. The amounts invested, by currency, at June 30, 2009 are as follows (amounts in thousands):

Foreign Currency	Amount
British pound sterling.....	\$ 82
Euro.....	24
Total.....	\$ 106

Financial Instruments with Off-Balance Sheet Risk

As of June 30, 2009, the Pennsylvania Housing Finance Agency, the Pennsylvania Turnpike Commission, the Pennsylvania Higher Education Assistance Agency, the Philadelphia Regional Port Authority, and the Pennsylvania Industrial Development Authority all owned financial instruments with off-balance sheet risk. To obtain further information regarding the nature and notional value of the financial instruments refer to their separately audited and issued financial statements.

NOTE E – CAPITAL ASSETS

A summary of capital assets by category at June 30, 2009 is as follows (amounts in thousands):

	Primary Government			Business-Type Activities	Discretely Presented Component Units
	Governmental Activities		Total Governmental Activities		
	General Capital Assets	Internal Service Funds			
Land.....	\$ 498,088	\$ 6	\$ 498,094	\$ 323	\$ 288,769
Highway right-of-way.....	1,771,777	-	1,771,777	-	-
Buildings.....	5,926,593	6,106	5,932,699	45,021	2,989,043
Improvements other than buildings.....	541,210	182	541,392	-	259,997
Machinery and equipment.....	859,169	96,506	955,675	120,951	879,318
Library books and other.....	-	-	-	-	138,615
Turnpike infrastructure.....	-	-	-	-	5,199,598
Bridge infrastructure.....	8,315,048	-	8,315,048	-	-
Highway infrastructure.....	20,582,027	-	20,582,027	-	-
Waterway infrastructure.....	22,058	-	22,058	-	-
Other infrastructure.....	112,374	-	112,374	-	-
Construction in progress.....	766,434	-	766,434	2,141	1,576,950
Highway and bridge construction in progress.....	2,068,560	-	2,068,560	-	-
Total.....	<u>\$ 41,463,338</u>	<u>\$ 102,800</u>	<u>\$ 41,566,138</u>	<u>\$ 168,436</u>	<u>\$ 11,332,290</u>

Changes in general capital assets for the fiscal year ended June 30, 2009 are as follows (amounts in thousands):

	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Non-Depreciable General Capital Assets:				
Land.....	\$ 473,095	\$ 25,031	\$ 38	\$ 498,088
Highway right-of-way.....	1,654,089	117,688	-	1,771,777
Construction in progress.....	493,071	521,024	247,661	766,434
Transportation construction in progress.....	1,818,533	1,278,773	1,028,746	2,068,560
Subtotal.....	<u>4,438,788</u>	<u>1,942,516</u>	<u>1,276,445</u>	<u>5,104,859</u>
Depreciable General Capital Assets:				
Buildings.....	5,692,696	233,906	9	5,926,593
Improvements other than buildings.....	508,173	33,483	446	541,210
Machinery and equipment.....	753,489	108,729	3,049	859,169
Highway infrastructure.....	19,296,783	1,285,244	-	20,582,027
Bridge infrastructure.....	7,829,509	485,539	-	8,315,048
Waterway infrastructure.....	22,053	5	-	22,058
Other infrastructure.....	103,552	12,405	3,583	112,374
Subtotal.....	<u>34,206,255</u>	<u>2,159,311</u>	<u>7,087</u>	<u>36,358,479</u>
Total general capital assets.....	<u>\$ 38,645,043</u>	<u>\$ 4,101,827</u>	<u>\$ 1,283,532</u>	<u>\$ 41,463,338</u>

NOTE E – CAPITAL ASSETS (continued)

Changes in general capital assets accumulated depreciation for the fiscal year ended June 30, 2009 are as follows (amounts in thousands):

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
Buildings.....	\$ 2,181,409	\$ 128,733	\$ 3	\$ 2,310,139
Improvements other than buildings.....	232,540	15,473	5	248,008
Machinery and equipment.....	383,074	58,950	1,887	440,137
Highway infrastructure.....	8,989,684	757,471	-	9,747,155
Bridge infrastructure.....	1,844,599	162,560	-	2,007,159
Other infrastructure.....	4,398	1,343	11	5,730
	<u>\$ 13,635,704</u>	<u>\$ 1,124,530</u>	<u>\$ 1,906</u>	<u>\$ 14,758,328</u>

Depreciation expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2009 is as follows (amounts in thousands):

	<u>General Capital</u> <u>Assets</u>	<u>Internal</u> <u>Service</u>
Direction and supportive services.....	\$ 29,298	\$ -
Protection of persons and property.....	77,343	10,680
Public education.....	23,769	-
Health and human services.....	12,455	-
Economic development.....	201	-
Transportation.....	966,571	-
Recreation and cultural enrichment.....	14,893	-
	<u>\$ 1,124,530</u>	<u>\$ 10,680</u>

Changes in Internal Service funds capital assets for the fiscal year ended June 30, 2009 are as follows (amounts in thousands):

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
Non-Depreciable Capital Assets:				
Land.....	\$ 6	\$ -	\$ -	\$ 6
Subtotal.....	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>
Depreciable Capital Assets:				
Buildings.....	5,225	1,007	126	6,106
Improvements other than buildings.....	200	94	112	182
Machinery and equipment.....	106,567	10,241	20,302	96,506
Subtotal.....	<u>111,992</u>	<u>11,342</u>	<u>20,540</u>	<u>102,794</u>
Total Internal Service fund capital assets.....	<u>\$ 111,998</u>	<u>\$ 11,342</u>	<u>\$ 20,540</u>	<u>\$ 102,800</u>

NOTE E – CAPITAL ASSETS (continued)

Changes in Internal Service fund capital assets accumulated depreciation for the fiscal year ended June 30, 2009 are as follows (amounts in thousands):

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Buildings.....	\$ 1,680	\$ 221	\$ 108	\$ 1,793
Improvements other than buildings.....	57	74	72	59
Machinery and equipment.....	68,274	10,385	15,415	63,244
Total accumulated depreciation.....	\$ 70,011	\$ 10,680	\$ 15,595	\$ 65,096

Changes in Enterprise fund capital assets for the fiscal year ended June 30, 2009 are as follows (amounts in thousands):

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Non-Depreciable Capital Assets:				
Land.....	\$ 323	\$ -	\$ -	\$ 323
Construction in progress.....	5,563	-	3,422	2,141
Subtotal.....	5,886	-	3,422	2,464
Depreciable Capital Assets:				
Buildings.....	40,097	4,924	-	45,021
Machinery and equipment.....	133,507	29,417	41,973	120,951
Subtotal.....	173,604	34,341	41,973	165,972
Total Enterprise fund capital assets.....	\$ 179,490	\$ 34,341	\$ 45,395	\$ 168,436

Changes in Enterprise fund capital assets accumulated depreciation for the fiscal year ended June 30, 2009 are as follows (amounts in thousands):

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Buildings.....	\$ 20,410	\$ 2,769	\$ 243	\$ 22,936
Machinery and equipment.....	80,473	15,862	29,396	66,939
Total accumulated depreciation.....	\$ 100,883	\$ 18,631	\$ 29,639	\$ 89,875

NOTE E – CAPITAL ASSETS (continued)

Construction in progress included in general capital assets at June 30, 2009 includes project information as follows (amounts in thousands):

	Project Authorization	Amounts Expended but not Capitalized at June 30, 2009	Authorization Available
Capitol Complex.....	\$ 783,528	\$ 413,203	\$ 370,325
Department of Corrections Institutions.....	861,436	74,792	786,644
Educational Institutions.....	289,044	65,703	223,341
State Parks and Forests.....	99,273	46,851	52,422
State-wide Radio Project.....	50,951	45,936	5,015
Veterans Homes and Military Armories.....	223,347	84,782	138,565
Department of Public Welfare Institutions.....	20,389	4,944	15,445
Transportation Facilities.....	48,310	9,384	38,926
Historical and Museum Commission Facilities.....	31,298	14,000	17,298
State Police Facilities.....	13,200	1,370	11,830
Agriculture Facilities.....	18,416	3,987	14,429
Other.....	4,561	1,482	3,079
Total.....	<u>\$ 2,443,753</u>	<u>\$ 766,434</u>	<u>\$ 1,677,319</u>

The Commonwealth’s initial valuation of general capital assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986, general capital asset acquisitions are reported at cost or, for donations or confiscations, at fair market value. At June 30, 2009 the amount of general capital assets related to the initial 1986 valuation amounted to \$1,742 million and did not include highway, bridge or waterway infrastructure.

NOTE F – LONG-TERM OBLIGATIONS - BUSINESS-TYPE ACTIVITIES AND PROPRIETARY FUNDS

Tuition Benefits Payable

The reported liability for tuition benefits payable of \$1,268,849 (in thousands) of the **Tuition Payment Fund**, an Enterprise Fund, at June 30, 2009 is based on several actuarial assumptions, including those related to future sales of tuition credits, tuition cost increases, investment experience and program expenses for the Guaranteed Savings Plan of the Tuition Account Program. The June 30, 2009 actuarial analysis includes several changes in assumptions to reflect the current view of investment income, tuition inflation, updated expense projections and addition of new fees. The per-unit credit expense assumption was decreased from \$1.217 to \$0.91. The effect of this change improved the aggregate actuarial reserve (actuarial value of assets less liabilities) by \$117.3 million. The current portion of the total tuition benefits payable liability is \$197,969 and the noncurrent portion is \$1,070,880 (in thousands).

Insurance Loss Liability

The reported insurance loss liability of the **State Workers' Insurance Fund (SWIF)**, an Enterprise Fund, is primarily based on historical claims experience. One of the assumptions used to determine the reported liability amount includes using a discount rate of 3.75 percent at December 31, 2008 and at December 31, 2007. There is uncertainty as to whether the reported liability will be supported by future claim experience, including payments; this uncertainty must be considered when evaluating the reported insurance loss liability.

For the calendar years ended December 31, 2008 and 2007, the following summary provides information on prior year reported insurance loss liability, incurred claims and payments, and current year reported insurance loss liability (amounts in thousands).

Year Ended December 31	Prior Year Liability	Incurred Claims		Payments		Current Year Liability
		Current	Prior	Current	Prior	
2008	\$1,691,251	\$393,185	\$(100,331)	\$44,301	\$304,567	\$1,635,237
2007	1,522,869	479,975	30,659	63,992	278,260	1,691,251

The current portion of the total **SWIF** insurance loss liability is \$316,308 and the noncurrent portion is \$1,318,929. Additionally, nonmajor Enterprise funds reported a noncurrent insurance loss liability of \$630 at June 30, 2009. Total reported current insurance loss liability amounts to \$316,308 and total noncurrent insurance loss liability amounts to \$1,319,559 (in thousands) at June 30, 2009.

Compensated Absences Liability

The reported compensated absences liability for the Enterprise Funds totaled \$36,727 at June 30, 2009. Of that amount, the liability is primarily owed by the State Stores Fund (\$28,788), the **State Worker's Insurance Fund** (\$2,425), and the **State Lottery Fund** (\$3,245). The following summary provides aggregated information reported for June 30, 2009 compensated absence liabilities; additions and reductions during the fiscal year ended June 30, 2009 and reported compensated absences liabilities at June 30, 2009 (amounts in thousands):

<u>Liability at June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Liability at June 30, 2009</u>
\$ 35,442	\$ 23,257	\$ 21,972	\$ 36,727

The current portion of the total compensated absences liability for Enterprise Funds is \$4,517 and the noncurrent portion is \$32,210 (in thousands).

NOTE G - TAXES, LOANS AND LEASE RENTALS RECEIVABLE

Taxes Receivable: Taxes receivable, by tax type, reported on the Statement of Net Assets at June 30, 2009 consisted of the following (amounts in thousands):

	Current	Noncurrent	Total
Sales and use.....	\$ 891,116	\$ 209,044	\$ 1,100,160
Personal income.....	625,160	183,524	808,684
Corporation.....	334,397	680,369	1,014,766
Liquid fuels.....	168,965	-	168,965
Inheritance.....	335,191	105,086	440,277
Cigarette.....	60,411	-	60,411
Other.....	22,500	-	22,500
Total.....	<u>\$ 2,437,740</u>	<u>\$ 1,178,023</u>	<u>\$ 3,615,763</u>

Taxes receivable reported on the Balance Sheet for Governmental Funds at June 30, 2009 consisted of the following (amounts in thousands):

	General Fund				Motor	Nonmajor	Fiduciary
	Expected to be Collected				License	Governmental	Funds
	From				Fund	Funds	Funds
	September 1, 2009				Expected to be	Expected to be	Expected to be
	By	through	After	Total	Collected by	Collected by	Collected by
	August 31, 2009	June 30, 2010	June 30, 2010	Total	August 31, 2009	August 31, 2009	August 31, 2009
Sales and use.....	\$ 746,546	\$ 144,570	\$ 209,044	\$ 1,100,160	\$ -	\$ -	\$ 25,359
Personal income.....	384,825	240,335	183,524	808,684	-	-	-
Corporation.....	22,129	312,268	680,369	1,014,766	-	-	-
Liquid fuels.....	-	-	-	-	168,965	-	-
Inheritance.....	120,922	214,269	105,086	440,277	-	-	-
Cigarette.....	60,411	-	-	60,411	-	-	-
Other.....	-	-	-	-	-	22,500	1,638
Total.....	<u>\$ 1,334,833</u>	<u>\$ 911,442</u>	<u>\$ 1,178,023</u>	<u>\$ 3,424,298</u>	<u>\$ 168,965</u>	<u>\$ 22,500</u>	<u>\$ 26,997</u>

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$2,089,465 expected to be collected after August 31, 2009 is reported as an unearned revenue liability. The total amount of taxes receivable reported on the governmental funds balance sheet, \$2,437,740 (\$2,246,275 reported in the **General Fund**, \$168,965 reported in the **Motor License Fund**, and \$22,500 reported in nonmajor governmental funds), expected to be collected from July 1, 2009 through June 30, 2010 is also reported as current taxes receivable in governmental activities on the Statement of Net Assets. The remaining **General Fund** taxes receivable of \$1,178,023 reported on the governmental funds balance sheet expected to be collected after June 30, 2010 is reported as noncurrent taxes receivable in governmental activities on the Statement of Net Assets. All of the revenue associated with the taxes receivable reported in governmental activities on the Statement of Net Assets is reported as tax revenue in governmental activities on the Statement of Activities (amounts in thousands).

NOTE G - TAXES, LOANS AND LEASE RENTALS RECEIVABLE (continued)

Loans Receivable: Loans receivable at June 30, 2009 consisted of the following (amounts in thousands):

	Primary Government				Discretely Presented Component Units
	Governmental Activities		Business Type Activities		
	General Fund	Special Revenue Funds	Enterprise Funds	Fiduciary Funds	
Mortgage loans.....	\$ -	\$ -	\$ -	\$ -	\$ 4,364,893
Student loans.....	-	-	-	-	11,228,640
Economic development loans.....	12,317	16,739	242,155	-	793,341
Drinking water, storm water and sewer system loans.....	-	59,272	-	-	1,983,150
Vounteer fire company loans.....	-	-	103,790	-	-
Environmental program loans.....	-	8,497	-	-	-
Other notes and loans.....	110	-	-	160	2,997
	<u>12,427</u>	<u>84,508</u>	<u>345,945</u>	<u>160</u>	<u>18,373,021</u>
Less: allowance for uncollectible amounts.....	2,503	1,407	29,745	-	298,292
Loans receivable, net.....	<u>\$ 9,924</u>	<u>\$ 83,101</u>	<u>\$ 316,200</u>	<u>\$ 160</u>	<u>\$ 18,074,729</u>

The **General Fund** reported \$8,901 in loans due after June 30, 2010, Special Revenue funds reported \$78,656 in loans due after June 30, 2010 and the Enterprise funds reported \$261,758 in loans due after June 30, 2010. Discretely presented component units reported \$16,629,011 in loans receivable due after June 30, 2010 (amounts in thousands).

The **General Fund** reported \$9,924 in loans receivable for program objectives, all of which represented governmental activities lending and of which, \$8,901 is due after June 30, 2010. Agency Funds reported \$160 in loans receivable to replace underground storage tanks, all of which is due before June 30, 2010 (amounts in thousands).

Lease Rentals Receivable: The Capital Facilities Fund, a Capital Projects fund, reports expenditure amounts related to construction projects for educational institutions funded through the issuance of general obligation bonds, the principal and interest of which are paid through the collection of lease rental payments and deposited in the Capital Debt Fund, a Debt Service fund. At the conclusion of the lease terms, the project facilities are conveyed to the educational institutions. Accordingly, these lease arrangements are classified as direct financing leases. Lease rental receivables and associated unearned revenue equal to the principal lease payments to be received are recorded in the Capital Debt Fund. At June 30, 2009 the total remaining minimum lease payments to be received were \$735, consisting of principal present value of \$553 and interest of \$182 (amounts in thousands).

The Pennsylvania Industrial Development Authority, a discretely presented component unit, reported a lease rental receivable with total remaining minimum payments to be received of \$5,340, consisting of principal present value of \$5,213 and interest of \$127 at June 30, 2009. Also, the Philadelphia Regional Port Authority reported a lease rental receivable of \$672 at June 30, 2009 (amounts in thousands).

Minimum lease payments receivable from prior years and for the two fiscal years succeeding June 30, 2009 are as follows (amounts in thousands):

Fiscal Year Ending June 30	Primary Government	Discretely Presented Component Units
Prior years	\$ 608	\$ -
2010.....	127	4,572
2011.....	-	1,440

NOTE G - TAXES, LOANS AND LEASE RENTALS RECEIVABLE (continued)

All amounts receivable are due by June 30, 2010 except for \$1,440 owed during the fiscal year ending June 30, 2011 to the Pennsylvania Industrial Development Authority (in thousands).

Governmental Funds Unearned Revenue: The **General Fund**, Special Revenue Funds, and Debt Service Funds reported unearned revenue at June 30, 2009. The following chart provides the portion of total unearned revenue which was 1) unavailable or 2) not yet earned as of June 30, 2009 (amounts in thousands):

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Unavailable.....	\$ 2,089,464	\$ 251,413	\$ -
Unearned.....	<u>19,473</u>	<u>23,395</u>	<u>3,800</u>
Total unearned revenue.....	<u>\$ 2,108,937</u>	<u>\$ 274,808</u>	<u>\$ 3,800</u>

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS

Statement of Net Assets

Internal Balances

In the Statement of Net Assets, reported internal balances of (\$112,317)/\$111,667 for governmental activities/business-type activities differ by \$650 because the **State Workers' Insurance Fund**, an Enterprise Fund, reports for its fiscal year ended December 31, 2008 (amounts in thousands).

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary funds interfund balances reported at June 30, 2009 is as follows, with Major Fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$94,756 and \$1,803; aggregate nonmajor enterprise funds receivables amount to \$2,860 and \$0; aggregate internal service funds receivables amount to \$28,266 and \$252 (amounts in thousands):

FUND TYPE/FUND PRIMARY GOVERNMENT	DUE FROM		DUE TO	
	OTHER FUNDS	COMPONENT UNITS	OTHER FUNDS	COMPONENT UNITS
General Fund	\$ 66,615	\$ 1,559	\$ 158,260	\$ 3,081
<u>Special Revenue:</u>				
Motor License Fund	22,346	-	27,069	7,631
Tobacco Settlement Fund	27,019	-	41,802	-
Public Transportation Trust Fund.....	31,247	-	6	-
Pharmaceutical Assistance Fund.....	3,350	-	2	-
Agricultural Conservation Easement Purchase Fund.....	10,242	-	-	-
Public Transportation Assistance Fund.....	6,726	-	-	-
Vocational Rehabilitation Fund.....	-	-	2,944	-
Other Funds.....	1,080	-	4,247	293
	<u>102,010</u>	<u>-</u>	<u>76,070</u>	<u>7,924</u>
<u>Capital Projects:</u>				
Capital Facilities Fund.....	37,557	1,803	13,762	-
Keystone Recreation, Park and Conservation Fund.....	4,554	-	190	-
	<u>42,111</u>	<u>1,803</u>	<u>13,952</u>	<u>-</u>
<u>Enterprise:</u>				
Unemployment Compensation Fund	5,688	845	61	-
State Lottery Fund	-	-	255	-
Tuition Payment	-	-	7	-
State Stores Fund.....	68	-	6,664	-
Rehabilitation Center Fund.....	2,729	-	56	-
Other Funds.....	63	-	38	-
	<u>8,548</u>	<u>845</u>	<u>7,081</u>	<u>-</u>
<u>Internal Service:</u>				
Purchasing Fund.....	24,652	249	455	-
Manufacturing Fund.....	3,614	3	186	-
	<u>28,266</u>	<u>252</u>	<u>641</u>	<u>-</u>
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System.....	7,329	3,617	-	-
Public School Employees' Retirement System.....	9,606	-	6,984	-
Deferred Compensation Fund.....	-	-	116	-
	<u>16,935</u>	<u>3,617</u>	<u>7,100</u>	<u>-</u>
Total primary government.....	<u>\$ 264,485</u>	<u>\$ 8,076</u>	<u>\$ 263,104</u>	<u>\$ 11,005</u>

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

DISCRETELY PRESENTED COMPONENT UNITS	DUE FROM		DUE TO	
	PRIMARY GOVERNMENT	COMPONENT UNITS	PRIMARY GOVERNMENT	COMPONENT UNITS
Pennsylvania Turnpike Commission.....	\$ 7,968	\$ -	\$ -	\$ -
Pennsylvania Housing Finance Agency.....	-	39	5	61
Pennsylvania Infrastructure Investment Authority.....	-	61	89,116	39
Pennsylvania Higher Education Assistance Agency.....	-	-	205	-
State System of Higher Education.....	425	-	1,009	-
Patient Safety Trust Authority.....	2,895	-	18	-
Commonwealth Financing Authority.....	-	-	442	-
Other component units.....	-	-	31	-
Total component units.....	<u>\$ 11,288</u>	<u>\$ 100</u>	<u>\$ 90,826</u>	<u>\$ 100</u>

The amount of total reported interfund receivables of \$283,949 does not agree with total reported interfund payables of \$365,035 at June 30, 2009 due to different fiscal year ends and reporting differences for certain Funds included in the Fund Financial Statements at June 30, 2009. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2009; the amounts reported as interfund balances for the State Employees' Retirement System and Deferred Compensation Fund, Pension Trust Funds, the INVEST Program for Local Governments, an Investment Trust Fund, and the **State Workers' Insurance Fund**, an Enterprise Fund, are reported at their fiscal years ended December 31, 2008. The following presents a reconciliation of interfund balances reported at June 30, 2009 and those amounts that would have been reported if all Funds reported at the same fiscal year end (amounts in thousands):

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due from other funds.....	\$ 209,257	\$ 33,540	\$ 6,417	\$ -	\$ 249,214
Due from pension trust funds.....	1,479	3,274	10,518	-	15,271
Due from component units.....	3,362	1,097	3,617	100	8,176
Due from primary government.....	-	-	-	11,288	11,288
Total.....	<u>\$ 214,098</u>	<u>\$ 37,911</u>	<u>\$ 20,552</u>	<u>\$ 11,388</u>	<u>\$ 283,949</u>
Reported Interfund Receivables.....					\$ 283,949
State Employees' Retirement System decrease in receivables from January 1, 2009 through June 30, 2009.....					(4,340)
Pennsylvania Turnpike Commission decrease in receivables from June 1, 2009 through June 30, 2009.....					(581)
State Workers' Insurance Fund increase in receivables from January 1, 2009 through June 30, 2009.....					248
Interfund receivables reported as accounts receivable by component units.....					297
Interfund receivables reported as tax receivables by Fiduciary Funds.....					1,638
Payroll accrual at June 30, 2009 - receivables attributable to State Employees' Retirement System.....					6,974
General Fund receivable from Pennsylvania Infrastructure Investment Authority (full accrual).....					88,163
Reconciled Interfund Receivables.....					<u>\$ 376,348</u>

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds.....	\$ 235,232	\$ 7,428	\$ 985	\$ -	\$ 243,645
Due to pension trust funds.....	13,050	294	6,115	-	19,459
Due to component units.....	11,005	-	-	100	11,105
Due to primary government.....	-	-	-	90,826	90,826
Total.....	<u>\$ 259,287</u>	<u>\$ 7,722</u>	<u>\$ 7,100</u>	<u>\$ 90,926</u>	<u>\$ 365,035</u>
Reported Interfund Payables.....					\$ 365,035
State Employees' Retirement System increase in payables from January 1, 2009 through June 30, 2009.....					5,960
Deferred Compensation Fund decrease in payables from January 1, 2009 through June,30, 2009.....					(109)
Pennsylvania Turnpike Commission increase in payables from June 1, 2009 through June 30,2009.....					181
State Workers' Insurance Fund increase in payables from January 1, 2009 through June 30, 2009.....					385
INVEST Program for Local Governments increase in payables from January 1, 2009 through June 30, 2009.....					21
Interfund payables reported as accounts payable by component units.....					1,635
Interfund payables reported as accounts payable by Fiduciary Funds.....					<u>3,240</u>
Reconciled Interfund Payables.....					<u>\$ 376,348</u>

Advances – Fund Financial Statements

At June 30, 2009 the **General Fund** reported Advances to Other Funds of \$139,108. Specifically, this amount has been advanced as follows: \$2,300 to the **State Workers' Insurance Fund** and \$110,000 to the State Stores Fund, Enterprise Funds; \$2,175 to the **Motor License Fund** and \$10,333 to the Pharmaceutical Assistance Fund, Special Revenue Funds; and, \$14,300 to the Purchasing Fund, an Internal Service Fund. These amounts have been reported by the respective owing Funds as Advances from Other Funds, except for the **State Workers' Insurance Fund**, which reported an advance of \$1,787 at its fiscal year ended December 31, 2008. At June 30, 2009 the Hazardous Sites Cleanup Fund, a Special Revenue Fund, reported an Advance to Other Funds of \$3,000. This amount was advanced to the Small Business First Fund, an Enterprise Fund. Additionally, the Pennsylvania Infrastructure Bank Fund, an Enterprise Fund, reported an advance of \$1,400; the amount was advanced to the **Motor License Fund**, a Special Revenue Fund. All amounts advanced, with exception to a \$237 repayment from the **Motor License Fund** to the Pennsylvania Infrastructure Bank Fund, are expected to be repaid subsequent to June 30, 2010. The Underground Storage Tank Indemnification Fund, an Agency Fund, reported a \$67,500 statutory advance to the **General Fund** at June 30, 2009. Subsequent to June 30, 2010, \$66,500 is expected to be repaid (amounts in thousands).

Transfers

A summary of transfers reported for the fiscal year ended June 30, 2009 is as follows, with Major Fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,492,014 during the fiscal year ended June 30, 2009 and include a \$254,500 transfer from the **State Lottery Fund** to the Pharmaceutical Assistance Fund. Aggregate nonmajor governmental fund transfers to other funds amount to \$171,445. Aggregate nonmajor proprietary transfers from other funds amount to \$62. Aggregate nonmajor proprietary fund transfers to other funds amount to \$144,000 (amounts in thousands):

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

	TRANSFERS	
	IN	OUT
PRIMARY GOVERNMENT		
General Fund.....	\$ 189,329	\$ 1,018,478
<u>Special Revenue:</u>		
Motor License Fund.....	-	39,530
Tobacco Settlement Fund.....	12,000	28,492
Environmental Stewardship Fund.....	-	31,745
Public Transportation Trust Fund.....	97,847	-
Gaming Fund.....	-	87,669
Vocational Rehabilitation Fund.....	43,601	-
Pharmaceutical Assistance Fund.....	282,992	-
Public Transportation Assistance Fund.....	-	15,687
Educational Assistance Program Fund.....	7,995	-
Community College Capital Fund.....	44,506	-
Agricultural Conservation Easement Fund.....	6,632	-
Conservation District Fund.....	5,260	-
Banking Department Fund.....	-	15,000
Recycling Fund.....	-	15,000
Keystone Help Program Fund.....	4,500	-
Other Funds.....	17,011	6,344
	<u>522,344</u>	<u>239,467</u>
<u>Debt Service:</u>		
Disaster Relief Redemption Fund.....	1,794	-
Pennsylvania Infrastructure Investment Authority Redemption Fund.....	7,248	-
Capital Debt Fund.....	926,618	-
Pennsylvania Economic Revitalization Sinking Fund.....	507	-
Water Facilities Loan Redemption Fund.....	1,858	-
Volunteer Companies Loan Sinking Fund.....	239	-
Agricultural Conservation Easement Sinking Fund.....	1,651	-
Local Criminal Justice Sinking Fund.....	994	-
Keystone Recreation, Park and Conservation Sinking Fund.....	256	-
Growing Greener Bond Sinking Fund.....	25,113	-
Water Supply and Wastewater Treatment Sinking Fund.....	14,797	-
Land and Water Development Sinking Fund.....	54	-
Persian Gulf Veterans' Compensation Bond Sinking Fund.....	541	-
	<u>981,670</u>	<u>-</u>
<u>Enterprise:</u>		
Unemployment Compensation Fund.....	-	3,300
State Lottery Fund.....	48,500	336,660
State Stores Fund.....	-	127,000
Pennsylvania Infrastructure Bank Fund.....	62	-
Machinery and Equipment Loan Fund.....	-	12,000
	<u>48,562</u>	<u>478,960</u>
<u>Internal Service:</u>		
Manufacturing Fund.....	-	5,000
Total transfers, fund financial statements.....	1,741,905	1,741,905
Less: net elimination of governmental fund transfers.....	<u>(1,311,507)</u>	<u>(1,311,507)</u>
Total transfers, Statement of Activities.....	<u>\$ 430,398</u>	<u>\$ 430,398</u>

NOTE H – INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

Assigned Investment Income: During the fiscal year ended June 30, 2009, certain assigning Funds, as follows, receive but do not financially report investment income that is assigned to (and reported by) another Fund for legal or contractual reasons. Investment income and related interfund transfers are reported by those Funds which assign/receive investment income for other than legal/contractual reasons (amounts in thousands):

<u>Assigning Fund</u>	<u>Receiving Fund</u>	<u>Reason</u>	<u>Amount</u>
Liquor License Fund	General Fund	Legal/contractual	\$ 34
Liquid Fuels Tax Fund	Motor License Fund	Legal/contractual	\$ 170
Land and Water Development Fund	Land and Water Development Sinking Fund	Legal/contractual	\$ 18
Remining Financial Assurance Fund	Land and Water Development Sinking Fund	Other than legal/contractual.....	\$ 63
Fire Insurance Tax Fund	State Insurance Fund	Legal/contractual	\$ 256
Fire Insurance Tax Fund	Municipal Pension Aid Fund	Legal/contractual	\$ 205

Primary Government Transactions with Discretely Presented Component Units

Financial Support Provided to:

Major Discretely Presented Component Units

During the fiscal year ended June 30, 2009 (May 31, 2009 for PA Turnpike Commission), the Commonwealth provided financial support to major discretely presented component units, reported by the component units as follows (amounts in thousands):

State System of Higher Education (appropriations, grants and contracts).....	\$ 615,329
PA Higher Education Assistance Agency (grants).....	\$ 473,461
PA Turnpike Commission (oil franchise tax, vehicle registration fees)	\$ 85,379
PA Infrastructure Investment Authority (capital contribution)	\$ 17,374

During the fiscal year ended June 30, 2009, the Commonwealth appropriated \$12,000 to the PA Housing Finance Agency. In addition, a \$5,000 payment was authorized by other enabling legislation enacted during the fiscal year. The Commonwealth provided a total of \$17,000 to the PA Housing Finance Agency, as the result of legislative acts, during the fiscal year ended June 30, 2009 (amounts in thousands).

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2009, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows (amounts in thousands):

Commonwealth Financing Authority.....	\$ 63,422
Ben Franklin Technology Development Authority.....	\$ 50,700
Thaddeus Stevens College of Technology.....	\$ 10,293
Port of Pittsburgh Commission.....	\$ 1,286

During the fiscal year ended June 30, 2009, the Commonwealth also provided financial support to the Philadelphia Regional Port Authority; the Philadelphia Regional Port Authority categorized the support among governmental appropriations, capital appropriations and contributions, and transfers in. For the fiscal year ended June 30, 2009, the Philadelphia Regional Port Authority’s reported revenues include more than \$78,000 of financial support from the Commonwealth. A significant portion of the total, \$50,615, was designated for a new Food Distribution Center in Philadelphia (amounts in thousands).

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2009, the PA Turnpike Commission provided \$500,000 to the **Motor License Fund** and provided \$350,000 to the Public Transportation Trust Fund under the statutory provisions of Act 44 of 2007 and the related Lease and Funding Agreement between the PA Turnpike Commission and the Commonwealth (amounts in thousands).

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS

Pension Systems

Commonwealth laws established contributory defined benefit pension plans covering substantially all Commonwealth and public school employees. Generally, Commonwealth employees are members of the State Employees' Retirement System (SERS) and public school employees are members of the Public School Employees' Retirement System (PSERS). Both the SERS and the PSERS are reported as Pension Trust Funds, Fiduciary funds. Both the SERS and the PSERS issue stand-alone, audited financial statements, which are available to the public. Written requests for SERS or PSERS financial statements and other financial statement inquiries should be directed to the following addresses:

State Employees' Retirement System
30 North Third Street, Suite 150
Harrisburg, PA 17101-1716

Public School Employees' Retirement System
Bureau of Communications
P.O. Box 125
Harrisburg, PA 17108-0125

State Employees' Retirement System

Plan Description: The SERS is the administrator of a cost-sharing multiple-employer defined benefit retirement plan established to provide pension benefits for Commonwealth employees and certain other organizations. At December 31, 2008 there were 108 employer state agencies and other organizations participating in the SERS.

Retirement Benefits: Article II of the Pennsylvania Constitution provides the General Assembly the authority to establish and amend plan benefit provisions. The SERS provides retirement, death, and disability benefits. Retirement benefits generally vest after five years of credited service. Employees who retire at age 60 with three years of service, or with 35 years of service if under age 60, are entitled to a normal (unreduced) annual retirement benefit. Members of the General Assembly and certain employees classified in hazardous duty positions can retire with full benefits at age 50 with at least three years of service.

Most members of the SERS, and all covered employees hired after June 30, 2001 (except State Police officers and certain members of the judiciary and legislators), are Class AA members, pursuant to Act 2001-9 (Act 9), signed into law on May 17, 2001. Among other things, Act 9 provides for general annual retirement benefits of 2.5 percent of the member's highest three-year average salary (final average salary) multiplied by years of service. State police troopers are entitled to an annual benefit equal to a percentage of their highest annual salary (excluding their year of retirement). The annual benefit is 75 percent of salary for 25 or more years of service and 50 percent of salary for 20-24 years of service. Judges are entitled to a benefit of 4 percent of final average salary for each of the first 10 years of service and 3 percent for subsequent years. District Justices are entitled to a benefit of 3 percent of final average salary for each year of service. For legislators in office on May 17, 2001 Act 9 established Class D-4 membership whereby the general annual benefit is 3 percent of final average salary for each year of service. The general annual benefit for full retirement for Class A members is 2 percent of the member's highest three-year salary multiplied by years of service.

Funding Policy: Commonwealth law establishes all member contribution rates. The active plan member contribution rate is 6.25 percent of covered payroll for employees in Class AA; for Class A members, the contribution rate is 5 percent. Higher contributions are required for certain members of the General Assembly and judges and district justices who elect higher contribution rates. The SERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. The employer contribution rates are established on a periodic basis and are intended to provide employer contributions which, when combined with member contributions and investment returns, are adequate to accumulate assets to pay benefits when due.

Act 9 provided that new benefits arising therefrom were to be funded over a ten-year period, with level dollar funding, beginning July 1, 2002. Act 9 also provided that all the existing actuarial assets and liabilities be combined and amortized over a ten-year period using level dollar funding and future actuarial gains and losses were to be amortized using ten-year level dollar funding. On December 10, 2003, Governor Rendell signed Act 2003-40 (Act 40) into law. The significant provisions of the law were to change certain actuarial methods and periods used to amortize actuarial assets and liabilities, as

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

follows: Pre-Act 9 funding credit, ten years; Act 9 liability, 30 years; post-2000 gains and losses, 30 years; and, existing and future cost of living adjustments, ten years.

Also, pursuant to Act 40, beginning July 1, 2005, the SERS established employer contribution rates which resulted in total 2005, 2006 and 2007 employer contributions which were lower than the minimum annual required contribution as defined by GASB Statement No. 25. Since the SERS is a cost-sharing multiple-employer defined benefit retirement system and all SERS-required employer contributions were made, no unfunded pension liability is reported by the Commonwealth as of June 30, 2008. Act 8 of 2007 established a permanent, minimum employer contribution rate ‘floor’ of 4 percent.

During each of the three years ended December 31, the annual required employer contribution and the related percentage of that amount (in thousands) actually contributed are as follows:

<u>Year ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2008	\$ 584,248	39.9%
2007	\$ 617,253	39.3%
2006	\$ 548,745	35.6%

At December 31, 2008, the SERS disclosed no long-term contracts for contributions to the plan.

