



Commonwealth of Pennsylvania

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# Comprehensive Annual Financial Report

For the Fiscal Year  
Ended June 30, 2019



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Governor  
Tom Wolf

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THE GOVERNOR

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# ***Commonwealth of Pennsylvania***

## **Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2019**

***Tom Wolf, Governor***



**Prepared By:  
Office of the Budget**

***Jen Swails  
Secretary***

***John Raymond  
Executive Deputy Secretary***

***Brian Lyman, CPA  
Chief Accounting Officer***

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**Commonwealth of Pennsylvania  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019**

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COMMONWEALTH OF PENNSYLVANIA  
OFFICE OF THE GOVERNOR

JEN SWAILS  
SECRETARY  
GOVERNOR'S OFFICE OF THE BUDGET

December 12, 2019

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 (Commonwealth) as of and for the fiscal year ended June 30, 2019. The Office of the Budget, Office of Comptroller Operations, prepared this report, which includes the Basic Financial Statements, 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 Basic Financial Statements 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 position/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. 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, there is reasonable, but not absolute, assurance as to the effectiveness of the internal control system.

The Commonwealth's June 30, 2019 Basic Financial Statements have been jointly audited by the Department of the Auditor General and CliftonLarsonAllen LLP, an independent public accounting firm. The independent auditors' unmodified 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 that is included in the Basic Financial Statements.

Management's Discussion and Analysis (MD&A), which precedes the June 30, 2019 Basic Financial Statements, provides an overview of the Commonwealth's financial position and activities thus helping readers to understand the Basic Financial Statements. This section immediately follows the auditors' opinion. In addition to the MD&A and Basic Financial Statements, this CAFR includes: budgetary comparison schedules; combining fund financial statements; other supporting schedules; narrative information describing individual funds; and statistical tables presenting financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as reported over the last ten fiscal years.

## **PROFILE OF THE GOVERNMENT**

Pennsylvania, also known as the Keystone State, is one of only four Commonwealths in the United States. Pennsylvania earns the title of Commonwealth as a result of its organization by the common consent of the people during colonial times.

The Commonwealth of Pennsylvania provides a wide range of services to enhance the quality of life for its 12.8 million citizens. The Commonwealth divides these essential services into seven broad program categories, consisting of direction and supportive services, protection of persons and property, health and human services, public education, economic development, transportation, and recreation and cultural enrichment. This programmatic approach enables Pennsylvania to effectively serve its citizens.

The Commonwealth of Pennsylvania, aside from the defined primary state government, is also accountable for a number of legally-separate component unit organizations. The major discretely presented component units in Pennsylvania include the Pennsylvania Turnpike Commission, the Pennsylvania Housing Finance Agency, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Infrastructure Investment Authority, and the State System of Higher Education. Although the Commonwealth does not directly control or operate these component unit organizations, it is still financially accountable for them, and therefore, includes them in the Commonwealth's financial reporting entity and reports them separately within its government-wide financial statements. The Commonwealth of Pennsylvania also accounts for two additional component unit organizations, the Commonwealth Financing Authority and the Philadelphia Regional Port Authority. These organizations function as an integral part of the Commonwealth's primary government; therefore, their financial information is blended with the Commonwealth's primary government financial information.

Pennsylvania government has three distinct branches: the legislative branch, the judicial branch, and the executive branch. The legislative branch, comprised of the Senate and House of Representatives, develops and passes the Commonwealth's laws. The judicial branch, made up of the Pennsylvania Supreme Court as well as other specialized courts, serves the Commonwealth by interpreting the laws put in place by the legislative branch. The executive branch, consisting of the elected Governor, Auditor General, Attorney General, State Treasurer, and other appointed officials, works to enforce the laws established by the legislative branch. With these three branches of the Pennsylvania state government, an effective system of checks and balances is created. The Commonwealth's principal leadership and organization charts at June 30, 2019 are incorporated immediately following this letter.

## **GENERAL FUND**

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, 2019. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in special funds, and accounts for a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate net income, and sales and use taxes, constitute approximately 97.7% of the General Fund budgetary basis state revenues.

## **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 appropriations. The Budgetary Comparison Schedule, included as RSI, provides original budget, final budget and actual budgetary results for the fiscal year ended June 30, 2019.



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

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

**Budgetary Basis General Fund Balance  
Increase/(Decrease) Last Five Fiscal Years at June 30**

<u>Fiscal year</u>	<u>Balance/Deficit</u>	<u>Increase/Decrease</u>
2019	\$ —	\$ 33
2018 (revised)	(33)	1,492
2017 (revised)	(1,525)	(1,530)
2016 (revised)	5	(252)
2015 (revised)	257	173

During the fiscal year ended June 30, 2019, General Fund revenues and other sources exceeded General Fund expenditures by \$33, and at June 30, 2019, the Commonwealth reported a budgetary basis surplus of \$0 in the General Fund. The budgetary basis results for the fiscal year ended June 30, 2019 include revenue collections totaling \$67,820, less appropriation authorizations totaling \$67,670, plus other net financing uses totaling \$117. Included in the \$67,670 appropriation authorizations are \$674 of state supplemental appropriations and \$372 in federal supplemental appropriations authorized for the fiscal year ended June 30, 2019 (amounts in millions).

**ECONOMIC CONDITION**

Pennsylvania benefits from a highly diversified economy with a mix of industries, and no one single employment sector dominates. Since the turbulent diversification of the Pennsylvania economy during the 1970’s and 1980’s, Pennsylvania has a much more stable economy which tends to track the national economy but with less volatility. During periods of national economic contraction, Pennsylvania often will outperform the U.S. in areas such as growth in real gross state product, real personal income and employment. Pennsylvania’s unemployment rate generally trends below the U.S. rate, and per capita income levels in the Commonwealth exceed national levels. However, during periods of economic expansion, Pennsylvania will often lag behind the rate of growth in the national economy.

The Marcellus shale natural gas deposit is a long-term asset for the state and region, although drilling activity has slowed due to low prices for natural gas. The buildout of infrastructure to transport the gas to market continues, with construction of pipelines, compressing stations and processing facilities continuing to benefit Pennsylvania. The buildout of pipeline infrastructure needed to move the state’s natural gas production to market is continuing, both within Pennsylvania and outside of the state. Pipeline construction is boosting payrolls in the construction and metals manufacturing sectors, among others.

Portions of the state, especially the Pittsburgh area, have become magnets for high-tech jobs such as software development. Pittsburgh has continued to build on its reputation as one of the nation’s leading cities for startup businesses. The city has acquired regional offices for major tech companies such as Google, Apple, and Uber. Other industries such as manufacturing of medical instruments also continue to show growth. A recently announced partnership between Pittsburgh and Cleveland in the field aims to boost the high-tech fortunes of both cities.

In the Southeast part of the state, GlaxoSmithKline will be consolidating its drug research operations into two facilities, including one in Collegeville, Montgomery County. The company is investing \$250 million in new "smart labs" at the site, which is currently home to about 1,600 jobs.

The education and healthcare sectors remain a vital part of the state economy. The healthcare sector expects to benefit from increased demand building upon expanded insurance coverage already provided through the Affordable Care Act. Pennsylvania also boasts many top-flight research hospitals that draw patients from outside the state. The state's education providers, especially its notable research universities, not only provide jobs on campus but also help to nurture new businesses with the graduates they produce.

Projected steady growth in state revenues also point toward a favorable economic outlook for Pennsylvania. The Independent Fiscal Office reported in November 2018 that personal income tax (PIT) growth is projected to outpace gross domestic product (GDP) growth, assuming the absence of a recession. In addition, the corporate net income tax (CNIT) is projected to expand at roughly the same rate as the state economy through fiscal year 2023-24. The Tax Cuts and Jobs Act expands the federal tax base, from which Pennsylvania CNIT is calculated, and effectively provides a boost to state tax revenues. From the recovery through the current fiscal year, CNIT revenues outpaced Pennsylvania GDP.

Pennsylvania is expected to add jobs at an annual average rate of 0.6% over the next five years. The healthcare sector continues to be a reliable source for new jobs and investment in the state, while the construction sector pitched in with some long-awaited gains due to increased activity in residential and commercial development, as well as infrastructure rebuilding. Overall employment growth in Pennsylvania is expected to be 1.4% for 2018. The state's unemployment rate will drop to the mid-4% range.

### **LONG-TERM FINANCIAL PLANNING**

The Commonwealth continues to improve its overall financial condition with an emphasis on improving the strength of its General Fund, and ultimately providing for additional resources within the Commonwealth's budget stabilization reserve fund. Act 20 of 2019 (amending the Fiscal Code) transfers 100% of the 2018-19 General Fund surplus to the Budget Stabilization Reserve Fund.