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

Investment Valuation: Investments are reported at fair value, which is the amount that the SERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. The investment in the Commonwealth Treasury short-term investment pool is reported at cost plus allocated interest, which approximates fair value. Collateral received under the Commonwealth Treasury securities lending program is reported at cost plus accrued interest, which approximates fair value. United States government securities, corporate and foreign bonds and notes, common and preferred stocks, and the underlying holdings in funds-of-hedge funds (reported as part of alternative investments), are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued by the asset manager or third parties based on similar sales. Foreign exchange and futures contracts are marked-to-market daily with changes in fair value recognized as part of investments and investment income. The fair values of equity and commodity swaps are determined no less than monthly based on the return of the underlying indices, which is generally exchanged for a short-term rate plus a spread. Real estate investments, which are subject to annual independent audits, are primarily valued based on independent appraisals. Properties that have not been appraised are valued using the present value of the projected future net income stream. Alternative investments, which are subject to an annual independent audit, include interests in limited partnerships invested in venture capital, leveraged buyouts, private equities, and other investments, are valued based on estimated fair value established by valuation committees.

The Collective Trust Funds (CTF) consist primarily of domestic and international institutional mutual and index funds. The funds do not pay interest or dividends to shareholders, and reinvest all income earned on securities held by the fund. The fair value of CTF is based on the reported share value of the respective fund. The CTF is subject to an annual independent audit.

Unsettled investment sales are reported as investment proceeds receivable and unsettled investment purchases are reported as investment purchases payable. Investment expenses consist of investment managers’ fees and those expenses directly related to the SERS’ investment operations.

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Public School Employees' Retirement System

Plan Description: The PSERS is a cost-sharing multiple-employer defined benefit retirement system established to provide pension and other benefits for public school employee members. At June 30, 2009 there were 742 participating employers, generally school districts. In relation to the PSERS, the Commonwealth is a non-employer contributor organization.

Benefits: The PSERS provides retirement, disability retirement, death and health care benefits. In most cases, retirement benefits vest after 5 years of credited service. Members are eligible for full monthly retirement benefits upon reaching (a) age 62 with at least one year of service, (b) age 60 with 30 or more years of service, or (c) 35 or more years of service regardless of age. Benefits for full retirement are generally equal to 2 percent (Membership Class T-C) or 2.5 percent (Membership Class T-D) of the member's final average salary multiplied by the member's number of years of credited service. The Commonwealth has the authority to establish or amend benefit provisions.

Funding Policy: The Public School Employees' Retirement Code provides that the PSERS Board has the authority to establish or amend periodic employer contributions at actuarially determined rates, expressed as a percentage of annual covered payroll. The active plan member contribution rates for employees in Membership Class T-C and T-D hired before July 22, 1983 are 5.25 and 6.50 percent of covered payroll, respectively; for employees in Membership Class T-C and T-D hired after July 21, 1983, the rates are 6.25 and 7.50 percent, respectively. The increased member contribution rates for Class T-D became effective January 1, 2002. Commonwealth law determines member contribution rates.

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

Act 40 of 2003 amended the actuarial cost method in three areas that affect employer contribution rates. Act 40 changed the amortization period from 10 years to 30 years for: unfunded liabilities accrued as a result of Act 9 of 2001; outstanding balances of net actuarial losses during the fiscal years ended June 30, 2001 and 2002; and net gains and losses in future years. Act 40 continued a 10-year amortization period for unfunded liabilities accrued prior to Act 9 of 2001; any future active member improvements; and any retiree cost-of-living adjustments. Finally, Act 40 established an employer contribution rate 'floor' of 4 percent, exclusive of the premium assistance contribution rate, beginning July 1, 2004.

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

Fiscal year <u>Ended June 30</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2009	\$ 1,761,295	29%
2008	\$ 1,852,238	41%
2007	\$ 1,708,821	39%

At June 30, 2009, the PSERS disclosed that \$144,278 of \$244,327 (in thousands) of member receivables for purchases of service credit is due subsequent to June 30, 2010.

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

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Investment Valuation: Investments are reported at fair value, which is the amount that the PSERS can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Short-term securities are reported at cost, which approximates fair value, unless they have published market prices or quotations from national security exchanges or securities pricing services, in which case they are reported at the published market price. Fixed income securities and common and preferred stocks are generally reported based on published market prices and quotations from national security exchanges or securities pricing services. Securities that are not traded on a national security exchange are valued by the respective fund manager or other third parties based on similar sales. Real estate is primarily valued based on appraisals performed by independent appraisers or, for properties not appraised, at cost or the present value of projected future net income.

Alternative investments, which include private equity, private debt, venture capital and equity real estate, are primarily valued based on amounts established by valuation committees; such amounts include cash flow activity through fiscal year-end. Futures contracts, foreign exchange contracts, and options are marked-to-market daily; changes in market value are recognized as part of net appreciation/depreciation in the fair value of investments. Initial margin requirements for such financial instruments are provided by investment securities pledged as collateral or by cash.

Collective trust fund investments (CTF) consist primarily of domestic and international institutional funds. The funds do not pay interest or dividends to shareholders and reinvest all income earned on securities held by the fund. The fair value of CTF is based on the reported share value of the respective fund. CTF are managed by state chartered banks for which various state banking departments have regulatory oversight and investment advisors for which the Securities and Exchange Commission has regulatory oversight.

Other Postemployment Benefits**Primary Government**

The Commonwealth established and sponsors two primary plans which provide postemployment benefits other than pensions (OPEB). These two plans are the Retired Employees Health Program (REHP) and the Retired Pennsylvania State Police Program (RPSPP). These two plans are administered by the Pennsylvania Employee Benefits Trust Fund (PEBTF), which acts as a third-party administrator and administers the REHP and RPSPP under an administrative agreement with the Commonwealth. Both plans are single employer defined benefit OPEB plans. Nearly all Commonwealth agencies and several discretely presented component units participate in the REHP. The Pennsylvania Judiciary (Judiciary), Pennsylvania House of Representatives (House), and the Pennsylvania Senate (Senate) have established and sponsor their own OPEB plans. All OPEB plans and benefit provisions therein have been established under pertinent statutory authority. The REHP is provided, in part, as a part of collective bargaining agreements with most Commonwealth labor unions. The RPSPP is provided as a part of collective bargaining agreements with certain Commonwealth labor unions.

Benefit provisions included in the REHP, RPSPP, Judiciary, House, and Senate plans are established and may be amended by the establishing sponsor of the given OPEB plan. Each OPEB plan provides postemployment healthcare benefits and, to varying degrees, some of the non-REHP OPEB plans provide specific dental, hearing, vision, life insurance, long term disability and long term care benefits. Among the different OPEB plans, the REHP is the largest of such plans and provides only postemployment healthcare benefits. None of the OPEB plans 1) issues a stand-alone financial report nor 2) is included in the financial statements of a public employee retirement system.

REHP contribution requirements are established by the Office of Administration and the Governor's Budget Office. All employing agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2009, almost all employing agencies contributed \$240 (whole dollars) for each current, active employee per biweekly pay period to fund the REHP. Several employing agencies contribute under comparable payment arrangements. Effective July 1, 2003 certain changes to prescription formulary and certain member co-payment costs were made. Beginning July 1, 2004 other periodic changes to both member contributions and REHP benefits were made. Starting July 1, 2005, REHP plan members with membership dates after June 30, 2004 contribute between 1.0 percent and 2.0 percent of their final salary, based on REHP enrollment date. In February 2008 a three tiered prescription REHP member copayment was

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

introduced and in May 2008 a Medicare Private Fee-For-Service plan for REHP was started. In January 2010, the majority of REHP Medicare-eligible members were enrolled in Medicare HMO or Medicare PPO medical plans.

RPSPP contribution requirements are established within collective bargaining agreements. During the fiscal year ended June 30, 2009 employing agencies contributed \$700 (whole dollars) for each current, active employee per biweekly pay period to fund the RPSPP. RPSPP plan members are not required to make contributions.

The REHP and RPSPP funding rates needed to fund ongoing annuitant health care costs are established as part of the Commonwealth's annual budgeting process. During the fiscal year ended June 30, 2009, the Commonwealth funded \$505 million and \$54 million of annuitant health care claims and administrative costs for the REHP and RPSPP, respectively. Any additional contributions to advance fund annuitant health care costs are determined annually by the Commonwealth. During the fiscal year ended June 30, 2008, advance funding of \$60 million for the REHP and \$50.8 million for the RPSPP was contributed to the Other Postemployment Benefits Investment Pool, a Pension (and Other Employee Benefit) Trust Fund. No such additional, advance contributions were made during the fiscal year ended June 30, 2009.

Annual OPEB cost and actual contributions – primary government OPEB plans:

<u>As of and for the fiscal year ended June 30, 2009</u>	<u>REHP</u>	<u>RPSPP</u>	<u>Judiciary</u>	<u>House</u>	<u>Senate</u>	<u>Total</u>
Annual required contributions.....	\$818.510	\$143.350	\$38.483	\$38.231	\$26.206	\$1,064.780
Interest on net OPEB obligation.....	-	0.280	1.011	1.245	0.999	3.535
Adjustment to annual required contribution.....	-	-0.240	-0.896	-1.698	-0.762	-3.596
Annual OPEB cost (expense).....	<u>818.510</u>	<u>143.390</u>	<u>38.598</u>	<u>37.778</u>	<u>26.443</u>	<u>1,064.719</u>
Qualifying contributions.....	<u>-505.560</u>	<u>-54.570</u>	<u>-18.361</u>	<u>-8.936</u>	<u>-5.199</u>	<u>-592.626</u>
Increase in net OPEB obligation.....	312.950	88.820	20.237	28.842	21.244	472.093
Net OPEB obligation, July 1, 2008.....	-	5.500	20.228	27.662	19.976	73.366
Net OPEB obligation, June 30, 2009.....	<u>\$312.950</u>	<u>\$94.320</u>	<u>\$40.465</u>	<u>\$56.504</u>	<u>\$41.220</u>	<u>\$545.459</u>

(amounts in millions)

For the primary government, for all OPEB plans, total qualifying contributions of \$592.6 during the fiscal year ended June 30, 2009 in relation to the total annual OPEB cost of \$1,064.7 for the fiscal year, resulted in an increase in prior year OPEB obligations of \$472.1 and an unfunded OPEB liability of \$545.5 (in millions) is reported as of June 30, 2009. Percentage of annual OPEB cost contributed during the fiscal years ended June 30, 2009 and 2008 (transition year) is as follows (dollar amounts in millions):

	<u>REHP</u>	<u>RPSPP</u>	<u>Judiciary</u>	<u>House</u>	<u>Senate</u>	<u>Total</u>
For the fiscal year ended June 30, 2009						
Annual OPEB cost.....	\$818.510	\$143.390	\$38.598	\$37.778	\$26.443	\$1,064.719
Percentage of annual OPEB cost contributed.....	61.766	38.057	47.570	23.654	19.661	55.660
Net OPEB obligation.....	\$312.950	\$94.320	\$40.465	\$56.504	\$41.220	\$545.459
For the fiscal year ended June 30, 2008 (transition year)						
Annual OPEB cost.....	\$590.400	\$120.300	\$36.400	\$35.900	\$40.500	\$823.500
Percentage of annual OPEB cost contributed.....	100.000	95.428	44.505	23.120	50.677	91.102
Net OPEB obligation.....	-	\$5.500	\$20.228	\$27.662	\$19.976	\$73.366

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded status of the OPEB plans as of June 30, 2009 is as follows (dollar amounts in millions):

OPEB Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liability (UAAL)	Funded Ratio (assets as % of AAL)	Estimated Annual Covered Payroll	UAAAL as a Percentage of Annual Covered Payroll
REHP.....	July 1, 2008	\$47.920	\$13,257.570	\$13,209.650	0.361	\$4,093.000	322.7
RPSPP.....	July 1, 2008	40.570	2,104.240	2,063.670	1.928	337.000	612.4
Judiciary.....	December 31, 2007	-	426.700	426.700	-	185.300	230.3
House.....	July 1, 2008	-	308.459	308.459	-	102.701	300.3
Senate.....	July 1, 2007	-	252.329	252.329	-	49.712	507.6
Total primary government.....		\$88.490	\$16,349.298	\$16,260.808	0.541	\$4,767.713	341.1

The REHP and RPSPP data in the preceding charts was obtained from an actuarial valuation, prepared by an independent actuary, as of July 1, 2008 using census data collected as of December 2008 and health care claims costs for calendar year 2008. The valuation measurements result, in part, from estimates of the value of reported amounts and assumptions about the probability of events far into the future and such actuarially determined estimates are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Also, the valuation measurements are based, in part, on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the Commonwealth and its employing agencies and the plan members through July 1, 2008. Inherently, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial measurements were made using a long-term perspective and, consistent with that perspective, the different actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in both actuarial accrued liabilities and the actuarial value of assets.

Specific actuarial assumptions for the REHP and RPSPP:

Actuarial cost method:	Projected Unit Credit
Method used to determine actuarial value of assets:	Fair Value
Investment returns:	5.0 percent

Healthcare cost trend increases:	Initial Rate		Ultimate Rate	
	REHP	RPSPP	REHP	RPSPP
<u>Medicare-Retiree</u>				
Medical Benefits (REHP)	20.7	--	4.75	--
<u>Non-Medicare Retiree</u>				
Medical Benefits (REHP)	10.0	--	4.75	--
Medical Benefits (RPSPP)	--	10.0	--	4.75
Pharmacy Benefits	7.0	7.0	4.75	4.75
Dental Benefits (RPSPP)	--	6.0	--	4.75
Part B Premiums	--	--	4.75	4.75

Amortization method:	Level percent of payroll
Amortization period:	30 years, using fresh start each year

Schedules of Funding Progress and Employer Contributions for primary government OPEB plans are included in Required Supplementary Information, immediately following the Notes to the Financial Statements, and include two fiscal years of information about whether the actuarial value of plan assets is increasing or decreasing in relation to the actuarial accrued liability for benefits.

NOTE I - PENSION AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Discretely Presented Component Units

Each discretely presented component unit with employees participates in the Commonwealth's REHP except for the Pennsylvania Turnpike Commission and the Pennsylvania Housing Finance Agency, which have both established and sponsor their own, separate OPEB plans. The State System of Higher Education (SSHE), another discretely presented component unit, participates in the REHP, for certain employees, as well as its own, separate SSHE OPEB plan. All separate, non-REHP plans, have been established under pertinent statutory authority. All benefit provisions and contributions are established by the plan sponsors.

As of and for the fiscal year ended June 30, 2009	PA Turnpike Commission	PA Housing Finance Agency	State System of Higher Education	Total
Annual required contributions.....	\$26.764	\$3.363	\$85.687	\$115.814
Interest on net OPEB obligation.....	1.071	0.131	29.499	30.701
Adjustment to annual required contribution.....	0.017	-0.178	-29.736	-29.897
Annual OPEB cost (expense).....	27.852	3.316	85.450	116.618
Qualifying contributions.....	-29.034	-0.408	-43.847	-73.289
Increase in net OPEB obligation/(asset).....	-1.182	2.908	41.603	43.329
Net OPEB obligation/(asset), July 1, 2008.....	-1.094	3.041	621.030	622.977
Net OPEB obligation/(asset), June 30, 2009.....	<u><u>-\$2.276</u></u>	<u><u>\$5.949</u></u>	<u><u>\$662.633</u></u>	<u><u>\$666.306</u></u>

(amounts in millions)

As of and for the fiscal year ended June 30, 2009	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (assets as % of AAL)	Estimated Covered Payroll	UAAL as a Percentage of Covered Payroll
State System of Higher Education.....	-	\$1,049.267	\$1,049.267	-	\$510.373	205.6
PA Turnpike Commission (May 31, 2009).....	\$14.000	228.067	214.067	6.139	118.559	180.6
PA Housing Finance Agency.....	-	28.072	28.072	-	13.382	209.8

(\$ amounts in millions)

Additional disclosures for the three OPEB plans are available from the separately-issued audited financial statements of the three discretely presented component unit plan sponsors.

NOTE J - SHORT-TERM DEBT, DEMAND REVENUE BONDS PAYABLE, NOTES PAYABLE AND OTHER FINANCING OBLIGATIONS

Primary Government

During the fiscal year ended June 30, 2009, the Commonwealth did not issue any tax or bond anticipation notes or any other short-term debt and no short-term debt was repaid. As further described in Note R to the Financial Statements, 1) the **General Fund** borrowed \$650 million from the **Motor License Fund** during October 2009 and 2) the **General Fund** issued \$800 million of tax anticipation notes in December 2009. At June 30, 2009 and 2008, no short-term debt was outstanding except for the current portion of a governmental activities statutory liability for an other financing obligation to the Underground Storage Tank Indemnification Fund, an Agency Fund, at June 30, 2009 amounting to \$1 million, and at June 30, 2008 amounting to \$8 million; the noncurrent portion of this statutory liability, also reported as an other financing obligation, amounted to \$66.5 million at June 30, 2009 and amounted to \$62.5 million at June 30, 2008.

Discretely Presented Component Units

The Pennsylvania Higher Education Assistance Agency (PHEAA), a discretely presented component unit, has reported \$8,535,124 of demand revenue bonds, \$2,826,428 of notes payable (consisting of student loan financings of \$726,019, student loan floating rate notes of \$1,300,449 and student loan variable rate notes of \$799,960), and \$274,856 of other obligations (consisting of capital financings of \$76,286, term financings of \$127,090 and lines of credit of \$72,000, net of unamortized discount of \$520) at June 30, 2009 as follows (amounts in thousands):

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Student loan demand revenue bonds and auction rate notes, due 2016-2047, at weighted-average interest rates of 2.93 and 5.33 percent at June 30, 2009 and 2008, respectively.....	\$ 9,499,900	\$ -	\$ 955,650	\$ 8,544,250
Less: deferred amount on current refunding of student loan demand revenue bonds.....	9,925	-	799	9,126
Total demand revenue bonds payable and auction rate notes.....	<u>\$ 9,489,975</u>	<u>\$ -</u>	<u>\$ 954,851</u>	<u>\$ 8,535,124</u>
Notes payable:				
Student loan variable rate funding note, due 2014 at estimated weighted-average interest rate of 0.74 percent at June 30, 2009.....	\$ -	\$ 799,960	\$ -	\$ 799,960
Student loan financings, due on demand at weighted-average interest rates of 1.08 and 2.96 percent at June 30, 2009 and 2008, respectively.....	1,084,019	-	358,000	726,019
Student loan floating rate notes, due 2016-2042 at weighted average interest rates of 1.22 and 2.93 percent at June 30, 2009 and 2008, respectively.....	1,388,543	-	88,094	1,300,449
Total notes payable.....	<u>\$ 2,472,562</u>	<u>\$ 799,960</u>	<u>\$ 446,094</u>	<u>\$ 2,826,428</u>
Capital and other financing obligations:				
Capital financings, due 2009-2016, at weighted-average interest rates of 5.29 and 5.88 percent at June 30, 2009 and 2008, respectively.....	\$ 76,766	\$ 4,650	\$ 5,130	\$ 76,286
Term financings, due 2009-2030, at weighted-average interest rate of 5.09 percent at both June 30, 2009 and 2008.....	68,205	-	1,795	66,410
Term financing, due 2029, at interest rate of zero percent at June 30, 2009.....	-	60,680	-	60,680
Line of credit, due 2009-2011, at weighted-average interest rates of 2.82 and 5.20 percent at June 30, 2009 and 2008, respectively.....	94,035	-	22,035	72,000
Subtotal.....	<u>239,006</u>	<u>65,330</u>	<u>28,960</u>	<u>275,376</u>
Less: unamortized discount.....	599	-	79	520
Total capital and other financing obligations.....	<u>\$ 238,407</u>	<u>\$ 65,330</u>	<u>\$ 28,881</u>	<u>\$ 274,856</u>

NOTE J – SHORT-TERM DEBT, DEMAND REVENUE BONDS PAYABLE, NOTES PAYABLE AND OTHER FINANCING OBLIGATIONS (continued)

The note and bond indentures, among other things, require the PHEAA to comply with various covenants. All student loan borrowings are collateralized by student loans and investments. At June 30, 2009, \$11.3 billion of such debt was collateralized by \$11.0 billion of student loan principal and related interest receivable and \$342.5 million of investments and related interest receivable. The demand bonds payable are subject to purchase, at par plus accrued interest, by the PHEAA on demand of the bondholder banks upon seven days prior irrevocable written notice. Under the irrevocable letters of credit, the trustee is entitled to draw an amount sufficient to pay the purchase price of the bonds delivered to it. As of June 30, 2009 there were \$1.2 billion of variable-rate demand bonds that were put to the liquidity provider and are classified as bank bond mode with interest rates ranging from one-month LIBOR plus 1.75 percent to prime rate plus 2.0 percent. The letters of credit are valid from 2009 through 2015. The PHEAA is required to pay annual commitment fees ranging from 10 to 32 basis points for the variable rate demand bonds and 90 basis points for the Pennsylvania Local Government Investment Trust. At June 30, 2009 total liquidity coverage was \$1.3 billion. Capital financings are collateralized with capital assets. At June 30, 2009 the PHEAA had \$2.5 million of available credit under capital financing arrangements.

Debt service requirements subsequent to June 30, 2009, based upon stated maturities for demand bonds and estimated interest rates for variable-rate debt after considering terms renegotiated after June 30, 2009 are as follows (amounts in thousands):

Year of Maturity	Student Loan Bonds and Notes		Other Financing Obligations	
	Principal	Interest	Principal	Interest
2010.....	\$ 726,019	\$ 157,158	\$ 84,247	\$ 9,633
2011.....	-	154,663	64,537	7,365
2012.....	-	154,663	3,503	5,096
2013.....	-	154,663	3,804	3,190
2014.....	-	154,663	2,125	3,031
2015-19.....	580,744	726,298	12,145	13,464
2020-24.....	370,620	634,903	15,390	10,134
2025-29.....	1,486,960	545,941	80,325	5,900
2030-34.....	313,500	502,464	9,300	1,033
2035-39.....	1,429,485	465,426	-	-
2040-44.....	2,053,500	344,477	-	-
2045-50.....	4,409,850	96,078	-	-
Total.....	<u>\$ 11,370,678</u>	<u>\$ 4,091,397</u>	<u>\$ 275,376</u>	<u>\$ 58,846</u>
Reported as:				
Demand revenue bonds payable.....	\$ 8,535,124		\$ -	
Add: Deferred amount on current refundings.....	9,126		-	
Total principal owed on				
demand revenue bonds payable.....	8,544,250		-	
Notes payable - current.....	726,019		-	
Notes payable - non-current.....	2,100,409		-	
Other financing obligations, current.....	-		84,247	
Other financing obligations, non-current.....	-		190,609	
Add: Unamortized discount.....	-		520	
Total principal.....	<u>\$ 11,370,678</u>		<u>\$ 275,376</u>	

The PHEAA has \$11.4 billion of student loan notes, bonds and financings that are variable-rate debt, of which \$8.8 million resets based upon auctions every seven days, \$6.6 billion resets based upon auctions every 28 days, \$784 million resets based upon auctions every 35 days, \$2.7 billion is indexed to the 1-month or 3-month LIBOR, \$113 million is indexed to 3-month financial commercial paper and \$1.2 billion is in bank bond mode. PHEAA notes and bonds payable, as well as all other debt, are limited obligations of the PHEAA payable only from related pledged assets.

In addition to the PHEAA's reported current notes payable of \$726,019 at June 30, 2009, the Philadelphia Regional Port Authority (PRPA) reported current notes payable of \$393. Also, in addition to the PHEAA's reported non-current notes payable of \$2,100,409 at June 30, 2009, component unit organizations of the State System of Higher Education reported non-current notes payable of \$163,467; the Philadelphia Shipyard Development Corporation (PSDC) reported non-current notes payable of \$20,703 (at its December 31, 2008 year end); and the PRPA reported non-current notes payable of \$1,627. Total reported notes payable, current and non-current, for all discretely presented component units totaled \$726,412 and \$2,286,206, respectively, at June 30, 2009 (December 31, 2008 for the PSDC) (amounts in thousands).

**NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS**

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2009 and changes therein during the fiscal year ended June 30, 2009 are as follows (amounts in thousands):

GENERAL LONG-TERM OBLIGATIONS	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
General Obligation Bonds Payable From Tax Revenues:								
Capital Facilities.....	1992-09	2.00-5.00%	2029	\$75,646,406	\$ 4,599,995	\$ 999,000	\$ 502,105	\$ 5,096,890
Disaster Relief.....	2000-01	5.00-6.00%	2012	105,908	4,995	-	1,820	3,175
Land and Water Development.....	1992	6.00-6.25%	2012	300	1,090	-	190	900
Nursing Home Loan Development.....	-	-	-	31,000	-	-	-	-
Volunteer Companies Loan.....	1992-98	6.00-6.25%	2012	50,000	510	-	215	295
Vietnam Conflict Veterans Compensation.....								
Water Facilities Loan.....	1992	6.00-6.25%	2012	11,500	7,965	-	1,410	6,555
Pennsylvania Economic Revitalization.....	1992	6.00-6.25%	2012	14,000	2,175	-	385	1,790
Pennsylvania Infrastructure Investment Authority.....								
Agricultural Conservation Easement Purchase.....	1992	6.00-6.25%	2012	-	3,845	-	1,465	2,380
Local Criminal Justice.....	2000-08	4.00-5.25%	2028	3,000	5,965	-	975	4,990
Keystone Recreation, Park and Conservation.....								
Water Supply and Wastewater Treatment.....	2005-07	3.45-5.50%	2027	59,000	188,580	-	5,645	182,935
Growing Greener.....	2005-09	2.00-5.60%	2029	240,500	311,960	65,000	9,590	367,370
Persian Gulf Conflict Veterans Compensation.....								
Refunding Bonds.....	2008	4.00-5.00%	2028	13,000	7,000	-	220	6,780
	2002-09	2.00-5.50%	2021	-	2,947,927	151,788	222,035	2,877,680
Total principal.....				76,729,614	8,204,217	1,215,788	753,245	8,666,760
Unamortized premium on bonds issued..				-	587,106	88,922	37,050	638,978
Unamortized deferred net refunded loss..				-	(158,712)	(12,686)	(16,024)	(155,374)
Total general obligation bonds payable..				76,729,614	8,632,611	1,292,024	774,271	9,150,364
Other General Long-Term Obligations Payable From Tax and Other Revenues:								
Installment Purchase Obligations.....	-	-	-	-	3,845	3,802	1,167	6,480
Capital Lease Obligations.....	-	-	-	-	33,760	115	3,625	30,250
Self-Insurance—Note M *.....	-	-	-	-	739,282	585,628	564,803	760,107
Compensated Absences *.....	-	-	-	-	724,383	483,195	449,951	757,627
Pollution Remediation Obligations	-	-	-	-	303,713	24,156	53,766	274,103
Other	-	-	-	-	737,063	156,664	176,550	717,177
Subtotal.....				-	2,542,046	1,253,560	1,249,862	2,545,744
TOTAL GENERAL LONG-TERM OBLIGATIONS.....				\$76,729,614	\$11,174,657	\$2,545,584	\$2,024,133	\$ 11,696,108

* The estimated current portion of self-insurance and compensated absences liabilities is \$142,753 and \$93,562, respectively (amounts in thousands).

Total principal ‘Additions’ above, amounting to \$1,215,788, are equal to Bonds Issued of \$1,064,103 and Refunding Bonds Issued of \$155,642 reported in the Governmental Funds ‘Statement of Revenues, Expenditures, and Changes in Fund Balances’ less net principal accretion on maturing debt for capital appreciation bonds of \$3,957 for the fiscal year ended June 30, 2009 (amounts in thousands).

NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS (continued)

Revenue bond obligations of discretely presented component units at June 30, 2009 (May 31, 2009 for the Pennsylvania Turnpike Commission (PTC)) and changes during the fiscal year then ended are as follows (amounts in thousands):

REVENUE BONDS PAYABLE	Issue	Interest	Maturity	Bonds	Balance			Balance
	Dates	Rates	Dates	Authorized	July 1, 2008	Additions	Reductions	June 30, 2009
	Dates	Rates	Through	But Unissued				
Philadelphia Regional Port Authority.....	2003-08	3.00-5.00	2020		\$ 41,700	\$ 41,965	\$ 41,700	\$ 41,965
Pennsylvania Housing Finance Agency.....	1990-08	various	2038		4,276,443	440,619	459,238	4,257,824
Pennsylvania Industrial Development Authority.....	2002-08	4.00-5.50	2024		385,895	-	-	385,895
Pennsylvania Turnpike Commission.....	1998-09	various	2041		3,836,840	1,003,050	67,555	4,772,335
Commonwealth Financing Authority.....	2005-09	3.00-6.40	2031		721,605	100,000	23,505	798,100
Pennsylvania Infrastructure Investment Authority.....	1998-05	2.00-5.00	2014		47,940	-	12,655	35,285
Total principal obligations.....					9,310,423	1,585,634	604,653	10,291,404
Less: Bond discounts.....	-	-	-	-	(12,182)	(4,576)	(1,435)	(15,323)
Add: Bond premiums.....	-	-	-	-	77,762	2,345	6,276	73,831
Less: Deferred net refunded loss.....	-	-	-	-	(99,886)	(4,264)	(13,144)	(91,006)
TOTAL					\$ 9,276,117	\$ 1,579,139	\$ 596,350	\$ 10,258,906

Additionally, the Port of Pittsburgh Commission and component unit organizations of the State System of Higher Education reported revenue bonds payable of \$2,000 and \$683,113, respectively, at June 30, 2009 for total revenue bonds payable for all discretely presented component units of \$10,944,019. Total reported current and non-current revenue bonds payable were \$925,918 and \$10,018,101, respectively, at June 30, 2009 (May 31, 2009 for the PTC) (amounts in thousands).

Primary Government

The Commonwealth has pledged its full faith and credit for the payment of principal and interest on its general obligation bonds. The **General Fund**, the **Motor License Fund** and the PA Gaming Economic Development and Tourism Fund transferred amounts to Debt Service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2009 these three Funds transferred \$874,598, \$37,851 and \$14,169, respectively, to the Capital Debt Fund, which reported \$941,203 (nearly 94 percent) of total Debt Service funds principal and interest expenditures of \$1,001,360 (amounts in thousands). Typically, except for Catastrophic Loss Benefits Claims, which are funded by motorist violation fines, general long-term obligations other than general obligation bonds are mostly funded by the **General Fund** and/or the **Motor License Fund**. In specific, limited instances, a variety of individual Funds will fund some obligations; such instances include capital assets being procured using long-term vendor or other financing; Commonwealth employees earning compensated absences; or self-insurance claims originating.

The total "Additions" of \$1,292,024 for General Obligation Bonds Payable at June 30, 2009 consists of total bond and refunding bond proceeds of \$1,141,689 and \$166,978, respectively, for Governmental Funds (including premium of \$88,922), less net principal accretion on maturing debt for capital appreciation bonds of \$3,957 less deferred net refunded losses of \$12,686 during the fiscal year ended June 30, 2009. As part of the total "Additions" the total principal of \$1,215,788 for General Obligation Bonds Payable consists of bonds issued of \$1,064,103 and refunding bonds issued of \$155,642, less net principal accretion on capital appreciation bonds of \$3,957.

The total "Reductions" of \$774,271 for General Obligation Bonds Payable at June 30, 2009 consists of total principal repayments of \$753,245, plus \$37,050 of bond premium that was amortized and credited to bond interest expense in the Statement of Activities (unamortized premium in the Statement of Net Assets at June 30, 2009 is \$638,978), less \$16,024 of deferred net refunded loss that was amortized and charged to bond interest expense in the Statement of Activities (unamortized deferred net refunded loss in the Statement of Net Assets at June 30, 2009 is \$155,374) (amounts in thousands):

**NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS (continued)**

	<u>Additions</u>	<u>Reductions</u>
Bonds/refunding bonds issued.....	\$ 1,219,745	\$ 753,245
Net principal accretion.....	(3,957)	-
Total principal.....	1,215,788	753,245
Unamortized premium on bond/refunding bond issued.....	88,922	37,050
Unamortized deferred net refunded loss.....	(12,686)	(16,024)
Changes in general obligation bonds payable.....	<u>\$ 1,292,024</u>	<u>\$ 774,271</u>

The balance outstanding at June 30, 2009 for general obligation refunding bonds does not include any principal or accreted value for capital appreciation bonds; all such bonds matured on July 1, 2008.

Included in “Other” for Other General Long-Term Obligations payable from workers’ compensation insurance carrier assessments, **General Fund**, **Motor License Fund**, Hazardous Sites Cleanup Fund and/or other governmental Fund tax revenues and investment income are the following at June 30, 2009 (amounts in thousands):

Workers' Compensation Security Trust Claims.....	\$ 498,269
Catastrophic Loss Benefits Claims.....	82,075
Public Utility Realty Tax Act (PURTA).....	30,306
Litigation--Note N.....	14,000
State Insurance Fund Claims.....	9,377
Foster Care	79,800
Restricted Receipts.....	3,350
Total.....	<u>\$ 717,177</u>

The Workers’ Compensation Security Trust Fund provides for payment of valid claims under the Workers’ Compensation Law to individuals whose employers are insured by insolvent insurance carriers. The Catastrophic Loss Benefits Continuation Fund provides specific benefits to qualifying claimants who sustained severe injuries in motor vehicle accidents. The PURTA provides for a tax on utility realty property whereby amounts received during the fiscal year are used as a **General Fund** revenue source. The Act also provides for payment of a majority of the PURTA revenues as a distribution to local taxing authorities during the following fiscal year (normally in October). Such payments are appropriated for expenditure in the following fiscal year and are, therefore, not expendable during the fiscal year the related revenue is received. Pollution remediation obligations generally involve groundwater, surface water and/or soil at or adjacent to former manufacturing/industrial locations. Also, affected landfills have either received specific contaminants and/or are the source of leachate, either on-site or affecting adjacent properties. Typical contaminants include petroleum, chlorinated and/or polycyclic aromatic hydrocarbons; also, priority pollutant and/or target analyte list metals or lead. Financial responsibility is often coordinated between the Commonwealth, the Federal Environmental Protection Agency and, from time to time, either private responsible or potentially responsible parties. Reported obligation amounts do not include instances, or portions of instances, where specific components of a potential remediation effort are not reasonably estimable as of June 30, 2009. The nature of the remediation activities in such instances is often site assessment, investigation or feasibility studies. Remediation efforts are typically funded through the Hazardous Sites Cleanup Fund or the **Motor License Fund**, both special revenue funds. None of the ‘Other’ amounts included in General Long-Term Obligations at June 30, 2009 are payable with currently expendable available financial resources.

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 \$56.1 billion as of August 31, 2009, with net debt outstanding of \$7.5 billion.

Discretely Presented Component Units

The Pennsylvania Housing Finance Agency (PHFA), the Pennsylvania Higher Education Assistance Agency (PHEAA), the Pennsylvania Industrial Development Authority, the Pennsylvania Turnpike Commission (PTC) and the Pennsylvania

**NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS (continued)**

Infrastructure Investment Authority, discretely presented component units, have pledged substantially all of their revenues for the redemption of revenue bonds outstanding. Revenue bonds outstanding at June 30, 2009 (May 31, 2009 for the PTC) include unamortized bond discount, unamortized bond premium, and deferred net refunded losses of \$15.3 million, \$73.8 million, and \$91.0 million, respectively.

The following tables present annual principal and interest payments for long-term debt outstanding for the primary government and discretely presented component units at June 30, 2009 (May 31, 2009 for the Pennsylvania Turnpike Commission) (amounts in thousands):

Primary Government

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015-19</u>	<u>2020-24</u>
GENERAL OBLIGATION BONDS:							
Capital Facilities.....	\$ 585,836	\$ 562,699	\$ 533,096	\$ 475,018	\$ 451,103	\$ 1,879,867	\$ 1,905,439
Disaster Relief.....	1,692	1,607	163	-	-	-	-
Land and Water Development.....	255	257	253	253	-	-	-
Nursing Home Loan Development.....	-	-	-	-	-	-	-
Volunteer Companies Loan.....	86	82	82	83	-	-	-
Vietnam Conflict Veterans Compensation.....	-	-	-	-	-	-	-
Water Facilities Loan.....	1,856	1,852	1,850	1,846	-	-	-
Pennsylvania Economic Revitalization.....	509	503	505	505	-	-	-
Pennsylvania Infrastructure Investment Authority.....	11,388	11,273	11,208	10,938	9,014	45,113	45,405
Agricultural Conservation Easement Purchase.....	676	672	670	670	-	-	-
Local Criminal Justice.....	564	552	501	446	389	1,972	2,002
Keystone Recreation, Park and Conservation.....	-	-	-	-	-	-	-
Water Supply and Wastewater Treatment.....	14,795	14,814	14,807	14,799	14,803	74,185	74,531
Growing Greener.....	30,316	30,339	30,353	30,342	30,325	151,954	152,773
Persian Gulf Conflict Veterans.....	539	538	537	536	544	2,722	2,835
Refunding Bonds.....	<u>392,295</u>	<u>406,187</u>	<u>409,183</u>	<u>415,861</u>	<u>368,132</u>	<u>1,332,552</u>	<u>326,087</u>
Total Principal and Interest.....	1,040,807	1,031,375	1,003,208	951,297	874,310	3,488,365	2,509,072
Less: Interest Payments.....	<u>414,717</u>	<u>384,729</u>	<u>347,226</u>	<u>320,325</u>	<u>367,308</u>	<u>992,416</u>	<u>510,390</u>
Total General Obligation Bonds.....	626,090	646,646	655,982	630,972	507,002	2,495,949	1,998,682
Other General Long-Term Obligations.....	<u>366,935</u>	<u>138,074</u>	<u>127,772</u>	<u>127,012</u>	<u>136,010</u>	<u>687,966</u>	<u>526,772</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS	<u>\$ 993,025</u>	<u>\$ 784,720</u>	<u>\$ 783,754</u>	<u>\$ 757,984</u>	<u>\$ 643,012</u>	<u>\$ 3,183,915</u>	<u>\$ 2,525,454</u>

The portion of Total General Long-Term Obligations principal due by June 30, 2010 amounts to \$993,025 (in thousands).

**NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS (continued)**

Primary Government (continued)

	<u>2025-29</u>	<u>2030-34</u>	<u>2035-39</u>	<u>2040-44</u>	<u>2045-49</u>	<u>Total</u>
GENERAL OBLIGATION BONDS:						
Capital Facilities.....	\$ 1,043,784	\$ -	\$ -	\$ -	\$ -	\$ 7,436,842
Disaster Relief.....	-	-	-	-	-	3,462
Land and Water Development.....	-	-	-	-	-	1,018
Nursing Home Loan Development.....	-	-	-	-	-	-
Volunteer Companies Loan.....	-	-	-	-	-	333
Vietnam Conflict Veterans Compensation.....	-	-	-	-	-	-
Water Facilities Loan.....	-	-	-	-	-	7,404
Pennsylvania Economic Revitalization.....	-	-	-	-	-	2,022
Pennsylvania Infrastructure Investment Authority.....	24,758	-	-	-	-	169,097
Agricultural Conservation Easement Purchase.....	-	-	-	-	-	2,688
Local Criminal Justice.....	729	-	-	-	-	7,155
Keystone Recreation, Park and Conservation.....	-	-	-	-	-	-
Water Supply and Wastewater Treatment.....	53,341	-	-	-	-	276,075
Growing Greener.....	107,127	-	-	-	-	563,529
Persian Gulf Conflict Veterans.....	2,304	-	-	-	-	10,555
Refunding Bonds.....	-	-	-	-	-	3,650,297
Total Principal and Interest.....	1,232,043	-	-	-	-	12,130,477
Less: Interest Payments.....	126,606	-	-	-	-	3,463,717
Total General Obligation Bonds.....	1,105,437	-	-	-	-	8,666,760
Other General Long-Term Obligations.....	435,204	-	-	-	-	2,545,745
TOTAL GENERAL LONG-TERM OBLIGATIONS.....	\$ 1,540,641	\$ -	\$ -	\$ -	\$ -	\$ 11,212,505

NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS (continued)

DISCRETELY PRESENTED COMPONENT UNITS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015-19</u>	<u>2020-24</u>
Philadelphia Regional Port Authority.....	\$ 4,606	\$ 4,609	\$ 4,604	\$ 4,604	\$ 4,604	\$ 23,035	\$ 9,214
Pennsylvania Housing Finance Agency.....	281,005	266,741	265,253	256,173	244,561	1,220,975	1,110,802
Pennsylvania Industrial Development Authority.....	42,756	42,396	39,318	38,304	39,156	183,599	171,959
Pennsylvania Turnpike Commission.....	870,321	307,216	228,183	229,349	230,560	1,159,418	1,112,300
Commonwealth Financing Authority.....	68,790	71,348	71,339	71,335	71,340	356,744	356,754
Pennsylvania Infrastructure Investment Authority.....	13,607	9,991	7,054	3,913	2,419	1,608	-
Total Principal and Interest.....	<u>1,281,085</u>	<u>702,301</u>	<u>615,751</u>	<u>603,678</u>	<u>592,640</u>	<u>2,945,379</u>	<u>2,761,029</u>
Less: Interest Payments.....	<u>355,167</u>	<u>327,677</u>	<u>314,810</u>	<u>303,585</u>	<u>292,073</u>	<u>1,281,957</u>	<u>974,314</u>
TOTAL PRINCIPAL OBLIGATIONS.....	<u>\$ 925,918</u>	<u>\$ 374,624</u>	<u>\$ 300,941</u>	<u>\$ 300,093</u>	<u>\$ 300,567</u>	<u>\$ 1,663,422</u>	<u>\$ 1,786,715</u>
	<u>2025-29</u>	<u>2030-34</u>	<u>2035-39</u>	<u>2040-44</u>	<u>Total</u>		
Philadelphia Regional Port Authority.....	\$ -	\$ -	\$ -	\$ -	\$ 55,276		
Pennsylvania Housing Finance Agency.....	1,085,655	899,449	446,123	-	6,076,737		
Pennsylvania Industrial Development Authority.....	-	-	-	-	557,488		
Pennsylvania Turnpike Commission.....	1,123,167	1,107,266	719,997	94,992	7,182,769		
Commonwealth Financing Authority.....	167,114	15,838	-	-	1,250,602		
Pennsylvania Infrastructure Investment Authority.....	-	-	-	-	38,592		
Total Principal and Interest.....	<u>2,375,936</u>	<u>2,022,553</u>	<u>1,166,120</u>	<u>94,992</u>	<u>15,161,464</u>		
Less: Interest Payments.....	<u>618,791</u>	<u>325,489</u>	<u>74,915</u>	<u>1,282</u>	<u>4,870,060</u>		
TOTAL PRINCIPAL OBLIGATIONS.....	<u>\$ 1,757,145</u>	<u>\$ 1,697,064</u>	<u>\$ 1,091,205</u>	<u>\$ 93,710</u>	<u>\$ 10,291,404</u>		

Additionally, the Port of Pittsburgh Commission and component unit organizations of the State System of Higher Education reported \$2,000 and \$683,113, respectively, of revenue bond principal obligations at June 30, 2009 (amounts in thousands).

The Commonwealth has entered into certain agreements to lease various facilities and equipment. Such agreements are in-substance purchases (capital leases) and are reported as Capital Lease Obligations. In addition, the Commonwealth also makes purchases using installment purchase arrangements. The following is a schedule by fiscal year of future minimum payments under capital leases and installment purchase obligations, together with the present value of the net minimum lease payments as of June 30, 2009 (amounts in thousands):

NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS (continued)

Fiscal Year Ending June 30	Primary Government		Discretely Presented
	Capital Lease Obligations	Installment Purchase Obligations	Component Unit State System of Higher Education
2010.....	\$ 6,501	\$ 1,736	\$ 72,881
2011.....	6,378	1,402	69,237
2012.....	6,276	1,190	64,071
2013.....	6,206	1,114	63,690
2014.....	6,188	932	68,202
2015-19.....	12,356	1,212	344,979
2020-24.....	-	-	264,149
2025-29.....	-	-	85,367
2030-34.....	-	-	44,052
2035-39.....	-	-	15,932
Total minimum lease payments.....	43,905	7,586	1,092,560
Less: amount representing estimated executory cost included in minimum lease payments.....	5,671	1,106	-
Net minimum lease payments and installment purchases.....	38,234	6,480	1,092,560
Less: amount representing interest.....	7,984		352,880
Total Capital Lease and Installment Purchase Obligations.....	\$ 30,250	\$ 6,480	\$ 739,680

At June 30, 2009 general capital assets included \$89.7 million of buildings and \$7.4 million of equipment being procured by capital leases. A total of \$18.1 million in general capital assets is being procured by vendor-financed installment purchase arrangements.

Capital lease obligations outstanding as of June 30, 2009 reported by the State System of Higher Education (SSHE), a discretely presented component unit, 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. SSHE capital assets include \$127 million of construction in progress related to capital leases at June 30, 2009.

Conduit Debt

The State Public School Building Authority (SPSBA), a discretely presented component unit, finances construction and improvement projects for public schools through the issuance of tax-exempt instruments (bonds, notes or other obligations) for the purpose of making lower cost tax-exempt financing available to school districts and community colleges. The debt instruments issued by the SPSBA represent limited obligations payable solely from lease/loan payments made by the borrowing institutions and related assets held by trustees. At June 30, 2009 the SPSBA had \$2.36 billion of debt outstanding. Neither the SPSBA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Higher Educational Facilities Authority (PHEFA), a discretely presented component unit, finances projects through the issuance of tax-exempt instruments (bonds, notes or other obligations) to provide a source of tax-exempt financing for colleges and universities. The debt instruments issued by the PHEFA represent limited obligations payable solely from payments made by the related borrowing institutions and related assets held by the trustees. At June 30, 2009 the

**NOTE K – GENERAL LONG-TERM OBLIGATIONS –
GOVERNMENTAL ACTIVITIES AND COMPONENT UNITS (continued)**

PHEFA had \$5.89 billion of debt outstanding. Neither the PHEFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Housing Finance Agency (PHFA), a discretely presented component unit, is financing a portion of housing projects through the issuance of limited obligation or special limited obligation bonds to provide more affordable housing in the Commonwealth. These bonds are secured solely by the specific housing properties and related revenues or by appropriations to be paid by the U.S. Department of Housing and Urban Development. At June 30, 2009 the PHFA had \$97 million of such bonds outstanding. Neither the PHFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds payable are reported in the accompanying financial statements.

The Pittsburgh Port Commission (PPC), a discretely presented component unit, is financing an economic development project in its port district through the issuance of tax-exempt bonds for the purpose of making lower cost tax-exempt financing available to the enterprise engaging in the development project. The tax exempt bonds issued by the PPC represent limited obligations and are payable solely from lease payments made by the enterprise and related assets held by trustees. At June 30, 2009, the Commission had \$43.2 million of such bonds outstanding. Neither the PPC nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds payable are reported in the accompanying financial statements.

The Pennsylvania Economic Development Financing Authority (PEDFA) finances projects on behalf of local industrial and commercial development authorities to promote economic growth within the Commonwealth. Revenue bonds issued by the PEDFA represent limited obligations payable solely from Authority financed project revenues. At June 30, 2009 the PEDFA had \$1.905 billion of debt outstanding. Neither the PEDFA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

The Pennsylvania Energy Development Authority (PEDA) finances projects related to energy conservation and research. Fees are assessed to recover related processing and application costs incurred. The bonds issued by the Authority represent limited obligations payable solely from payments made by the borrowing entities. The majority of the bonds are secured by the property financed. Upon repayment of a bond, ownership of acquired property transfers from the trustees to the entity served by the bond issuance. At June 30, 2009 the PEDA had \$34.5 million of revenue bonds outstanding. Neither the PEDA nor the Commonwealth has any obligation for this debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

NOTE L - REFUNDED DEBT**Primary Government**

During the fiscal year ended June 30, 2009, the Commonwealth issued \$155.8 million in general obligation bonds, First Refunding Series of 2009 with average interest rates of 3.7 percent to advance refund \$154.4 million of previously issued general obligation bonds with average interest rates of 5.1 percent. The net refunding bond proceeds of \$167million (including bond premium of \$11.3 million), after payment of underwriting fees 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 Commonwealth's financial statements. The Commonwealth refunded its previously issued bonds to reduce debt service payable on its general obligation bonds by \$8.0 million and to obtain an economic gain of \$5.8 million.

In prior years, the Commonwealth defeased certain general obligation bonds by placing the proceeds of refunding bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. At June 30, 2009, \$1,271.8 million of general obligation bonds outstanding that were previously accounted for in the Commonwealth's financial statements were defeased through advance refundings.

Discretely Presented Component Units

At May 31, 2009, \$895.5 million of bonds that were previously reported by the Pennsylvania Turnpike Commission have been defeased through refundings.

During the fiscal year ended June 30, 2009, in current refundings, the Pennsylvania Housing Finance Agency (PHFA) redeemed prior to maturity \$1.8 million of certain Single Family Mortgage Loan Program Bonds (revenue bonds). A deferred loss of \$1.1 million and an economic loss of \$17 thousand resulted from the refundings. The PHFA increased its aggregate debt service payment as a result of these transactions by a total of \$54 thousand over the next 30 years. Also, in early extinguishments, the PHFA redeemed prior to maturity \$22.5 million of certain revenue bonds resulting in current year expense of \$212 thousand during the fiscal year ended June 30, 2009. In prior years, the PHFA defeased Multifamily Residential Development Bonds, Issue H. At June 30, 2009, \$2.7 million of bonds outstanding that were previously reported by the PHFA have been defeased through advance refundings.

In August 2008 the State System of Higher Education currently refunded the following bonds: Series V for \$7.99 million, Series Y for \$9.45 million, Series AB for \$9.2 million and Series AD for \$6.3 million with Series AI of \$32.115 million.

At June 30, 2009, \$28.3 million of bonds that were previously reported by the Pennsylvania Infrastructure Investment Authority have been defeased through refundings.

On September 5, 2008, the Philadelphia Regional Port Authority currently refunded its Series 2003 bonds in the amount of \$39.4 million by issuing its new Series 2008 bonds in the amount of \$42 million; the Series 2008 bonds bear interest at rates of 3 to 5 percent. The net interest cost for Series 2008 bonds interest rates is 4.13%.

NOTE M – SELF-INSURANCE LIABILITIES

The Commonwealth is self-insured for statutory workers’ compensation, which includes indemnity and medical benefits (employee disability), 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, employee and general torts. For property losses, the Commonwealth has \$1 million retention with excess commercial insurance coverage up to \$350 million per occurrence. The Commonwealth is also self-insured for claims against the Department of Transportation (transportation claims). The Commonwealth has established various administrative policies that are intended to avoid or limit the aforementioned risks. Accrued liabilities for statutory workers’ compensation and annuitant medical/hospital claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses.

There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2009. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

Accrued liabilities for tort and transportation claims are established based on reserves computed from the Commonwealth’s claim experience; such claims are not discounted and do not include non-incremental claims adjustment expenses. These liabilities include liabilities for allocated claim adjustment expenditures/expenses and include salvage and subrogation. Salvage and subrogation were not material during the fiscal year ended June 30, 2009. No accrued self-insurance liability has been reported for property losses.

At June 30, 2009, none of the accrued liabilities for governmental activities were payable from current expendable available financial resources. It is anticipated that the **General Fund** and the **Motor License Fund**, respectively, will fund governmental activities liabilities of \$527,767 and \$209,077. Business-type activities liabilities are primarily owed by the **State Lottery Fund** (\$1,851), the **State Workers’ Insurance Fund** (\$1,768) and the State Stores Fund (\$21,806), all Enterprise Funds. All accrued self-insurance liabilities at June 30, 2009 are summarized as follows (amounts in thousands):

	Governmental Activities		Business Type Activities		Fiduciary Fund Types	
	Current	Non-Current	Current	Non-Current	Current	Non-Current
Employee disability.....	\$ 89,402	\$ 385,376	\$ 5,020	\$ 21,640	\$ 84	\$ 364
Annuitant medical/hospital....	31,351	-	-	-	-	-
Automobile tort.....	3,250	16,103	-	-	-	-
Employee tort.....	5,750	51,833	-	-	-	-
General tort.....	500	35,284	-	-	-	-
Transportation.....	12,500	128,758	-	-	-	-
Totals.....	<u>\$ 142,753</u>	<u>\$ 617,354</u>	<u>\$ 5,020</u>	<u>\$ 21,640</u>	<u>\$ 84</u>	<u>\$ 364</u>

The following summary provides aggregated information on June 30, 2008 reported self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2009; and reported self-insurance liabilities at June 30, 2009 (amounts in thousands):

	June 30, 2008	Incurred Claims		Payments		June 30, 2009
	Liability	Current	Prior	Current	Prior	Liability
Employee disability.....	\$ 459,905	\$ 82,710	\$ 48,387	\$ 11,414	\$ 77,702	\$ 501,886
Annuitant medical/hospital....	42,682	444,591	-	413,240	42,682	31,351
Automobile tort.....	19,821	4,271	(585)	1,182	2,972	19,353
Employee tort.....	55,772	4,606	1,596	259	4,132	57,583
General tort.....	39,169	1,524	(3,961)	47	901	35,784
Transportation.....	146,316	8,944	(6,455)	484	7,063	141,258
Totals.....	<u>\$ 763,665</u>	<u>\$ 546,646</u>	<u>\$ 38,982</u>	<u>\$ 426,626</u>	<u>\$ 135,452</u>	<u>\$ 787,215</u>

NOTE M – SELF-INSURANCE LIABILITIES (continued)

The following summary provides aggregated information on June 30, 2007 self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2008; and reported self-insurance liabilities at June 30, 2008 (amounts in thousands):

	June 30, 2007	Incurred Claims		Payments		June 30, 2008
	<u>Liability</u>	<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	<u>Liability</u>
Employee disability.....	\$ 432,905	\$ 72,983	\$ 36,792	\$ 11,753	\$ 71,022	\$ 459,905
Annuitant medical/hospital....	48,025	512,410	-	469,728	48,025	42,682
Automobile tort.....	24,578	5,351	(6,627)	1,126	2,355	19,821
Employee tort.....	55,874	12,405	(5,849)	281	6,377	55,772
General tort.....	43,360	8,741	(12,108)	48	776	39,169
Transportation.....	178,673	32,682	(52,630)	448	11,961	146,316
Totals.....	<u>\$ 783,415</u>	<u>\$ 644,572</u>	<u>\$ (40,422)</u>	<u>\$ 483,384</u>	<u>\$ 140,516</u>	<u>\$ 763,665</u>

NOTE N – COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2009, the Department of Transportation (DOT) had contractual commitments of approximately \$2.961 billion, for various DOT highway construction and mass transit projects. Financing for these future expenditures will be primarily from approved Federal grants and general obligation bond proceeds. In addition, the Commonwealth has a variety of contractual and other commitments for future subsidies and purchases of goods and services for approximately \$5.786 billion at June 30, 2009. Actual expenditures are contingent upon approved spending authority and/or availability of financial resources. Also, at May 31, 2009 the Pennsylvania Turnpike Commission, a discretely presented component unit, had open purchase order commitments of \$1,167 million.

Investment Commitments: At December 31, 2008, the SERS had contractual commitments totaling approximately \$3.3 billion to fund future alternative investments and \$557 million to fund future real estate investments.

Loan Commitments: At June 30, 2009, primary government funds had approved \$88.6 million in loans that had not been disbursed. Also at June 30, 2009, the following discretely presented component units had approved loans that had not been disbursed (amounts in millions):

Pennsylvania Housing Finance Agency	\$	14
Pennsylvania Infrastructure Investment Authority.....	\$	482
Commonwealth Financing Authority	\$	223
Pennsylvania Industrial Development Authority	\$	64

Operating Lease Commitments: As of June 30, 2009, the Commonwealth has commitments to lease certain buildings and equipment. Future minimum rental commitments for non-cancelable operating leases as of June 30, 2009 were as follows (amounts in thousands):

Fiscal year ending June 30:	<u>Amount</u>
2010.....	254,808
2011.....	148,789
2012.....	117,758
2013.....	104,676
2014.....	70,486
2015-2019.....	188,784
2020-2024.....	68,589
2025-2029.....	34,777
2030-2034.....	30,289
Total Minimum Lease Payments.....	<u>\$ 1,018,956</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 2009 amounted to \$236.1 million.

Child Support Payments: At June 30, 2009, the Commonwealth was contingently liable for approximately \$26.8 million in payments received by a contractor to be used for child support payments.

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 reported accrued liabilities at June 30, 2009 with respect to torts as described in Note M for probable losses, and, separately, other General Long-Term Obligations with respect to litigation cases in the amount of \$14 million for which the likelihood of an unfavorable outcome is probable.

Additionally, the Commonwealth is currently involved in certain legal proceedings for which the likelihood of an unfavorable outcome is reasonably possible, for which liabilities have not been reported as of June 30, 2009. Unfavorable outcomes for such cases, which the Commonwealth is vigorously contesting, could range from approximately \$95 million to \$1.3 billion for the **General Fund**; \$1 million to \$199 million for the **Motor License Fund**, a Special Revenue Fund; \$2.4 million to \$2.5 million for the **Unemployment Compensation Fund**, an Enterprise Fund; and \$.1 million to \$1.1 billion of possible additional liabilities for the State Employees' Retirement System, a fiduciary fund. The range of potential liability for governmental activities was from \$96 million to \$1.5 billion and from \$2.4 million to \$2.5 million for business-type activities at June 30, 2009.

NOTE N – COMMITMENTS AND CONTINGENCIES (continued)

Federal Grants: The Commonwealth receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic 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 \$17 million to \$431 million at June 30, 2009. The Commonwealth’s management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

Loan Guarantees: The Pennsylvania Higher Education Assistance Agency (PHEAA), a discretely presented component unit, guarantees loans made by private lenders to certain resident students. Total original principal of outstanding guarantees issued by PHEAA approximated \$51 billion at June 30, 2009. Under the Federal Family Education Loan Program, as amended, PHEAA has entered into agreements with the U.S. Department of Education (DOE) for reinsurance of death, disability, bankruptcy, default, school closure and borrower ineligibility claims paid to lenders. Pursuant to these agreements, PHEAA receives reimbursement of claims paid to lenders, provided that PHEAA is in compliance with numerous Federal requirements. Reinsurance rates vary from 75 percent to 100 percent depending upon default rates in the portfolio guaranteed by PHEAA and upon the time period when specific loans were guaranteed by PHEAA. During the fiscal year ended June 30, 2009, PHEAA's default rate was in a range that permitted the maximum reinsurance reimbursement from the DOE.

The Commonwealth Financing Agency (CFA), a discretely presented component unit, through various economic development programs, provided loan guarantees as of June 30, 2009 as follows (amounts in thousands):

First Industries loan guarantees.....	\$	18,340
Tax increment financing guarantees.....		44,912
Second stage loan guarantees		2,035
Venture capital guarantees.....		<u>190,000</u>
Total loan guarantees	\$	<u>255,287</u>

Through June 30, 2009 the CFA has not been required, with respect to any loan guarantees, to make principal or interest payments on behalf of the ultimate borrowers.

Lottery Prizes: The **State Lottery Fund**, an Enterprise Fund, awards a variety of prizes, including immediate, lump-sum cash prizes and certain large prizes, which provide for periodic payments to winners for specific periods of time (in some cases throughout the winners’ lifetimes, and to designated beneficiaries). At June 30, 2009, the amount of future payments owed to prizewinners was \$920 million. To satisfy its financial obligation to these prizewinners, the Fund purchases annuity contracts from insurance companies whereby the insurance companies make periodic payments to prizewinners. Generally, in the event of insurance company default, the Fund is liable for the related annuity payments. However, certain prizewinners voluntarily assign their annuity rights to other parties and receive lump-sum payments in return. In the event of insurance company default where annuity rights have been voluntarily assigned by prizewinners, the Fund is not liable for the related annuity payments. At June 30, 2009, prizewinners had voluntarily assigned future payments of \$495 million.

Student Loan Purchase Commitments: At June 30, 2009 the Pennsylvania Higher Education Assistance Agency (PHEAA), a discretely presented component unit, had outstanding commitments to purchase approximately \$573.3 million of student loans through June 30, 2010 and an additional \$278.5 thereafter. At December 31, 2009 \$163.9 million of the purchase commitments remain outstanding and an additional \$7.9 million of the purchase commitments remain through December 31, 2010 and thereafter. The PHEAA is fulfilling these purchase commitments as financing becomes available or is continuing to work with counterparties, mostly financial institutions, to renegotiate the terms and timing of these purchase commitments.

NOTE O - CERTAIN AGENCY FUND CLAIMS LIABILITIES

The Pennsylvania Medical Care Availability and Reduction of Error Fund, an Agency Fund, acts as a service agent to facilitate the payment of medical malpractice claims to claimants which exceed basic liability coverage carried by healthcare providers practicing in the Commonwealth. The Fund collects statutory healthcare provider surcharges, as a percentage of insurance premiums for basic liability coverage, and collects certain statutory motorist moving vehicle violation assessment surcharges; in turn, the Fund pays claimants on behalf of healthcare providers. The actuarially computed liability for outstanding claims for injuries caused by alleged negligence by certain healthcare providers totaled \$1.66 billion at June 30, 2009. The claims will be funded exclusively through statutory surcharge assessments in future years as claims are settled and paid.

The Underground Storage Tank Indemnification Fund (the Fund), an Agency Fund, is used to collect fees from underground storage tank owners and operators sufficient to pay owners and operators for costs associated with corrective actions or for bodily injury or property damage caused by underground tank leaks and other releases. Owners and operators are assessed actuarially determined amounts to accumulate sufficient assets to pay claims. The estimated actuarial liability for existing and potential future claims totaled \$2.3 billion at June 30, 2009. There are statutory limits on the extent of the Fund's liability to participating owners and operators; the Fund is not obligated beyond assets held at June 30, 2009. Owners and operators will be assessed for any claims exceeding Fund assets and no financial liability is reported for those claims.

NOTE P - DEFERRED COMPENSATION PLAN

The Commonwealth sponsors a deferred compensation plan (the Deferred Compensation Program) for its employees, which is a defined contribution benefit 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. The Commonwealth makes no contributions to the plan; contributions are limited to voluntary, participating employee salary deferrals, and/or employee transfers from other plans.

Of the \$1,524 million in net assets reported in the Deferred Compensation Fund, a Pension Trust Fund, at December 31, 2008, \$1,469 million relates to primary government employees and \$48 million relates to employees of discretely presented component units. The remaining balance of \$7 million relates to organizations not included in the Commonwealth's financial reporting entity.

NOTE Q - JOINT VENTURE

The Commonwealth and various labor unions representing Commonwealth employees participate in a joint venture, the Pennsylvania Employees Benefit Trust Fund (PEBTF). The PEBTF establishes and provides healthcare benefits for active Commonwealth employees and is the Commonwealth's third party administrator for paying retiree healthcare benefits for the Commonwealth Retired Employee Health Program and the Retired Pennsylvania State Police Plan. The Commonwealth has, in its collective bargaining agreements with unions subject to the agreement, obligated itself to provide certain contributions on behalf of nearly all active bargaining unit employees. The Commonwealth also remits contractually established contributions on behalf of active non-union employees and other active employees covered by contracts between the Commonwealth and other unions. Effective July 1, 2007 nearly all active employees contribute established percentages of their salaries and wages received. During the fiscal year ended June 30, 2009, total employer contributions for active employees amounted to approximately \$816 million; active employee contributions amounted to approximately \$57 million. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2009, for the active employees benefit program, the PEBTF reported total assets of over \$370 million, total liabilities of less than \$3 million, total benefit obligations of over \$70 million, and an excess of net assets over benefit obligations of over \$297 million. The financial status of the PEBTF is monitored on an ongoing basis; financial stress is not evident. During the fiscal year ended June 30, 2009 the PEBTF reported an increase in net assets over benefit obligations of over \$119 million for the active employee benefit program.

Audited financial statements for the active employee healthcare plans are available, by request, from:

Pennsylvania Employees Benefit Trust Fund
150 South 43rd Street
Harrisburg, Pennsylvania 17111-5700

NOTE R – SUBSEQUENT EVENTS

Debt Issuances

Subsequent to June 30, 2009 (May 31, 2009 for the Pennsylvania Turnpike Commission)(PTC), the Commonwealth has issued general obligation bonds and several discretely presented component unit organizations have issued other debt or have renegotiated debt repayment terms, as follows:

Primary Government

On August 25, 2009 the Commonwealth issued nearly \$696 million of General Obligation Bonds, Second Refunding Series of 2009, to advance refund over \$712 million of previously issued General Obligation Bonds. The net refunding bond proceeds of \$797.9 million (including bond premium of \$102.0 million), after payment of underwriting fees and other issuance costs, were deposited in irrevocable trusts to provide for all future debt service payments on the refunded bonds. By refunding these bonds, the Commonwealth reduced its outstanding general obligation debt service by \$31.5 million and realized an economic gain of \$23.8 million.

On October 15, 2009 the Commonwealth initiated a temporary interfund advance of \$650 million from the **Motor License Fund** to the **General Fund**. This advance was made to help remedy cash flow imbalances anticipated in the **General Fund** from late October 2009 through early March 2010. By law, the **Motor License Fund** must be repaid within eight months of the initial advance date (by June 15, 2010). Repayment is anticipated to occur in the second half of March 2010 with the **Motor License Fund** being reimbursed for any forgone interest earnings.

On December 22, 2009 the Commonwealth issued \$800 million in Tax Anticipation Notes, First Series of 2009-2010. 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, 2010. These obligations are due and payable no later than June 30, 2010.

On January 21, 2010 the Commonwealth issued \$900 million of General Obligation Bonds, First Series of 2010 to finance various capital projects and environmental initiatives. The Bonds consist of First Series A bonds, which are "normal" Federally tax exempt general obligation bonds, and First Series B bonds, which are Federally taxable - Build America Bonds. "Build America Bonds" are designated as such for purposes of the American Recovery and Reinvestment Act of 2009 and the Commonwealth is eligible to receive subsidy payments from the U.S. Treasury based on periodic debt service payments.

Discretely Presented Component Units

On June 22, 2009 the Pennsylvania Turnpike Commission (PTC) issued Series 2009 A Revenue Bonds, Federally Taxable Build America Bonds, in the amount of \$275 million at 6.105 percent. These bonds were designated as 'Build America Bonds' for the American Recovery and Reinvestment Act of 2009 purposes and mature December 1, 2039.

On July 22, 2009, the PTC issued Series 2009 B and C Subordinate Revenue Bonds in the total amount of \$956.7 million. Within Series B, serial bonds were issued for \$247.7 million with interest rates ranging from 3.00 to 5.25 percent; these bonds mature in varying installments through June 1, 2022. Also within Series B, term bonds were issued for \$609.1 million with interest rates ranging from 4.75 to 5.75 percent; these bonds mature in varying installments through June 1, 2039. The Series C bonds are Convertible Capital Appreciation Term Bonds and mature on June 1, 2033 at 6.25 percent interest rate.

In July 2009 the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued Series AJ tax-exempt bonds in the amount of \$124 million to finance various capital projects at the State System of Higher Education (SSHE). In September 2009 the PHEFA issued Series AK tax-exempt bonds in the amount of \$47.3 to currently refund SSHE Series R and to advance refund SSHE Series S bonds. In connection with these bond issuances, the State System of Higher Education (SSHE) entered into a loan agreement with PHEFA under which SSHE pledged its full faith and credit for repayment of the PHEFA bonds. The bonds were issued to provide funds to undertake various capital projects at SSHE universities.

In September 2009 the Pennsylvania Housing Finance Agency (PHFA) purchased \$72 million of its own qualified tender bonds. Also, in September 2009, the PHFA issued \$193.7 million of Single Family Mortgage Revenue Bonds, Series 105A through 105C.

NOTE R – SUBSEQUENT EVENTS (continued)

On November 12, 2009 the Commonwealth Financing Authority (CFA), a discretely presented component unit, issued \$400 million of CFA Revenue Bonds, Series D of 2009. These bonds are designated as "Build America Bonds" for purposes of the American Recovery and Reinvestment Act of 2009.

On December 10, 2009 the Pennsylvania Higher Education Assistance Agency (PHEAA), a discretely presented component unit, entered into a \$451.6 million variable Funding Note Purchase Agreement. On December 17 and 21, 2009 the PHEAA issued \$188.8 million of series 2009-1, class A-1, floating rate student loan asset-backed notes and \$268.8 million of series 2009-2 class A-1 and A-2 floating rate student loan asset-backed notes, respectively. The uses of the proceeds for the above issued notes and purchase agreement were primarily for the repayment of certain outstanding indebtedness of the PHEAA, including the 1988 Series A, B, C, E and 2002 Series B Student Loan Adjustable Rate Tender Revenue Bonds which were secured in part by a pledge of student loans through the purchase of student loans.

Waivers from Bondholders Obtained

Subsequent to June 30, 2009, through December 31, 2009, the Pennsylvania Higher Education Assistance Agency (PHEAA) has obtained waivers from all affected parties related to technical or potential breaches, violations and/or defaults, including cross defaults, if any, on certain PHEAA indebtedness related to three separate events: 1) a July 28, 2009 credit rating downgrade to one of PHEAA's bond insurers affecting PHEAA's insured 1997A and 2003A series, non-recourse obligations; 2) an October 13, 2009 decrease in parity ratios required by another PHEAA bond insurer affecting 2001 and 2002 A series bonds; and 3) PHEAA's inability to issue its June 30, 2009 financial statements within 120 days of June 30, 2009, resulting from the prior two items.

Required Supplementary Information



Port Royal Juniata County

Commonwealth of Pennsylvania
Schedules of Funding Progress and Employer Contributions
 Retired Employees Health Plan (REHP)
 Retired Pennsylvania State Police Program (RPSPP)
 PA Judiciary
 PA House of Representatives
 PA Senate
 For the Fiscal Year Ended June 30, 2009
 (\$ amounts in millions)

Funding Progress:	REHP	RPSPP	PA Judiciary	PA House of Representatives	PA Senate	Total Primary Government
As of and for the fiscal year ended June 30, 2009						
Actuarial Valuation Date.....	July 1, 2008	July 1, 2008	December 31, 2007	July 1, 2008	July 1, 2007	
Actuarial Value of Assets.....	\$ 47.920	\$ 40.570	\$ -	\$ -	\$ -	\$ 88.490
Actuarial Accrued Liability (AAL).....	\$ 13,257.570	\$ 2,104.240	\$ 426.700	\$ 308.459	\$ 252.329	\$ 16,349.298
Unfunded Actuarial Accrued Liability (UAAL).....	\$ 13,209.650	\$ 2,063.670	\$ 426.700	\$ 308.459	\$ 252.329	\$ 16,260.808
Funded Ratio (assets as % of AAL).....	0.361%	1.928%	0.000%	0.000%	0.000%	0.541%
Estimated Annual Covered Payroll.....	\$ 4,093.000	\$ 337.000	\$ 185.300	\$ 102.701	\$ 49.712	\$ 4,767.713
UAAL as a Percentage of Covered Payroll.....	322.7%	612.4%	230.3%	300.3%	507.6%	341.1%

As of and for the fiscal year ended June 30, 2008 (transition year)						
Actuarial Valuation Date.....	July 1, 2007	July 1, 2007	December 31, 2007	July 1, 2007	July 1, 2007	
Actuarial Value of Assets.....	\$ 38.500	\$ 53.300	\$ -	\$ -	\$ -	\$ 91.800
Actuarial Accrued Liability (AAL).....	\$ 7,297.500	\$ 1,833.100	\$ 400.300	\$ 287.500	\$ 230.200	\$ 10,048.600
Unfunded Actuarial Accrued Liability (UAAL).....	\$ 7,259.000	\$ 1,779.800	\$ 400.300	\$ 287.500	\$ 230.200	\$ 9,956.800
Funded Ratio (assets as % of AAL).....	0.528%	2.908%	0.000%	0.000%	0.000%	0.914%
Estimated Annual Covered Payroll.....	\$ 3,863.100	\$ 314.000	\$ 179.600	\$ 102.700	\$ 49.700	\$ 4,509.100
UAAL as a Percentage of Covered Payroll.....	187.91%	566.82%	222.88%	279.94%	463.18%	220.82%

Employer Contributions:	REHP	RPSPP	PA Judiciary	PA House of Representatives	PA Senate	Total Primary Government
For the fiscal year ended June 30, 2009						
Annual required contribution.....	\$ 818.510	\$ 143.350	\$ 38.483	\$ 38.231	\$ 26.206	\$ 1,064.780
Percentage contributed.....	61.766%	38.068%	47.712%	23.374%	19.839%	55.657%
For the fiscal year ended June 30, 2008 (transition year)						
Annual required contribution.....	\$ 590.400	\$ 120.300	\$ 36.400	\$ 35.900	\$ 40.500	\$ 823.500
Percentage contributed.....	100.000%	95.428%	44.505%	23.120%	50.677%	91.102%

- The notes to required supplementary information are an integral part of this schedule. -

Commonwealth of Pennsylvania

Budgetary Comparison Schedule

Budgeted Major Funds

General Fund

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Taxes, net of refunds.....	\$ 26,917,800	\$ (701,405)	\$ 26,216,395	\$ (2,146,832)	\$ 24,069,563
Liquor store profits transfer.....	125,000	-	125,000	-	125,000
Licenses and fees.....	129,700	(1,966)	127,734	(7,018)	120,716
Fines, penalties and interest.....	31,500	(2,499)	29,001	(8,920)	20,081
Investment income.....	167,800	(80,357)	87,443	(286,849)	(199,406)
Unclaimed property	153,600	(18,066)	135,534	(64,492)	71,042
Departmental services.....	1,762,902	448,516	2,211,418	-	2,211,418
Miscellaneous.....	134,000	(7,920)	126,080	(28,271)	97,809
TOTAL STATE PROGRAMS.....	29,422,302	(363,697)	29,058,605	(2,542,382)	26,516,223
Federal Programs.....	18,505,047	147,634	18,652,681	(176,199)	18,476,482
TOTAL REVENUES.....	47,927,349	(216,063)	47,711,286	(2,718,581)	44,992,705
EXPENDITURES:					
State Programs:					
Direction and supportive services.....	1,071,277	7,727	1,079,004	(36,500)	1,042,504
Protection of persons and property.....	3,257,198	469,304	3,726,502	(82,448)	3,644,054
Health and human services.....	10,766,368	319,009	11,085,377	(145,450)	10,939,927
Public education.....	11,809,732	(15,099)	11,794,633	(128,926)	11,665,707
Recreation and cultural enrichment.....	335,387	(6,677)	328,710	(12,104)	316,606
Debt service.....	904,639	(3)	904,636	-	904,636
Economic development.....	786,358	46,607	832,965	(63,098)	769,867
Transportation.....	15,873	(1,565)	14,308	(1,836)	12,472
TOTAL STATE PROGRAMS.....	28,946,832	819,303	29,766,135	(470,362)	29,295,773
Federal Programs.....	18,505,047	147,634	18,652,681	(176,199)	18,476,482
TOTAL EXPENDITURES.....	47,451,879	966,937	48,418,816	(646,561)	47,772,255
REVENUES OVER/(UNDER) EXPENDITURES.....	475,470	(1,183,000)	(707,530)	(2,072,020)	(2,779,550)
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	163,837	163,837	-	163,837
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	475,470	(1,019,163)	(543,693)	(2,072,020)	(2,615,713)
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2008, RESTATED....					
	585,296	-	585,296	-	585,296
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2009.....					
	\$ 1,060,766	\$ (1,019,163)	\$ 41,603	\$ (2,072,020)	\$ (2,030,417)

- The notes to required supplementary information are an integral part of this schedule. -

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Major Funds
 Special Revenue Fund-Motor License
 For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Taxes, net of refunds.....	\$ 1,230,765	\$ -	\$ 1,230,765	\$ (67,531)	\$ 1,163,234
Licenses and fees.....	885,450	-	885,450	(1,604)	883,846
Fines, penalties and interest.....	30,300	-	30,300	2,356	32,656
Investment income.....	62,810	-	62,810	(111,233)	(48,423)
Departmental services.....	263,038	(202,501)	60,537	-	60,537
Act 44 Receipts *.....	500,000	-	500,000	-	500,000
Miscellaneous.....	23,260	-	23,260	2,171	25,431
TOTAL STATE PROGRAMS.....	2,995,623	(202,501)	2,793,122	(175,841)	2,617,281
Federal Programs.....	1,444,213	3,433	1,447,646	(73,692)	1,373,954
TOTAL REVENUES.....	4,439,836	(199,068)	4,240,768	(249,533)	3,991,235
EXPENDITURES:					
State Programs:					
Direction and supportive services.....	75,255	(496)	74,759	(3,734)	71,025
Protection of persons and property.....	666,348	360	666,708	(28,449)	638,259
Public education.....	1,130	-	1,130	-	1,130
Recreation and cultural enrichment.....	1,000	-	1,000	-	1,000
Debt service.....	23,862	-	23,862	(51)	23,811
Transportation.....	2,323,321	(202,365)	2,120,956	(70,534)	2,050,422
TOTAL STATE PROGRAMS.....	3,090,916	(202,501)	2,888,415	(102,768)	2,785,647
Federal Programs.....	1,444,213	3,433	1,447,646	(73,692)	1,373,954
TOTAL EXPENDITURES.....	4,535,129	(199,068)	4,336,061	(176,460)	4,159,601
REVENUES OVER/(UNDER) EXPENDITURES.....	(95,293)	-	(95,293)	(73,073)	(168,366)
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	115,324	115,324	-	115,324
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(95,293)	115,324	20,031	(73,073)	(53,042)
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2008.....	110,726	-	110,726	-	110,726
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2009.....	\$ 15,433	\$ 115,324	\$ 130,757	\$ (73,073)	\$ 57,684

* Act 44 receipts were received from the Pennsylvania Turnpike Commission (PTC) for the first time during the fiscal year ended June 30, 2008. Such receipts were received pursuant to Act 44 of 2007 and the related Lease and Funding Agreement between the PTC and the PA Department of Transportation.

- The notes to required supplementary information are an integral part of this schedule. -

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - Budget Preparation Process

The process of preparing the General Fund Budget for the Commonwealth of Pennsylvania begins nearly one year before the new budget is enacted and takes effect on July 1 each year. The budget process begins in August of the year previous to the budget year with the distribution of both the Budget Instructions and Program Policy Guidelines by the Office of the Budget and the Governor's Office, respectively. These provide detailed guidelines and define major policy issues to be considered when agencies complete their budget requests. As required by statute, agencies must prepare budgets that indicate the cost of supporting activities at the level expected in the immediate budget year and the ensuing four budget years. The five-year horizon does not include future program changes but considers the requirements and demands of current law, regulation, policy and program decisions.

Agencies submit budget requests to the Secretary of the Budget beginning in early October. From October through January, the Office of the Budget reviews these requests for accuracy and adherence to policy guidelines and prepares funding recommendations for the Secretary of the Budget and the Governor.

During December, the Governor meets with leaders of the General Assembly to inform them of anticipated spending and revenue levels and to discuss related budgetary issues. The Governor then conducts reviews to make the final budget decisions. The Governor's Executive Budget is finalized in January and is submitted to the General Assembly in early February.

After receiving the budget document, the appropriations committees of both houses of the legislature hold hearings to review agency funding requests. The General Assembly passes the budget in the form of a General Appropriations Bill and individual appropriations bills. At the time of passage of these bills and their presentation to the Governor, the official revised revenue estimates for the budget year are issued. If the combined appropriations bills passed by the legislature exceed the revenue estimates, the Governor is required and has the authority to either veto entire appropriations bills or to reduce the amount of appropriations in order to produce a budget that is in balance. The Governor also has the power to reduce or veto any specific appropriation even if the total appropriations do not exceed estimated revenues. The Governor's signing of the appropriations bills and any revenue bills is the last step in the approval stage of the budget.

Additional information regarding Pennsylvania's budgeting process may be located at: <http://www.budget.state.pa.us/> and click on Current and Proposed Commonwealth Budgets.

Note 2 – Basis of Budgeting

On the budgetary basis, 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**. These taxes are estimated to be owed to the Commonwealth but are not collected by fiscal year end. Also, estimated encumbrances are established for all funds at fiscal year end to pay certain direct expenditures for salaries, wages, travel, and utility costs payable against current year appropriation authority but expended in the subsequent year. Over-estimates of prior year encumbrances are lapsed in the subsequent year and under-estimates are charged to subsequent year appropriation authority.

Budgeted revenues in the Budgetary Comparison Schedules represent official estimates while expenditures represent amounts originally adopted or legally amended. Actual amounts are presented on the budgetary basis. Because the budgetary basis differs from the modified accrual basis of accounting for governmental funds, a reconciliation of the differences between budgetary basis and the modified accrual basis of reporting is presented.

Note 3 - Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts formal annual budgets for two major governmental funds (**General Fund** and **Motor License Fund**, a Special Revenue Fund) and three nonmajor governmental funds (Workers' Compensation Administration, Banking Department, and Milk Marketing, Special Revenue funds). The Budgetary Comparison Schedules for Budgeted Major and Nonmajor Funds present comparisons of the legally adopted budget, as amended, with actual data on a budgetary basis,

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals.

The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

	<u>Major Budgeted Funds</u>	
	<u>General Fund</u>	<u>Motor License Fund</u>
Budgetary basis – revenues and other sources under expenditures and other uses.....	<u>\$ (2,615,713)</u>	<u>\$ (53,042)</u>
Adjustments:		
To adjust revenues, other financing sources and related receivables and deferred revenue.....	(1,349,977)	881,511
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	<u>1,506,767</u>	<u>(915,316)</u>
Net adjustments.....	<u>156,790</u>	<u>(33,805)</u>
Modified accrual basis – net change in governmental fund balance.....	<u>\$ (2,458,923)</u>	<u>\$ (86,847)</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to Federal and other grants that are not reported for budgetary reporting purposes.

Note 4 – Budgetary Compliance

The General Assembly passes, and the Governor approves (or reduces or vetoes), individual appropriations as part of the annual budget adoption process. Budgetary expenditure control occurs at the appropriation level; this is the lowest level of legislative spending control. Encumbrances and expenditures within individual appropriations may not exceed total amounts appropriated plus actual augmentations (certain revenues credited to specific appropriations). Also, appropriation transfers between or within departments and any supplemental appropriations require both legislative and gubernatorial approval. The legislatively adopted budget for the **General Fund** includes \$712.2 million in reduction appropriations approved during the fiscal year ended June 30, 2009.

A separately available report, the “*Status of Appropriations*,” demonstrates budgetary expenditure compliance for the **General Fund** for the fiscal year ended June 30, 2009. This report includes a variety of detail information and summaries related to individual appropriations. A second “*Status of Appropriations*” report (for Special Funds) demonstrates compliance for the four budgeted Special Revenue funds: **Motor License**, Workers’ Compensation Administration, Banking Department and Milk Marketing. Both “*Status*” reports are available online at the Office of the Budget internet site: <http://www.budget.state.pa.us> and click on Financial Reports. The Governor controls spending by using executive authorizations for Special Revenue funds not controlled by legislatively adopted budgets.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Total reported actual expenditures for "Total State Programs" included in the Budgetary Comparison Schedule – Budgeted Major Funds are based on appropriation, augmentation and lapse amounts reported in the respective June 30, 2009 "Status of Appropriations" (Total All Current State Ledgers) as follows (in thousands):

	"Status" Page Reference	Total Approved Appropriations	+	Total Actual Augmentations	-	Total Actual Lapses	=	Actual Expenditure Amounts
General Fund amounts	7 ¹	\$ 28,779,717		\$ 2,211,418		\$ 470,362		\$ 30,520,773
Less: tax refunds.....	7 ¹	(1,225,000)		-		-		(1,225,000)
Amount reported.....		<u>\$ 27,554,717</u>		<u>\$ 2,211,418</u>		<u>\$ 470,362</u>		<u>\$ 29,295,773</u>
Special Revenue Funds:								
Motor License Fund	58	\$ 3,791,314		\$ 1,466,144		\$ 140,306		\$ 5,117,152
less: reductions ²		(963,436)		(1,405,607)		(37,538)		(2,331,505)
Amount reported.....		<u>\$ 2,827,878</u>		<u>\$ 60,537</u>		<u>\$ 102,768</u>		<u>\$ 2,785,647</u>
Workers' Compensation								
Administration Fund.....	259	\$ 76,366		\$ 183		\$ 326		\$ 76,223
Banking Department Fund.....	102	\$ 36,922		\$ -		\$ -		\$ 36,922
Milk Marketing Fund.....	108	\$ 2,847		\$ -		\$ -		\$ 2,847

Total actual expenditures for "Federal Programs" for the **General Fund** are derived from the **General Fund "Status"**, page no. 246 "Summary of All Current Federal Ledgers by Character of Expenditure" as follows (in thousands): Commitments of \$598,862, Expenditures of \$15,117,596, and Available Balances of \$2,760,024 for a total of \$18,476,482.

Total actual expenditures for "Federal Programs," for the **Motor License Fund** are derived from the Special Funds "Status", page no. 86 "Summary of Federal Ledgers by Type" as follows (in thousands): Expirations of \$210, Commitments of \$5,650, Expenditures of \$14,630, and Available Balances of \$5,064 for a total of \$25,554; plus \$1,348,400 (source in footnote 3 below) for a **Motor License Fund** total of \$1,373,954.

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

² Excludes the following appropriation symbols, beginning on page 57, Special Funds "Status of Appropriations:" 010-78-571-08-16; 010-78-572-08-16; 010-78-579-08-16; 010-73-132-08-26; 010-38-226-08-20; 010-78-172-08-26; 010-78-173-08-26; 010-78-174-08-26; and 010-78-177-08-26 through 010-78-185-08-26.

³ The amount of \$1,348,400 is found in the Year-to-Date column for "Total Federal Revenue Augmenting Current State Expenditure Symbols" on page 87 of the June 30, 2009 "Report of Revenues and Receipts". This amount, less \$344,511 (for Commitment Items (CI) 4850020; (CI) 4850021; (CI) 4850024; and (CI) 4850025 equals \$1,003,889, the net reduction of federal funds from **Motor License Fund** Actual Augmentations.

Combining Financial Statements

Including
Nonmajor Budgetary Comparison Schedules



Wild Elk Herd Elk County

Commonwealth of Pennsylvania
Combining Balance Sheet-Nonmajor Governmental Funds

June 30, 2009

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash.....	\$ 18,198	\$ 3,604	\$ 6,200	\$ 28,002
Temporary investments.....	2,545,256	13,227	643,558	3,202,041
Long-term investments.....	432,879	-	-	432,879
Receivables, net:				
Taxes.....	22,500	-	-	22,500
Accounts.....	7,315	3,246	21,523	32,084
Accrued interest.....	5,968	4	267	6,239
Notes and loans.....	83,100	-	-	83,100
Lease rentals.....	-	553	-	553
Investment sale proceeds.....	7,520	-	-	7,520
Other.....	23,141	-	-	23,141
Due from other funds.....	52,645	-	42,111	94,756
Due from component units.....	-	-	1,803	1,803
Due from Federal government.....	26,318	-	-	26,318
Due from political subdivisions.....	-	-	1,146	1,146
Advances to other funds.....	3,000	-	-	3,000
TOTAL ASSETS.....	\$ 3,227,840	\$ 20,634	\$ 716,608	\$ 3,965,082
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities.....	\$ 279,736	\$ -	\$ 213,617	\$ 493,353
Investment purchases payable.....	3,031	-	-	3,031
Securities lending obligations.....	249,715	-	-	249,715
Due to other funds.....	6,959	-	13,952	20,911
Due to component units.....	293	-	-	293
Due to pension trust funds.....	240	-	-	240
Due to political subdivisions.....	25,202	-	101,204	126,406
Due to other governments.....	495	-	-	495
Unearned revenue.....	19,331	3,800	-	23,131
Advances from other funds.....	10,333	-	-	10,333
TOTAL LIABILITIES.....	595,335	3,800	328,773	927,908
Fund balances:				
Reserved for:				
Encumbrances.....	365,677	-	1,067,217	1,432,894
Advances.....	3,000	-	-	3,000
Loans receivable.....	83,100	-	-	83,100
Other.....	233,876	-	8,456	242,332
Unreserved:				
Designated for:				
Capital Projects Funds.....	-	-	33,527	33,527
Debt Service Funds.....	-	16,834	-	16,834
Special Revenue Funds.....	8,666	-	-	8,666
Undesignated (deficit).....	1,938,186	-	(721,365)	1,216,821
TOTAL FUND BALANCES.....	2,632,505	16,834	387,835	3,037,174
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 3,227,840	\$ 20,634	\$ 716,608	\$ 3,965,082

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund
Balances-Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes.....	\$ 1,627,356	\$ -	\$ 52,347	\$ 1,679,703
Licenses and fees.....	414,763	-	-	414,763
Intergovernmental.....	501,101	-	-	501,101
Charges for sales and services.....	281,148	-	10,836	291,984
Investment income.....	(26,727)	44	6,816	(19,867)
Lease rental principal and interest.....	-	99	-	99
Interest on notes and loans.....	1,614	-	-	1,614
Other.....	23,041	8,922	161	32,124
TOTAL REVENUES	2,822,296	9,065	70,160	2,901,521
EXPENDITURES:				
Current:				
Direction and supportive services.....	280,328	-	242,323	522,651
Protection of persons and property.....	466,941	-	1,095	468,036
Health and human services.....	351,617	-	-	351,617
Public education.....	667,021	-	11,439	678,460
Recreation and cultural enrichment.....	159,534	-	67,970	227,504
Economic development.....	278,567	-	202,238	480,805
Transportation.....	984,216	-	182,973	1,167,189
Capital outlay.....	48,782	-	511,764	560,546
Debt service:				
Principal retirement.....	-	598,850	-	598,850
Interest and fiscal charges.....	-	402,509	-	402,509
TOTAL EXPENDITURES	3,237,006	1,001,359	1,219,802	5,458,167
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(414,710)	(992,294)	(1,149,642)	(2,556,646)
OTHER FINANCING SOURCES (USES):				
Bonds issued.....	65,009	-	999,094	1,064,103
Refunding bonds issued.....	-	155,642	-	155,642
Premium on bonds/refunding bonds issued.....	4,871	11,336	72,714	88,921
Transfers in.....	510,344	981,670	-	1,492,014
Transfers out.....	(171,445)	-	-	(171,445)
Payment to refunded bond escrow agent....	-	(166,978)	-	(166,978)
NET OTHER FINANCING SOURCES.....	408,779	981,670	1,071,808	2,462,257
NET CHANGE IN FUND BALANCES.....	(5,931)	(10,624)	(77,834)	(94,389)
FUND BALANCES JULY 1, 2008.....	2,638,436	27,458	465,669	3,131,563
FUND BALANCES JUNE 30, 2009.....	\$ 2,632,505	\$ 16,834	\$ 387,835	\$ 3,037,174

Special Revenue Funds

Including
Nonmajor Budgetary Comparison Schedules



Farm Scene
Greene County

SPECIAL REVENUE FUNDS DESCRIPTION NONMAJOR FUNDS

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

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

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

Workers' Compensation Administration Fund — to account for the administration of the Pennsylvania Workers' Compensation Act and the Pennsylvania Occupational Disease Act. Insurance companies and self-insured businesses are assessed a periodic fee for costs incurred in administering these acts.

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

Catastrophic Loss Benefits Fund — to account for the payment of medical and rehabilitative expenses over \$100,000 to a lifetime aggregate of \$1 million to residents injured in a motor vehicle accident.

Environmental Stewardship Fund — to account for revenues from certain landfill fees and expenditures for farmland preservation projects, open space protection, abandoned mine reclamation, watershed protection and restoration, water and sewer infrastructure, and the improvement of conservation of Commonwealth and community parks and recreational facilities.

Public Transportation Trust Fund — to provide dedicated funding for public transportation in the Commonwealth. Revenues come from scheduled payments by the Pennsylvania Turnpike Commission, a portion of the Sales and Use Tax, and transfers from the Public Transportation Assistance Fund and the Lottery Fund. Monies in this fund are disbursed as grants to public transit agencies for operating costs (including Shared Ride and Free Transit for Older Pennsylvanians), capital and asset improvements, and programs of statewide significance.

Gaming Fund — to account for the administration of the Race Horse Development and Gaming Act. Revenue is received from license fees and a percentage of the gross terminal revenue (GTR) generated by licensed gaming facilities.

Growing Greener Bond Fund — to account for certain bond issuance financing and expenditures for environmental projects such as watershed protection, mine drainage remediation, advanced energy, flood protection, brownfields remediation, state parks and forest facilities, open space conservation, farm land preservation, capital improvement projects for fishing, boating, and hunting, and for county environmental initiatives.

Water Supply and Wastewater Treatment Fund — to provide single-year or multiyear grants to municipalities and municipal authorities and loans to municipalities, municipal authorities, industrial development corporations, and investor-owned water or wastewater enterprises for projects which construct, expand, or improve water and wastewater infrastructure.

Other — to account for programs related to restoration, conservation, protection, and management of natural resources; the payment of prescription drugs for eligible citizens 65 years or older; the preservation of historical landmarks; vocational rehabilitation services; administrative and regulatory activities of various departmental programs; and miscellaneous Commonwealth activities. This "Other" category is an aggregation of sixty-nine individual special revenue funds.

There are a total of eighty-one individual special revenue funds; **Motor License** and **Tobacco Settlement** special revenue funds are reported as Major Funds in the basic financial statements.

Commonwealth of Pennsylvania
Combining Balance Sheet-Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2009

(Amounts in thousands)

	Budgeted Funds										Other	Total
	Banking Department	Milk Marketing	Workers' Compensation Admin.	Workers' Compensation Security	Catastrophic Loss Benefits	Environmental Stewardship	Public Transportation Trust	Gaming	Growing Greener Bond	Water Supply and Wastewater Treatment		
ASSETS												
Cash.....	\$ 51	\$ 64	\$ -	\$ 223	\$ -	\$ -	\$ 1,093	\$ 5,775	\$ -	\$ 29	\$ 10,963	\$ 18,198
Temporary investments.....	33,684	3,196	98,538	116,340	111,711	81,655	78,649	972,137	46,752	46,364	956,230	2,545,256
Long-term investments.....	-	-	-	432,879	-	-	-	-	-	-	-	432,879
Receivables, net:												
Taxes.....	-	-	-	-	-	-	-	-	-	-	22,500	22,500
Accounts.....	5,538	-	8	1	-	-	-	-	-	-	1,768	7,315
Accrued interest.....	-	-	-	5,423	-	4	6	366	20	19	130	5,968
Loans.....	-	-	-	-	-	-	-	-	-	59,272	23,828	83,100
Investment sale proceeds.....	-	-	-	7,520	-	-	-	-	-	-	-	7,520
Other.....	-	-	-	-	-	-	-	-	-	-	23,141	23,141
Due from other funds.....	-	-	-	-	-	-	31,247	17	-	-	21,381	52,645
Due from Federal government.....	-	-	-	-	-	-	-	-	-	-	26,318	26,318
Advances to other funds.....	-	-	-	-	-	-	-	-	-	-	3,000	3,000
TOTAL ASSETS.....	\$ 39,273	\$ 3,260	\$ 98,546	\$ 562,386	\$ 111,711	\$ 81,659	\$ 110,995	\$ 978,295	\$ 46,772	\$ 105,684	\$ 1,089,259	\$ 3,227,840
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable and accrued liabilities.....	\$ 16,516	\$ 149	\$ 3,058	\$ 2,365	\$ 1,108	\$ 16,148	\$ 22,287	\$ 51,297	\$ 16,479	\$ 1,845	\$ 148,484	\$ 279,736
Investment purchases payable.....	-	-	-	3,031	-	-	-	-	-	-	-	3,031
Securities lending obligations.....	5,434	399	-	96,125	18,032	12,018	12,695	-	-	-	105,012	249,715
Due to other funds.....	36	29	108	5	4	1	4	930	1,398	-	4,444	6,959
Due to component units.....	-	-	-	-	-	-	-	-	-	-	293	293
Due to pension trust funds.....	8	2	22	-	-	-	2	59	-	-	147	240
Due to political subdivisions.....	-	-	-	-	-	1,292	3,416	3,917	4,057	3,773	8,747	25,202
Due to other governments.....	20	5	52	1	-	-	5	45	-	-	367	495
Unearned revenue.....	4,355	1,053	409	-	-	-	-	-	-	-	13,514	19,331
Advances from other funds.....	-	-	-	-	-	-	-	-	-	-	10,333	10,333
TOTAL LIABILITIES.....	26,369	1,637	3,649	101,527	19,144	29,459	38,409	56,248	21,934	5,618	291,341	595,335
Fund balances:												
Reserved for:												
Encumbrances.....	71	25	3,145	9,274	26	41,875	20,140	52,334	121,359	69,854	47,574	365,677
Advances.....	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Loans receivable.....	-	-	-	-	-	-	-	-	-	59,272	23,828	83,100
Other.....	-	-	883	-	-	250	-	147,766	-	-	84,977	233,876
Unreserved:												
Designated for:												
Other.....	-	-	-	-	-	8,666	-	-	-	-	-	8,666
Undesignated (deficit).....	12,833	1,598	90,869	451,585	92,541	1,409	52,446	721,947	(96,521)	(29,060)	638,539	1,938,186
TOTAL FUND BALANCES.....	12,904	1,623	94,897	460,859	92,567	52,200	72,586	922,047	24,838	100,066	797,918	2,632,505
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 39,273	\$ 3,260	\$ 98,546	\$ 562,386	\$ 111,711	\$ 81,659	\$ 110,995	\$ 978,295	\$ 46,772	\$ 105,684	\$ 1,089,259	\$ 3,227,840

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds
Nonmajor Governmental Funds

Special Revenue Funds
For the Fiscal Year Ended June 30, 2009

	Budgeted Funds										Total	
	Banking Department	Milk Marketing	Workers' Compensation Admin.	Workers' Compensation Security	Catastrophic Loss Benefits	Environmental Stewardship	Public Transportation Trust	Gaming	Growing Greener Bond	Water Supply and Wastewater Treatment		Other
REVENUES:												
Taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 378,293	\$ 999,217	\$ -	\$ -	\$ 249,846	\$ 1,627,356
Licenses and fees.....	5,220	2,570	62	26,700	-	66,266	-	47,064	-	-	266,881	414,763
Intergovernmental.....	-	-	-	-	-	-	350,000	-	-	-	151,101	501,101
Charges for sales and services.....	11,140	-	60,322	-	-	-	-	-	-	-	209,686	281,148
Investment income.....	(785)	(99)	1,369	(10,407)	(1,927)	(460)	(5,755)	8,656	446	692	(18,457)	(26,727)
Interest on notes and loans.....	-	-	-	-	-	-	-	-	99	929	586	1,614
Other.....	9	-	106	471	5	-	-	53	-	4	22,393	23,041
TOTAL REVENUES	15,584	2,471	61,859	16,764	(1,922)	65,806	722,538	1,054,990	545	1,625	882,036	2,822,296
EXPENDITURES:												
Current:												
Direction and supportive services.....	69	-	2	-	-	-	-	278,978	63	-	1,216	280,328
Protection of persons and property.....	19,192	2,579	121	42,281	6,986	16,062	-	45,150	36,682	-	297,888	466,941
Health and human services.....	-	-	48,653	-	-	-	-	227	-	-	302,737	351,617
Public education.....	-	-	-	-	-	-	-	609,458	3,969	-	53,594	667,021
Recreation and cultural enrichment.....	-	-	-	-	-	13,705	-	8,458	12,497	-	124,874	159,534
Economic development.....	-	-	176	-	-	10,620	-	52,437	17,088	23,293	174,953	278,567
Transportation.....	-	-	-	-	-	-	820,513	-	-	-	163,703	984,216
Capital outlay.....	-	-	-	-	-	-	-	-	44,724	-	4,058	48,782
TOTAL EXPENDITURES	19,261	2,579	48,952	42,281	6,986	40,387	820,513	994,708	115,023	23,293	1,123,023	3,237,006
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,677)	(108)	12,907	(25,517)	(8,908)	25,419	(97,975)	60,282	(114,478)	(21,668)	(240,987)	(414,710)
OTHER FINANCING SOURCES (USES):												
Bonds issued.....	-	-	-	-	-	-	-	-	65,009	-	-	65,009
Premium on bonds/refunding bonds issued	-	-	-	-	-	-	-	-	4,871	-	-	4,871
Transfers in.....	-	-	-	-	-	-	97,847	-	-	-	412,497	510,344
Transfers out.....	(15,000)	-	(3,800)	-	-	(31,745)	-	(87,669)	-	-	(33,231)	(171,445)
NET OTHER FINANCING SOURCES (USES)	(15,000)	-	(3,800)	-	-	(31,745)	97,847	(87,669)	69,880	-	379,266	408,779
NET CHANGE IN FUND BALANCES	(18,677)	(108)	9,107	(25,517)	(8,908)	(6,326)	(128)	(27,387)	(44,598)	(21,668)	138,279	(5,931)
FUND BALANCES, JULY 1, 2008	31,581	1,731	85,790	486,376	101,475	58,526	72,714	949,434	69,436	121,734	659,639	2,638,436
FUND BALANCES, JUNE 30, 2009	\$ 12,904	\$ 1,623	\$ 94,897	\$ 460,859	\$ 92,567	\$ 52,200	\$ 72,586	\$ 922,047	\$ 24,838	\$ 100,066	\$ 797,918	\$ 2,632,505

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Banking Department
 For the Fiscal Year Ended June 30, 2009
 (Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees.....	\$ 15,870	\$ 714	\$ 16,584	\$ (818)	\$ 15,766
Fines, penalties and interest.....	750	-	750	(276)	474
Investment income.....	2,269	(2,069)	200	85	285
TOTAL REVENUES.....	18,889	(1,355)	17,534	(1,009)	16,525
EXPENDITURES:					
State Programs:					
Direction and supportive services.....	5	-	5	-	5
Protection of persons and property.....	36,917	-	36,917	-	36,917
TOTAL EXPENDITURES.....	36,922	-	36,922	-	36,922
REVENUES UNDER EXPENDITURES.....	(18,033)	(1,355)	(19,388)	(1,009)	(20,397)
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	1,455	1,455	-	1,455
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(18,033)	100	(17,933)	(1,009)	(18,942)
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2008.....	28,785	-	28,785	-	28,785
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2009.....	\$ 10,752	\$ 100	\$ 10,852	\$ (1,009)	\$ 9,843

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Banking Department Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources under expenditures (from Actual column above).....	<u>\$ (18,942)</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue.....	(2,396)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	<u>2,661</u>
Net adjustments.....	<u>265</u>
Modified accrual basis — net change in governmental fund balance.....	<u>\$ (18,677)</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to Federal and other grants that are not reported for budgetary reporting purposes.

- The notes on pages 140 to 142 are an integral part of this schedule. -

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Milk Marketing
 For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees.....	\$ 2,495	\$ (45)	\$ 2,450	\$ 114	\$ 2,564
Fines, penalties and interest.....	50	-	50	(44)	6
Investment income.....	100	(116)	(16)	(24)	(40)
TOTAL REVENUES.....	2,645	(161)	2,484	46	2,530
EXPENDITURES:					
State Programs:					
Direction and supportive services.....	5	-	5	-	5
Protection of persons and property.....	2,842	-	2,842	-	2,842
TOTAL EXPENDITURES.....	2,847	-	2,847	-	2,847
REVENUES OVER (UNDER) EXPENDITURES.....	(202)	(161)	(363)	46	(317)
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	329	329	-	329
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(202)	168	(34)	46	12
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2008.....	1,441	-	1,441	-	1,441
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2009.....	\$ 1,239	\$ 168	\$ 1,407	\$ 46	\$ 1,453

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Milk Marketing Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources over expenditures (from Actual column above).....	<u>\$ 12</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue.....	(388)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	<u>268</u>
Net adjustments.....	<u>(120)</u>
Modified accrual basis — net change in governmental fund balance.....	<u>\$ (108)</u>

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to Federal and other grants that are not reported for budgetary reporting purposes.

- The notes on pages 140 to 142 are an integral part of this schedule. -

Commonwealth of Pennsylvania

Budgetary Comparison Schedule

Budgeted Nonmajor Funds

Special Revenue Fund-Workers' Compensation Administration

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Taxes, net of refunds.....	\$ 76,366	\$ -	\$ 76,366	\$ (16,357)	\$ 60,009
Fines, penalties and interest.....	153	(92)	61	1	62
Investment income.....	3,385	(2,037)	1,348	22	1,370
Departmental services.....	183	-	183	-	183
Miscellaneous.....	262	(157)	105	1	106
TOTAL REVENUES.....	80,349	(2,286)	78,063	(16,333)	61,730
EXPENDITURES:					
State Programs:					
Health and human services.....	76,366	-	76,366	(326)	76,040
Economic development.....	183	-	183	-	183
TOTAL EXPENDITURES.....	76,549	-	76,549	(326)	76,223
REVENUES OVER (UNDER) EXPENDITURES.....	3,800	(2,286)	1,514	(16,007)	(14,493)
OTHER FINANCING SOURCES:					
Prior year lapses.....	-	9,095	9,095	-	9,095
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	3,800	6,809	10,609	(16,007)	(5,398)
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2008.....	74,857	-	74,857	-	74,857
UNRESERVED/UNDESIGNATED FUND BALANCES (BUDGETARY BASIS), JUNE 30, 2009.....	\$ 78,657	\$ 6,809	\$ 85,466	\$ (16,007)	\$ 69,459

Reconciliation of Budgetary to GAAP Basis Amounts

The Commonwealth adopts a formal annual budget for the Workers' Compensation Administration Fund. The Budgetary Comparison Schedule presented above presents a comparison of the legally adopted budget, as amended, with actual data on a budgetary basis, which differs from governmental fund statement information primarily by the omission of certain revenue and expenditure accruals. The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting (amounts in thousands):

Budgetary basis — revenues and other sources under expenditures (from Actual column above).....	\$ (5,398)
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue.....	(8,966)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities.....	23,471
Net adjustments.....	14,505
Modified accrual basis — net change in governmental fund balance.....	\$ 9,107

The above revenue adjustments include net revenue accruals/deferrals, amounts to recognize certain pass-through grants, and amounts to recognize certain intergovernmental revenues that are not reported for budgetary reporting purposes. Likewise, the above expenditure adjustments include net expenditure accruals, amounts to recognize certain pass-through grants, and amounts to recognize certain expenditures related to Federal and other grants that are not reported for budgetary reporting purposes.

- The notes on pages 140 to 142 are an integral part of this schedule. -

Debt Service Funds



Idlewild Amusement Park Westmoreland County

**DEBT SERVICE FUNDS
DESCRIPTION
NONMAJOR FUNDS**

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

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

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

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

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

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

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

Other — these funds account for the payment of principal and interest on bonds issued for loans to nursing homes and volunteer fire companies, compensation to Vietnam conflict veterans, finance of various environmental initiatives, and for water and wastewater infrastructure projects related to economic development. Funding consists of transfers from the General Fund, Environmental Stewardship Fund, and investment income. This other category is an aggregation of twelve individual debt service funds.

There are a total of eighteen individual debt service funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet-Nonmajor Governmental Funds
 Debt Service Funds
 June 30, 2009

(Amounts in thousands)

	Disaster Relief Redemption	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Land and Water Development Sinking	Other	Total
ASSETS								
Cash.....	\$ -	\$ -	\$ 3,604	\$ -	\$ -	\$ -	\$ -	\$ 3,604
Temporary investments.....	-	1,759	11,267	-	-	56	145	13,227
Receivables, net:								
Accounts.....	-	-	3,246	-	-	-	-	3,246
Accrued interest.....	-	-	4	-	-	-	-	4
Lease rentals.....	-	-	553	-	-	-	-	553
TOTAL ASSETS.....	\$ -	\$ 1,759	\$ 18,674	\$ -	\$ -	\$ 56	\$ 145	\$ 20,634
LIABILITIES AND FUND BALANCES								
Liabilities:								
Unearned revenue.....	\$ -	\$ -	\$ 3,800	\$ -	\$ -	\$ -	\$ -	\$ 3,800
TOTAL LIABILITIES.....	-	-	3,800	-	-	-	-	3,800
Fund balances:								
Unreserved:								
Designated for:								
Debt service:								
Retirement of general obligation bonds..	-	1,759	14,874	-	-	56	145	16,834
TOTAL FUND BALANCES.....	-	1,759	14,874	-	-	56	145	16,834
TOTAL LIABILITIES AND FUND BALANCES.....	\$ -	\$ 1,759	\$ 18,674	\$ -	\$ -	\$ 56	\$ 145	\$ 20,634

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Debt Service Funds
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Disaster Relief Redemption	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Pennsylvania Economic Revitalization Sinking	Water Facilities Loan Redemption	Land and Water Development Sinking	Other	Total
REVENUES:								
Investment income.....	\$ -	\$ 10	\$ (45)	\$ -	\$ -	\$ 80	\$ (1)	\$ 44
Lease rental principal and interest.....	-	-	99	-	-	-	-	99
Other.....	-	5,319	3,603	-	-	-	-	8,922
TOTAL REVENUES	<u>-</u>	<u>5,329</u>	<u>3,657</u>	<u>-</u>	<u>-</u>	<u>80</u>	<u>(1)</u>	<u>9,065</u>
EXPENDITURES:								
Debt service:								
Principal retirement.....	1,510	6,290	570,955	385	1,410	190	18,110	598,850
Interest and fiscal charges.....	284	5,864	370,249	122	448	61	25,481	402,509
TOTAL EXPENDITURES	<u>1,794</u>	<u>12,154</u>	<u>941,204</u>	<u>507</u>	<u>1,858</u>	<u>251</u>	<u>43,591</u>	<u>1,001,359</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES								
	<u>(1,794)</u>	<u>(6,825)</u>	<u>(937,547)</u>	<u>(507)</u>	<u>(1,858)</u>	<u>(171)</u>	<u>(43,592)</u>	<u>(992,294)</u>
OTHER FINANCING SOURCES (USES):								
Refunding bonds issued.....	-	-	155,642	-	-	-	-	155,642
Premium on bonds/refunding bonds issued.	-	-	11,336	-	-	-	-	11,336
Transfers in.....	1,794	7,248	926,618	507	1,858	54	43,591	981,670
Payment to refunded bond escrow agent....	-	-	(166,978)	-	-	-	-	(166,978)
NET OTHER FINANCING SOURCES	<u>1,794</u>	<u>7,248</u>	<u>926,618</u>	<u>507</u>	<u>1,858</u>	<u>54</u>	<u>43,591</u>	<u>981,670</u>
NET CHANGE IN FUND BALANCES	-	423	(10,929)	-	-	(117)	(1)	(10,624)
FUND BALANCES, JULY 1, 2008	-	1,336	25,803	-	-	173	146	27,458
FUND BALANCES, JUNE 30, 2009	<u>\$ -</u>	<u>\$ 1,759</u>	<u>\$ 14,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56</u>	<u>\$ 145</u>	<u>\$ 16,834</u>

Capital Projects Funds



Independence Hall
Philadelphia County

**CAPITAL PROJECTS FUNDS
DESCRIPTION
NONMAJOR FUNDS**

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

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

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

Local Criminal Justice Fund — to account for the proceeds of bonds issued for grants to counties and multi-county authorities for the repair, expansion, construction, rehabilitation and improvement of local correctional facilities or multi-county regional prison facilities.