The Commonwealth enacted Act 12 of 2019 (amending the Human Services Code) eliminating the 100% state-funded general assistance cash grant program, projected to save the General Fund \$54 million in 2019-21. This legislation also reauthorizes the Philadelphia hospital assessment for an additional five years through June 30, 2024, providing approximately \$60 million for the General Fund to maintain the Medical Assistance Program.

Act 19 of 2019 also amends the Human Services Code by extending the sunset date for the intermediate care facilities (ICF/ID) assessment until June 30, 2024. In 2019-20, the assessment is projected to generate \$18 million from the assessment on services provided in private facilities and \$18 million from the assessment on services provided in state centers. The authority for the nursing facility assessment imposed on county and nonpublic nursing homes is also extended for an additional three years through June 30, 2022, maintaining approximately \$490 million in annual assessment revenues that will be used to support nursing home payments, including payments made by managed care organizations.

The Commonwealth continues to closely monitor all state agency expenditures and is restricting hiring and spending to only those areas which are necessary to maintain the Commonwealth's health and safety programs and other core functions. In addition, agencies are urged to identify inefficiencies created by outdated legislative mandates as well as regulatory changes to streamline program operations.

Updated projections of the Commonwealth's financial activity and expenditures will be included in the Governor's Fiscal Year 2020-21 Executive Budget request which will be available on February 4, 2020 via the Office of the Budget's website ([www.budget.pa.gov](http://www.budget.pa.gov)).

### **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 CAFR as of and for the fiscal year ended June 30, 2018. This represents the thirty-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 CAFR, 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 CAFR of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2019 conforms to the GFOA's award criteria.

#### ACKNOWLEDGMENTS

We wish to express our appreciation to the staff of the Office of the Budget, Office of Comptroller Operations and 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,



Jen Swails  
Secretary  
Office of the Budget

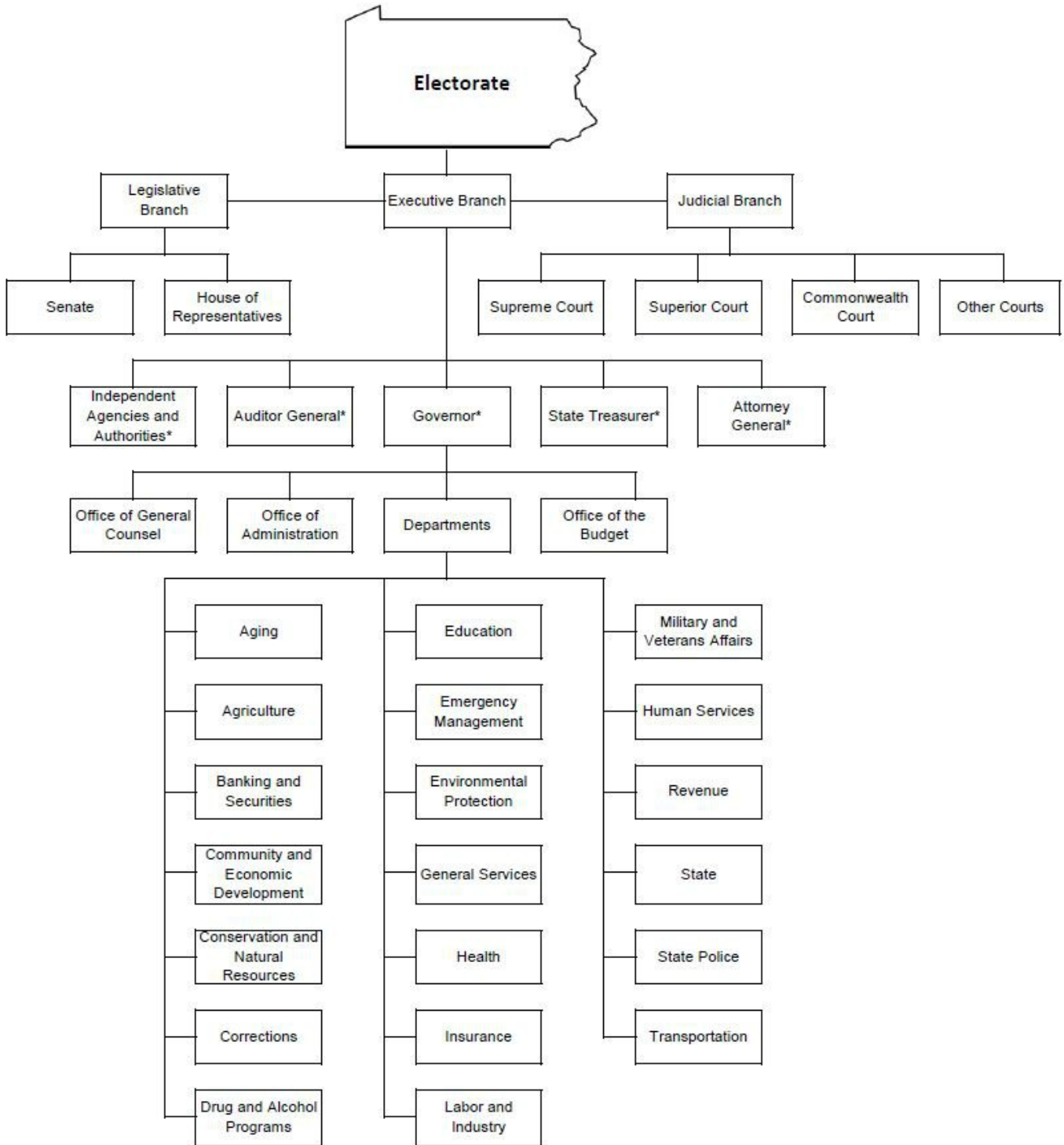


John Raymond  
Executive Deputy Secretary  
Office of the Budget



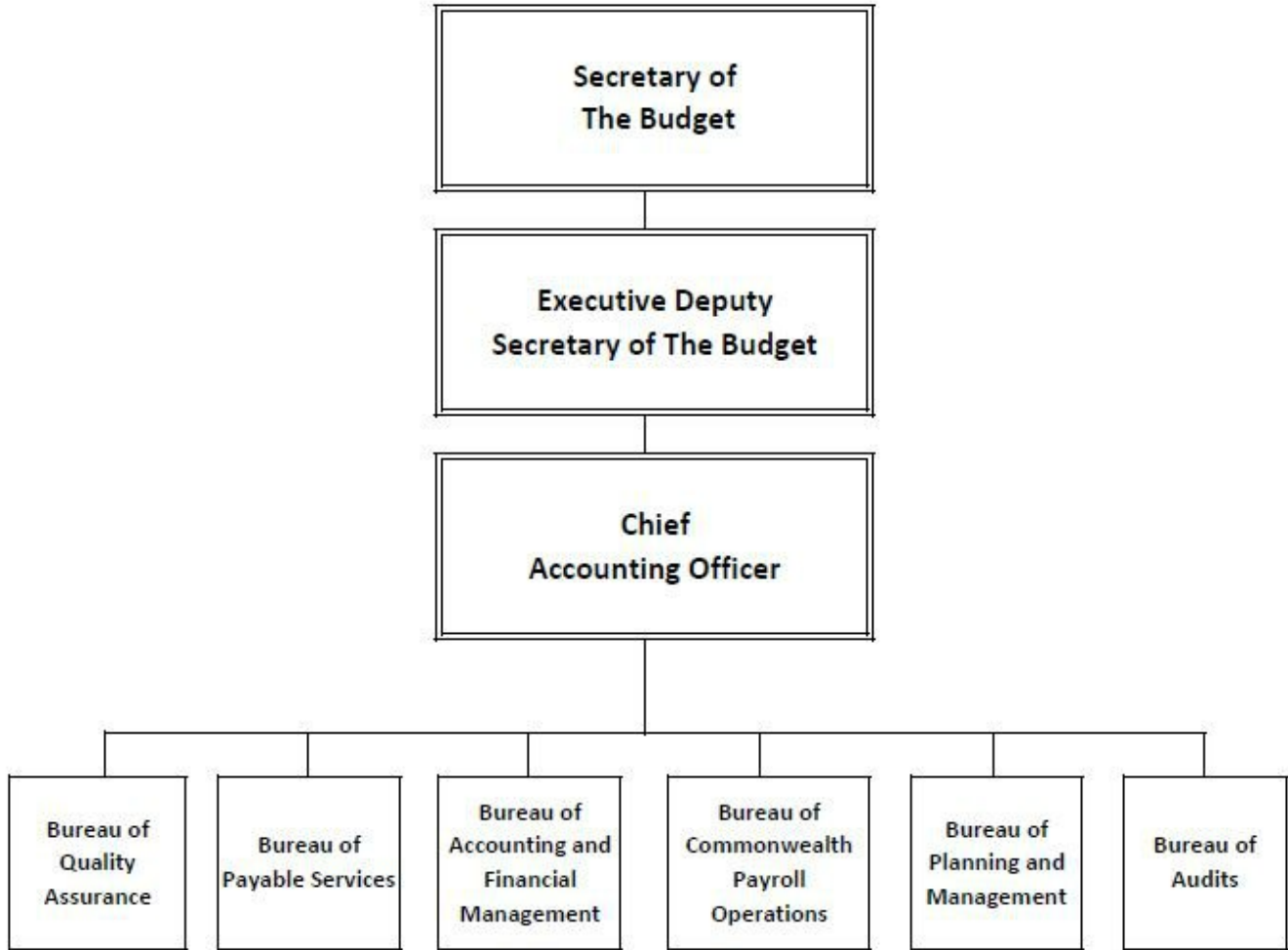
Brian Lyman, CPA  
Chief Accounting Officer  
Office of the Budget