Land and Water Development Fund — to account for the proceeds of bonds issued for pollution remediation; grants to local governments for sewage treatment facilities; the development of public outdoor recreation areas; and, acquisition and development of park and recreation lands and related studies to determine such needs.

There are a total of four individual capital projects funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet-Nonmajor Governmental Funds
 Capital Project Funds
 June 30, 2009

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Local Criminal Justice	Land and Water Development	Total
ASSETS					
Cash.....	\$ 4,594	\$ 1,606	\$ -	\$ -	\$ 6,200
Temporary investments.....	517,669	123,101	1,835	953	643,558
Receivables, net:					
Accounts.....	21,523	-	-	-	21,523
Accrued interest.....	216	50	1	-	267
Due from other funds.....	37,557	4,554	-	-	42,111
Due from component units.....	1,803	-	-	-	1,803
Due from political subdivisions.....	1,146	-	-	-	1,146
TOTAL ASSETS.....	\$ 584,508	\$ 129,311	\$ 1,836	\$ 953	\$ 716,608
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities.....	\$ 205,902	\$ 7,678	\$ -	\$ 37	\$ 213,617
Due to other funds.....	13,762	190	-	-	13,952
Due to political subdivisions.....	99,576	1,628	-	-	101,204
TOTAL LIABILITIES.....	319,240	9,496	-	37	328,773
Fund balances:					
Reserved for:					
Encumbrances.....	978,439	86,936	1,188	654	1,067,217
Other.....	6,819	-	-	1,637	8,456
Unreserved:					
Designated for:					
Capital projects.....	-	32,879	648	-	33,527
Undesignated deficit.....	(719,990)	-	-	(1,375)	(721,365)
TOTAL FUND BALANCES.....	265,268	119,815	1,836	916	387,835
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 584,508	\$ 129,311	\$ 1,836	\$ 953	\$ 716,608

Commonwealth of Pennsylvania
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
 Capital Projects Funds
 For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Local Criminal Justice	Land and Water Development	Total
REVENUES:					
Taxes.....	\$ -	\$ 52,347	\$ -	\$ -	\$ 52,347
Charges for sales and services.....	10,836	-	-	-	10,836
Investment income.....	4,419	2,369	28	-	6,816
Other.....	161	-	-	-	161
TOTAL REVENUES	<u>15,416</u>	<u>54,716</u>	<u>28</u>	<u>-</u>	<u>70,160</u>
EXPENDITURES:					
Current:					
Direction and supportive services.....	242,323	-	-	-	242,323
Protection of persons and property.....	729	-	99	267	1,095
Public education.....	-	11,439	-	-	11,439
Recreation and cultural enrichment.....	665	67,305	-	-	67,970
Economic development.....	202,238	-	-	-	202,238
Transportation.....	182,973	-	-	-	182,973
Capital outlay.....	506,320	5,444	-	-	511,764
TOTAL EXPENDITURES	<u>1,135,248</u>	<u>84,188</u>	<u>99</u>	<u>267</u>	<u>1,219,802</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,119,832)</u>	<u>(29,472)</u>	<u>(71)</u>	<u>(267)</u>	<u>(1,149,642)</u>
OTHER FINANCING SOURCES:					
Bonds issued.....	999,094	-	-	-	999,094
Premium on bonds/refunding bonds issued..	72,714	-	-	-	72,714
NET OTHER FINANCING SOURCES	<u>1,071,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,071,808</u>
NET CHANGE IN FUND BALANCES	(48,024)	(29,472)	(71)	(267)	(77,834)
FUND BALANCES JULY 1, 2008	313,292	149,287	1,907	1,183	465,669
FUND BALANCES JUNE 30, 2009	<u>\$ 265,268</u>	<u>\$ 119,815</u>	<u>\$ 1,836</u>	<u>\$ 916</u>	<u>\$ 387,835</u>

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Enterprise Funds



Scott Arboretum Delaware County

**ENTERPRISE FUNDS
DESCRIPTION
NONMAJOR 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.

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

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

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.

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

Coal and Clay Mine Subsidence Insurance Fund — to account for and provide insurance coverage to homeowners in mining areas against damages resulting from mine subsidence.

Pennsylvania Infrastructure Bank Fund — to account for and provide loans to, or enter into leases with, qualified borrowers to finance the costs of transportation projects. Acts 165 and 7A of 2004 expanded this program to include financing of rail freight infrastructure.

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

Other — to account for enterprise operations including activities associated with low interest loans to manufacturers, vocational rehabilitation services, and loans and grants provided to attract industrial, manufacturing or research and development enterprises to the Commonwealth. This other category is an aggregation of five individual enterprise funds.

There are a total of sixteen individual enterprise funds; **Unemployment Compensation, State Workers' Insurance, State Lottery and Tuition Payment** enterprise funds are reported as Major Funds in the basic financial statements.

Commonwealth of Pennsylvania
Combining Statement of Net Assets-Nonmajor Proprietary Funds
 Enterprise Funds
 June 30, 2009

(Amounts in thousands)

	State Stores	Small Business First	Volunteer Companies Loan	Machinery and Equipment Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Minority Business Development	Other	Total
ASSETS									
Current assets:									
Cash	\$ 17,604	\$ 83	\$ 124	\$ 70	\$ -	\$ 102	\$ -	\$ 139	\$ 18,122
Temporary investments.....	111,797	65,916	35,899	70,499	80,847	72,003	3,207	16,272	456,440
Receivables:									
Accounts	1,609	-	-	-	2	490	-	61	2,162
Accrued interest.....	-	2	157	-	1	1	-	1	162
Loans.....	-	14,409	19,319	13,357	-	5,940	902	515	54,442
Due from other funds	68	-	-	-	-	62	-	2,730	2,860
Due from Federal government.....	-	-	-	-	-	-	-	110	110
Other-Advances to other funds.....	-	-	-	-	-	1,400	-	-	1,400
Inventory.....	208,806	-	-	-	-	-	-	4	208,810
Prepaid expenses.....	1,866	-	-	-	-	-	-	-	1,866
Total current assets	<u>341,750</u>	<u>80,410</u>	<u>55,499</u>	<u>83,926</u>	<u>80,850</u>	<u>79,998</u>	<u>4,109</u>	<u>19,832</u>	<u>746,374</u>
Noncurrent assets:									
Receivables:									
Loans.....	-	68,469	84,383	66,050	-	36,243	5,011	1,602	261,758
Non-depreciable capital assets:									
Land.....	323	-	-	-	-	-	-	-	323
Construction in progress.....	-	-	-	-	-	-	-	2,141	2,141
Depreciable capital assets:									
Buildings and building improvements.....	21,827	-	-	-	-	-	-	23,194	45,021
Machinery and equipment.....	65,798	-	-	-	49	-	-	4,552	70,399
Less: accumulated depreciation	<u>(33,905)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>-</u>	<u>(18,098)</u>	<u>(52,013)</u>
Net depreciable capital assets.....	<u>53,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>-</u>	<u>9,648</u>	<u>63,407</u>
Total noncurrent assets	<u>54,043</u>	<u>68,469</u>	<u>84,383</u>	<u>66,050</u>	<u>39</u>	<u>36,243</u>	<u>5,011</u>	<u>13,391</u>	<u>327,629</u>
TOTAL ASSETS.....	395,793	148,879	139,882	149,976	80,889	116,241	9,120	33,223	1,074,003

Commonwealth of Pennsylvania
Combining Statement of Net Assets-Nonmajor Proprietary Funds
 Enterprise Funds
 June 30, 2009

(Amounts in thousands)

	State Stores	Small Business First	Volunteer Companies Loan	Machinery and Equipment Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Minority Business Development	Other	Total
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities.....	173,800	26	-	23	444	1,225	7	2,239	177,764
Securities lending obligations.....	-	9,971	5,109	11,380	12,600	11,364	427	1,901	52,752
Due to other funds.....	6,428	1	-	1	3	-	1	85	6,519
Due to pension trust funds.....	236	-	-	1	1	-	-	1	239
Due to political subdivisions.....	-	-	-	-	-	-	-	17	17
Due to other governments.....	548	1	-	1	3	-	-	1	554
Unearned revenue.....	-	-	88	-	2,455	-	-	63	2,606
Self insurance liabilities.....	4,106	5	-	6	20	-	2	199	4,338
Compensated absences.....	3,455	-	-	-	41	-	-	220	3,716
Advances from other funds.....	110,000	3,000	-	-	-	-	-	-	113,000
Total current liabilities.....	298,573	13,004	5,197	11,412	15,567	12,589	437	4,726	361,505
Non-current liabilities:									
Insurance loss liability.....	-	-	-	-	630	-	-	-	630
Compensated absences.....	25,333	-	-	-	304	-	-	1,576	27,213
Self insurance liabilities.....	17,700	20	-	25	87	-	9	860	18,701
Other postemployment benefit obligations.....	12,307	22	-	24	81	-	10	821	13,265
Total non-current liabilities.....	55,340	42	-	49	1,102	-	19	3,257	59,809
TOTAL LIABILITIES.....	353,913	13,046	5,197	11,461	16,669	12,589	456	7,983	421,314
NET ASSETS									
Invested in capital assets, net of related debt.....	54,043	-	-	-	39	-	-	11,789	65,871
Restricted for:									
Smoking cessation and other health-related programs..	-	-	-	-	-	-	-	1,059	1,059
Transportation.....	-	-	-	-	-	103,652	-	-	103,652
Economic development.....	-	135,833	-	138,515	-	-	8,664	-	283,012
Emergency support.....	-	-	134,685	-	-	-	-	-	134,685
Other purposes.....	-	-	-	-	64,181	-	-	12,392	76,573
Deficit.....	(12,163)	-	-	-	-	-	-	-	(12,163)
TOTAL NET ASSETS.....	\$ 41,880	\$ 135,833	\$ 134,685	\$ 138,515	\$ 64,220	\$ 103,652	\$ 8,664	\$ 25,240	\$ 652,689

Commonwealth of Pennsylvania

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets-Nonmajor Proprietary Funds

Enterprise Funds

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	State Stores	Small Business First	Volunteer Companies Loan	Machinery and Equipment Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Minority Business Development	Other	Total
OPERATING REVENUES:									
Sales and services.....	\$ 1,507,512	\$ -	\$ -	\$ 178	\$ 6,372	\$ -	\$ 2	\$ 1,675	\$ 1,515,739
Interest on loans.....	-	1,301	2,198	2,751	-	1,311	203	48	7,812
Other.....	-	3	-	3	-	-	-	1,060	1,066
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS.....	1,507,512	1,304	2,198	2,932	6,372	1,311	205	2,783	1,524,617
Provision for uncollectible accounts.....	-	(2,248)	65	(1,662)	-	-	(765)	-	(4,610)
NET OPERATING REVENUES.....	1,507,512	(944)	2,263	1,270	6,372	1,311	(560)	2,783	1,520,007
OPERATING EXPENSES:									
Cost of sales and services.....	1,418,061	724	-	585	3,554	-	187	2,662	1,425,773
Depreciation.....	6,464	-	-	-	-	-	-	1,849	8,313
TOTAL OPERATING EXPENSES	1,424,525	724	-	585	3,554	-	187	4,511	1,434,086
OPERATING INCOME (LOSS).....	82,987	(1,668)	2,263	685	2,818	1,311	(747)	(1,728)	85,921
NONOPERATING REVENUES (EXPENSES):									
Investment income.....	(2,598)	(1,012)	(415)	(2,307)	(1,181)	(995)	(32)	(317)	(8,857)
Grants and other revenues.....	-	-	-	149	-	-	20	1,793	1,962
Other expenses.....	(12,643)	-	-	-	-	-	-	-	(12,643)
TOTAL NONOPERATING REVENUES (EXPENSES)..	(15,241)	(1,012)	(415)	(2,158)	(1,181)	(995)	(12)	1,476	(19,538)
INCOME (LOSS) BEFORE TRANSFERS.....	67,746	(2,680)	1,848	(1,473)	1,637	316	(759)	(252)	66,383
TRANSFERS:									
Transfers in.....	-	-	-	-	-	62	-	-	62
Transfers out.....	(127,000)	-	-	(12,000)	-	-	-	-	(139,000)
CHANGE IN NET ASSETS.....	(59,254)	(2,680)	1,848	(13,473)	1,637	378	(759)	(252)	(72,555)
TOTAL NET ASSETS, JULY 1, 2008.....	101,134	138,513	132,837	151,988	62,583	103,274	9,423	25,492	725,244
TOTAL NET ASSETS, JUNE 30, 2009.....	\$ 41,880	\$ 135,833	\$ 134,685	\$ 138,515	\$ 64,220	\$ 103,652	\$ 8,664	\$ 25,240	\$ 652,689

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Commonwealth of Pennsylvania

Combining Statement of Cash Flows-Nonmajor Proprietary Funds

Enterprise Funds

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	State Stores	Small Business First	Volunteer Companies Loan	Machinery and Equipment Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Minority Business Development	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from customers.....	\$ 1,506,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 603	\$ 1,507,101
Receipts from borrowers.....	-	18,593	18,494	18,777	-	8,489	1,103	694	66,150
Receipt of premiums.....	-	-	-	-	5,849	-	-	-	5,849
Payments to claimants.....	-	-	-	-	(704)	-	-	-	(704)
Payments to borrowers.....	-	(12,806)	(12,507)	(39,251)	-	(7,310)	(295)	(390)	(72,559)
Payments for vendors, employees and other costs.....	(1,360,684)	(849)	-	-	(2,245)	(4)	(155)	(723)	(1,364,660)
Other receipts (payments).....	(155)	-	-	149	-	-	-	2,490	2,484
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	145,659	4,938	5,987	(20,325)	2,900	1,175	653	2,674	143,661
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Transfers in.....	-	-	-	-	-	62	-	-	62
Transfers out.....	(127,000)	-	-	(12,000)	-	-	-	-	(139,000)
Net borrowings under advances from other funds	25,000	-	-	-	-	-	-	-	25,000
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES.....	(102,000)	-	-	(12,000)	-	62	-	-	(113,938)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets.....	(24,576)	-	-	-	-	-	-	(128)	(24,704)
Disposition of capital assets.....	155	-	-	-	-	-	-	-	155
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(24,421)	-	-	-	-	-	-	(128)	(24,549)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments.....	(1,075,595)	(13,659)	(13,326)	(4,309)	(2,030)	(6,764)	(943)	(25,099)	(1,141,725)
Sales and maturities of investments.....	1,084,992	12,021	8,677	52,034	2,762	7,233	399	24,011	1,192,129
Investment income.....	(2,598)	1,020	517	(1,114)	1,673	1,458	53	24	1,033
Change in securities lending obligations.....	(25,689)	(4,242)	(1,789)	(14,216)	(5,495)	(4,696)	(162)	(1,785)	(58,074)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES.....	(18,890)	(4,860)	(5,921)	32,395	(3,090)	(2,769)	(653)	(2,849)	(6,637)
NET INCREASE (DECREASE) IN CASH.....	348	78	66	70	(190)	(1,532)	-	(303)	(1,463)
CASH AT JULY 1, 2008.....	17,256	5	58	-	190	1,634	-	442	19,585
CASH AT JUNE 30, 2009.....	\$ 17,604	\$ 83	\$ 124	\$ 70	\$ -	\$ 102	\$ -	\$ 139	\$ 18,122

Commonwealth of Pennsylvania
Combining Statement of Cash Flows-Nonmajor Proprietary Funds
Enterprise Funds
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	State Stores	Small Business First	Volunteer Companies Loan	Machinery and Equipment Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Minority Business Development	Other	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss).....	\$ 82,987	\$ (1,668)	\$ 2,263	\$ 685	\$ 2,818	\$ 1,311	\$ (747)	\$ (1,728)	\$ 85,921
Depreciation and amortization.....	6,464	-	-	-	-	-	-	1,849	8,313
Provision for uncollectible accounts.....	-	2,248	(65)	1,662	-	-	765	-	4,610
Non-operating revenues (expenses).....	(155)	-	-	149	-	-	20	1,793	1,807
Change in assets and liabilities:									
Accounts receivable.....	879	5,309	4,838	(22,341)	(2)	1,177	607	301	(9,232)
Due from fiduciary funds.....	-	-	-	-	-	-	-	69	69
Inventory.....	(8,687)	-	-	-	-	-	-	-	(8,687)
Due from other funds.....	(32)	-	-	-	-	(62)	-	(1,091)	(1,185)
Due from component units.....	-	-	-	-	-	-	-	1	1
Due from other governments.....	-	-	-	-	-	-	-	(41)	(41)
Other current assets.....	(1,861)	-	-	-	-	-	-	-	(1,861)
Accounts payable and accrued liabilities.....	48,304	(949)	(1,048)	(509)	224	(1,251)	3	673	45,447
Due to other funds.....	2,673	1	-	1	(4)	-	-	(10)	2,661
Due to political subdivisions.....	-	(24)	-	-	-	-	-	17	(7)
Due to other governments.....	(224)	1	-	1	1	-	-	-	(221)
Unearned revenue.....	-	-	(1)	-	(523)	-	-	(87)	(611)
Insurance loss liability.....	-	-	-	-	284	-	-	-	284
Other liabilities.....	15,311	20	-	27	102	-	5	928	16,393
Total Adjustments.....	62,672	6,606	3,724	(21,010)	82	(136)	1,400	4,402	57,740
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES.....	\$ 145,659	\$ 4,938	\$ 5,987	\$ (20,325)	\$ 2,900	\$ 1,175	\$ 653	\$ 2,674	\$ 143,661
Decrease in fair value of investments during the fiscal year.....	\$ -	\$ (3,478)	\$ (1,659)	\$ (4,494)	\$ (3,961)	\$ (3,085)	\$ (129)	\$ (553)	\$ (17,359)

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

Internal Service Funds



Kinzua Dam
Warren County

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. This fund is also used to account for all Commonwealth telecommunication activities, which are accounted for by the Governor's Executive Offices. Revenue is derived from reimbursements from Commonwealth agencies that use Fund services or products.

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

There are a total of two individual internal service funds.

Commonwealth of Pennsylvania
Combining Statement of Net Assets-Nonmajor Proprietary Funds
Internal Service Funds
June 30, 2009

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash.....	\$ 10,333	\$ 1,781	\$ 12,114
Temporary investments.....	13,703	27,760	41,463
Receivables:			
Accounts.....	10	371	381
Accrued interest.....	8	-	8
Due from other funds.....	24,432	572	25,004
Due from pension trust funds.....	220	3,042	3,262
Due from component units.....	249	3	252
Due from Federal government.....	-	3	3
Due from other governments.....	-	59	59
Inventory.....	232	11,789	12,021
Other assets.....	-	28	28
Total current assets.....	<u>49,187</u>	<u>45,408</u>	<u>94,595</u>
Noncurrent assets:			
Non-depreciable capital assets:			
Land.....	-	6	6
Depreciable capital assets:			
Land improvements.....	-	182	182
Buildings and building improvements.....	-	6,106	6,106
Machinery and equipment.....	76,227	20,279	96,506
Less: accumulated depreciation.....	(50,944)	(14,152)	(65,096)
Net depreciable capital assets.....	<u>25,283</u>	<u>12,415</u>	<u>37,698</u>
Total noncurrent assets.....	<u>25,283</u>	<u>12,421</u>	<u>37,704</u>
TOTAL ASSETS.....	<u>74,470</u>	<u>57,829</u>	<u>132,299</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities.....	25,330	6,849	32,179
Securities lending obligations.....	-	4,435	4,435
Due to other funds.....	448	164	612
Due to pension trust funds.....	7	22	29
Due to other governments.....	17	39	56
Self insurance liabilities.....	94	269	363
Compensated absences.....	76	181	257
Advances from other funds.....	14,300	-	14,300
Total current liabilities.....	<u>40,272</u>	<u>11,959</u>	<u>52,231</u>
Non-current liabilities:			
Installment purchase.....	238	-	238
Compensated absences.....	561	1,328	1,889
Self insurance liabilities.....	405	1,159	1,564
Other postemployment benefit obligations.....	297	913	1,210
Total non-current liabilities.....	<u>1,501</u>	<u>3,400</u>	<u>4,901</u>
TOTAL LIABILITIES.....	<u>41,773</u>	<u>15,359</u>	<u>57,132</u>
NET ASSETS			
Invested in capital assets, net of related debt....	25,045	12,421	37,466
Restricted for:			
Correctional industries and procurement.....	7,652	30,049	37,701
TOTAL NET ASSETS.....	<u>\$ 32,697</u>	<u>\$ 42,470</u>	<u>\$ 75,167</u>

Commonwealth of Pennsylvania
**Combining Statement of Revenues, Expenses, and Changes in Fund
 Net Assets-Nonmajor Proprietary Funds**
 Internal Service Funds
 For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
OPERATING REVENUES:			
Sales and services.....	\$ 32,117	\$ 60,644	\$ 92,761
Other.....	-	78	78
NET OPERATING REVENUES.....	<u>32,117</u>	<u>60,722</u>	<u>92,839</u>
OPERATING EXPENSES:			
Cost of sales and services.....	27,559	57,388	84,947
Depreciation.....	8,878	1,802	10,680
TOTAL OPERATING EXPENSES	<u>36,437</u>	<u>59,190</u>	<u>95,627</u>
OPERATING INCOME (LOSS).....	<u>(4,320)</u>	<u>1,532</u>	<u>(2,788)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income.....	(1,744)	(280)	(2,024)
Grants and other revenues.....	-	1	1
Other expenses.....	(3,459)	(90)	(3,549)
TOTAL NONOPERATING REVENUES (EXPENSES), NET.....	<u>(5,203)</u>	<u>(369)</u>	<u>(5,572)</u>
INCOME (LOSS) BEFORE TRANSFERS.....	<u>(9,523)</u>	<u>1,163</u>	<u>(8,360)</u>
TRANSFERS:			
Transfers out.....	-	(5,000)	(5,000)
CHANGE IN NET ASSETS.....	<u>(9,523)</u>	<u>(3,837)</u>	<u>(13,360)</u>
TOTAL NET ASSETS, JULY 1, 2008.....	<u>42,220</u>	<u>46,307</u>	<u>88,527</u>
TOTAL NET ASSETS, JUNE 30, 2009.....	<u>\$ 32,697</u>	<u>\$ 42,470</u>	<u>\$ 75,167</u>

Commonwealth of Pennsylvania
Combining Statement of Cash Flows-Nonmajor Proprietary Funds
Internal Service Funds
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers.....	\$ 30,169	\$ 61,366	\$ 91,535
Payments for vendors, employees and other costs.....	(29,879)	(58,179)	(88,058)
Other receipts.....	-	54	54
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>290</u>	<u>3,241</u>	<u>3,531</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers out.....	-	(5,000)	(5,000)
NET CASH USED FOR NON-CAPITAL FINANCING ACTIVITIES.....	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets.....	(7,534)	(945)	(8,479)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES..	<u>(7,534)</u>	<u>(945)</u>	<u>(8,479)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments.....	(286,815)	(48,159)	(334,974)
Sales and maturities of investments.....	309,643	56,210	365,853
Investment income.....	(1,999)	(493)	(2,492)
Change in securities lending obligations.....	(7,724)	(3,510)	(11,234)
NET CASH PROVIDED BY INVESTING ACTIVITIES.....	<u>13,105</u>	<u>4,048</u>	<u>17,153</u>
NET INCREASE IN CASH.....	5,861	1,344	7,205
CASH AT JULY 1, 2008.....	4,472	437	4,909
CASH AT JUNE 30, 2009.....	<u>\$ 10,333</u>	<u>\$ 1,781</u>	<u>\$ 12,114</u>

**RECONCILIATION OF OPERATING INCOME TO NET
CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss).....	\$ (4,320)	\$ 1,532	\$ (2,788)
Depreciation and amortization.....	8,878	1,802	10,680
Non-operating revenue.....	-	1	1
Change in assets and liabilities:			
Accounts receivable.....	905	1,190	2,095
Inventory.....	(69)	(2,246)	(2,315)
Due from other funds.....	(3,537)	(460)	(3,997)
Due from other governments.....	-	(25)	(25)
Due from component units.....	300	-	300
Due from political subdivisions.....	-	-	-
Other current assets.....	-	(26)	(26)
Accounts payable and accrued liabilities.....	(2,456)	281	(2,175)
Due to other funds.....	97	15	112
Due to other governments.....	5	7	12
Unearned revenue.....	-	(8)	(8)
Other liabilities.....	487	1,178	1,665
Total Adjustments.....	<u>4,610</u>	<u>1,709</u>	<u>6,319</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	<u>\$ 290</u>	<u>\$ 3,241</u>	<u>\$ 3,531</u>
Decrease in fair value of investments during the fiscal year.....	\$ -	\$ (492)	\$ (492)

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

Pension (and Other Employee Benefit) Trust Funds



Longwood Gardens
Chester County

PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS DESCRIPTION

Pension (and other employee benefit) trust funds account for assets that are required to be held in trust for the members and beneficiaries of defined benefit pension plans and other post employment benefit plans and are held by the Commonwealth in a trustee capacity.

PENSION TRUST FUNDS

State Employees' Retirement System (SERS) — a component unit organization reported as a Pension Trust Fund that administers and provides retirement, disability, and death benefits to members of the SERS and their beneficiaries.

Deferred Compensation Fund — a pension trust fund administered by the SERS that collects and administers amounts contributed by Commonwealth employees who defer a portion of their income until future years, in accordance with Internal Revenue Code Section 457.

Public School Employees' Retirement System (PSERS)-Pension — a component unit organization that administers and provides pension benefits to public school employees in Pennsylvania.

OTHER EMPLOYEE BENEFIT TRUST FUNDS

Public School Employees' Retirement System-Postemployment Healthcare — a component unit organization reported as an other employee benefit trust fund that administers and provides retirement, disability, and death benefits to members of the PSERS and their beneficiaries.

Other Postemployment Benefits Investment Pool — an other employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing post retirement healthcare benefits to retired employees and retired Pennsylvania State Police.

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
June 30, 2009

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust					
	State Employees' Retirement System	Deferred Compensation	Public School Employees' Retirement System	Postemployment Healthcare	Other Postemployment Benefits Investment Pool	Total
	(December 31, 2008)	(December 31, 2008)	Pension	Healthcare	Pool	
ASSETS						
Cash.....	\$ -	\$ 4,485	\$ -	\$ -	\$ 79	\$ 4,564
Temporary investments.....	-	11,949	-	-	38,665	50,614
Long-term investments.....	-	23,378	-	-	88,383	111,761
Short-term funds.....	1,311,861	57,842	5,204,418	194,311	-	6,768,432
Corporate obligations.....	842,393	178,219	2,727,317	-	-	3,747,929
Collective trust funds.....	2,322,775	-	6,459,391	-	-	8,782,166
Real estate.....	2,442,613	-	3,699,353	-	-	6,141,966
Alternative.....	11,800,854	-	9,028,932	-	-	20,829,786
Securities lending collateral.....	679,634	30,233	1,591,720	-	-	2,301,587
Asset-backed securities.....	6,368	25,764	-	-	-	32,132
Domestic equities.....	273,036	524,785	3,073,854	-	-	3,871,675
International equities.....	1,780,126	69,956	6,879,794	-	-	8,729,876
International private debt securities.....	-	-	573,258	-	-	573,258
International public debt securities.....	416,921	10,326	346,185	-	-	773,432
Mortgage-backed securities.....	74,847	405,249	3,740,617	-	-	4,220,713
Private placements.....	200,832	13,858	-	-	-	214,690
State and municipal obligations.....	-	1,532	-	-	-	1,532
U.S. Treasury obligations.....	1,262,227	121,268	1,084,887	-	-	2,468,382
U.S. government agency debt securities.....	30,361	71,238	331,618	-	-	433,217
Receivables, net:						
Accounts.....	-	-	-	-	34	34
Accrued interest.....	66,297	-	-	-	-	66,297
Pension contributions.....	-	6,917	406,820	37,672	-	451,409
Investment sale proceeds.....	50,793	198	522,405	-	-	573,396
Other.....	6,009	142	368,269	6,890	-	381,310
Due from other funds.....	2,265	-	4,152	-	-	6,417
Due from pension trust funds.....	5,064	-	5,454	-	-	10,518
Due from component units.....	3,617	-	-	-	-	3,617
Due from political subdivisions.....	3,553	-	-	-	-	3,553
Due from other governments.....	-	-	-	3,339	-	3,339
Depreciable capital assets:						
Machinery and equipment.....	-	-	11,463	-	-	11,463
Less: accumulated depreciation.....	-	-	(10,933)	-	-	(10,933)
Net depreciable capital assets.....	-	-	530	-	-	530
TOTAL ASSETS.....	23,582,446	1,557,339	46,048,974	242,212	127,161	71,558,132
LIABILITIES						
Liabilities:						
Accounts payable and accrued liabilities.....	47,721	755	80,498	1,913	30	130,917
Investment purchases payable.....	34,565	-	1,034,622	-	-	1,069,187
Securities lending obligations.....	704,347	30,233	1,591,720	-	38,767	2,365,067
Due to other funds.....	-	-	985	-	-	985
Due to pension trust funds.....	-	116	5,999	-	-	6,115
Other liabilities.....	-	2,149	339,670	28,739	-	370,558
TOTAL LIABILITIES.....	786,633	33,253	3,053,494	30,652	38,797	3,942,829
NET ASSETS:						
Held in trust for:						
Pension benefits.....	22,795,813	-	42,995,480	-	-	65,791,293
Postemployment healthcare benefits.....	-	-	-	211,560	88,364	299,924
Employee salary deferrals.....	-	1,524,086	-	-	-	1,524,086
TOTAL NET ASSETS.....	\$ 22,795,813	\$ 1,524,086	\$ 42,995,480	\$ 211,560	\$ 88,364	\$ 67,615,303

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Employee Benefit) Trust Funds
For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust					
	State Employees' Retirement System	Deferred Compensation	Public School Employees' Retirement System		Other Postemployment Benefits Investment	Total
	(December 31, 2008)	(December 31, 2008)	Pension	Healthcare	Pool	
ADDITIONS:						
Pension contributions:						
Employer.....	\$ 235,288	\$ -	\$ 515,889	\$ 124,049	\$ -	\$ 875,226
Employee.....	336,833	128,750	911,118	178,801	-	1,555,502
Transfer in from other plans.....	-	18,423	-	-	-	18,423
Total contributions.....	572,121	147,173	1,427,007	302,850	-	2,449,151
Investment income:						
Net depreciation in fair value of investments.....	(11,357,253)	(372,262)	(17,007,821)	(363)	(25,347)	(28,763,046)
Interest income.....	342,163	32,042	642,168	3,797	-	1,020,170
Dividend income.....	154,779	-	500,001	-	3,138	657,918
Rental and other income.....	115,492	-	168,291	-	111	283,894
Total investment activity income.....	(10,744,819)	(340,220)	(15,697,361)	3,434	(22,098)	(26,801,064)
Less: investment expenses						
Investment activity expense.....	(310,454)	(1,637)	(477,520)	(45)	(218)	(789,874)
Net investment earnings.....	(11,055,273)	(341,857)	(16,174,881)	3,389	(22,316)	(27,590,938)
Securities lending activities:						
Income.....	41,319	-	55,574	-	-	96,893
Expenses.....	(47,253)	-	(82,394)	-	-	(129,647)
Total securities lending income (loss).....	(5,934)	-	(26,820)	-	-	(32,754)
Total net investment income.....	(11,061,207)	(341,857)	(16,201,701)	3,389	(22,316)	(27,623,692)
TOTAL ADDITIONS.....	(10,489,086)	(194,684)	(14,774,694)	306,239	(22,316)	(25,174,541)
DEDUCTIONS:						
Benefit payments.....	2,195,206	48,290	4,639,297	264,241	-	7,147,034
Refunds of contributions.....	9,373	-	20,369	-	-	29,742
Transfers to other plans.....	-	74,625	7,947	-	-	82,572
Administrative expenses.....	26,720	234	35,639	15,636	30	78,259
Other expenses.....	-	2,337	-	-	90	2,427
TOTAL DEDUCTIONS.....	2,231,299	125,486	4,703,252	279,877	120	7,340,034
CHANGE IN PLAN NET ASSETS HELD IN TRUST FOR:						
Pension benefits.....	(12,720,385)	-	(19,477,946)	-	-	(32,198,331)
Postemployment healthcare benefits.....	-	-	-	26,362	(22,436)	3,926
Employee salary deferrals.....	-	(320,170)	-	-	-	(320,170)
TOTAL CHANGE IN PLAN NET ASSETS HELD IN TRUST	(12,720,385)	(320,170)	(19,477,946)	26,362	(22,436)	(32,514,575)
Net assets, July 1, 2008.....	35,516,198	1,844,256	62,473,426	185,198	110,800	100,129,878
Net assets, June 30, 2009.....	\$ 22,795,813	\$ 1,524,086	\$ 42,995,480	\$ 211,560	\$ 88,364	\$ 67,615,303

Agency Funds



Fort Indiantown Gap Lebanon County

AGENCY FUNDS DESCRIPTION

Agency funds account for assets held by the Commonwealth as an agent for individuals, private organizations, or other governmental units.

AGENCY FUNDS

Statutory Liquidator Fund — to convert the remaining assets of insolvent insurance companies to cash for remittance to creditors, policyholders, and stockholders in accordance with the order of distribution established in Article V of the Pennsylvania Insurance Department Act of 1921 and on a court approved percentage of claim basis. Although not yet determined, the actual amounts to be paid based on the amount of the remaining assets are expected to be less than the amounts actually claimed by creditors, policyholders, and stockholders.

Medical Care Availability and Reduction of Error Fund — to collect surcharges from health care providers and remit payments for judgments, awards, or settlements in medical malpractice claims which exceed basic limits of coverage provided in professional liability insurance policies. Succeeded the Medical Professional Liability Catastrophe Loss Fund effective October 1, 2002.

Allegheny Regional Asset District Sales and Use Tax Fund — to collect an additional 1% sales tax remitted by Allegheny County business entities to the Department of Revenue, as established per Act 1993-77. On a monthly basis, the Treasury Department distributes the fund balance to qualified County entities in accordance with the requirements of the Act.

Underground Storage Tank Indemnification Fund — to collect assessments and remit 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.

Municipal Pension Aid Fund — to collect a two percent premium tax received from foreign (out-of-state) casualty insurance companies conducting business in the Commonwealth, which are remitted to municipalities to help defray municipal police and fire pension fund costs.

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

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

Other — to collect and administer funds from various sources for distribution to other state and local governments or the Federal Government. This other category is an aggregation of five individual agency funds.

Pennsylvania Life and Health Insurance Guaranty Association and ***Pennsylvania Property and Casualty Insurance Guaranty Association*** — are component unit organizations which protect policy owners, insured persons/organizations and others from losses due to potential insurer failure due to the impairment or insolvency of member insurance carriers.

There are a total of fourteen individual agency funds.

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2009

(Amounts in thousands)

	Statutory Liquidator	Medical Care Availability & Reduction of Error	Allegheny Regional Asset District Sales and Use Tax	Underground Storage Tank Indemnification	Municipal Pension Aid	Fire Insurance Tax	Agency Custodial Accounts	Other	PA Life and Health Insurance Guaranty Association (December 31, 2008)	PA Property and Casualty Insurance Guaranty Association (December 31, 2008)	Total Agency Funds
ASSETS											
Cash.....	\$ -	\$ 1,203	\$ 326	\$ 1,487	\$ 2	\$ 1	\$ 12,193	\$ 254	\$ 4,101	\$ -	\$ 19,567
Cash with fiscal agents.....	30,318	-	-	-	-	-	-	-	-	-	30,318
Temporary investments.....	120,928	230,952	12,701	44,554	212,278	78,764	18,933	30,974	301,604	99,028	1,150,716
Long-term investments.....	2,874,083	-	-	78,420	-	-	-	-	-	-	2,952,503
Receivables, net:											
Taxes.....	-	-	11,694	-	-	-	-	15,303	-	-	26,997
Accounts.....	107,902	-	-	-	-	-	4,089	-	-	-	111,991
Accrued interest.....	-	41	-	592	-	-	-	-	-	-	633
Loans.....	-	-	-	160	-	-	-	-	-	-	160
Investment sale proceeds.....	-	-	-	344	-	-	-	-	-	-	344
Other.....	-	-	-	-	-	-	-	-	-	206,100	206,100
Advances to other funds.....	-	-	-	67,500	-	-	-	-	-	-	67,500
Other assets.....	2,759,088	-	-	-	-	-	1,067	-	-	120	2,760,275
TOTAL ASSETS.....	\$ 5,892,319	\$ 232,196	\$ 24,721	\$ 193,057	\$ 212,280	\$ 78,765	\$ 36,282	\$ 46,531	\$ 305,705	\$ 305,248	\$ 7,327,104
LIABILITIES											
Accounts payable and accrued liabilities....	\$ -	\$ 3,565	\$ 58	\$ 24,869	\$ -	\$ -	\$ 10,551	\$ 123	\$ -	\$ -	\$ 39,166
Investment purchases payable.....	-	-	-	556	-	-	-	-	-	-	556
Securities lending obligations.....	12,234	19,191	-	14,336	-	-	-	525	-	-	46,286
Due to political subdivisions.....	-	-	24,663	54	212,280	78,765	-	43,059	-	-	358,821
Due to other governments.....	-	11	-	198	-	-	-	-	-	-	209
Self insurance liabilities.....	-	390	-	58	-	-	-	-	-	-	448
Other postemployment benefit obligations	-	257	-	41	-	-	-	-	-	-	298
Other liabilities.....	5,880,085	208,782	-	152,945	-	-	25,731	2,824	305,705	305,248	6,881,320
TOTAL LIABILITIES.....	\$ 5,892,319	\$ 232,196	\$ 24,721	\$ 193,057	\$ 212,280	\$ 78,765	\$ 36,282	\$ 46,531	\$ 305,705	\$ 305,248	\$ 7,327,104

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
STATUTORY LIQUIDATOR FUND				
ASSETS				
Cash with fiscal agents.....	\$ 38,270	\$ 96,968	\$ 104,920	\$ 30,318
Temporary investments.....	96,084	64,805	39,961	120,928
Long-term investments.....	2,760,788	1,983,198	1,869,903	2,874,083
Receivables, net:				
Accounts.....	173,495	33,991	99,584	107,902
Accrued interest.....	13	-	13	-
Other assets.....	2,486,553	277,941	5,406	2,759,088
TOTAL ASSETS	<u>\$ 5,555,203</u>	<u>\$ 2,456,903</u>	<u>\$ 2,119,787</u>	<u>\$ 5,892,319</u>
LIABILITIES				
Securities lending obligations.....	\$ 18,598	\$ 12,234	\$ 18,598	\$ 12,234
Other liabilities.....	5,536,605	5,880,086	5,536,606	5,880,085
TOTAL LIABILITIES	<u>\$ 5,555,203</u>	<u>\$ 5,892,320</u>	<u>\$ 5,555,204</u>	<u>\$ 5,892,319</u>
MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND				
ASSETS				
Cash.....	\$ 1,759	\$ 1,276,021	\$ 1,276,577	\$ 1,203
Temporary investments.....	183,885	292,122	245,055	230,952
Receivables, net:				
Accounts.....	-	48	48	-
Accrued interest.....	-	41	-	41
TOTAL ASSETS	<u>\$ 185,644</u>	<u>\$ 1,568,232</u>	<u>\$ 1,521,680</u>	<u>\$ 232,196</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 1,918	\$ 552,540	\$ 550,893	\$ 3,565
Securities lending obligations.....	39,414	19,191	39,414	19,191
Due to other funds.....	-	26	26	-
Due to political subdivisions.....	-	26	26	-
Due to other governments.....	11	24	24	11
Self insurance liabilities.....	337	390	337	390
Other postemployment benefit obligations.....	-	288	31	257
Other liabilities.....	143,964	65,832	1,014	208,782
TOTAL LIABILITIES	<u>\$ 185,644</u>	<u>\$ 638,317</u>	<u>\$ 591,765</u>	<u>\$ 232,196</u>
ALLEGHENY REGIONAL ASSET DISTRICT SALES AND USE TAX FUND				
ASSETS				
Cash.....	\$ 81	\$ 675,203	\$ 674,958	\$ 326
Temporary investments.....	15,122	157,655	160,076	12,701
Receivables, net:				
Taxes.....	12,851	11,695	12,852	11,694
Accrued interest.....	43	-	43	-
TOTAL ASSETS	<u>\$ 28,097</u>	<u>\$ 844,553</u>	<u>\$ 847,929</u>	<u>\$ 24,721</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 247	\$ 15,811	\$ 16,000	\$ 58
Securities lending obligations.....	1,543	-	1,543	-
Due to political subdivisions.....	26,307	11,694	13,338	24,663
TOTAL LIABILITIES	<u>\$ 28,097</u>	<u>\$ 27,505</u>	<u>\$ 30,881</u>	<u>\$ 24,721</u>

(continued)

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
UNDERGROUND STORAGE TANK				
INDEMNIFICATION FUND				
ASSETS				
Cash.....	\$ 3,213	\$ 695,605	\$ 697,331	\$ 1,487
Temporary investments.....	68,902	149,204	173,552	44,554
Long-term investments.....	84,441	57,833	63,854	78,420
Receivables, net:				
Accounts.....	-	3	3	-
Accrued interest.....	615	552	575	592
Loans.....	554	424	818	160
Investment sale proceeds.....	289	632	577	344
Advances to other funds.....	70,500	5,000	8,000	67,500
TOTAL ASSETS	<u>\$ 228,514</u>	<u>\$ 909,253</u>	<u>\$ 944,710</u>	<u>\$ 193,057</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 25,614	\$ 235,805	\$ 236,550	\$ 24,869
Investment purchases payable.....	1,342	1,898	2,684	556
Securities lending obligations.....	28,337	14,366	28,367	14,336
Due to other funds.....	-	10	10	-
Due to political subdivisions.....	-	499	445	54
Due to other governments.....	216	205	223	198
Self insurance liabilities.....	52	58	52	58
Other postemployment benefit obligations.....	-	46	5	41
Other liabilities.....	172,953	22,926	42,934	152,945
TOTAL LIABILITIES	<u>\$ 228,514</u>	<u>\$ 275,813</u>	<u>\$ 311,270</u>	<u>\$ 193,057</u>
MUNICIPAL PENSION AID FUND				
ASSETS				
Cash.....	\$ -	\$ 1,036,341	\$ 1,036,339	\$ 2
Temporary investments.....	235,100	220,009	242,831	212,278
Receivables, net:				
Accrued interest.....	1,359	-	1,359	-
TOTAL ASSETS	<u>\$ 236,459</u>	<u>\$ 1,256,350</u>	<u>\$ 1,280,529</u>	<u>\$ 212,280</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ -	\$ 769	\$ 769	\$ -
Securities lending obligations.....	23,996	-	23,996	-
Due to political subdivisions.....	212,463	-	183	212,280
TOTAL LIABILITIES	<u>\$ 236,459</u>	<u>\$ 769</u>	<u>\$ 24,948</u>	<u>\$ 212,280</u>
FIRE INSURANCE TAX FUND				
ASSETS				
Cash.....	\$ -	\$ 380,708	\$ 380,707	\$ 1
Temporary investments.....	96,553	78,547	96,336	78,764
Receivables, net:				
Accrued interest.....	348	-	348	-
TOTAL ASSETS	<u>\$ 96,901</u>	<u>\$ 459,255</u>	<u>\$ 477,391</u>	<u>\$ 78,765</u>
LIABILITIES				
Securities lending obligations.....	\$ 9,855	\$ -	\$ 9,855	\$ -
Due to political subdivisions.....	87,046	-	8,281	78,765
TOTAL LIABILITIES	<u>\$ 96,901</u>	<u>\$ -</u>	<u>\$ 18,136</u>	<u>\$ 78,765</u>

(continued)

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
AGENCY CUSTODIAL ACCOUNTS				
ASSETS				
Cash.....	\$ 11,634	\$ 3,160	\$ 2,601	\$ 12,193
Temporary investments.....	18,264	6,362	5,693	18,933
Receivables, net:				
Accounts.....	3,451	952	314	4,089
Other assets.....	884	407	224	1,067
TOTAL ASSETS	<u>\$ 34,233</u>	<u>\$ 10,881</u>	<u>\$ 8,832</u>	<u>\$ 36,282</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 10,843	\$ 37	\$ 329	\$ 10,551
Other liabilities.....	23,390	10,549	8,208	25,731
TOTAL LIABILITIES	<u>\$ 34,233</u>	<u>\$ 10,586</u>	<u>\$ 8,537</u>	<u>\$ 36,282</u>
OTHER FUNDS				
ASSETS				
Cash.....	\$ 143	\$ 3,389,926	\$ 3,389,815	\$ 254
Temporary investments.....	33,207	470,865	473,098	30,974
Receivables, net:				
Taxes.....	15,997	15,364	16,058	15,303
Accrued interest.....	78	3	81	-
TOTAL ASSETS	<u>\$ 49,425</u>	<u>\$ 3,876,158</u>	<u>\$ 3,879,052</u>	<u>\$ 46,531</u>
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 75	\$ 1,119,759	\$ 1,119,711	\$ 123
Securities lending obligations.....	3,792	525	3,792	525
Due to other funds.....	-	322	322	-
Due to political subdivisions.....	42,725	56,923	56,589	43,059
Other liabilities.....	2,833	-	9	2,824
TOTAL LIABILITIES	<u>\$ 49,425</u>	<u>\$ 1,177,529</u>	<u>\$ 1,180,423</u>	<u>\$ 46,531</u>
PENNSYLVANIA LIFE AND HEALTH				
INSURANCE GUARANTY ASSOCIATION*				
ASSETS				
Cash.....	\$ 2,790	\$ 12,793	\$ 11,482	\$ 4,101
Temporary investments.....	297,610	43,494	39,500	301,604
TOTAL ASSETS	<u>\$ 300,400</u>	<u>\$ 56,287</u>	<u>\$ 50,982</u>	<u>\$ 305,705</u>
LIABILITIES				
Other liabilities.....	\$ 300,400	\$ 5,305	\$ -	\$ 305,705
TOTAL LIABILITIES	<u>\$ 300,400</u>	<u>\$ 5,305</u>	<u>\$ -</u>	<u>\$ 305,705</u>

*-Amounts are presented on a calendar year basis.

(continued)

Commonwealth of Pennsylvania

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
PENNSYLVANIA PROPERTY AND CASUALTY INSURANCE GUARANTY ASSOCIATION(1)				
ASSETS				
Cash.....	\$ 13,603	\$ 89,963	\$ 103,566	\$ -
Temporary investments.....	79,113	97,490	77,575	99,028
Receivables, net:				
Other.....	183,970	77,575	55,445	206,100
Other assets.....	127	-	7	120
TOTAL ASSETS	\$ 276,813	\$ 265,028	\$ 236,593	\$ 305,248
LIABILITIES				
Other liabilities.....	\$ 276,813	\$ 70,736	\$ 42,301	\$ 305,248
TOTAL LIABILITIES	\$ 276,813	\$ 70,736	\$ 42,301	\$ 305,248
TOTAL — AGENCY FUNDS(2)				
ASSETS				
Cash.....	\$ 33,223	\$ 7,559,720	\$ 7,573,376	\$ 19,567
Cash with fiscal agents.....	38,270	96,968	104,920	30,318
Temporary investments.....	1,123,840	1,580,553	1,553,677	1,150,716
Long-term investments.....	2,845,229	2,041,031	1,933,757	2,952,503
Receivables, net:				
Taxes.....	28,848	27,059	28,910	26,997
Accounts.....	176,946	34,994	99,949	111,991
Accrued interest.....	2,456	596	2,419	633
Loans.....	554	424	818	160
Investment sale proceeds.....	289	632	577	344
Other.....	183,970	77,575	55,445	206,100
Advances to other funds.....	70,500	5,000	8,000	67,500
Other assets.....	2,487,564	278,348	5,637	2,760,275
TOTAL ASSETS	\$ 6,991,689	\$ 11,702,900	\$ 11,367,485	\$ 7,327,104
LIABILITIES				
Accounts payable and accrued liabilities.....	\$ 38,697	\$ 1,924,721	\$ 1,924,252	\$ 39,166
Investment purchases payable.....	1,342	1,898	2,684	556
Securities lending obligations.....	125,535	46,316	125,565	46,286
Due to other funds.....	-	358	358	-
Due to political subdivisions.....	368,541	69,142	78,862	358,821
Due to other governments.....	227	229	247	209
Self insurance liabilities.....	389	448	389	448
Other postemployment benefit obligations.....	-	334	36	298
Other liabilities.....	6,456,958	6,055,434	5,631,072	6,881,320
TOTAL LIABILITIES	\$ 6,991,689	\$ 8,098,880	\$ 7,763,465	\$ 7,327,104

(1)-Amounts are presented on a calendar year basis.

(2)-Totals include balances for the Pennsylvania Life and Health Insurance Guaranty Association and the Pennsylvania Property and Casualty Insurance Guaranty Association, which are presented on a calendar year basis.

Nonmajor Discretely Presented Component Units



Apple Blossoms
Adams County

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS DESCRIPTION

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable, or other organizations for which the nature and significance of the relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

State Public School Building Authority (SPSBA) — issues limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for school districts. These bonds are repaid solely from lease/loan payments from the schools.

Philadelphia Shipyard Development Corporation (PSDC) — assists the primary government (PG) and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. For the purposes of this report, the PSDC has a December 31, 2008 fiscal year end.

Ben Franklin Technology Development Authority (BFTDA) — promotes economic development through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the BFTDA, also increase Pennsylvania business competitiveness.

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

Pennsylvania Higher Educational Facilities Authority (PHEFA) — issues limited obligation revenue bonds, the proceeds of which are used to finance the construction of facilities for public/private colleges and universities. These bonds are repaid solely from lease/loan payments from the colleges and universities.

Patient Safety Trust Authority (PSTA) — takes steps to reduce and eliminate medical errors by identifying problems and recommending solutions that promote patient safety in hospitals, ambulatory surgical facilities, and birthing centers.

Port of Pittsburgh Commission (PPC) — promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities.

Pennsylvania Industrial Development Authority (PIDA) — collaborates with local industrial development corporations to make loans that help preserve or expand the work force, assist targeted economic areas, or assist specific companies.

Philadelphia Regional Port Authority (PRPA) — operates a port facility and manages port-related activities to promote commerce and economic development in southeastern Pennsylvania.

Commonwealth Financing Authority (CFA) — administers and funds economic stimulus programs.

Thaddeus Stevens College of Technology (College) — presents a financial burden to the PG, as the PG appropriates monies for College operations. The College was financially reported as part of the PG through and including the fiscal year ended June 30, 2003; legislation effective July 1, 2003 made the College a legally separate entity.

There are a total of twenty-two component units; sixteen are discretely presented. The State Employees' Retirement System (SERS) and Public School Employees' Retirement System (PSERS) are reported as Pension Trust Funds in the Statement of Fiduciary Net Assets, while the Pennsylvania Life and Health Insurance Guaranty Association (PLHIGA) and Pennsylvania Property and Casualty Insurance Guaranty Association (PPCIGA) are reported as Agency Funds. The **Pennsylvania Turnpike Commission (PTC)**, **Pennsylvania Housing Finance Agency (PHFA)**, **Pennsylvania Higher Education Assistance Agency (PHEAA)**, **Pennsylvania Infrastructure Investment Authority (PENNVEST)**, and **State System of Higher Education (SSHE)** are reported as major component units. The Pennsylvania Economic Development Financing Authority (PEDFA) and Pennsylvania Energy Development Authority (PEDA) are not reported because their only activities involve conduit debt.

Commonwealth of Pennsylvania
Combining Statement of Net Assets
 Nonmajor Discretely Presented Component Units
 June 30, 2009

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (December 31, 2008)	Ben Franklin Technology Development Authority	Insurance Fraud Prevention Authority	Pennsylvania Higher Educational Facilities Authority
ASSETS					
Current assets:					
Cash.....	\$ -	\$ 4,037	\$ -	\$ 4,939	\$ -
Temporary investments.....	9,705	-	45,234	-	-
Receivables:					
Accounts	32	-	-	24	25
Accrued interest.....	94	-	5	-	-
Loans.....	1,070	-	270	-	-
Lease rentals.....	-	-	-	-	-
Other	-	-	-	-	-
Due from primary government.....	-	-	-	-	-
Due from Federal government.....	-	-	344	-	-
Due from other governments	-	-	-	-	-
Inventory.....	-	-	-	-	-
Prepaid and deferred expenses.....	-	24	-	9	-
Other assets.....	-	-	-	3	-
Total current assets	<u>10,901</u>	<u>4,061</u>	<u>45,853</u>	<u>4,975</u>	<u>25</u>
Noncurrent assets:					
Long-term investments.....	17,680	-	-	-	-
Receivables (net):					
Loans.....	1,927	20,703	34,866	-	-
Lease rentals.....	-	-	-	-	-
Non-depreciable capital assets:					
Land.....	-	161	-	-	-
Construction in progress.....	-	-	-	-	-
Depreciable capital assets:					
Buildings and building improvements.....	-	-	-	-	-
Machinery and equipment.....	374	-	-	80	-
Library books.....	-	-	-	-	-
Other capital assets.....	-	3	-	-	-
Less: accumulated depreciation.....	(292)	-	-	(45)	-
Net depreciable capital assets.....	<u>82</u>	<u>3</u>	<u>-</u>	<u>35</u>	<u>-</u>
Other assets.....	-	-	-	-	-
Total noncurrent assets	<u>19,689</u>	<u>20,867</u>	<u>34,866</u>	<u>35</u>	<u>-</u>
TOTAL ASSETS	<u>30,590</u>	<u>24,928</u>	<u>80,719</u>	<u>5,010</u>	<u>25</u>
LIABILITIES					
Current liabilities:					
Accounts payable and accrued liabilities.....	194	8	4,367	476	25
Securities lending obligations.....	-	-	5,409	-	-
Due to primary government.....	-	-	-	-	-
Due to other governments.....	-	-	-	-	-
Interest payable.....	-	-	-	-	-
Unearned revenue.....	-	-	-	-	-
Notes payable.....	-	-	-	-	-
Revenue bonds payable.....	-	-	-	-	-
Compensated absences.....	33	-	-	-	-
Other liabilities.....	73	-	-	-	-
Total current liabilities.....	<u>300</u>	<u>8</u>	<u>9,776</u>	<u>476</u>	<u>25</u>
Non-current liabilities:					
Notes payable.....	-	20,703	-	-	-
Revenue bond payable.....	-	-	-	-	-
Compensated absences.....	35	-	-	-	-
Other postemployment benefit obligations.....	-	-	-	-	-
Other liabilities.....	683	-	-	-	-
Total non-current liabilities.....	<u>718</u>	<u>20,703</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,018</u>	<u>20,711</u>	<u>9,776</u>	<u>476</u>	<u>25</u>
NET ASSETS					
Invested in capital assets, net of related debt.....	82	161	-	35	-
Restricted for:					
Smoking cessation and other health-related programs.....	-	-	-	-	-
Capital projects.....	-	-	-	-	-
Debt service.....	-	-	-	-	-
Economic development.....	-	4,056	70,943	-	-
Higher Education.....	-	-	-	-	-
Other purposes.....	29,490	-	-	4,499	-
Unrestricted/(Deficit).....	-	-	-	-	-
TOTAL NET ASSETS	<u>\$ 29,572</u>	<u>\$ 4,217</u>	<u>\$ 70,943</u>	<u>\$ 4,534</u>	<u>\$ -</u>

Patient Safety Trust Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Philadelphia Regional Port Authority	Commonwealth Financing Authority	Thaddeus Stevens College of Technology	Total
\$ -	\$ -	\$ 1,396	\$ 40,257	\$ 466,995	\$ 3,749	\$ 521,373
2,109	4,651	180,282	-	-	-	241,981
-	38	-	634	-	176	929
-	8	1,899	-	531	-	2,537
-	56	49,717	-	8,092	-	59,205
-	-	3,786	672	-	-	4,458
-	-	-	16	-	538	554
2,895	-	-	-	-	-	2,895
-	-	-	-	-	-	344
-	-	-	48	-	-	48
-	-	-	-	-	631	631
-	4	-	1,199	-	55	1,291
-	-	-	-	8,283	-	8,286
5,004	4,757	237,080	42,826	483,901	5,149	844,532
-	-	13,500	-	-	233	31,413
-	95	420,281	-	239,788	-	717,660
-	-	1,427	-	-	-	1,427
-	-	-	40,193	-	-	40,354
-	-	-	52,747	-	-	52,747
-	-	-	161,135	-	911	162,046
-	2,149	-	38,916	-	3,874	45,393
-	-	-	-	-	507	507
-	-	-	-	-	337	340
-	(831)	-	(114,471)	-	(3,728)	(119,367)
-	1,318	-	85,580	-	1,901	88,919
-	-	3,489	11,176	-	366	15,031
-	1,413	438,697	189,696	239,788	2,500	947,551
5,004	6,170	675,777	232,522	723,689	7,649	1,792,083
1,075	56	3,575	8,136	-	1,420	19,332
340	-	-	-	-	-	5,749
18	4	-	27	442	-	491
2	-	-	-	-	-	2
-	-	10,409	-	3,415	-	13,824
-	-	-	24,946	-	107	25,053
-	-	-	393	-	-	393
-	-	22,500	2,745	26,645	-	51,890
-	-	-	89	-	312	434
-	-	-	8	-	355	436
1,435	60	36,484	36,344	30,502	2,194	117,604
-	-	-	1,627	-	-	22,330
-	2,000	377,511	38,460	773,952	-	1,191,923
-	49	-	649	-	1,491	2,224
-	-	-	1,123	-	-	1,123
-	-	-	265	-	202	1,150
-	2,049	377,511	42,124	773,952	1,693	1,218,750
1,435	2,109	413,995	78,468	804,454	3,887	1,336,354
-	(706)	-	146,652	-	1,901	148,125
3,569	-	-	-	-	-	3,569
-	-	-	792	-	-	792
-	-	-	4,345	-	-	4,345
-	4,767	-	2,210	-	-	81,976
-	-	-	-	-	1,861	1,861
-	-	-	55	-	-	34,044
-	-	261,782	-	(80,765)	-	181,017
\$ 3,569	\$ 4,061	\$ 261,782	\$ 154,054	\$ (80,765)	\$ 3,762	\$ 455,729

Commonwealth of Pennsylvania
Combining Statement of Activities
 Nonmajor Discretely Presented Component Units
 For the Fiscal Year Ended June 30, 2009

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (December 31, 2008)	Ben Franklin Technology Development Authority	Insurance Fraud Prevention Authority	Pennsylvania Higher Educational Facilities Authority
Expenses.....	\$ 2,543	\$ 596	\$ 49,224	\$ 10,607	\$ 1,251
Program revenues:					
Charges for goods and services.....	1,331	-	444	11,215	1,251
Operating grants and contributions.....	439	96	47,898	(259)	-
Capital grants and contributions.....	-	-	-	-	-
Total program revenues.....	1,770	96	48,342	10,956	1,251
Net (expense) revenue.....	(773)	(500)	(882)	349	-
Change in net assets.....	(773)	(500)	(882)	349	-
Net assets, July 1, 2008 (restated).....	30,345	4,717	71,825	4,185	-
Net assets, June 30, 2009.....	\$ 29,572	\$ 4,217	\$ 70,943	\$ 4,534	\$ -

Patient Safety Trust Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Philadelphia Regional Port Authority	Commonwealth Financing Authority	Thaddeus Stevens College of Technology	Total
\$ 4,461	\$ 1,021	\$ 21,565	\$ 28,659	\$ 58,562	\$ 16,335	\$ 194,824
3,186	68	17,933	7,070	4,259	4,812	51,569
544	1,412	1,750	18,516	71,287	11,569	153,252
-	-	-	67,043	-	-	67,043
<u>3,730</u>	<u>1,480</u>	<u>19,683</u>	<u>92,629</u>	<u>75,546</u>	<u>16,381</u>	<u>271,864</u>
(731)	459	(1,882)	63,970	16,984	46	77,040
(731)	459	(1,882)	63,970	16,984	46	77,040
4,300	3,602	263,664	90,084	(97,749)	3,716	378,689
<u>\$ 3,569</u>	<u>\$ 4,061</u>	<u>\$ 261,782</u>	<u>\$ 154,054</u>	<u>\$ (80,765)</u>	<u>\$ 3,762</u>	<u>\$ 455,729</u>

Statistical Section



Governor's Residence Dauphin County

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Commonwealth of Pennsylvania

Financial Trends

Table 1

Net Assets by Component

For the Last Eight Fiscal Years As of June 30

(Accrual basis of accounting—amounts in thousands)	(Restated) 2002	2003	2004	2005	2006	2007	2008 (4)	2009 (4)
GOVERNMENTAL ACTIVITIES (1)								
Invested in capital assets, net of related debt.....	\$14,806,435	\$ 16,106,064	\$16,944,913	\$18,258,125	\$19,068,573	\$20,015,677	\$21,482,118	\$22,821,832
Restricted for:								
Smoking cessation and other health-related programs (2)...	N/A	N/A	N/A	1,215,291	1,320,703	1,454,502	1,410,932	1,291,318
Transportation.....	605,606	553,212	775,900	990,743	1,578,753	1,266,928	1,520,801	1,342,189
Capital projects.....	3,937	301,628	245,926	173,790	196,301	213,556	-	-
Debt service.....	-	32,685	61,029	83,885	8,118	20,474	27,458	16,834
Unemployment/worker's compensation.....	141,678	48,847	-	-	29,754	104,579	120,181	125,515
Elderly programs.....	1,434	111,659	90,713	92,531	32,327	10,808	38,264	62,183
Environmental and conservation programs.....	480,182	445,350	430,071	420,600	435,976	473,210	457,726	529,274
Economic development (2)(3).....	N/A	N/A	N/A	N/A	18,171	16,217	22,530	23,576
Gaming licensing/regulation (2).....	N/A	N/A	N/A	N/A	2,128	299,396	947,145	917,466
Correctional industries and procurement (2).....	N/A	N/A	N/A	N/A	133,934	30,348	46,541	37,701
Emergency support (2).....	N/A	N/A	N/A	N/A	56,543	60,917	58,063	57,324
Higher education (2).....	N/A	N/A	N/A	N/A	N/A	N/A	7,023	8,985
Other purposes (2).....	384,027	1,003,117	1,366,072	303,409	82,770	87,077	88,580	58,842
Unrestricted (deficit).....	1,312,334	(603,472)	(228,981)	(739,160)	(372,089)	343,162	(648,689)	(4,053,146)
TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS...	17,735,633	17,999,090	19,685,643	20,799,214	22,591,962	24,396,851	25,578,673	23,239,893
BUSINESS-TYPE ACTIVITIES								
Invested in capital assets, net of related debt.....	30,426	42,421	45,927	46,567	82,694	56,010	72,668	78,561
Restricted for:								
Smoking cessation and other health-related programs (2)...	N/A	N/A	N/A	-	4,814	2,413	1,942	1,059
Transportation.....	30,336	31,742	33,227	50,433	52,960	58,085	103,274	103,652
Unemployment/worker's compensation.....	2,836,069	1,960,499	1,506,877	1,808,170	2,397,720	2,547,726	2,378,092	342,098
Elderly programs.....	180,814	142,284	158,343	291,329	325,925	340,836	124,351	-
Economic development (2)(3).....	N/A	N/A	N/A	N/A	212,792	288,246	299,924	283,012
Emergency support (2).....	N/A	N/A	N/A	N/A	126,505	129,546	132,837	134,685
Other purposes (2).....	422,971	361,993	403,527	450,961	152,629	165,168	126,799	76,573
Unrestricted (deficit).....	(26,005)	(71,756)	(47,849)	(43,812)	-	-	(73,973)	(403,122)
TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS....	3,474,611	2,467,183	2,100,052	2,603,648	3,356,039	3,588,030	3,165,914	616,518

Commonwealth of Pennsylvania

Financial Trends

Table 1

Net Assets by Component

For the Last Eight Fiscal Years As of June 30

(Accrual basis of accounting—amounts in thousands)	(Restated) 2002	2003	2004	2005	2006	2007	2008 (4)	2009 (4)
PRIMARY GOVERNMENT								
Invested in capital assets, net of related debt.....	14,836,861	16,148,485	16,990,840	18,304,692	19,151,267	20,071,687	21,554,786	22,900,393
Restricted for:								
Smoking cessation and other health-related programs (2)...	N/A	N/A	N/A	1,215,291	1,325,517	1,456,915	1,412,874	1,292,377
Transportation.....	635,942	584,954	809,127	1,041,176	1,631,713	1,325,013	1,624,075	1,445,841
Capital projects.....	3,937	301,628	245,926	173,790	196,301	213,556	-	-
Debt service.....	-	32,685	61,029	83,885	8,118	20,474	27,458	16,834
Unemployment/worker's compensation.....	2,977,747	2,009,346	1,506,877	1,808,170	2,427,474	2,652,305	2,498,273	467,613
Elderly programs.....	182,248	253,943	249,056	383,860	358,252	351,644	162,615	62,183
Environmental and conservation programs.....	480,182	445,350	430,071	420,600	435,976	473,210	457,726	529,274
Economic development (2)(3).....	N/A	N/A	N/A	N/A	230,963	304,463	322,454	306,588
Gaming licensing/regulation (2).....	N/A	N/A	N/A	N/A	2,128	299,396	947,145	917,466
Correctional industries and procurement (2).....	N/A	N/A	N/A	N/A	133,934	30,348	46,541	37,701
Emergency support (2).....	N/A	N/A	N/A	N/A	183,048	190,463	190,900	192,009
Higher education (2).....	N/A	N/A	N/A	N/A	N/A	N/A	7,023	8,985
Other purposes (2).....	806,998	1,365,110	1,769,599	754,370	235,399	252,245	215,379	135,415
Unrestricted (deficit).....	1,286,329	(675,228)	(276,830)	(782,972)	(372,089)	343,162	(722,662)	(4,456,268)
TOTAL PRIMARY GOVERNMENT NET ASSETS.....	\$21,210,244	\$ 20,466,273	\$21,785,695	\$23,402,862	\$25,948,001	\$27,984,881	\$28,744,587	\$23,856,411

Source: Statement of Net Assets, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

Notes:

(1)-This schedule presents information beginning with the 2002 fiscal year, when the Commonwealth implemented GASB Statement 34.

(2)-Since implementation of GASB Statement 34, additional restricted net asset categories have been created to provide a more refined description of the restrictions. These restrictions were not applied retroactively and are marked with N/A in the years prior to the creation of the new restricted net asset category. These new categories were created either for new funds or funds previously reported in the "Other purposes" category. The "Gaming licensing/regulation" category was created for a new fund, the Gaming Fund, a governmental fund type, in the 2006 fiscal year. The most significant fund previously reported in the "Other purposes" category that is now being reported in a new classification is the Tobacco Settlement Fund, a major governmental fund type, which beginning with the 2005 fiscal year is now being reported in the "Smoking cessation and other health-related programs" category. Other notable funds being reported in new categories are the Internal Service funds-reported in the "Correctional industries and procurement" category; Machinery and Equipment Loan Fund and Small Business First Fund (both Proprietary fund types)-reported in the "Economic development" category; the Volunteer Companies Loan Fund (a Proprietary fund type)-reported in the "Emergency support" category; and the Educational Assistance Program Fund (a Special Revenue fund type)-reported in the "Higher education" category.

(3)-In previous CAFRs, this restricted net asset category was reported as "Economic stimulus". To avoid confusion with any current or future federal economic stimulus grants, the category's name has been changed to "Economic development".

(4)-In the June 30, 2009 CAFR, the beginning net assets balance for Governmental Activities was restated and decreased by \$273,654 as of July 1, 2008. Therefore, the ending net assets balance (for both Governmental and Total Primary Government Net Assets) shown in this table as of June 30, 2008 plus the change in net assets shown in Table 2 for the June 30, 2009 fiscal year will differ from the ending net assets balance (for both Governmental and Total Primary Government Net Assets) shown in this table as of June 30, 2009. Note B in the Notes to the Financial Statements in the June 30, 2009 CAFR provides additional details on this restatement.

Commonwealth of Pennsylvania

Financial Trends

Table 2

Changes in Net Assets

For the Last Eight Fiscal Years Ended June 30

(Accrual basis of accounting—amounts in thousands)

	(Restated) 2002	2003	2004	2005	2006	2007	2008	2009
GOVERNMENTAL ACTIVITIES (1):								
Expenses:								
Direction and supportive services.....	\$ 1,262,359	\$ 1,024,071	\$ 2,034,883	\$ 2,229,850	\$ 2,162,552	\$ 1,208,409	\$ 1,479,962	\$ 1,492,541
Protection of persons and property	3,758,867	3,921,413	3,873,972	4,244,332	4,439,794	4,487,633	4,922,684	5,480,770
Public education.....	9,642,272	10,219,211	10,571,307	11,428,452	11,816,608	12,464,663	13,107,648	14,045,890
Health and human services.....	18,893,434	20,454,323	21,750,153	24,166,791	24,139,762	24,264,933	25,215,388	26,615,566
Economic development.....	1,416,557	1,455,272	1,340,015	1,314,636	1,409,506	1,738,172	1,720,992	1,614,214
Transportation.....	2,581,898	2,998,824	3,164,086	3,261,642	3,229,351	3,922,517	4,182,916	4,278,022
Recreation and cultural enrichment.....	481,948	435,864	394,273	448,585	520,330	569,510	571,009	602,365
Interest.....	344,482	370,284	341,455	296,267	337,142	344,557	371,249	382,065
Total expenses.....	38,381,817	40,879,262	43,470,144	47,390,555	48,055,045	49,000,394	51,571,848	54,511,433
Program revenues:								
Charges for sales and services:								
Direction and supportive services.....	393,856	347,910	1,097,730	1,377,293	991,541	143,290	143,933	74,320
Protection of persons and property	373,329	627,529	925,502	831,785	1,080,708	1,309,256	1,214,038	1,083,889
Public education.....	6,043	-	3,514	1,702	13,161	14,793	17,641	15,756
Health and human services.....	2,095,669	2,049,640	1,297,338	2,871,487	1,913,377	1,730,965	1,800,212	1,559,638
Economic development.....	145,119	142,914	1,011	11,028	16,373	12,277	11,379	15,553
Transportation.....	956,406	914,129	1,008,886	1,029,406	949,533	952,866	945,536	944,486
Recreation and cultural enrichment.....	188,829	143,221	138,750	153,641	166,750	162,168	162,013	312,287
Operating grants and contributions.....	13,122,608	14,574,283	16,556,717	16,773,012	16,532,924	17,229,000	17,936,693	20,370,216
Capital grants and contributions.....	125,502	136,140	30,473	14,944	55,761	23,495	4,610	47,320
Total program revenues.....	17,407,361	18,935,766	21,059,921	23,064,298	21,720,128	21,578,110	22,236,055	24,423,465
Total governmental activities net program revenues/(expenses).....	(20,974,456)	(21,943,496)	(22,410,223)	(24,326,257)	(26,334,917)	(27,422,284)	(29,335,793)	(30,087,968)
General revenues and other changes in net assets:								
General revenues:								
Taxes:								
Personal income.....	6,713,861	6,691,957	7,352,877	8,312,440	9,093,338	9,951,585	10,438,976	9,553,538
Sales and use.....	7,419,373	7,511,233	7,654,405	7,917,396	8,381,262	8,629,815	8,779,768	8,417,292
Corporation.....	3,160,714	3,418,599	4,004,112	4,400,995	5,074,730	4,985,031	5,157,589	4,209,705
Liquid fuels and motor carriers.....	1,696,418	1,666,795	1,723,816	1,863,223	2,033,227	2,072,442	2,024,045	1,975,678
Gaming (2).....	N/A	N/A	N/A	N/A	N/A	251,059	769,064	999,247
Inheritance (3).....	N/A	634,365	726,605	668,992	793,279	716,788	802,865	733,405
Cigarette (3).....	N/A	N/A	933,973	811,578	1,033,099	983,580	1,026,125	1,000,987
Real estate (3).....	N/A	N/A	N/A	N/A	646,870	583,991	500,786	348,003
Other (3).....	1,642,731	1,616,368	893,589	992,343	418,110	475,197	592,744	492,420
Total taxes.....	20,633,097	21,539,317	23,289,377	24,966,967	27,473,915	28,649,488	30,091,962	27,730,275
Investment income.....	15,394	115,829	199,151	131,629	188,750	320,342	128,722	(137,831)
Total general revenues.....	20,648,491	21,655,146	23,488,528	25,098,596	27,662,665	28,969,830	30,220,684	27,592,444
Special item-revenues from component unit.....	256,206	-	-	-	-	-	-	-
Transfers from business-type activities.....	481,022	551,807	422,786	341,232	465,000	257,343	296,931	430,398
Net general revenues, special items and transfers.....	21,385,719	22,206,953	23,911,314	25,439,828	28,127,665	29,227,173	30,517,615	28,022,842
Total governmental activities change in net assets.....	\$ 411,263	\$ 263,457	\$ 1,501,091	\$ 1,113,571	\$ 1,792,748	\$ 1,804,889	\$ 1,181,822	\$ (2,065,126)

Commonwealth of Pennsylvania

Financial Trends

Table 2

Changes in Net Assets

For the Last Eight Fiscal Years Ended June 30

(Accrual basis of accounting—amounts in thousands)

	(Restated) 2002	2003	2004	2005	2006	2007	2008	2009
BUSINESS-TYPE ACTIVITIES								
Expenses								
State lottery.....	\$ 1,682,675	\$ 1,827,306	\$ 2,051,646	\$ 2,298,417	\$ 2,704,265	\$ 3,100,523	\$ 3,157,593	\$ 3,173,322
State workers' insurance.....	174,929	225,483	435,429	449,880	412,104	553,512	616,256	388,424
Tuition payment.....	191,188	288,118	293,737	192,802	138,275	267,941	224,791	100,028
Unemployment compensation.....	2,819,878	3,470,257	2,563,318	1,774,676	1,998,613	2,074,382	2,289,977	6,250,213
Liquor control.....	907,261	954,763	1,024,365	1,088,875	1,178,434	1,277,871	1,318,503	1,437,168
Economic development and other.....	16,820	12,663	13,980	16,456	18,433	14,470	3,148	14,171
Total expenses.....	5,792,751	6,778,590	6,382,475	5,821,106	6,450,124	7,288,699	7,610,268	11,363,326
Program revenues								
Charges for sales and services:								
State lottery.....	1,955,820	2,103,644	2,349,644	2,644,407	3,047,978	3,076,013	3,100,962	3,088,231
State workers' insurance.....	149,688	180,664	266,551	355,883	427,970	374,088	384,301	291,677
Tuition payment.....	151,149	234,460	206,739	141,817	113,831	151,121	138,361	153,892
Unemployment compensation.....	1,862,530	1,532,213	1,628,215	1,961,085	2,373,163	2,172,900	2,061,780	2,423,125
Liquor control.....	975,300	1,025,813	1,121,853	1,183,667	1,272,101	1,364,524	1,428,638	1,507,512
Economic development and other.....	24,031	15,878	21,467	17,201	17,585	20,068	20,149	19,067
Operating grants and contributions.....	463,554	1,223,591	840,763	361,874	414,887	619,319	350,892	1,760,824
Capital grants and contributions.....	-	6,706	1,121	-	-	-	-	-
Total program revenues.....	5,582,072	6,322,969	6,436,353	6,665,934	7,667,515	7,778,033	7,485,083	9,244,328
Total business-type activities net program revenues/(expenses).....	(210,679)	(455,621)	53,878	844,828	1,217,391	489,334	(125,185)	(2,118,998)
Other changes in net assets								
Transfers to governmental activities.....	(481,022)	(551,807)	(422,786)	(341,232)	(465,000)	(257,343)	(296,931)	(430,398)
Total business-type activities change in net assets.....	(691,701)	(1,007,428)	(368,908)	503,596	752,391	231,991	(422,116)	(2,549,396)
Total primary government change in net assets.....	\$ (280,438)	\$ (743,971)	\$ 1,132,183	\$ 1,617,167	\$ 2,545,139	\$ 2,036,880	\$ 759,706	\$ (4,614,522)

Source: Statement of Activities, as presented in the Commonwealth's Comprehensive Annual Financial Report for the applicable fiscal year.**Notes:**

(1)-This schedule presents information beginning with the 2002 fiscal year, when the Commonwealth implemented GASB Statement 34.