**COMMONWEALTH OF PENNSYLVANIA  
ORGANIZATION CHART  
June 30, 2019**



\*Independently Elected

OFFICE OF THE BUDGET  
OFFICE OF COMPTROLLER OPERATIONS  
ORGANIZATION CHART  
June 30, 2019



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2019

Tom Wolf, Governor

John Fetterman, Lieutenant Governor

Joe Torsella, Treasurer

Eugene DePasquale, Auditor General

Josh Shapiro, Attorney General

Jen Swails, Secretary of the Budget

Michael Newsome, Secretary of Administration

Joseph Scarnati, President pro Tempore, Senate

Mike Turzai, Speaker of the House

Thomas Saylor, Chief Justice State Supreme Court



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**Commonwealth of Pennsylvania**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Financial Section



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



CliftonLarsonAllen LLP  
CLAconnect.com

## INDEPENDENT AUDITORS' REPORT

The Honorable Tom Wolf, 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, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to jointly express opinions on these financial statements based on our audit. We did not jointly audit the financial statements of certain funds and component units of the Commonwealth, which represent the indicated percent of total assets and deferred outflows of resources and total revenues as presented in the table below. Those financial statements were audited by other auditors, including CliftonLarsonAllen LLP and the Commonwealth of Pennsylvania's 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 those funds and component units, are based solely on the reports of the other auditors.

	Percentage Audited Separately by				Percent Audited by	
	Department of the Auditor General		CliftonLarsonAllen LLP		Other Auditors	
	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue	Total Assets & Deferred Outflows of Resources	Total Revenue
<b>Government-Wide</b>						
Business-type Activities	6%	21%	18%	3%	17%	1%
Component Units	0%	0%	19%	40%	81%	59%
<b>Fund statements</b>						
Enterprise Funds	6%	21%	18%	3%	16%	1%
Fiduciary Funds	1%	1%	63%	81%	33%	12%
<b>Discretely Presented Component Units</b>	0%	0%	19%	40%	81%	59%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### *Pennsylvania Turnpike Commission*

The Pennsylvania Turnpike Commission, a discretely presented component unit, has committed to making significant payments under an Amended Lease and Funding Agreement as required under the terms of Act 44 of 2007 and Act 89 of 2013. The Pennsylvania Turnpike Commission's ability to make such payments is dependent on its continuing capability to issue bonds to fund such payments and ultimately to raise tolls sufficient to repay its bonded debt and current lease payments (see Note 16). Our auditors' opinion was not modified with respect to this matter.

During the fiscal year ended May 31, 2019, the Pennsylvania Turnpike Commission implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of this standard, the Pennsylvania Turnpike Commission reported a restatement for the change in accounting principle (see Note 16). Our auditors' opinion was not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 20-41, and the schedules of pension and OPEB amounts and the budgetary comparison schedules, as listed in the table of contents and notes to the required supplementary information on pages 194-203 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to

The Honorable Tom Wolf, Governor  
Commonwealth of Pennsylvania

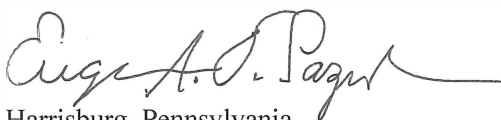
be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth'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 the budgetary comparison schedules for budgeted non-major special revenue funds, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit and the reports of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Harrisburg, Pennsylvania  
December 12, 2019



Baltimore, Maryland  
December 12, 2019



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Management's Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania’s (Commonwealth’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, 2019 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 5 of this report, and with the Commonwealth’s financial statements, which follow.

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**Section A: Understanding Government Financial Statements**

**Three questions are the focal points of the financial data in this report:**

- 1) Near-term financing: Will the government be able to pay its bills (both expected and unexpected) on time?
- 2) Financial position: Is the government’s financial health improving or deteriorating?
- 3) Economic condition: Is it likely that today’s financial position will improve or deteriorate?

To assist the reader in answering these questions and others, the Commonwealth presents both government-wide financial statements and fund financial statements.

**Government-wide Financial Statements** are designed to provide a broad overview of the Commonwealth’s finances, in a manner similar to a private-sector business. All of the Commonwealth’s activities are reported in the government-wide statements except for activities accounted for in the fiduciary funds.

**Fund Financial Statements** focus on accountability of resources versus the government-wide financial statements’ focus on the ability to meet financial obligations.

	Government-wide Statements			Fund Financial Statements		
	Governmental Activities	Business-Type Activities	Discretely Presented Component Units	Governmental Funds (see note 1)	Proprietary Funds (see note 2)	Fiduciary Funds (see note 3)
<b>Scope of Report and Fund Types</b>	Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues	Activities financed in whole or part by fees charged to external parties for goods and services	Legally separate organizations for which the elected officials of the primary government are financially accountable or it would be misleading to exclude them	<ul style="list-style-type: none"> <li>• General Fund</li> <li>• Special Revenue Funds</li> <li>• Debt Service Funds</li> <li>• Capital Projects Funds</li> </ul> Generally used to account for tax-supported activities	<ul style="list-style-type: none"> <li>• Enterprise Fund</li> <li>• Internal Service Funds</li> </ul> Activities that focus on the determination of operating income, changes in net position (cost recovery), financial position and cash flow	<ul style="list-style-type: none"> <li>• Agency Funds</li> <li>• Pension Trust Funds</li> <li>• Investment Trust Funds</li> <li>• Private-purpose Trust Funds</li> </ul> Activities held in a trustee or agency capacity for others and which therefore cannot be used to support the government’s own programs
<b>Required Financial Statements</b>	Statement (Stmt) of Net Position (1) Stmt of Activities (2)			<ul style="list-style-type: none"> <li>• Balance Sheet (3)</li> <li>• Stmt of Revenues, Expenditures and Changes in Fund Balances (4)</li> </ul>	<ul style="list-style-type: none"> <li>• Stmt of Net Position (1)</li> <li>• Stmt of Revenues, Expenses, and Changes in Net Position (8)</li> <li>• Stmt of Cash Flows (5)</li> </ul>	<ul style="list-style-type: none"> <li>• Stmt Fiduciary Net Position (6)</li> <li>• Stmt of Changes in Fiduciary Net Position (7)</li> </ul>
<b>Measurement Focus and Basis of Accounting</b>	Economic resources measurement focus and accrual basis			Current financial resources measurement focus and modified accrual basis	Economic resources measurement focus and accrual basis	Accrual basis

- (1) **Statement of Net Position** is a government-wide or proprietary fund financial statement that reports the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources as net position, not fund balances or equity.
- (2) **Statement of Activities** is a government-wide financial statement that reports the net (expense) revenue of its individual function and the activities as a whole.
- (3) **Balance Sheet** presents a statement of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balances of the government at a point in time.
- (4) **Statement of Revenues, Expenditures, and Changes in Fund Balances** presents the flows of resources in and out, as well as fund balance at the beginning and end of the financial period.
- (5) **Statement of Cash Flows** provides relevant information about cash receipts and cash payments during a period.
- (6) **Statement of Fiduciary Net Position** presents information about the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for each fiduciary fund type.
- (7) **Statement of Changes in Fiduciary Net Position** presents additions and deductions in net position, as well as net position at the beginning and end of the financial period.
- (8) **Statement of Revenues, Expenses, and Changes in Net Position** presents the flows of resources in and out, as well as net position at the beginning and end of the financial period.

**Note 1: Governmental Funds** focus primarily on the sources, uses and balances of current financial resources and often have a budgetary focus. Thus, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the Commonwealth's programs.

**Note 2: Proprietary Funds** focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds. Enterprise funds are used in situations where a fund provides services primarily to external customers. Internal service funds are designed to function on a cost-reimbursement basis primarily providing benefits to other funds, departments or agencies of the Commonwealth.

**Note 3: Fiduciary Funds** account for resources held for the benefit of parties outside the Commonwealth and retired government employees. These activities have been excluded from the Commonwealth's government-wide financial statements because the assets are not available to finance its operations.

For further accounting policy explanations see Note 1 in the notes to the financial statements section of the CAFR.