(2)-During the 2007 fiscal year, the first licensed gaming facilities opened and the resulting taxes from their activities were reported in the Gaming Fund, a special revenue fund.

(3)-Since implementation of GASB Statement 34, additional captions were created in the Statement of Activities to provide a more refined description of the Commonwealth's taxes. With the original implementation, inheritance, cigarette and real estate taxes were reported within the "Other" taxes category. Beginning with the 2003 fiscal year, inheritance taxes were reported separately; in the 2004 fiscal year, cigarette taxes were reported separately; and in the 2006 fiscal year, real estate taxes were reported separately. These captions are marked with N/A in the fiscal years prior to when the particular tax was reported separate from the "Other" taxes category.

Commonwealth of Pennsylvania

Financial Trends

Table 3
Governmental Fund Type Fund Balances
For the Last Ten Fiscal Years As of June 30

	2000	2001	(Restated) 2002 (1)	2003	2004	2005	2006	2007	2008 (3)	2009 (3)
GENERAL FUND										
Reserved for:										
Encumbrances.....	\$ 397,827	\$ 426,956	\$ 479,314	\$ 341,881	\$ 259,178	\$ 617,861	\$ 709,115	\$ 570,027	\$ 568,678	\$ 785,864
Advances.....	20,808	52,808	29,111	114,108	114,108	114,108	114,108	114,108	114,108	139,108
Loans receivable.....	-	-	-	9,470	6,283	4,496	10,953	11,113	8,358	9,924
Tax Stabilization/Budget Stabilization Reserve (2).....	1,104,954	1,093,213	-	-	-	70,303	171,362	538,764	745,949	745,949
Other.....	362,027	308,125	286,711	307,974	501,901	621,004	454,639	844,229	1,148,218	1,375,432
Unreserved:										
Designated for:										
Budget Stabilization Reserve Fund.....	-	-	300,000	-	70,303	-	-	-	-	-
Other.....	677,897	1,079,047	323,884	269,775	421,415	514,174	719,414	923,966	379,169	-
Undesignated.....	1,700,128	1,524,846	1,603,822	1,314,505	1,633,326	927,163	789,958	368,659	9,621	(2,541,099)
TOTAL GENERAL FUND.....	4,263,641	4,484,995	3,022,842	2,357,713	3,006,514	2,869,109	2,969,549	3,370,866	2,974,101	515,178
ALL OTHER GOVERNMENTAL FUNDS										
Reserved for:										
Encumbrances.....	1,233,014	1,220,710	1,336,227	1,168,535	1,444,875	1,454,129	1,630,382	1,927,151	2,057,615	2,085,395
Advances.....	3,000	3,000	3,000	3,000	223,000	210,000	3,000	3,000	3,000	3,000
Loans receivable.....	68,834	56,264	39,963	38,186	39,804	32,065	32,684	39,859	73,628	83,100
Other.....	38,020	38,050	407,029	445,411	560,284	817,668	857,253	1,329,707	940,263	916,713
Unreserved:										
Designated for, reported in:										
Highways.....	250,743	182,670	175,249	215,946	209,647	218,885	203,118	235,730	689,288	700,018
Special Revenue funds.....	264	264	12	-	-	4,355	4,528	11,268	9,341	8,666
Debt Service funds.....	409,762	152,085	21,887	32,685	61,029	83,885	8,118	20,474	27,458	16,834
Capital Projects funds.....	86,644	79,867	79,286	54,026	96,787	133,024	131,026	65,455	54,631	33,527
Unreserved: Undesignated, reported in:										
Special Revenue funds.....	992,985	970,427	1,791,400	1,703,534	1,520,236	1,631,980	2,412,047	1,971,829	2,630,277	2,448,383
Debt Service funds (deficit).....	(53)	(8)	(3,782)	-	-	-	-	-	-	-
Capital Projects funds (deficit).....	(710,378)	(668,091)	(494,795)	(398,644)	(368,295)	(473,110)	(601,823)	(449,622)	(629,686)	(721,365)
TOTAL ALL OTHER GOVERNMENTAL FUNDS.....	\$ 2,372,835	\$ 2,035,238	\$ 3,355,476	\$ 3,262,679	\$ 3,787,367	\$ 4,112,881	\$ 4,680,333	\$ 5,154,851	\$ 5,855,815	\$ 5,574,271

Source: The Commonwealth's Comprehensive Annual Financial Report, as presented for the applicable fiscal year. For fiscal years 2000-2001, the information can be found in the Combined Balance Sheet-All Fund Types, Account Groups and Discretely Presented Component Units statement. Beginning with the 2002 fiscal year, the information can be found in the Balance Sheet-Governmental Funds statement.

Notes:

(1)-Beginning with the 2002 fiscal year, the Commonwealth implemented GASB Statement 34. As a result, two funds (State Lottery Fund and Historical Preservation Fund) were reclassified from the Special Revenue governmental fund type classification to a Proprietary fund type classification. Two additional funds (Workmen's Compensation Security Trust Fund and Catastrophic Loss Trust Fund) were reclassified from an Expendable Trust fund type classification to a Special Revenue governmental fund type classification.

(2)-The Tax Stabilization Fund was abolished and its last year of existence was the 2001 fiscal year. In the 2002 fiscal year, the new Budget Stabilization Reserve Fund was created by Act 91 of 2002. The reservations for both funds are reported on the same line because they are considered to be the Commonwealth's Rainy Day Fund within the General Fund. Note A in the Notes to the Financial Statements provides additional details.

(3)-In the June 30, 2009 CAFR, the beginning fund balance for the Motor License fund (a governmental fund type) was restated and increased by \$30,059 as of July 1, 2008. Therefore, the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2008 plus the change in net assets shown in Table 4 for the June 30, 2009 fiscal year will differ from the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2009. Note B in the Notes to the Financial Statements in the June 30, 2009 CAFR provides additional details on this restatement.

Commonwealth of Pennsylvania

Financial Trends

Table 4

Revenues by Source and Expenditures by Function-All Governmental Fund Types
For the Last Ten Fiscal Years Ended June 30

(Modified accrual basis of accounting-amounts in thousands)

	2000	2001	(Restated) 2002 (1)	2003	2004	2005	2006	2007	2008	2009
REVENUES BY SOURCE										
Taxes, net of refunds.....	\$ 20,956,743	\$ 21,232,196	\$ 20,636,762	\$ 21,469,170	\$ 23,237,117	\$ 24,973,125	\$ 27,117,823	\$ 28,548,280	\$ 29,909,880	\$ 27,773,110
Licenses and fees.....	1,143,789	1,172,372	1,246,232	1,350,016	1,475,948	1,568,659	1,611,868	1,954,788	1,913,154	1,674,804
Intergovernmental.....	11,093,738	12,086,372	13,259,463	14,575,716	16,379,096	16,585,336	16,347,975	16,891,212	17,911,839	20,619,848
Charges for sales and services.....	2,489,196	2,388,536	2,535,775	2,019,842	2,068,019	4,027,745	2,970,585	1,598,564	1,641,937	1,597,751
Investment income.....	396,499	307,202	29,615	249,791	402,132	322,199	425,356	769,820	166,522	(306,524)
Lottery receipts (2).....	1,695,371	1,788,333	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other (3).....	656,086	539,830	755,226	837,918	957,494	552,422	576,180	607,201	752,308	715,425
TOTAL REVENUES	38,431,422	39,514,841	38,463,073	40,502,453	44,519,806	48,029,486	49,049,787	50,369,865	52,295,640	52,074,414
EXPENDITURES BY FUNCTION										
Direction and supportive services	2,817,426	3,292,188	968,563	914,794	1,538,729	2,134,421	2,337,112	1,104,793	1,385,760	1,375,399
Protection of persons and property.....	2,933,612	3,044,074	3,876,449	3,882,843	3,886,666	3,892,572	4,410,969	4,621,119	4,861,363	5,169,377
Health and human services.....	16,486,542	17,483,315	18,990,802	20,510,849	21,689,392	24,118,288	24,103,077	24,293,011	25,141,836	26,549,790
Public education.....	8,283,144	8,677,284	8,814,273	10,198,076	10,529,504	11,400,985	11,731,884	12,439,920	13,076,308	14,019,470
Recreation and cultural enrichment.....	510,732	568,757	480,245	471,920	382,179	442,783	447,264	544,117	557,387	570,177
Economic development.....	539,068	745,143	1,245,292	1,507,584	1,334,071	1,310,093	1,413,995	1,736,388	1,721,634	1,605,513
Transportation.....	3,679,188	4,065,124	4,003,291	3,935,785	2,310,434	2,607,793	2,448,165	3,089,544	3,292,279	3,321,647
Capital outlay.....	586,801	655,248	694,219	407,080	2,008,141	1,805,913	2,082,644	2,121,632	2,273,290	2,812,788
Debt service:										
Principal retirement.....	479,350	477,001	479,395	998,396	455,890	478,112	492,355	521,773	555,337	598,850
Interest and fiscal charges.....	277,044	281,590	278,428	313,681	311,686	320,887	348,418	361,088	388,722	402,653
TOTAL EXPENDITURES	36,592,907	39,289,724	39,830,957	43,141,008	44,446,692	48,511,847	49,815,883	50,833,385	53,253,916	56,425,664
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,838,515	225,117	(1,367,884)	(2,638,555)	73,114	(482,361)	(766,096)	(463,520)	(958,276)	(4,351,250)
OTHER FINANCING SOURCES/(USES)										
Bonds issued.....	590,731	663,919	1,042,813	1,324,167	625,247	401,816	914,000	1,008,104	913,119	1,064,103
Refunding bonds issued.....	-	-	376,854	837,991	459,223	1,468,439	-	250,557	194,471	155,642
Premium on bonds/refunding bonds issued.....	-	-	-	-	88,006	197,291	54,420	58,166	61,277	88,921
Discount on bonds issued.....	-	-	-	-	-	-	-	(157)	-	-
Transfers in.....	1,372,501	1,097,698	2,272,414	1,729,539	1,337,090	1,276,443	1,408,351	1,463,620	1,614,938	1,693,343
Transfers out.....	(1,320,181)	(1,056,533)	(1,791,392)	(1,177,733)	(914,304)	(1,035,211)	(943,351)	(1,188,779)	(1,318,226)	(1,257,945)
Transfers from component units (4).....	-	-	256,206	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Transfers to component units (4).....	(833,976)	(877,609)	(1,079,197)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Payment to refunded bond escrow agent.....	-	-	(376,854)	(837,991)	(511,884)	(1,639,510)	-	(253,892)	(203,633)	(166,978)
Capital lease and installment purchase obligations.....	14,556	6,607	5,767	4,656	1,535	1,202	568	1,736	529	3,638
TOTAL OTHER FINANCING SOURCES/(USES)	(176,369)	(165,918)	706,611	1,880,629	1,084,913	670,470	1,433,988	1,339,355	1,262,475	1,580,724
NET CHANGE IN FUND BALANCES	\$ 1,662,146	\$ 59,199	\$ (661,273)	\$ (757,926)	\$ 1,158,027	\$ 188,109	\$ 667,892	\$ 875,835	\$ 304,199	\$ (2,770,526)
Debt Service as a Percentage of Noncapital Expenditures (5).....	2.10%	1.96%	1.94%	3.07%	1.81%	1.71%	1.76%	1.81%	1.85%	1.87%

Source: The Commonwealth's Comprehensive Annual Financial Report, as presented for the applicable fiscal year. For fiscal years 2000-2001, the information can be found in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance statement. Beginning with the 2002 fiscal year, the information can be found in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds statement.

Notes:

- (1)-Beginning with the 2002 fiscal year, the Commonwealth implemented GASB Statement 34. As a result, two funds (State Lottery Fund and Historical Preservation Fund) were reclassified from the Special Revenue governmental fund type classification to a Proprietary fund type classification. Two additional funds (Workmen's Compensation Security Trust Fund and Catastrophic Loss Trust Fund) were reclassified from an Expendable Trust fund type classification to a Special Revenue governmental fund type classification.
- (2)-The change in the State Lottery fund type classification was not retroactively applied, thus the lottery receipts are reported in the Governmental Fund Types through the 2001 fiscal year. Subsequent years after the reclassification are marked with an N/A.
- (3)-Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.
- (4)-With the implementation of GASB Statement 34, the Commonwealth was required to begin reporting transfers from and to component units as ordinary revenues and expenditures. These changes were made to the Commonwealth's accounting system beginning with the 2003 fiscal year and were not retroactively applied. Subsequent fiscal years are marked with a N/A.
- (5)-Ratio is calculated as Principal Retirement plus Interest and Fiscal Charges divided by Total Expenditures less Capital Outlay. There are no expenditures for capitalized assets contained within the functional expenditure categories.

Commonwealth of Pennsylvania
Revenue Capacity-Personal Income Tax

Table 5
 Personal Income by Industry
 For the Last Ten Calendar Years

(Amounts in millions)	1999(1)	2000(1)	2001(1)	2002(1)	2003(1)	2004(1)	2005(1)	2006(1)	2007(1)	2008
TOTAL PERSONAL INCOME BY INDUSTRY (2)										
Workplace Earnings:										
Farm Earnings	\$ 814	\$ 1,097	\$ 997	\$ 622	\$ 1,213	\$ 1,484	\$ 1,342	\$ 1,053	\$ 1,250	\$ 1,103
Nonfarm Earnings:										
Private earnings:										
Forestry, fishing/hunting, agriculture.....	372	424	461	415	394	403	414	438	428	452
Mining.....	1,283	1,275	1,530	1,342	1,455	1,714	1,911	2,250	2,067	2,352
Utilities.....	2,615	2,816	3,019	3,138	2,972	2,853	2,750	2,901	3,007	3,146
Construction.....	16,812	16,989	18,231	18,604	19,788	21,040	22,044	23,206	23,252	21,627
Manufacturing.....	43,117	45,273	43,431	42,928	41,835	42,107	42,627	44,190	44,528	45,105
Wholesale trade.....	12,219	12,966	13,378	13,739	14,448	15,683	16,645	17,850	18,929	19,532
Retail trade.....	18,624	18,775	19,555	19,927	20,904	21,068	21,624	21,908	22,189	22,276
Transportation and warehousing.....	9,565	10,246	10,903	10,917	11,223	12,023	12,408	12,777	13,304	13,562
Broadcasting/publishing/internet technology.....	7,443	8,189	8,500	8,124	8,619	8,754	8,942	9,356	9,726	9,867
Finance and insurance.....	16,737	18,344	18,929	19,772	20,558	21,890	22,793	24,440	25,224	25,814
Real estate and rental and leasing.....	5,177	6,382	5,751	5,815	6,173	6,405	6,219	6,082	5,503	5,328
Professional and technical services.....	22,176	23,676	24,643	24,927	25,565	27,621	29,437	31,852	33,995	35,576
Management of companies and enterprises.....	4,529	4,295	5,044	5,445	7,098	8,034	9,355	10,590	12,886	13,164
Administrative services.....	8,013	8,623	9,009	9,307	9,221	9,954	10,399	10,958	11,627	11,783
Educational services.....	6,084	6,477	6,871	7,575	7,959	8,546	8,876	9,425	9,923	10,574
Health care and social assistance.....	29,690	30,880	31,972	34,514	36,633	39,563	40,772	43,386	45,478	48,176
Arts, entertainment, and recreation.....	2,322	2,486	2,486	2,658	2,924	3,021	3,071	3,288	3,387	3,646
Accommodation and food services.....	6,203	6,605	6,806	7,143	7,311	7,658	7,883	8,065	8,683	8,777
Other services, except public administration.....	11,125	12,331	10,720	11,954	11,780	12,279	13,124	13,544	13,907	14,477
Total private earnings	224,106	237,052	241,239	248,244	256,860	270,616	281,294	296,506	308,043	315,234
Government:										
Federal, civilian.....	7,008	7,463	7,641	7,973	8,198	8,810	9,164	9,545	9,847	10,104
Military.....	865	884	966	1,189	1,595	1,677	1,855	1,822	1,807	1,898
State government.....	6,882	7,134	7,508	7,939	8,413	8,555	8,690	9,033	9,575	9,715
Local government.....	18,056	18,705	19,527	20,537	21,655	22,677	23,389	24,007	24,846	25,793
Total government earnings	32,811	34,186	35,642	37,638	39,861	41,719	43,098	44,407	46,075	47,510
Total nonfarm earnings	256,917	271,238	276,881	285,882	296,721	312,335	324,392	340,913	354,118	362,744
Total workplace earnings	257,731	272,335	277,878	286,504	297,934	313,819	325,734	341,966	355,368	363,847
Other earnings/deductions (3)	89,923	97,585	99,310	100,987	101,487	103,769	106,306	120,436	129,735	135,822
Total personal income	\$ 347,654	\$ 369,920	\$ 377,188	\$ 387,491	\$ 399,421	\$ 417,588	\$ 432,040	\$ 462,402	\$ 485,103	\$ 499,669
Total personal income subject to the direct personal income tax rate (4)(5)	\$ 224,591	\$ 237,070	\$ 230,926	\$ 229,685	\$ 237,961	250,921	266,800	288,043	N/A	N/A
Direct personal income tax rate	2.80%	2.80%	2.80%	2.80%	2.80%	3.07%	3.07%	3.07%	3.07%	3.07%

Sources:

Personal income by industry is provided by the Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce (www.bea.gov/index.htm) through estimates released October 2009. Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2006 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium for 2007-08. The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for December 2008. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.state.pa.us.

Notes:

- (1)-Calendar years 1999-2007 differ from the totals shown in the Commonwealth's Comprehensive Annual Financial Report for June 30, 2008. The amounts shown in the prior year were based on estimates released by the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce in September 2008. These estimates have subsequently been revised (as provided in the October 2009 release).
- (2)-Personal income by industry is reported under the North American Industry Classification System.
- (3)-Other earnings/deductions include dividends, interest and miscellaneous employee/employer contributions/deductions.
- (4)-Total personal income subject to the direct personal income tax rate consists of taxable compensation, interest, dividends, net profits and other income, prior to the application of various tax credits. This amount is self-assessed by the taxpayer on their tax returns for the tax year. Due to the complexity and length of the tax return filing and review process, the total compilation is not yet available for release by the Pennsylvania Department of Revenue for the 2007 and 2008 tax years.
- (5)-This information is presented by tax year, rather than by calendar year, as the personal income by industry is presented. An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). The information presented is based on those returns of the filers whose tax year ended during the the applicable calendar year.

Commonwealth of Pennsylvania
Revenue Capacity-Personal Income Tax

Table 6

Personal Income Tax Filers and Liability by Income Level
 1997 and 2006 Tax Years

Liability amounts in thousands		1997 Tax Year (1)(2)(3)			2006 Tax Year (1)(2)(3)				
Taxable Income Level	Number of Filers	Percentage of Total (5)	Personal Income Tax Liability(4)	Percentage of Total	Taxable Income Level	Number of Filers	Percentage of Total (5)	Personal Income Tax Liability(4)	Percentage of Total
\$0	62,199	1.11%	\$ -	0.00%	\$0	99,736	1.71%	\$ -	0.00%
\$1-999	392,298	7.01%	4,816	0.09%	\$1-999	360,207	6.17%	4,430	0.05%
\$1,000-2,999	491,913	8.79%	26,669	0.47%	\$1,000-2,999	410,378	7.03%	24,505	0.28%
\$3,000-4,999	363,851	6.50%	40,292	0.71%	\$3,000-4,999	315,250	5.40%	38,338	0.43%
\$5,000-6,999	287,901	5.14%	48,034	0.85%	\$5,000-6,999	258,241	4.42%	47,283	0.53%
\$7,000-8,999	230,548	4.12%	51,485	0.91%	\$7,000-8,999	215,553	3.69%	52,748	0.60%
\$9,000-10,999	206,126	3.68%	57,615	1.02%	\$9,000-10,999	185,972	3.19%	56,975	0.64%
\$11,000-12,999	186,767	3.34%	62,705	1.11%	\$11,000-12,999	170,995	2.93%	62,948	0.71%
\$13,000-14,999	175,655	3.14%	68,801	1.22%	\$13,000-14,999	158,072	2.71%	67,881	0.77%
\$15,000-16,999	167,853	3.00%	75,151	1.33%	\$15,000-16,999	151,163	2.59%	74,208	0.84%
\$17,000-18,999	160,115	2.86%	80,666	1.43%	\$17,000-18,999	145,493	2.49%	80,369	0.91%
\$19,000-21,999	226,645	4.05%	129,963	2.30%	\$19,000-21,999	212,816	3.64%	133,908	1.51%
\$22,000-24,999	209,323	3.74%	137,585	2.43%	\$22,000-24,999	204,160	3.50%	147,209	1.66%
\$25,000-29,999	314,167	5.61%	241,318	4.27%	\$25,000-29,999	314,797	5.39%	265,286	3.00%
\$30,000-34,999	273,860	4.89%	248,790	4.40%	\$30,000-34,999	277,979	4.76%	276,862	3.13%
\$35,000-39,999	245,939	4.39%	257,897	4.56%	\$35,000-39,999	243,471	4.17%	279,901	3.17%
\$40,000-49,999	409,981	7.32%	514,136	9.09%	\$40,000-49,999	404,127	6.92%	555,723	6.28%
\$50,000-74,999	635,151	11.35%	1,082,331	19.13%	\$50,000-74,999	701,213	12.01%	1,322,579	14.96%
\$75,000-99,999	263,588	4.71%	632,172	11.18%	\$75,000-99,999	407,164	6.97%	1,078,398	12.20%
\$100,000-149,999	167,614	2.99%	559,286	9.89%	\$100,000-149,999	340,387	5.83%	1,254,983	14.19%
\$150,000 or more	126,422	2.26%	1,336,962	23.64%	\$150,000 or more	261,422	4.48%	3,018,383	34.13%
Total (5)	<u>5,597,916</u>	100.00%	<u>\$ 5,656,674</u>	100.00%	Total	<u>5,838,596</u>	100.00%	<u>\$ 8,842,916</u>	100.00%

Sources:

For the 1997 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2006 tax year, the number of filers per taxable income level and the personal income subject to the direct personal income tax rate per income level (used in the Personal Income Tax Liability estimation) were obtained from the Statistical Supplement for the Pennsylvania Tax Compendium for 2007-08. The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for December 2008. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.state.pa.us.

Notes:

- (1)-Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth can not disclose the names of the ten largest personal income tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's personal income tax revenue.
- (2)-An individual filer's tax year is defined as that period for which that person must file a tax return. Generally, many filers have the last day of their filing year fall on December 31st; however, for various reasons, other filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year ended during the the 1997 or 2006 calendar years.
- (3)-Due to the complexity and length of the tax return filing and review process, the total compilation of personal income subject to the direct tax rate per income level was not yet available for release by the Pennsylvania Department of Revenue for the 2007 and 2008 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 1997 and 2006 tax years are presented as an alternative comparison.
- (4)-The estimated total personal income tax liability is calculated by multiplying the total personal income (as self-assessed by the individual tax filer) for the income level by the tax rate applicable during the tax year. The estimated liability is presented before any applicable tax credits were applied. For the 1997 tax year, the direct tax rate in effect was 2.80% for all income levels. Beginning with the 2004 tax year, the rate increased to 3.07%. This rate has been in effect for all subsequent tax years.
- (5)-Totals may not foot due to rounding.

Commonwealth of Pennsylvania

Revenue Capacity-Sales Tax

Table 7

Estimated Taxable Sales by Industry Classification of the Vendor
For the Last Ten Fiscal Years Ended June 30

(Amounts in thousands)	1999	2000	2001	2002 (3)	2003	2004	2005	2006	2007	2008(4)
Estimated Taxable Sales by Industry (1)(2)										
Manufacturing.....	\$ 6,698,400	\$ 6,812,867	\$ 6,241,417	\$ 5,712,633	\$ 6,222,633	\$ 6,386,100	\$ 6,858,033	\$ 7,107,483	\$ 7,083,150	\$ 7,199,717
Public utilities.....	9,287,767	9,736,283	3,991,083	3,920,667	3,981,383	4,229,717	4,473,817	4,667,117	4,816,533	4,763,633
Wholesale trade.....	3,868,450	4,037,633	10,142,600	9,687,583	7,625,950	7,987,583	9,112,350	11,407,750	12,320,033	12,239,917
Building materials.....	6,298,083	6,741,133	6,654,533	6,969,217	7,216,967	8,209,967	8,719,850	9,607,267	9,263,467	8,908,483
General merchandise.....	7,961,050	8,262,033	9,039,983	16,724,483	17,595,700	18,383,833	18,243,083	18,766,300	19,275,267	18,959,267
Food and beverage stores.....	12,950,617	13,337,550	12,875,267	5,353,500	5,602,267	5,770,967	5,764,533	5,859,017	6,090,033	6,023,083
Automotive dealers.....	3,211,517	3,418,567	4,994,600	3,163,400	3,329,383	3,487,217	3,691,150	3,761,500	3,865,533	3,834,950
Furniture and appliances.....	3,864,200	4,021,383	2,544,383	5,231,483	5,553,117	5,844,450	6,338,250	6,148,383	6,334,000	6,018,133
Other retail stores.....	14,950,433	15,571,467	13,929,117	5,054,200	5,022,117	5,212,517	5,376,183	5,529,683	5,802,417	5,764,733
Agriculture and mining.....	17,909,917	18,881,667	22,357,250	509,467	484,717	559,400	644,983	717,950	726,367	666,967
Construction.....	N/A	N/A	N/A	2,076,850	2,171,750	2,342,833	2,742,150	3,010,383	3,077,033	3,050,933
Service.....	N/A	N/A	N/A	34,221,217	35,405,917	35,164,650	37,378,583	39,336,950	41,230,817	41,914,783
Transportation, delivery, and warehousing..	N/A	N/A	N/A	272,833	275,150	312,250	330,783	420,617	363,450	374,133
Other.....	3,109,783	3,160,300	6,484,767	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Government.....	105,850	105,650	298,483	264,517	280,250	278,833	296,717	294,600	289,767	211,100
Unclassified.....	3,448,283	4,481,200	1,457,483	1,911,367	2,538,850	2,228,010	1,472,017	1,442,950	1,532,250	1,627,583
Motor vehicle.....	15,490,150	17,495,383	18,000,200	19,362,581	20,764,773	21,144,925	20,506,470	19,484,594	19,481,964	18,346,914
Liquor sales.....	941,283	1,005,367	1,051,300	1,105,526	1,254,926	1,265,798	1,383,587	1,341,449	1,627,333	1,704,846
Total sales tax estimated base (5).....	\$ 110,095,783	\$ 117,068,483	\$ 120,062,467	\$ 121,541,524	\$ 125,325,849	\$ 128,809,049	\$ 133,332,540	\$ 138,903,993	\$ 143,179,414	\$ 141,609,177
Total direct sales tax rate.....	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%

Sources:

Sales tax remittances by industry and total direct sales tax rate (both used in the calculation of estimated taxable sales by industry) are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2008 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium for 2007-08. The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for December 2008. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.state.pa.us.

Notes:

- (1)-Estimated taxable sales are calculated based on sales tax remittances (made by vendors with their tax returns processed during the fiscal year) divided by the direct sales tax rate of 6%.
- (2)-Estimated taxable sales are organized by major industrial activity of the vendor and do not represent sales by product type. Fiscal year 1999 is presented by Standard Industrial Classification. Beginning with the 2000 fiscal year, the Commonwealth began reporting under the North American Industry Classification System. The two classifications are similar, but not 100% comparable.
- (3)-Beginning with the 2002 fiscal year, the Pennsylvania Department of Revenue reclassified various subcategories within major industrial activity into either a different major industrial activity or a new major industrial activity. New major industrial activities are "Construction", "Service", and "Transportation, delivery, and warehousing". The "Other" category was eliminated. This reclassification had the most effect on the "General merchandise", "Food and beverage stores", "Other retail stores", and "Agriculture and mining" major industrial activity categories.
- (4)-Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2009 fiscal year. Therefore, fiscal years 1999 through 2008 are presented as an alternative comparison.
- (5)-Totals may not foot due to rounding.

Commonwealth of Pennsylvania

Revenue Capacity-Sales Tax

Table 8

Sales Tax Remittances by Major Industry Classification

Fiscal Years Ended June 30, 1999 and June 30, 2008

(Amounts in thousands)

June 30, 1999 (1)(2)			June 30, 2008 (1)(2)		
Industry (S.I.C. Group)(4)	Sales(3) Tax Liability	Percentage of Total	Industry (N.A.I.C.S. Group)(4)	Sales(3) Tax Liability	Percentage of Total
Manufacturing.....	\$ 401,904	6.08%	Manufacturing.....	\$ 431,983	5.08%
Public utilities.....	557,266	8.44%	Public utilities.....	285,818	3.36%
Wholesale trade.....	232,107	3.51%	Wholesale trade.....	734,395	8.64%
Building materials.....	377,885	5.72%	Building materials.....	534,509	6.29%
General merchandise.....	477,663	7.23%	General merchandise.....	1,137,556	13.39%
Food and beverage stores.....	777,037	11.76%	Food and beverage stores.....	361,385	4.25%
Automotive dealers.....	192,691	2.92%	Automotive dealers.....	230,097	2.71%
Furniture and appliances.....	231,852	3.51%	Furniture and appliances.....	361,088	4.25%
Other retail stores.....	897,026	13.58%	Other retail stores.....	345,884	4.07%
Agriculture and mining.....	1,074,595	16.27%	Agriculture and mining.....	40,018	0.47%
Construction.....	N/A	N/A	Construction.....	183,056	2.15%
Service.....	N/A	N/A	Service.....	2,514,887	29.60%
Transportation, delivery, and warehousing.....	N/A	N/A	Transportation, delivery, and warehousing.....	22,448	0.26%
Other.....	186,587	2.82%	Other.....	N/A	N/A
Government.....	6,351	0.10%	Government.....	12,666	0.15%
Unclassified.....	206,897	3.13%	Unclassified.....	97,655	1.15%
Motor vehicle.....	929,409	14.07%	Motor vehicle.....	1,100,815	12.96%
Liquor sales.....	56,477	0.85%	Liquor sales.....	102,291	1.20%
Total (5).....	<u>\$ 6,605,747</u>	100.00%	Total (5).....	<u>\$ 8,496,551</u>	100.00%
Sales Tax Licenses (6).....	284,560		Sales Tax Licenses (6).....	235,879	

Sources:

Sales tax remittances by industry and the number of sales tax licenses are provided by the Pennsylvania Department of Revenue. Sales tax remittances by industry for the 2008 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium for 2007-08. This publication was obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.state.pa.us.

Notes:

- (1)-Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth can not disclose the names of the ten largest sales tax filers. Therefore, this schedule is presented as an alternative comparison regarding the sources of the Commonwealth's sales tax revenue.
- (2)-Due to the complexity and length of the tax return filing and review process, the total compilation of sales tax remittances was not yet available for release by the Pennsylvania Department of Revenue for the 2009 fiscal year. Therefore, fiscal years 1999 and 2008 are presented as an alternative comparison.
- (3)-Sales tax liability is based on sales tax remittances made with tax returns processed during the fiscal year. The direct sales tax rate applicable to both years is 6%.
- (4)-Sales tax remittances are organized by major industrial activity of the vendor and does not represent sales by product type. The 1999 fiscal year is presented using the Standard Industrial Classification (S.I.C.) Group, and the 2008 fiscal year is presented using the North American Industry Classification System (N.A.I.C.S.) Group. The two classifications are similar, but not 100% comparable.
- (5)-Totals may not foot due to rounding.
- (6)-The Commonwealth does not maintain a list of sales tax filers by either the S.I.C. or N.A.I.C.S. standard industry grouping, and as noted in Note (1), can not disclose the names of the largest filers. Therefore, the number of sales tax licenses are presented to indicate the potential number of filers during the applicable fiscal year.

**Commonwealth of Pennsylvania
Revenue Capacity-Corporate Tax**

Table 9
Corporate Net Income Tax
For the Last Ten Tax Years

	1997	1998	1999	2000	2001	2002	2003	2004 (6)	2005 (6)	2006 (6)
ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)										
Corporate Tax Report Compilation (amounts in thousands).....	\$ 14,407,934	\$ 15,667,338	\$ 15,304,130	\$ 14,164,465	\$ 12,367,911	\$ 13,280,711	\$ 13,446,684	\$ 17,648,755	\$ 19,033,947	\$ 20,797,182
NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)										
\$0.....	89,790	83,935	89,482	98,121	96,637	102,333	97,391	95,306	90,297	81,940
\$1-300.....	11,502	13,125	12,364	11,746	11,128	10,832	10,625	10,096	9,441	7,849
\$301-500.....	3,148	3,529	3,319	3,038	2,900	2,875	2,694	2,660	2,555	2,126
\$501-1,000.....	5,677	6,410	6,297	5,808	4,768	4,345	4,279	4,119	3,861	3,101
\$1,001-5,000.....	12,813	14,080	13,136	12,354	11,060	10,665	10,173	10,355	9,979	7,717
\$5,001-10,000.....	4,421	4,807	4,532	4,058	3,741	3,456	3,301	3,596	3,463	3,028
\$10,001-25,000.....	3,486	3,646	3,485	3,116	2,751	2,760	2,695	2,863	2,916	2,571
\$25,001-50,000.....	1,650	1,780	1,653	1,480	1,413	1,319	1,384	1,489	1,494	1,459
\$50,001-100,000.....	1,135	1,238	1,172	1,053	903	945	943	1,086	1,183	1,121
\$100,001-250,000.....	954	990	916	880	756	763	797	954	978	980
\$250,001-500,000.....	413	398	370	332	313	309	395	443	456	475
\$500,001-1,000,000.....	206	209	195	201	162	178	177	264	281	311
>\$1,000,000.....	184	190	191	201	184	192	220	262	307	320
Total corporate net income tax filers (4)(5).....	135,379	134,337	137,112	142,388	136,716	140,972	135,074	133,493	127,211	112,998
Total direct corporate net income tax rate.....	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%

Sources:
Information provided by the Pennsylvania Department of Revenue. The number of filers by corporate net income tax liability range for the 2004-2006 tax years can be found in the Statistical Supplement for the Pennsylvania Tax Compendium for 2007-08. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for December 2008. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.state.pa.us.

Notes:
(1)-Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT) as well as capital stock (capital stock/foreign franchise tax - CSFT). The capital stock tax is being phased out so that the last year for which a tax will apply will be the 2013 tax year. This table presents the positive corporate net income tax base, as well as the number of filers associated with this tax by liability range. It also presents the statutory corporate net income tax rate.
(2)-The CNIT is based on separate company Federal taxable income and includes a number of additions to/subtractions from that base. This table shows the compilation of all reported taxable income (Federal income adjusted to the PA base and then apportioned). Many corporations report negative federal taxable income. In addition, the net operating loss deductions that Pennsylvania allows reduce otherwise profitable corporations' incomes below \$0.
(3)-Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth can not disclose the names of the ten largest corporate net income tax filers. Therefore, the schedule of the number of filers by corporate net income tax liability range is presented as an alternative comparison regarding the sources of the Commonwealth's corporate net income tax revenue. Those filers that report negative state taxable income are reported in the tax liability range of \$0, which accounts for the large number of filers within that range.
(4)-Due to the complexity and length of the tax return filing and review process, the total compilation of corporate net income subject to the direct corporate tax rate was not yet available for release by the Pennsylvania Department of Revenue for the 2007 and 2008 tax years. Therefore, tax years 1997 through 2006 are presented as an alternative comparison.
(5)-The corporate filer's tax year is defined as that period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31st, many filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year began during the associated calendar years.
(6)-For tax years 1997 through 2004, the amounts presented are actual. The amounts presented for the 2004 tax year may differ from the amounts presented in the same table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2008 fiscal year, since that was an estimate. For the 2005 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2008 CAFR. And for the 2006 tax year, the amounts presented are an estimate.

**Commonwealth of Pennsylvania
Revenue Capacity-Corporate Tax**

**Table 10
Capital Stock/Foreign Franchise Tax
For the Last Ten Tax Years**

	1997	1998	1999	2000	2001	2002	2003	2004 (6)	2005 (6)	2006 (6)
CAPITAL STOCK AND FRANCHISE TAXABLE BASE (1) (2)										
Apportioned Capital Stock Value Compilation (expressed in thousands).....	\$ 84,640,644	\$ 98,094,135	\$ 108,450,000	\$ 123,400,000	\$ 128,540,000	\$ 137,650,000	\$ 147,450,000	\$157,310,000	\$ 162,407,346	\$ 180,349,693
NUMBER OF FILERS BY CAPITAL STOCK/ FOREIGN FRANCHISE TAX LIABILITY RANGE (3)										
\$0-300.....	166,014	177,957	187,654	199,147	212,381	224,961	237,922	250,253	257,863	260,459
\$301-500.....	6,593	7,166	5,815	6,294	7,234	7,282	7,482	7,973	8,700	9,624
\$501-1,000.....	9,605	10,262	11,494	12,337	12,523	12,580	12,911	13,730	14,701	15,059
\$1,001-5,000.....	22,606	24,645	25,983	26,701	26,440	28,484	29,532	30,487	30,799	29,068
\$5,001-10,000.....	6,936	7,506	7,804	7,152	6,883	7,139	7,440	7,519	7,410	6,995
\$10,001-25,000.....	5,641	6,017	6,190	5,783	5,219	5,348	5,603	5,876	5,674	5,174
\$25,001-50,000.....	2,426	2,506	2,601	2,369	2,112	2,171	2,244	2,402	2,261	2,100
\$50,001-100,000.....	1,300	1,416	1,353	1,222	1,103	1,140	1,205	1,305	1,273	1,176
\$100,001-250,000.....	851	902	897	814	686	711	793	838	809	733
\$250,001-500,000.....	282	287	303	275	253	274	263	312	284	250
\$500,001-1,000,000.....	127	145	140	114	100	112	147	144	139	117
>\$1,000,000.....	110	104	109	117	103	97	98	106	96	82
Total capital stock and franchise tax filers (4)(5).....	222,491	238,913	250,343	262,325	275,037	290,299	305,640	320,945	330,009	330,837
Total direct capital stock and franchise tax rate.....	12.75 mills	11.99 mills	10.99 mills	8.99 mills	7.49 mills	7.24 mills	7.24 mills	6.99 mills	5.99 mills	4.89 mills

Sources:
Information provided by the Pennsylvania Department of Revenue. The number of filers by capital stock/foreign franchise tax liability range for the 2004-2006 tax years can be found in the Statistical Supplement for the Pennsylvania Tax Compendium for 2007-08. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for December 2008. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at www.revenue.state.pa.us.

Notes:
(1)-Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT) as well as capital stock (capital stock/foreign franchise tax - CSFT). The capital stock tax is being phased out so that the last year for which a tax will apply will be the 2013 tax year. This table presents the capital stock/foreign franchise apportioned tax base, as well as the number of filers associated with this tax by filing class. It also presents the statutory capital stock/foreign franchise tax rate.
(2)-The CSFT is based on a fixed formula involving net worth and average book income. This schedule shows the compilation of all reported taxable capital stock value, as reported by corporate taxpayers required to file a tax return with the Commonwealth.
(3)-Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth can not disclose the names of the ten largest capital stock/foreign franchise tax filers. Therefore, the schedule of the number of filers by capital stock/foreign franchise tax liability range is presented as an alternative comparison regarding the sources of the Commonwealth's capital stock/foreign franchise tax revenue. All corporate filers were required to pay a statutory minimum tax of \$300 through 1998 and \$200 in 1999, which accounts for the large number of filers within the range of \$0-\$300. This minimum does not apply to tax years 2000 and after.
(4)-Due to the complexity and length of the tax return filing and review process, the total compilation of all reported taxable capital stock value subject to the statutory capital stock/foreign franchise tax rate was not yet available for release by the Pennsylvania Department of Revenue for the 2007 and 2008 tax years. Therefore, tax years 1997 through 2006 are presented as an alternative comparison.
(5)-The corporate filer's tax year is defined as that period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31st, many filers have a filing year that falls on a different date (e.g. March 31st). This table presents information based on all filers whose tax year began during the the associated calendar years.
(6)-For tax years 1997 through 2004, the amounts presented are actual. The amounts presented for the 2004 tax year may differ from the amounts presented in the same table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2008 fiscal year, since that was an estimate. For the 2005 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2008 CAFR. And for the 2006 tax year, the amounts presented are an estimate.

Commonwealth of Pennsylvania

Debt Capacity

Table 11

Outstanding Debt and Outstanding Debt Ratios
For the Last Eight Fiscal Years Ended June 30

(Expressed in Thousands, Except Debt per Capita)

PRIMARY GOVERNMENT (1)(2)(3)	(Restated) 2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:								
General obligation bonds.....	\$ 6,134,761	\$ 7,030,618	\$ 7,225,165	\$ 7,150,667	\$ 7,657,674	\$ 8,245,673	\$ 8,632,609	\$ 9,150,362
Capital leases/installment purchase obligations.....	629,437	62,131	53,951	47,276	42,059	40,649	37,646	36,730
Other financing obligations.....	-	-	100,000	90,000	82,500	76,500	70,500	67,500
Total governmental	6,764,198	7,092,749	7,379,116	7,287,943	7,782,233	8,362,822	8,740,755	9,254,592
Business-type activities:								
Capital leases/installment purchase obligations.....	-	-	-	-	28,259	17,375	5,939	-
TOTAL PRIMARY GOVERNMENT.....	\$ 6,764,198	\$ 7,092,749	\$ 7,379,116	\$ 7,287,943	\$ 7,810,492	\$ 8,380,197	\$ 8,746,694	\$ 9,254,592
Debt as a Percentage of Personal Income (4)(5).	1.79%	1.83%	1.85%	1.75%	1.81%	1.81%	1.80%	1.85%
Amount of Debt per Capita (4)(5).....	\$ 551	\$ 577	\$ 599	\$ 591	\$ 632	\$ 676	\$ 704	\$ 743

Source: Statement of Net Assets, as presented in the Commonwealth's Comprehensive Annual Financial Report for the applicable fiscal year.

Notes:

(1)-This schedule presents information beginning with the 2002 fiscal year, when the Commonwealth implemented GASB Statement 34.

(2)-Each caption includes the reported current and noncurrent amounts of the outstanding debt.

(3)-Details on the Commonwealth's total outstanding debt for June 30, 2009 can be found in Note K.

(4)-See Table 15 for summarized totals for personal income and population data that were used in the calculations of these ratios. Personal income detail is presented in Table 5. As detailed in Table 5 or 15 (as appropriate), the personal income and population data have changed in several calendar years from what was presented in those tables in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2008 fiscal year. As a result, the calculated ratios based on the data from those calendar years may differ from what was presented in this table in the June 30, 2008 CAFR.

(5)-Debt ratios use total outstanding debt which is presented by fiscal year ended June 30, while the personal income and population data used in the calculations are presented by calendar year.

Commonwealth of Pennsylvania

Debt Capacity

Table 12

Ratios of Net General Bonded Debt Outstanding
For the Last Eight Fiscal Years Ended June 30

(Amounts in thousands)

(1) Fiscal Year	(2) General Obligation Bonds	(3) Less: Amounts Restricted to Paying Principal	Total Net General Bonded Debt Outstanding	(4) Percentage of Actual Tax Revenues	(5) Per Capita
2002	\$ 6,134,761	\$ -	\$ 6,134,761	29.73%	\$ 499
2003	7,030,618	(32,685)	6,997,933	32.49%	569
2004	7,225,165	(61,029)	7,164,136	30.76%	582
2005	7,150,667	(83,885)	7,066,782	28.30%	573
2006	7,657,674	(8,118)	7,649,556	27.84%	619
2007	8,245,673	(20,474)	8,225,199	28.71%	664
2008	8,632,609	(27,458)	8,605,151	28.60%	693
2009	9,150,362	(16,834)	9,133,528	32.94%	734

Sources:

Information was obtained from the Commonwealth's Comprehensive Annual Financial Report for the applicable fiscal year. General obligation bonds can be found in the Statement of Net Assets, and the tax revenues used in the percentage of actual tax revenues can be found in the Statement of Activities.

Notes:

(1)-This schedule presents information beginning with the 2002 fiscal year, when the Commonwealth implemented GASB Statement 34.

(2)-General obligation bonds include the reported current and noncurrent amounts.

(3)-Amounts restricted to paying principal equal the amount restricted for debt service in the Statement of Net Assets.

(4)-The Commonwealth's general obligation bonds are expected to be repaid with general tax revenue. Therefore, the total taxes shown in the Governmental Activities section of the Statement of Activities is used in this calculation.

(5)-Total net general bonded debt outstanding used in the per capita calculation is presented as of the fiscal year. The population data used in the calculation is shown in Table 15, and is as of July 1 of the applicable fiscal year. As detailed in Table 15, the population data has changed in several calendar years from what was presented in Table 15 in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2008 fiscal year. As a result, the per capita calculation based on the data from those calendar years may differ from what was presented in this table in the June 30, 2008 CAFR.

Commonwealth of Pennsylvania

Debt Capacity

Table 13

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Average annual tax revenues deposited in the previous five fiscal years.....	\$ 22,097,372,526	\$ 23,008,382,095	\$ 23,661,031,603	\$ 24,285,747,191	\$ 25,091,013,830	\$ 26,141,233,164	\$ 27,536,515,720	\$ 29,300,406,649	\$ 31,088,316,012	\$ 32,044,066,363
Constitutional factor..... x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75 x	1.75
Constitutional debt limit for debt incurred without the approval of the electors (A)...	38,670,401,921	40,264,668,666	41,406,805,305	42,500,057,585	43,909,274,203	45,747,158,037	48,188,902,510	51,275,711,636	54,404,553,021	56,077,116,135
Less outstanding net debt (non-electorate approved).....	4,106,897,637	4,554,304,562	5,257,508,994	6,021,247,141	6,230,365,064	6,146,947,312	6,399,655,454	6,839,080,189	7,068,178,522	7,497,271,800
Legal debt margin (B).....	\$ 34,563,504,284	\$ 35,710,364,104	\$ 36,149,296,311	\$ 36,478,810,444	\$ 37,678,909,139	\$ 39,600,210,725	\$ 41,789,247,056	\$ 44,436,631,447	\$ 47,336,374,499	\$ 48,579,844,335
Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit.....	10.62%	11.31%	12.70%	14.17%	14.19%	13.44%	13.28%	13.34%	12.99%	13.37%

Source: The Governor's Office of the Budget

Notes:

(A)-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.

(B)-Each of the above figures used in the calculation of the legal debt margin are abstracted from a certification of the Auditor General dated August 31 of the subsequent fiscal year.

Commonwealth of Pennsylvania**Demographic and Economic**

Table 14

Employment by Nonfarm Related Industry

For the Last Ten Calendar Years

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Employment by nonfarm related industry (1)(2):										
Total nonfarm:										
Private earnings:										
Goods producing:										
Natural resources and mining.....	20,300	19,400	19,500	18,800	17,900	18,700	19,700	20,400	21,100	22,100
Construction.....	234,800	247,700	250,300	248,500	246,000	250,200	255,700	261,000	262,300	255,800
Manufacturing.....	864,300	864,000	821,900	759,800	712,400	690,700	679,400	670,400	659,100	644,200
Total goods producing.....	1,119,400	1,131,100	1,091,700	1,027,100	976,300	959,600	954,800	951,800	942,500	922,100
Service providing:										
Trade.....	1,102,600	1,129,600	1,123,200	1,112,900	1,108,200	1,113,500	1,120,200	1,125,700	1,133,800	1,125,400
Information.....	128,900	135,900	135,600	128,400	120,600	112,200	109,500	108,200	107,500	105,400
Financial activities.....	335,800	338,700	338,900	336,800	338,500	336,200	335,700	335,000	332,800	330,400
Professional and business services.....	595,200	612,300	613,400	605,700	610,500	638,100	660,500	685,300	705,700	709,200
Education and health services.....	905,100	918,600	940,700	965,000	980,500	999,200	1,030,000	1,054,300	1,075,100	1,100,300
Leisure and hospitality.....	441,100	449,600	455,500	466,700	471,000	477,300	484,800	491,800	499,900	504,200
Other services.....	242,400	250,400	255,200	259,300	260,100	263,700	261,600	258,400	255,800	254,500
Total service providing.....	3,751,100	3,835,100	3,862,500	3,874,800	3,889,400	3,940,200	4,002,300	4,058,700	4,110,600	4,129,400
Total private earnings.....	4,870,500	4,966,200	4,954,200	4,901,900	4,865,700	4,899,800	4,957,100	5,010,500	5,053,100	5,051,500
Government.....	715,600	725,100	728,300	738,900	745,600	744,400	745,100	745,600	744,800	749,400
Total nonfarm.....	5,586,100	5,691,300	5,682,500	5,640,800	5,611,300	5,644,200	5,702,200	5,756,100	5,797,900	5,800,900

Source: Information provided by the Pennsylvania Department of Labor and Industry-Center for Workforce Information & Analysis. The information for the 2007 and 2008 calendar years was obtained from the Center for Workforce Information & Analysis website which is located at www.paworkstats.state.pa.us/analyzer/startanalyzer.asp.

Notes:

(1)-Due to statutory requirements (confidentiality provisions), the Commonwealth can not disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the Pennsylvania Department of Labor and Industry.

(2)-Data presented for calendar years 1999-2007 are estimates that were benchmarked to universe counts derived from administrative files of employees covered by unemployment insurance. As a result of this benchmarking, the data provided for the 1999-2007 calendar years have changed from what was presented in this table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2008 fiscal year. The amount presented in the 2008 calendar year is a sample-based estimate that has not been benchmarked.

Commonwealth of Pennsylvania

Demographic and Economic

Table 15

Population and Per Capita Personal Income

For the Last Ten Calendar Years

Calendar Year	Population (1) (Expressed in thousands)			Personal Income (2) (Expressed in millions)			Per Capita (3) Personal Income		
	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania percentage above/(below) U.S.
1999	12,264	279,040	4.40%	\$ 347,654	\$ 7,906,131	4.40%	\$ 28,348	\$ 28,333	0.05%
2000	12,285	282,172	4.35%	369,919	8,554,866	4.32%	30,111	30,318	-0.68%
2001	12,285	285,040	4.31%	377,189	8,878,830	4.25%	30,704	31,149	-1.43%
2002	12,299	287,727	4.27%	387,491	9,054,781	4.28%	31,506	31,470	0.11%
2003	12,318	290,211	4.24%	399,420	9,369,072	4.26%	32,427	32,284	0.44%
2004	12,336	292,892	4.21%	417,588	9,928,790	4.21%	33,852	33,899	-0.14%
2005	12,352	295,561	4.18%	432,040	10,476,669	4.12%	34,978	35,447	-1.32%
2006	12,388	298,363	4.15%	462,402	11,256,516	4.11%	37,326	37,728	-1.07%
2007	12,420	301,290	4.12%	485,103	11,879,836	4.08%	39,058	39,430	-0.94%
2008	12,448	304,060	4.09%	499,669	12,225,589	4.09%	40,140	40,208	-0.17%

Sources: Population data is obtained from the Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce website at <http://www.bea.gov/index.htm>, whose source is the U.S. Bureau of Census' April 2009 release of annual population estimates. Personal income details can be found in Table 5.

Notes:

(1)-Population data is presented as of July 1 of the calendar year. The U.S. Bureau of Census' April 2009 release included revisions to the annual population estimate back to the 2000 calendar year. Therefore, the totals shown may differ from what was presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2008 fiscal year.

(2)-Personal income data is provided as of the calendar year. Calendar years 1999-2007 differ from the totals presented in the June 30, 2008 CAFR. See Table 5 for details.

(3)-As a result of changes noted in Notes (1) and (2), the Per Capita Personal Income may differ from what was presented in the June 30, 2008 CAFR.

Commonwealth of Pennsylvania

Demographic and Economic

Table 16

Employment Information

For the Last Ten Calendar Years

(Expressed in thousands)

Calendar Year	Pennsylvania (1)				United States				PA rate percentage above/(below) U.S. Rate
	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	
1999	6,078	5,810	268	4.4	139,368	133,488	5,880	4.2	4.76%
2000	6,086	5,831	255	4.2	142,583	136,891	5,692	4.0	5.00%
2001	6,168	5,874	293	4.8	143,734	136,933	6,801	4.7	2.13%
2002	6,218	5,869	349	5.6	144,863	136,485	8,378	5.8	-3.45%
2003	6,145	5,796	349	5.7	146,510	137,736	8,774	6.0	-5.00%
2004	6,197	5,860	337	5.4	147,401	139,252	8,149	5.5	-1.82%
2005	6,248	5,937	311	5.0	149,320	141,730	7,591	5.1	-1.96%
2006	6,281	5,996	285	4.5	151,428	144,427	7,001	4.6	-2.17%
2007	6,297	6,023	274	4.4	153,124	146,047	7,078	4.6	-4.35%
2008	6,395	6,051	344	5.4	154,287	145,362	8,924	5.8	-6.90%

Sources: Information was obtained from the Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry website at www.paworkstats.state.pa.us/analyzer/startanalyzer.asp.

Notes:

(1)-Beginning with the 2004 Calendar Year, the amounts presented for Pennsylvania may differ from the amounts presented in the same table in the June 30, 2008 CAFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

Commonwealth of Pennsylvania

Operating Information

Table 17

Commonwealth Employees by Function and Agency

For the Last Ten Fiscal Years Ended June 30

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Direction and supportive services										
Legislative.....	3,018	3,040	3,095	3,161	3,206	3,268	3,336	3,339	3,346	3,327
Revenue.....	2,454	2,519	2,421	2,382	2,272	2,322	2,377	2,385	2,374	2,254
Executive Offices.....	2,521	2,569	2,611	2,513	1,986	1,962	1,990	1,966	2,012	2,004
General Services.....	1,267	1,338	1,319	1,313	1,242	1,255	1,295	1,305	1,251	1,244
Auditor General.....	793	799	785	770	768	736	740	711	730	708
Treasurer.....	551	543	537	524	511	497	534	565	552	492
Other.....	556	602	643	361	425	379	376	327	327	281
Total direction and supportive services.....	11,160	11,410	11,411	11,024	10,410	10,419	10,648	10,598	10,592	10,310
Protection of persons and property										
Corrections.....	13,707	14,421	14,612	14,323	14,384	14,826	15,301	15,441	15,722	16,139
State Police.....	5,564	5,648	5,673	5,705	5,790	6,039	6,191	6,272	6,249	6,193
Liquor Control Board.....	3,941	4,032	4,146	4,205	4,407	4,580	4,772	4,704	4,835	5,031
Environmental Protection.....	2,965	3,022	3,016	2,938	2,836	2,831	2,890	2,799	2,793	2,786
Judiciary.....	1,940	1,962	2,048	2,031	2,100	2,102	2,140	2,130	2,136	2,141
Transportation.....	-	-	-	-	1,208	1,253	1,251	1,253	1,235	1,185
Agriculture.....	815	903	973	950	997	968	1,032	1,056	1,187	1,112
Probation and Parole Board.....	917	951	975	966	972	1,001	1,008	967	1,084	1,141
Attorney General.....	971	1,017	990	952	944	886	919	935	985	955
Public Utility Commission.....	502	509	503	494	467	469	529	485	519	535
Military and Veterans Affairs.....	-	-	-	-	459	489	529	517	538	529
Other.....	1,110	1,139	1,170	1,310	2,012	2,025	2,106	2,088	2,085	2,014
Total protection of persons and property.....	32,432	33,604	34,106	33,874	36,576	37,469	38,668	38,647	39,368	39,761
Public education										
Education.....	861	908	873	852	624	672	674	665	693	578
Other.....	19	22	21	20	20	18	18	18	18	16
Total public education.....	880	930	894	872	644	690	692	683	711	594
Health and human services										
Public Welfare.....	21,575	21,480	21,115	20,189	19,773	19,769	19,655	18,786	19,082	18,399
Labor and Industry.....	5,480	5,557	5,841	5,821	4,431	4,370	4,462	4,277	3,960	4,740
Military and Veterans Affairs.....	1,964	2,053	2,106	2,262	1,939	2,015	2,060	2,095	2,128	1,965
Health.....	1,305	1,347	1,399	1,444	1,404	1,429	1,524	1,465	1,511	1,490
Other.....	101	107	108	104	99	109	112	107	102	98
Total health and human services.....	30,425	30,544	30,569	29,820	27,646	27,692	27,813	26,730	26,783	26,692
Economic development										
Labor and Industry.....	-	-	-	-	923	911	960	927	911	930
Community and Economic Development.....	322	325	327	296	298	324	336	346	349	352
Total economic development.....	322	325	327	296	1,221	1,235	1,296	1,273	1,260	1,282
Transportation										
Transportation.....	12,302	12,360	12,393	12,086	10,645	10,578	10,810	10,509	10,770	10,655
Total transportation.....	12,302	12,360	12,393	12,086	10,645	10,578	10,810	10,509	10,770	10,655
Recreation and cultural enrichment										
Conservation and Natural Resources.....	2,742	2,775	2,768	2,707	2,632	2,608	2,639	2,573	2,632	2,493
Game Commission.....	747	810	769	754	758	734	732	734	725	706
Fish and Boat Commission.....	522	537	514	468	482	492	497	514	508	485
Historical and Museum Commission.....	480	494	504	503	488	444	435	419	399	347
Other.....	20	20	20	20	116	111	114	113	111	92
Total recreation and cultural enrichment.....	4,511	4,636	4,575	4,452	4,476	4,389	4,417	4,353	4,375	4,123
Total Commonwealth Employees.....	92,032	93,809	94,275	92,424	91,618	92,472	94,344	92,793	93,859	93,417

Source: Employees for the Legislature, Judiciary, Auditor General, Treasury and Attorney General were provided by the individual agency. All other agencies fall within the Governor's jurisdiction and were provided by the Office of Administration.

Notes: Beginning with the 2004 fiscal year, employee data was available both by function and agency and is shown appropriately in the table. For the fiscal years prior to 2004 employee data was only available by agency. For purposes of this table, the complement for fiscal years 2000 through 2003 is reported by function based on the agency's most prevalent functional activity.

Commonwealth of Pennsylvania

Operating Information

Table 18

Operating Indicators by Function and Agency

For the Last Ten Fiscal Years Ended June 30

	2000	2001	2002	2003	2004	2005	2006	2007	2008(8)	2009(8)
GOVERNMENTAL ACTIVITIES										
Direction and supportive services:										
Executive Offices										
Office of the Budget										
Number of invoices processed.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,471,951	1,538,004
Office of Inspector General-Welfare Fraud										
Fraud prevention - investigations.....	N/A	N/A	N/A	N/A	N/A	21,073	22,051	20,582	21,392	22,000
Fraud prevention - ineligibility determinations.....	N/A	N/A	N/A	N/A	N/A	10,898	11,500	10,793	10,762	11,000
Treasury										
Disbursements - checks.....	6,317,110	8,454,206	5,831,568	6,012,497	5,217,339	5,000,249	4,838,121	4,515,966	3,940,624	3,861,811
Disbursements - wires.....	3,628,047	3,947,535	4,269,328	4,571,640	5,355,924	6,047,788	6,484,759	6,694,219	6,791,988	6,870,800
Legislature										
General and appropriation acts (1).....	291	N/A	433	N/A	385	N/A	364	N/A	294	N/A
House/Senate bills introduced (1).....	4,481	N/A	4,613	N/A	4,242	N/A	4,450	N/A	4,445	N/A
Protection of persons and property:										
Corrections										
Inmates (2).....	36,384	36,810	37,995	40,090	40,817	40,965	42,446	44,365	46,028	49,307
Inmates enrolled in academic educational programs (2).....	9,162	10,357	10,600	11,286	11,749	11,680	13,457	14,453	15,017	15,307
Environmental Protection										
Permits or authorizations required by regulated entities.....	N/A	N/A	N/A	N/A	199,084	206,068	234,179	229,719	230,000	230,000
Inspections completed	N/A	N/A	N/A	N/A	100,042	104,237	82,392	76,000	80,000	80,000
Revenue										
Personal Income Tax:										
Total - electronic.....	N/A	N/A	N/A	N/A	2,272,861	2,520,663	2,813,228	3,040,325	3,347,123	3,175,000
Total - paper.....	N/A	N/A	N/A	N/A	3,494,305	3,288,166	3,994,634	2,076,124	3,239,502	2,775,000
Total personal income tax returns processed.....	5,707,558	5,895,045	5,901,402	5,862,231	5,767,166	5,808,829	6,807,862	5,116,449	6,586,625	5,950,000
State Police										
Traffic citations issued.....	449,430	484,749	503,352	484,602	438,328	451,160	479,086	506,844	500,820	507,900
Criminal arrests for crimes against persons or property (3).....	11,534	12,288	12,600	12,122	12,030	13,024	14,054	12,912	12,003	13,600
Background Checks:										
Firearms checks conducted for the purchase of a firearm.....	N/A	N/A	N/A	N/A	10,406	514,287	512,686	503,013	505,500	508,100
Criminal history checks for employment purposes.....	N/A	N/A	N/A	N/A	964,507	1,074,325	1,183,426	1,157,483	979,867	1,276,100
Judiciary										
Caseload (cases filed/reopened/appeals) (2).....	3,581,305	3,709,824	3,813,843	3,789,239	3,598,042	3,790,068	3,783,987	3,816,270	3,768,167	3,878,918
Public education:										
Education										
PreK-12 EDUCATION (BASIC EDUCATION):										
Public school enrollment (preK-12) (4).....	1,816,716	1,814,311	1,821,627	1,816,747	1,821,146	1,828,089	1,830,684	1,810,430	1,797,520	1,785,190
HIGHER EDUCATION:										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education.....	89,010	89,924	93,520	96,235	95,523	98,657	100,392	102,445	103,356	104,677
Community Colleges.....	64,394	67,030	75,088	80,874	86,935	88,494	88,150	91,161	92,526	94,795
State-Related Universities.....	130,805	133,200	136,581	140,375	140,806	140,697	139,894	144,993	148,272	148,721
Non-State Related Universities and Colleges.....	36,626	38,199	39,399	39,741	41,678	43,106	43,662	48,078	48,607	49,300
Health and human services:										
Aging										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average).....	240,298	232,372	230,949	223,119	242,755	290,482	306,138	390,207	313,643	321,664
Total prescriptions per year.....	9,530,401	9,744,249	10,228,661	10,672,686	10,888,090	12,794,090	13,253,256	13,025,489	11,173,934	12,146,011
PACE Needs Enhancement Tier (PACENET):										
Older Pennsylvanians enrolled (average).....										
Total prescriptions per year.....										
Health										
Vital events (births, deaths, fetal deaths) registered and processed (5).....	397,495	390,134	328,033	272,860	274,664	273,432	274,105	275,261	280,928	276,000
Total number of encounters by State Health Care Centers.....	N/A	N/A	N/A	N/A	N/A	N/A	375,240	511,736	550,083	555,584
Public Welfare										
MEDICAL ASSISTANCE										
Persons participating in Medical Assistance (monthly average).....	1,409,095	1,433,228	1,476,708	1,533,024	1,621,901	1,747,615	1,833,760	1,883,235	1,907,396	1,960,514

Commonwealth of Pennsylvania

Operating Information

Table 18

Operating Indicators by Function and Agency

For the Last Ten Fiscal Years Ended June 30

	2000	2001	2002	2003	2004	2005	2006	2007	2008(8)	2009(8)
Persons receiving cash assistance (monthly average).....	272,990	242,214	229,660	225,396	250,581	278,474	278,496	250,687	225,846	219,414
Children participating in subsidized child care (unduplicated).....	N/A	N/A	N/A	182,102	185,971	195,211	200,650	212,112	239,550	246,580
Total persons provided mental health services (6).....	200,732	203,812	207,269	202,460	208,345	398,590	418,749	517,440	525,991	530,502
Persons receiving Mental Retardation services during fiscal year (7).....	74,000	76,988	82,220	85,000	89,985	72,538	45,414	50,139	51,375	52,471
Economic development:										
Community and Economic Development										
Jobs pledged to be created in Business and Technology Development.....	N/A	N/A	N/A	N/A	63,870	78,500	154,951	155,912	77,002	67,425
Jobs retained in Business and Technology Development.....	N/A	N/A	N/A	N/A	54,209	108,864	92,768	126,479	105,582	107,100
Businesses assisted in Business and Technology Development.....	2,662	2,739	8,243	9,113	22,305	19,781	16,215	18,454	15,805	16,487
Local Governments assisted.....	675	420	475	594	766	711	1,265	764	1,185	750
Persons participating in Community Services Block Grant.....	244,844	243,497	272,983	270,006	324,436	339,564	339,564	339,564	348,829	353,000
Labor and Industry										
Total public health and safety inspections performed.....	131,365	135,590	135,567	134,352	122,584	117,056	82,123	80,408	75,223	81,000
Total Vocational Rehabilitation Caseload.....	78,138	77,622	81,391	83,696	82,262	86,814	84,619	83,241	92,249	83,250
Transportation:										
Transportation										
Miles of State maintained highways.....	40,101	40,051	39,935	39,906	39,893	39,890	39,890	39,843	39,872	39,847
Passengers carried by State-assisted operators (millions annually).....	294	310	302	302	304	310	401	390	427	429
Safety and Emissions inspections.....	12,641,070	13,603,449	13,589,000	13,617,103	15,000,000	17,100,000	17,388,858	17,470,970	17,470,125	17,670,000
Registrations:										
Registrations-Total New and Renewed.....	10,015,000	10,052,000	9,825,000	10,099,000	9,978,000	10,017,000	9,864,461	9,708,974	9,724,462	9,651,758
Licensed drivers-Total New and Renewed.....	2,284,900	2,320,900	2,130,859	2,302,100	2,476,213	2,377,057	2,345,311	2,274,866	2,432,976	2,420,000
Recreation and cultural enrichment:										
Conservation and Natural Resources										
State park attendance (visitor days per calendar year).....	36,712,000	36,438,000	36,627,000	36,031,000	34,692,000	35,095,476	36,295,873	35,800,000	33,200,000	33,500,000
Fish and Boat Commission										
Fishing licenses sold.....	934,723	953,032	935,845	907,313	909,053	834,877	843,302	864,416	905,806	900,000
Game Commission										
Hunting licenses sold.....	1,033,315	1,038,846	1,047,820	1,017,154	1,018,248	1,007,613	964,158	945,892	924,448	925,000
Historical and Museum Commission										
Records maintained by the State Records Center (in thousands).....	N/A	N/A	N/A	N/A	709,821	726,747	753,354	791,553	812,175	811,000
Annual visits to commission historical sites and museums (in thousands).....	1,273	1,295	1,406	1,517	1,528	1,477	1,516	1,420	1,450	1,425
BUSINESS-TYPE ACTIVITIES										
Labor and Industry										
Number of new unemployment compensation claims.....	1,036,558	983,951	1,309,511	1,314,267	1,341,118	1,177,499	1,148,256	1,176,669	1,250,506	1,445,344

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

Notes:

(1)-Legislation acts and bills are presented per the Legislature's two-year session. Amounts presented for the 2007-2008 session are not final, since the session has yet to be completed.

(2)-Amounts are presented as of December 31.

(3)-Arrests per 100,000 population in State Police jurisdiction areas.

(4)-PreK enrollment is not included through the 2003 fiscal year.

(5)-The decrease in Vital Events from 2001 to 2002 is due to Act 82 of 2001, which eliminated some requirements for the processing of marriage and divorce records.

(6)-Beginning with the 2005 fiscal year, this amount was revised to include individuals receiving services from community mental health funds, Medical Assistance expenditures, and BHSI funds.

(7)-Beginning with the 2005 fiscal year, this amount was revised to remove those receiving Early Intervention services.

(8)-For the 2009 fiscal year, a majority of the indicators presented are estimates. For the 2008 fiscal year, the amounts that were presented as estimates in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2008 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2008 CAFR.

Commonwealth of Pennsylvania

Operating Information

Table 19

Capital Asset Information by Function and Agency
For the Last Ten Fiscal Years Ended June 30

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
GOVERNMENTAL ACTIVITIES										
Direction and Supportive Services										
Department of General Services										
Number of buildings (1).....	33	33	33	36	36	36	85	85	87	85
Total pieces of machinery and equipment (2).....	71	80	48	164	137	137	137	139	133	148
Capital and Agency projects in design and/or construction (3).....	422	426	367	389	375	500	409	440	385	425
Vehicles in fleet.....	N/A	N/A	N/A	N/A	N/A	16,544	16,337	16,384	16,307	16,307
Protection of persons and property										
Department of Corrections										
State Correctional Institutions (4).....	25	25	26	26	26	27	26	26	27	27
State Police										
Patrol vehicles.....	2,009	2,199	2,215	2,207	2,188	2,282	2,316	2,173	2,189	2,189
Police stations and/or troop headquarters (4).....	20	20	20	20	21	23	23	23	23	24
Department of Military and Veterans Affairs										
Number of armories.....	96	97	97	97	96	117	117	117	117	117
Public education										
State System of Higher Education (SSHE)-Component Unit (5)										
Number of SSHE universities using Commonwealth owned buildings and land	14	14	14	14	14	14	14	14	14	14
Health and human services										
Department of Public Welfare										
Total number of hospital or treatment center complexes (1)(4).....	23	22	22	22	22	21	19	19	19	18
Transportation										
Department of Transportation										
Total pieces of equipment.....	N/A	25,211	20,434	21,281	21,256	20,858	20,434	22,000	25,000	23,041
Total lane miles of highways (state or locally maintained).....	115,677	115,939	116,282	116,570	115,402	116,055	116,100	116,716	116,998	117,233
Recreational and cultural enrichment										
Department of Conservation and Natural Resources										
Acres of land in state parks and forests (in millions).....	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Game Commission										
Acres of game lands (in millions).....	1.36	1.36	1.41	1.41	1.40	1.40	1.40	1.40	1.40	1.40
Fish Commission										
Public boat launches.....	N/A	N/A	N/A	N/A	N/A	N/A	178	153	153	271
Total number of fish hatcheries.....	15	15	15	15	15	15	15	15	15	15
Historical and Museum Commission										
Museums and historic sites.....	28	26	26	26	26	26	25	25	25	25
Economic Development										
Department of Labor and Industry										
Square footage of rehabilitation centers owned by the Commonwealth.....	444,035	444,035	444,035	444,035	444,035	444,035	444,035	444,035	444,035	444,035

Sources: Governor's Office of the Budget, Comptroller Offices and various agencies.

Notes:

- (1)-Beginning with the 2006 fiscal year, the control of the Harrisburg State Hospital was transferred from the Department of Public Welfare (reducing the reported number of hospital complexes) to the Department of General Services (increasing the reported number of buildings).
- (2)-Beginning with the 2003 fiscal year, the reported machinery and equipment includes assets that were depreciated in full.
- (3)-For the 2009 fiscal year, the amount presented is an estimate. For the 2008 fiscal year, the estimated amount has been revised. Therefore, the amount shown may differ from what was presented in the June 30, 2008 CAFR.
- (4)-State Correctional Institutions, police station/troop headquarters and hospital/treatment center complexes include nondepreciable capital assets (e.g. land) and depreciable assets (e.g. machinery and equipment, buildings, improvements, etc.).
- (5)-The State System of Higher Education (SSHE) is a discretely presented component unit. However, each of its universities uses land, buildings, and improvements which were purchased by the Commonwealth and are still reported as governmental activities capital assets in the Commonwealth's Statement of Net Assets. See Note A in the Notes to the Financial Statements for a detailed description of this relationship.