All dollar amounts in the MD&A are stated in millions unless otherwise indicated. There may be rounding differences between amounts reported in the MD&A section and amounts reported in other sections of the CAFR.

## Section B: Commonwealth's Overall Financial Activity

The following are explanations of the various categories broken out in the condensed Statement of Activities. Section C contains condensed financial information for the Commonwealth.

### Government-wide Revenues

**Tax revenue** is the largest portion of revenue reported by the Commonwealth. The majority of the tax revenue is deposited into the General Fund, the Commonwealth's largest operating fund. Significant tax revenue is also reported in the Motor License Fund and is utilized to fund the Commonwealth's highway and bridge infrastructure improvements and enhancements. Gaming taxes provide funding for several initiatives, most notably the Commonwealth's property tax relief program.

**Charges for sales and services** report the sales, fees and assessments charged for lottery tickets, wine and spirits, licenses, permits and various registration requirements that support many of the Commonwealth's services and programs. The largest portion of charges for sales and services is reported by the State Lottery Fund and the Unemployment Compensation Fund; the profits from lottery ticket sales are utilized to support programs for the elderly.

**Operating grants and contributions** include the revenue from the Federal Government in the form of grants. The Department of Human Services receives the most federal funds for medical assistance and other social service programs. Other agencies that receive significant federal funds include the Department of Labor and Industry supporting the Unemployment Compensation program, Department of Transportation supporting infrastructure development, Department of Health supporting an effective public health system and the Department of Education funding basic and higher education programs.

**Capital grants and contributions** make up a small percentage of the Commonwealth's total revenue. The grant revenue reported here is received from the Federal Government and supports construction projects for transportation and military affairs.

### Government-wide Expenses

#### Governmental Activities:

**Direction and supportive services** are centralized functions affecting all agencies. These services provide an administrative support system through which the goals and objectives of Commonwealth programs are attained. The Governor's Office, Executive Offices, Auditor General, Treasury, the departments of General Services and Revenue and the Legislature are some of the agencies that provide these services.

**Protection of persons and property** includes consumer and environmental protection, certain regulatory activities, the criminal justice system and the mitigation of the effects of disasters. The State Police, Attorney General, Department of Corrections, Public Utility Commission, Department of Military and Veterans Affairs, Pennsylvania Emergency Management Agency, and Insurance Department are some of the agencies that support these programs.

**Public education** programs are managed primarily by the Department of Education. The Commonwealth strives to provide a system of learning experiences and opportunities through quality basic, special, technical and higher education programs.

**Health and human services** programs are primarily the responsibility of the departments of Human Services, Health, Aging and Drug and Alcohol Programs with contributions by the departments of Agriculture, Labor and Industry, Military and Veterans Affairs and Revenue. Agencies include these programs to ensure access to quality medical care for all citizens, support citizens seeking self-sufficiency and maximize citizens' opportunities to participate in society.

**Economic development** programs invest public resources to create jobs for Commonwealth citizens. The total efforts of the Department of Community and Economic Development are devoted to these programs and are the primary source of reported expenses.



**Transportation** reports the expenses of the Commonwealth's road and bridge infrastructure improvements and enhancements as well as the costs to provide licensing and highway safety programs. Transportation systems are developed to serve the needs of citizens, commerce and industry and are financed through the Department of Transportation.

**Recreation and cultural enrichment** programs focus resources on recreational and cultural amenities, ensuring that Commonwealth citizens and visitors can explore the cultural traditions, art and history of the Commonwealth and take advantage of outdoor recreational opportunities. The programs are primarily the responsibility of the Department of Conservation and Natural Resources, the Fish and Boat Commission, the Game Commission, the Historical and Museum Commission and the Department of Education.

**Interest** expense is the result of Commonwealth incurred debt used to finance its capital programs, voter-approved bond referenda and certain disaster relief programs. Most long-term financing of the Commonwealth is provided by the issuance of general obligation debt.

#### **Business-Type Activities:**

**State lottery** reports the cost of sales and services to manage and maintain the Commonwealth's lottery program. All profits from the lottery program benefit the elderly population through the funding of programs ensuring reduced costs on prescriptions, access to public transportation, and property tax and rent rebate programs.

**State workers' insurance** reports the administrative expenses to provide workers' compensation insurance to employers, including those refused policies by private insurance firms.

**Tuition payment** reports the administrative expenses of the Tuition Payment Fund which provides Commonwealth residents the opportunity to prepay college tuition towards future education expenses at eligible educational institutions.

**Unemployment compensation** reports the expenses for payments made to unemployed individuals.

**Commonwealth financing** reports the expenses of the Commonwealth Financing Authority. The majority of expenses are for grants that promote the health, safety, employment, business opportunities and economic activity of the Commonwealth.

**Liquor control** expenses cover all costs associated with the operation and administration of the Liquor Store System and enforcement of the Liquor Code.

**Economic development and other** expenses reported include, among other things, those for a variety of economic development programs and the Philadelphia Regional Port Authority.

## Section C: Condensed Financial Information

## Government-wide Statement of Net Position as of June 30, 2019 and 2018

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Cash and investments .....	\$ 10,880	\$ 11,116	\$ 9,206	\$ 8,436	\$ 20,086	\$ 19,552
Capital assets (net) .....	40,207	38,841	707	610	40,914	39,451
All other assets .....	11,317	10,896	1,526	1,687	12,843	12,583
<b>Total assets</b> .....	<b>62,404</b>	<b>60,853</b>	<b>11,439</b>	<b>10,733</b>	<b>73,843</b>	<b>71,586</b>
<b>Total deferred outflows</b> .....	<b>4,709</b>	<b>2,705</b>	<b>270</b>	<b>127</b>	<b>4,979</b>	<b>2,832</b>
<b>Liabilities:</b>						
Accounts payable .....	8,932	8,770	857	855	9,789	9,625
All other current liabilities .....	4,770	4,605	1,197	1,222	5,967	5,827
Bonds payable, noncurrent .....	11,673	12,609	4,535	4,847	16,208	17,456
All other long-term liabilities .....	39,877	41,819	4,397	4,555	44,274	46,374
<b>Total liabilities</b> .....	<b>65,252</b>	<b>67,803</b>	<b>10,986</b>	<b>11,479</b>	<b>76,238</b>	<b>79,282</b>
<b>Total deferred inflows</b> .....	<b>7,862</b>	<b>3,698</b>	<b>409</b>	<b>156</b>	<b>8,271</b>	<b>3,854</b>
<b>Net position:</b>						
Net investment in capital assets.....	34,262	32,976	707	601	34,969	33,577
Restricted .....	2,664	1,973	4,994	3,662	7,658	5,635
Unrestricted .....	(42,927)	(42,892)	(5,387)	(5,038)	(48,314)	(47,930)
<b>Total net position</b> .....	<b>\$ (6,001)</b>	<b>\$ (7,943)</b>	<b>\$ 314</b>	<b>\$ (775)</b>	<b>\$ (5,687)</b>	<b>\$ (8,718)</b>

Statement of Net Position Variance Analysis Year-Over-Year  
(A discussion of significant activities)**Cash and investments** net increase:

- Governmental Activities total cash and investments decreased \$236 largely from a decrease in the Capital Facilities Fund of \$790. The Capital Facilities Fund received the proceeds of a \$1.2 billion general bond issuance in May of 2018. Most of those proceeds were spent during the June 30, 2019 fiscal year. This decrease was offset by an increase to the General Fund of \$201 primarily related to unspent PlanCon bond proceeds.
- Business-Type Activities total cash and investments increased \$770 primarily due to the Unemployment Compensation Fund's cash and investment increase of \$749 related to decreased benefit payments from continued low unemployment throughout the Commonwealth. Additional significant increases were

realized by the Tuition Payment Fund and the State Lottery Fund of \$100 and \$74, respectively.

**Capital assets** net increase:

The \$1,366 increase in Governmental Activities capital assets was due to the Commonwealth's continued goal to invest in transportation infrastructure throughout Pennsylvania. The Motor License Fund's capital assets net of depreciation increased \$1,116 over the prior year.

**All other assets** net increase:

Governmental Activities increased \$421 related to increases in tax receivables of \$374, primarily for corporation and sales taxes. Tax revenues overall increased 6%, in part due to federal tax reform and a stronger economy.

**Deferred outflows of resources** net increase:

The total increase of \$2,147 is primarily the result of fiscal year 2018 Pennsylvania State Employees' Retirement System' (SERS) investment loss of approximately 4.6%, due primarily to the high level of market volatility that took place throughout 2018. This loss caused the net difference between actual market returns and the actuarially assumed market returns to change from a deferred inflow of resources in the prior reporting period to a deferred outflow of resources in the current reporting period for the Commonwealth. These differences are amortized over five years, and the net gain or loss is reported as a deferred inflow or deferred outflow of resources, respectively.

- Governmental Activities increased \$2,004.
- Business-Type Activities increased \$143.

**All other current liabilities** net increase: (Items reported in this category include tax refunds payable, due to other governments and political subdivisions, bonds payable and other current liabilities.)

- Governmental Activities increase of \$165 is largely attributable to an increase of \$107 in tax refunds payable in the General Fund.

**Bonds payable, noncurrent** net decrease:

- Governmental Activities noncurrent bonds payable decreased \$936 primarily because of an \$887 bond refunding that defeased \$1,015 of outstanding general obligation bonds and the portion of bonds payable that became current during the year.
- Business-Type Activities decreased \$312 largely as a result of bond redemptions throughout the year in the Unemployment Compensation Fund offset by two bond issuances by the Commonwealth Financing Authority.

**All other long-term liabilities** net decrease: (Liabilities reported in this category are due in periods beyond twelve months from the close of the fiscal year and will be repaid with future resources. Reported items include compensated absences, self-insurance, net pension liability, other postemployment benefit liability (OPEB) and other long-term liabilities.)

The total decrease of \$2,100 is largely due to changes in pension and OPEB liabilities. OPEB liabilities decreased by \$5,172 primarily caused by an experience gain from decreases, or lower than expected increases, in claims cost. This OPEB reduction was partially offset by a \$2,938 increase to net pension liability driven by investment earnings falling short of projected earnings during 2018.

- Total Governmental Activities decreased \$1,942 resulting from the OPEB decrease of \$4,947 and pension increase of \$2,807.
- Total Business-Type Activities decreased \$158 resulting from the OPEB decrease of \$225 and pension increase of \$131.

**Deferred inflows of resources** net increase:

The total increase of \$4,417 is primarily due to the OPEB liability's gain related to lower than expected claim costs.

- Governmental Activities deferred inflows of resources increased \$4,164.
- Business-Type Activities deferred inflows of resources increased \$253.

**Net position** is one way of measuring the health of the Commonwealth's finances. An overall deficit is reported for Governmental Activities and the overall Primary Government, although total net position increased \$3,031 over the prior year with Business-Type Activities changing from a deficit to a positive net position. The overall increase to the Primary Government's net position is primarily due to an increase in capital assets related to highway and bridge infrastructure coupled with the decrease in the OPEB liability and the amortization of the related deferred outflows and inflows of resources.

- The Governmental Activities net position increased in all classifications and \$1,942 overall. The unrestricted net position decreased \$35, the restricted net position increased \$691 and the net investment in capital assets increased \$1,286.
- Business-Type Activities net position increased \$1,089 overall. The restricted net position increased \$1,332 and net investment in capital assets increased \$106, offset by the unrestricted net position decrease of \$349.

## Statement of Activities for the Fiscal Years Ended June 30, 2019 and 2018

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
Program Revenues						
Charges for sales and services .....	\$ 8,016	\$ 7,110	\$ 10,132	\$ 9,717	\$ 18,148	\$ 16,827
Operating grants and contributions .....	31,120	29,459	223	329	31,343	29,788
Capital grants and contributions .....	217	31	4	—	221	31
Total program revenues .....	39,353	36,600	10,359	10,046	49,712	46,646
General revenues: taxes and investment income .....	39,512	37,109	—	—	39,512	37,109
<b>Total revenues</b> .....	<b>78,865</b>	<b>73,709</b>	<b>10,359</b>	<b>10,046</b>	<b>89,224</b>	<b>83,755</b>
<b>Expenses:</b>						
Governmental Activities						
Direction and supportive services .....	1,650	1,580	—	—	1,650	1,580
Protection of persons and property .....	6,997	6,839	—	—	6,997	6,839
Public education .....	16,978	16,517	—	—	16,978	16,517
Health and human services .....	43,216	40,315	—	—	43,216	40,315
Economic development .....	908	931	—	—	908	931
Transportation .....	6,473	6,193	—	—	6,473	6,193
Recreation and cultural enrichment .....	592	597	—	—	592	597
Interest .....	344	521	—	—	344	521
Business-Type Activities						
State lottery .....	—	—	4,499	4,090	4,499	4,090
State workers' insurance .....	—	—	132	168	132	168
Tuition payment .....	—	—	255	255	255	255
Unemployment compensation .....	—	—	1,786	1,912	1,786	1,912
Commonwealth financing .....	—	—	298	253	298	253
Liquor control .....	—	—	1,989	1,966	1,989	1,966
Economic development and other .....	—	—	76	55	76	55
<b>Total expenses</b> .....	<b>77,158</b>	<b>73,493</b>	<b>9,035</b>	<b>8,699</b>	<b>86,193</b>	<b>82,192</b>
Excess before transfers and special items .....	1,707	216	1,324	1,347	3,031	1,563
Transfers .....	235	1,835	(235)	(1,835)	—	—
<b>Increase (decrease) in net position</b> .....	<b>1,942</b>	<b>2,051</b>	<b>1,089</b>	<b>(488)</b>	<b>3,031</b>	<b>1,563</b>
Net position-beginning .....	(7,943)	12,429	(775)	725	(8,718)	13,154
Restatement .....	—	(22,423)	—	(1,012)	—	(23,435)
<b>Net position-ending</b> .....	<b>\$ (6,001)</b>	<b>\$ (7,943)</b>	<b>\$ 314</b>	<b>\$ (775)</b>	<b>\$ (5,687)</b>	<b>\$ (8,718)</b>

**Statement of Activities Variance Analysis Year-Over-Year  
(A discussion of significant activities)****Revenues****Charges for sales and services** net increase:

- Governmental Activities increased \$906 largely attributable to Human Services increased assessments on managed care organizations due to assessment rate increases. Further information is provided in Section D's General Fund analysis. Also contributing was a settlement agreement with tobacco companies totaling \$456 that resolved 20 years of disputes relating to the 1998 Tobacco Master Settlement Agreement.
- Charges for sales and services is the primary revenue category for Business-Type Activities. The revenues include among many things lottery sales, wine & spirit sales, and unemployment compensation revenues. The State Lottery, State Stores, and Unemployment Compensation Funds increased \$374, \$53, and \$7 respectively. Overall the category increased \$415. Further information is provided in the individual fund analysis in Section D.

**Operating grants and contributions** net increase:

- Governmental Activities increased \$1,661, primarily due to an increase of federal revenue in the General Fund for the Community HealthChoices program. This program began roll-out in January 2018, and enables eligible Medicaid recipients to select a healthcare coordinator to assist with accessing personalized long-term support services for increased quality of life.
- Business-Type Activities decreased \$106. The most significant cause was a decrease of investment income in the State Worker's Insurance Fund of \$91.

More information is provided in the individual fund analysis in Section D.

**Taxes and investment income** net increase of \$2,403 in Governmental Activities is primarily due to increased sales and use tax of \$1,004, increased personal income tax of \$777 as well as increases in corporation, inheritance, real estate and gaming taxes. Additional details are provided in Section D's General Fund analysis.

**Expenses: Governmental Activities**

**Public education** increased \$461 primarily due to increases in funding for various programs, including elementary education, basic education, pre-k, and medical assistance, as well as increased contributions for school employee pension costs.

**Health and human services** expenses increased \$2,901 primarily because spending for the Community HealthChoices program increased by \$2,800.

**Expenses: Business-Type Activities**

**State Lottery** program expenses increased \$409 due primarily to increases in paid prizes and payments of commissions to retailers. Refer to the State Lottery Fund analysis in Section D for additional detail.

**Unemployment Compensation** program expenses decreased \$126 due to continued low unemployment reducing the need for benefit payments. Refer to the Unemployment Compensation Fund analysis in Section D for additional detail.

**Transfers**

**Transfers** between the Governmental Activities and Business-Type Activities decreased \$1,600, primarily caused by the transfer of the CFA's Tobacco Master Settlement revenue bond proceeds and the PlanCon bond proceeds in the prior year.

Section D: Individual Funds Analysis

**General Fund Assets, Liabilities, Deferred Inflows and Fund Balance**  
Condensed, comparative, financial information (amounts in millions)

	2019	2018
<b>Assets:</b>		
Cash and investments .....	\$ 4,577	\$ 4,376
Receivables, net .....	5,254	4,978
Due from other funds/governments/advances/other .....	5,056	4,824
<b>Total assets</b> .....	<b>\$ 14,887</b>	<b>\$ 14,178</b>
<b>Liabilities:</b>		
Accounts payable and tax refunds payable .....	\$ 8,406	\$ 8,115
Due to other funds/governments/advances/other .....	2,555	2,380
Unearned revenue .....	17	18
<b>Total liabilities</b> .....	<b>10,978</b>	<b>10,513</b>
Total deferred inflows of resources .....	3,073	2,851
<b>Fund Balance:</b>		
Total fund balance .....	836	814
<b>Total liabilities, deferred inflows of resources and fund balance</b> .....	<b>\$ 14,887</b>	<b>\$ 14,178</b>

**Cash and investments** increased \$201 as revenues and other financing sources exceeded the uses of cash and investments during the fiscal year. \$132 of the increase pertained to the unspent, available portion of the \$386 of PlanCon bond proceeds transferred by the Commonwealth Financing Authority (CFA) during the fiscal year under Act 25 of 2016.

**Receivables, net** increased \$276 primarily due to a \$371 increase in taxes receivable driven by increases to corporation and sales and use tax receivables of \$220 and \$139, respectively. Of the total tax receivable, 38% was collected by August 2019, and is recorded as available revenue at June 30, 2019. The remainder is expected to be collected throughout the fiscal year and beyond, and is recorded as a deferred inflow of resources. The increases to the tax receivables was offset by a \$94 decrease in accounts receivable related to healthcare rebates and assessments.

**Due from other funds/governments/advances/other** increased \$232, primarily from a \$181 increase in due from Federal Government related to medical assistance. Additionally, due from other funds increased \$64, which was offset by a \$11 decrease in due from component units.

**Accounts payable and tax refunds payable** increased by \$291. Changes in accounts payable related to medical assistance for the Department of Human Services and the Department of Education, which accounted for \$169 of the increase. Increases to corporation and personal income tax refunds drove the increase of \$108 in tax refunds payable.

**Due to other funds/governments/advances/other** increased \$175. Due to other funds increased \$91 primarily related to two quarters of Medical Assistance for Worker's with Disabilities federal revenue owed to the Tobacco Settlement Fund, totaling \$102. Due to fiduciary funds increased \$69 for accrued tax revenues owed to agency funds for local sales tax and municipal pension aid, and due to political subdivisions increased \$90 primarily related to Department of Education's funding for school employee pension costs and education subsidies. These increases were offset by a \$78 decrease in other liabilities from a greater amount of escheated property claims payments during the fiscal year.

**Deferred inflows of resources** increased \$222 due to increases in unavailable revenue. Revenue earned but not anticipated to be collected until more than 60 days after the end of the fiscal year is considered not available for governmental activities. Net unavailable tax revenue increased \$277; the change primarily pertained to \$219 and \$98 increases in the corporation and sales and use tax categories, respectively, offset by a \$46 decrease in unavailable personal income tax revenue.

**Total fund balance** increased \$22 due to changes in revenues, expenditures, and net uses of other financing sources. Discussion of these changes follows in the analysis of General Fund Revenues, Expenditures and Changes in Fund Balance.

**General Fund Revenues, Expenditures and Changes in Fund Balance**  
Condensed, comparative, financial information (amounts in millions)

The General Fund, the Commonwealth's largest fund, accounts for approximately 81% of the total governmental fund type revenues and other financing sources and 81% of the total governmental fund type expenditures and other

financing uses. The General Fund collects approximately 84% of the total tax revenues and is the primary funding source for most Commonwealth expenditures.

	2019	2018
<b>Revenues:</b>		
<b>Taxes, net of refunds</b>		
Personal income .....	\$ 13,634	\$ 12,823
Sales and use .....	11,111	10,325
Corporation .....	4,811	4,521
Inheritance .....	1,028	1,006
Cigarette .....	1,263	1,338
Realty transfer .....	530	513
Gaming .....	133	124
Other .....	565	481
<b>Total taxes, net of refunds .....</b>	<b>33,075</b>	<b>31,131</b>
Intergovernmental .....	28,216	26,477
Charges for sales and services .....	3,357	2,992
Licenses/fees/investment/other income .....	1,156	1,096
<b>Total revenues .....</b>	<b>65,804</b>	<b>61,696</b>
<b>Expenditures:</b>		
Direction and supportive services .....	908	908
Protection of persons and property .....	4,806	4,515
Health and human services .....	42,634	39,447
Public education .....	16,295	15,832
Recreation and cultural enrichment .....	325	309
Economic development .....	493	406
Transportation .....	58	63
Capital outlay .....	127	100
Other expenditures .....	31	28
<b>Total expenditures .....</b>	<b>65,677</b>	<b>61,608</b>
Revenues over expenditures .....	127	88
<b>Other financing sources (uses):</b>		
Transfers in .....	1,207	2,460
Transfers out .....	(1,314)	(1,253)
Capital lease/installment purchases .....	2	—
Other financing agreements .....	—	217
<b>Net other financing sources (uses) .....</b>	<b>(105)</b>	<b>1,424</b>
<b>Net change in fund balance .....</b>	<b>\$ 22</b>	<b>\$ 1,512</b>

**Total taxes, net of refunds** increased \$1,944 primarily due to a combined \$1,887 increase in personal income, sales and use, and corporate taxes. Of the aforementioned tax categories, the sales and use category experienced the largest percentage increase, approximately 7.6%, over the previous fiscal year. This change is attributed to the 2017 federal tax law changes' impact on consumer spending, as well as the taxation of Internet sales under Act 43 of 2017.

**Intergovernmental revenues** increased \$1,739 primarily due to a \$1,586 increase in federal revenue collected by the Department of Human Services, which was mainly a result of the continued roll-out of the Community HealthChoices (CHC) program. Roll-out of the CHC program, the Commonwealth's community-based long-term care program, began in January 2018 to only one geographic region of the Commonwealth. Additional information is

included in the discussion of health and human services expenditures.

**Charges for sales and services** increased \$365 primarily due to the enactment of Act 92 of 2015 that amended the Public Welfare Code and Act 40 of 2018 that amended the Human Services Code. Act 92 established monthly, per member assessments on Medicaid managed care organizations. The increases were caused by increases to the per member assessment from \$15.07 effective July 1, 2017 to \$19.87 effective January 1, 2018, as well as a 1% increase in membership over the prior year. Act 40 changed the hospital assessment base and established separate assessment rates on inpatient (2.98%) and outpatient (1.73%) revenue. For the prior year, the assessment was only based on 3.71% of inpatient revenue.

**Licenses/fees/investment/other income** increased \$60. Included in the increase is Pennsylvania's current fiscal year share of the nationwide settlements with Volkswagen and Wells Fargo of \$30 and \$16, respectively. Decreases in "mini" and "stand alone" casino licensing fees for the year were offset by licensing fees for gaming expansion into interactive gaming and sports wagering authorized under Act 42 of 2017.

**Health and human services** accounts for approximately 65% of total general fund expenditures for the year. The increase of \$3,187 or 8.1% was due significantly to the continued roll-out of the CHC program, the Commonwealth's community-based long-term care program. This program allows eligible Medicaid and Medicare dual recipients, or those with long-term support provided by Medicaid, to select a healthcare coordinator to manage the continuity of services of their varied healthcare needs.

**Public education** accounts for approximately 25% of total general fund expenditures. The increase of \$463 or 2.92% is largely due to funding increases for various programs, in particular elementary education, basic education, pre-kindergarten, higher education, and medical assistance, as well as increased contributions for school employee pension costs and PlanCon school construction projects.

**Transfers in** decreased \$1,253 primarily due to the one-time transfer of \$1,500 in bond proceeds by the CFA from its issuance of Tobacco Master Settlement Revenue Bonds in the prior year, offset by \$359 in transfers of tobacco settlement agreement proceeds from the Tobacco Settlement Fund to fund the CHC initiative during the current year.

**Transfers out** increased \$61 in order to meet increased debt service requirements.

**Other financing agreements** decreased \$217 because no similar long-term financing agreements were entered into by the Commonwealth during the current year. In the prior year, a long-term financing agreement was entered into to provide budgetary relief.



## Motor License Fund

Condensed, comparative, financial information (amounts in millions)

Description	2019	2018
Cash and investments .....	\$ 1,057	\$ 1,184
Other assets .....	758	707
<b>Total assets .....</b>	<b>\$ 1,815</b>	<b>\$ 1,891</b>
Accounts payable .....	\$ 677	\$ 726
Other liabilities .....	266	162
Total liabilities .....	943	888
Total fund balance .....	872	1,003
<b>Total liabilities and fund balance .....</b>	<b>\$ 1,815</b>	<b>\$ 1,891</b>
Tax revenues .....	\$ 3,795	\$ 3,811
Licenses and fees .....	1,015	1,033
Intergovernmental .....	1,917	1,877
Other revenues .....	59	122
Total revenues .....	6,786	6,843
Direction and supportive services .....	35	36
Protection of persons and property .....	1,022	1,028
Transportation .....	2,911	2,702
Capital outlay .....	2,841	2,990
Other expenditures .....	5	8
Total expenditures .....	6,814	6,764
Net other financing uses .....	(103)	(85)
<b>Net change in fund balances .....</b>	<b>\$ (131)</b>	<b>\$ (6)</b>

**Fund Description:** The Motor License Fund receives revenues from various taxes, fees, federal aid and aid from various political entities. The Motor License Fund incurs 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.

**Cash and investments** decreased \$127 which is largely attributable to an increase in amounts due from other funds, decrease in accounts payable and decreases in revenue.

**Other assets** increased \$51 resulting from the increase in amounts due from other funds. The annual transfer from the Marcellus Shale Fund of \$23 did not occur until July 2019.

**Accounts payable** decreased \$49 due to timing of construction payments.

**Other liabilities** increased \$104 resulting from increases in advances from other funds and due to other funds. A loan for \$22 from the Pennsylvania Infrastructure Bank Fund, an enterprise fund, was obtained for emergency road repairs due to multiple flooding events during the year. Additionally, a \$46 transfer of revenue to the Public Transportation Trust Fund for fees related driver or vehicle

information requests as established by Act 89 of 2013 did not occur until July 2019.

**Tax revenues** decreased \$16 primarily due to the decrease in the liquid fuels tax.

**Licenses and fees** decreased \$18 due to fewer vehicle registrations. Act 89 of 2013 provided drivers the option of a two-year vehicle renewal effective December 31, 2016.

**Intergovernmental** increased \$40 due to increased Federal Highway Administration participation on highway construction projects.

**Other revenues** decreased \$63 in part due to driver and vehicle related fees being deposited into the Public Transportation Trust Fund and Multimodal Transportation Fund as required under Act 89 of 2013.

**Transportation** expenditures increased by \$209 in part related to the Rapid Bridge Replacement initiative maintenance fees. The three-year initiative to replace over 500 bridges throughout the Commonwealth final year is 2019. After completion of the bridge replacement, the project also includes a long-term maintenance plan.

**Capital outlay** decreased by \$149. The Rapid Bridge Replacement for 2018 included 141 replaced bridges compared to 28 bridges in 2019.

## Unemployment Compensation Fund

Condensed, comparative, financial information (amounts in millions)

Description	2019	2018
Cash and investments .....	\$ 4,023	\$ 3,274
Unemployment assessments receivable .....	609	655
Other assets .....	98	101
Total assets .....	4,730	4,030
Total deferred outflows of resources .....	49	3
Account payable .....	60	60
Other liabilities .....	607	1,111
Total liabilities .....	667	1,171
Total deferred inflows of resources .....	17	1
<b>Total net position</b> .....	<b>\$ 4,095</b>	<b>\$ 2,861</b>
Total operating revenues: Sales and services .....	\$ 2,953	\$ 2,945
Total operating expenses: Cost of sales and services .....	1,774	1,891
Operating income .....	1,179	1,054
Nonoperating income .....	57	68
Income before transfers .....	1,236	1,122
Transfers out .....	(2)	(3)
<b>Increase in net position</b> .....	<b>\$ 1,234</b>	<b>\$ 1,119</b>

**Fund Description:** The Unemployment Compensation (UC) Fund collects employer assessments for unemployment compensation and transfers the assessments to the Federal Government for deposit in the UC Trust Fund. These funds are drawn down to pay unemployment compensation payments to claimants as needed.

**Cash and investments** increased \$749 primarily due to the continued low unemployment rate and the solvency of the Unemployment Insurance Trust account. Current year contributions exceeded benefit payments. In addition, there was an overall decrease in benefit payments over the prior year.

**Unemployment assessments receivable** decreased \$46 due to an overall decrease in benefits. Because of this decrease in benefit payments, there are fewer delinquent accounts to collect.

**Total deferred outflows of resources** increased \$46 due to the State Employees' Retirement System (SERS) pension fund reporting an investment loss of approximately 4.6% caused by the high level of market volatility that took place throughout 2018. The difference between actual market returns and the actuarially assumed market returns are reported as either deferred outflows or inflows of resources, with the gain or loss amortized over five years.

**Other liabilities** decreased \$504 as a result of UC bond redemptions throughout the year.

**Cost of sales and services** expense decreased \$117 primarily due to the overall decline in unemployment benefit payments and claims correlating to a decreased unemployment rate. Starting in April 2019 through June 2019, Pennsylvania's unemployment rate was 3.8%, the lowest reported in the over 40 years of state records. This is a 0.4% decrease from the rate at June 30, 2018.

**State Workers' Insurance Fund (SWIF)**  
For the Fiscal years Ended December 31  
Condensed, comparative, financial information (amounts in millions)

Description	2018	2017
Cash and short-term investments .....	\$ 76	\$ 149
Long-term investments .....	1,303	1,369
Other assets .....	59	64
Total assets .....	1,438	1,582
Total deferred outflows of resources .....	8	5
Securities lending obligations .....	23	91
Unearned revenue .....	58	64
Insurance loss liability .....	1,423	1,497
Other liabilities .....	124	144
Total liabilities .....	1,628	1,796
Total deferred inflows of resources .....	25	10
<b>Total net position</b> .....	<b>\$ (207)</b>	<b>\$ (219)</b>
Total operating revenues: Sales and services .....	\$ 154	\$ 166
Total operating expenses: Cost of sales and services .....	130	164
Operating income .....	24	2
Investment income .....	(10)	81
Investment expense .....	(2)	(4)
Net nonoperating revenue .....	(12)	77
<b>Increase in net position</b> .....	<b>\$ 12</b>	<b>\$ 79</b>

**Fund Description:** The SWIF operates for the purpose of providing workers' compensation insurance to employers, including those refused policies by private insurance firms.

**Cash and short-term investments** decreased \$73 mainly due to a decrease in securities lent as part of the PA Treasury Department's (Treasury) securities lending program (SLP). SWIF began a process of transitioning its assets to Treasury management in 2018. Consistent with Treasury's low-cost indexing investment strategy, SWIF began shifting its equities from traditional stock to Exchange Traded Funds. As a result, there were less desirable stocks available to lend, resulting in a lower securities lending position.

**Long-term investments** decreased \$66 primarily due to decreases in common stock and bond values. These declines were the result of unfavorable equity and bond market conditions at calendar year-end 2018.

**Securities lending obligations** decreased \$68 as a result of SWIF's decreased participation in the SLP at calendar year-end 2018 as compared to the prior calendar year-end. This decrease in securities lending obligations directly correlates to a decrease in temporary investments.

**Insurance loss liability** decreased \$74 due to the continued effort by SWIF to use a Compromise and Release (C&R) program to reduce future liabilities.

**Cost of sales and services** decreased \$34 due primarily to decreases in loss adjustment expenses incurred and other underwriting expenses as a result of favorable claims activity and decreased policy count.

**Investment income** decreased \$91 due primarily to unrealized capital losses as a result of the decline in common stock and bond values (see Long-term investments).

## State Lottery Fund

Condensed, comparative, financial information (amounts in millions)

Description	2019	2018
Cash and short-term investments .....	\$ 256	\$ 181
Other assets .....	86	88
Total assets .....	342	269
Total deferred outflows of resources .....	17	11
Accounts payable .....	408	384
Other liabilities .....	324	276
Total liabilities .....	732	660
Total deferred inflows of resources .....	35	14
<b>Total net position .....</b>	<b>\$ (408)</b>	<b>\$ (394)</b>
Total operating revenues: Sales and services .....	\$ 4,587	\$ 4,213
Cost of sales and services .....	4,486	4,084
Other expenses .....	12	6
Total operating expenses .....	4,498	4,090
Operating income .....	89	123
Nonoperating revenues, net .....	6	3
Income before transfers .....	95	126
Transfers in .....	142	146
Transfers out .....	(251)	(251)
Transfers, net .....	(109)	(105)
<b>Increase (decrease) in net position .....</b>	<b>\$ (14)</b>	<b>\$ 21</b>

**Fund Description:** The State Lottery Fund receives the proceeds of all lottery sales and designates all of its net proceeds to programs that benefit older Pennsylvanians. These programs include shared rides and free transit, property tax and rent rebates, medical assistance for long-term care, the Pharmaceutical Assistance Contract for the Elderly (PACE) which provides assistance for the payment of prescription drugs, and PENNCARE which provides a variety of community-based and in-home services, such as home health care; personal care; health support services such as housekeeping, shopping assistance, laundry and mending; respite care (caregiver relief); transportation and other routine household chores as necessary to maintain a consumer's health, safety and ability to remain in the home; and home-delivered meals prepared at a central location and delivered to a person's home.

**Other liabilities** increased \$48, primarily due to accruals of transfers to other funds increasing \$65 in the current fiscal year. This reflects the accrual of \$14 in payments for Community Health Choices and \$50 for Home and Community Based Services to be paid in the next fiscal year. Net pension liability also increased \$10 due to actual investment earnings falling short of projected earnings in 2018. These increases were offset by a \$27 decrease in OPEB noncurrent liability, as there were lower than expected claims cost for the year.

**Total operating revenues: Sales and services** increased \$374, largely credited to ticket sales revenues increasing by \$96 due to a peak MegaMillions jackpot of \$1.6 billion. Scratch-Off sales revenues grew \$154, which reflected continued increasing sales and the launch of high-value FastPlay game in March 2019. Since its launch in May 2018, Keno revenue experienced growth of \$37, and iLottery's revenue grew by \$36, reflecting their first full year of operation. Another monitor game, Xpress Sports, launched in August 2018, adding to the revenue increase.

**Total operating expenses** increased \$408 primarily due to an increase of \$30 in payments of commissions and an increase of \$193 in paid prizes. Prizes to be paid also increased by \$12. Additionally, hardware purchases increased \$12 to supply pin pads for cashless purchases, monitors for Keno and Xpress Sports, and additional sales terminals for new lottery retailers. The increased sales revenue enabled the Lottery Fund to provide for an additional \$93 in services to older Pennsylvanians.

## Tuition Payment Fund

Condensed, comparative, financial information (amounts in millions)

Description	2019	2018
Cash and short-term investments .....	\$ 135	\$ 189
Long-term investments .....	1,986	1,833
Other assets .....	5	109
<b>Total assets</b> .....	<b>2,126</b>	<b>2,131</b>
Securities lending obligations .....	11	15
Tuition benefits payable .....	1,642	1,644
Other liabilities .....	8	90
<b>Total liabilities</b> .....	<b>1,661</b>	<b>1,749</b>
<b>Total net position</b> .....	<b>\$ 465</b>	<b>\$ 382</b>
Total operating revenues: Sales and services .....	\$ 209	\$ 206
Total operating expenses: Cost of sales and services .....	254	253
Operating loss .....	(45)	(47)
Nonoperating revenues, net .....	128	146
<b>Increase in net position</b> .....	<b>\$ 83</b>	<b>\$ 99</b>

**Fund Description:** The Tuition Payment Fund is administered by the Tuition Account Guaranteed Savings Program Bureau, an office within the Commonwealth Treasury Department. The Fund provides Commonwealth residents the opportunity to prepay college tuition towards future education expenses at eligible educational institutions. An eligible educational institution is defined by the Internal Revenue Code. Commonwealth-owned and related universities and community colleges participate in the program. In addition, private institutions, which are defined as any private or out-of-state public post-secondary educational institution, are considered eligible for the program.

**Total assets** decreased \$5 attributable to a slight reduction in investments held compared to the prior year. The portfolio's return (net of fees) at fiscal year-end 2019 was 6.66% and 7.76% at June 30, 2018. The plan's returns decreased due to a combination of market fluctuation and the portfolio shift to a higher percentage of fixed investments that reduce risk but can carry slightly lower returns.

**Total liabilities** decreased \$88. The majority of the decrease is attributable to a reduction of unsettled trades at year-end compared to prior year when the portfolio was in the process of shifting to fixed income securities/managers. The tuition benefits payable liability remained consistent year over year.

**Nonoperating revenues, net** decreased \$18 largely due to market fluctuation and the portfolios move to a more passive investment approach.

**Net position** increased \$83 over the prior year. At \$465, the plan is currently 127% funded.

## State Stores Fund

Condensed, comparative, financial information (amounts in millions)

Description	2019	2018
Cash and investments .....	\$ 278	\$ 258
Inventory .....	248	259
Other assets .....	34	31
Total assets .....	560	548
Total deferred outflows of resources .....	180	97
Accounts payable .....	315	299
Pension and OPEB liabilities .....	1,240	1,334
Other liabilities .....	115	124
Total liabilities .....	1,670	1,757
Total deferred inflows of resources .....	302	118
<b>Total net position .....</b>	<b>\$ (1,232)</b>	<b>\$ (1,230)</b>
Total operating revenues: Sales and services .....	\$ 2,170	\$ 2,117
Cost of sales and services .....	1,980	1,955
Other expenses .....	9	10
Total operating expenses .....	1,989	1,965
Operating income .....	181	152
Nonoperating revenues, net .....	6	3
Income before transfers .....	187	155
Transfers out .....	(189)	(188)
<b>Decrease in net position .....</b>	<b>\$ (2)</b>	<b>\$ (33)</b>

**Fund Description:** The State Stores Fund serves as the operating fund for the Pennsylvania Liquor Control Board (PLCB). With over 600 state run stores throughout the Commonwealth, the PLCB generates revenue from the sale of wine and spirits, lottery commissions, various licensing fees, and fines. In addition, Act 39 of 2016 allows the PLCB to be a wine wholesaler to holders of wine expanded permits which allows the convenience of wine sales to take place at private retailers. Profits from the State Stores Fund are used to fund the Pennsylvania State Police for their liquor law enforcement authority; support the Department of Drug and Alcohol Programs (DDAP) which provides funding to several local governments to offer drug and alcohol education; and to provide additional funding to the General Fund.

**Cash and investments** increased \$20 primarily due to positive net cash flow from operations and investment income.

**Total deferred outflows of resources** increased \$83 primarily due to the State Employees' Retirement System (SERS) investment loss of approximately 4.6% as of the December 31, 2018. The difference between actual market returns and the actuarially assumed market returns are reported as either deferred outflows or inflows of resources, with the gain or loss amortized over five years. In addition, changes to the PLCB's proportionate share of the Retired Employees Health Program (REHP) net OPEB liability (NOL) resulted in \$29 of additional deferred outflows.

**Pension and OPEB liabilities** decreased \$94 due primarily to a \$194 decrease representing PLCB's proportionate share of the REHP NOL decrease caused by decreases or lower than expected increases in claims costs. This decrease was offset by a \$100 increase due to PLCB's proportionate share of a SERS collective net pension liability (NPL) increase from the difference between SERS' projected and actual investment returns.

**Total deferred inflows of resources** increased \$184 primarily due to PLCB's proportionate share of the deferred inflow related to the REHP's NOL decrease caused primarily by lower than expected increases in claims cost for the year.

**Total operating revenues: Sales and services** increased \$53 driven by another year of record-breaking sales, which is attributed to legislation changes of Acts 39, 85, and 166 of 2016. The liquor reforms allowed for the adoption of flexible pricing, expanded wine sales to licensed retailers, auction of expired restaurant licenses, expanded store hours of operations on Sundays and holidays, authority to sell Pennsylvania Lottery tickets, and the authority for licensed wine producers to ship directly to residents.

**Operating income** increased \$29 related to the increased gross profit from sales as well as reduced workers compensation and OPEB expenses.

**Transfers** remained consistent with the prior year. The PLCB annually provides the General Fund with an additional \$185.1 for general operations and \$2.5 for DDAP out of net income.

## Commonwealth Financing Authority

Condensed, comparative, financial information (amounts in millions)

Description	2019	2018
Current assets .....	\$ 923	\$ 940
Long-term assets .....	260	270
<b>Total assets .....</b>	<b>1,183</b>	<b>1,210</b>
Total deferred outflows of resources .....	2	2
Current liabilities .....	142	95
Long-term liabilities .....	4,450	4,195
<b>Total liabilities .....</b>	<b>4,592</b>	<b>4,290</b>
<b>Total net position .....</b>	<b>\$ (3,407)</b>	<b>\$ (3,078)</b>
Operating revenues, net of uncollectibles .....	\$ 16	\$ 9
Operating expenses .....	114	87
Operating loss .....	(98)	(78)
Nonoperating expenses, net .....	(164)	(141)
Loss before transfers .....	(262)	(219)
Transfers, net .....	(67)	(1,621)
<b>Decrease in net position .....</b>	<b>\$ (329)</b>	<b>\$ (1,840)</b>

**Fund Description:** The purpose of the Commonwealth Financing Authority (CFA) is to provide financial assistance through bond issuance proceeds distributed in the form of loans, loan guarantees, grants and private equity participating loans to promote the health, safety, employment, business opportunities and economic activity of the Commonwealth.

CFA is a blended component unit of the Commonwealth, and since inception, the CFA has issued 17 revenue bonds totaling \$6.9 billion to promote economic growth in the Commonwealth. Payments of principal and interest due on outstanding debt are appropriated and transferred from the primary government annually.

**Total assets** decreased \$27 primarily due to a decrease in cash and cash equivalents of \$55 as a result of the Authority disbursing \$110.4 million in grant funds. This was partially offset by an increase of \$32 in receivables due from the Multimodal Transportation Fund and the Marcellus Shale Fund for grants to promote safe and reliable systems of transportation and environmental restoration and improvement, respectively.

**Total liabilities** increased \$302 due to two new bond issuances. The Series A of 2019 Revenue bonds totaling \$389 were issued to provide funds for reimbursements to Pennsylvania school districts under the PlanCon program of the Pennsylvania Department of Education. The Series B of 2019 Revenue Bonds of \$41 refunded prior issued debt for net economic gain of 10. Bond principal paid or refunded for the year totaled \$126. At the end of 2019, the total outstanding debt for CFA stood at \$4,558.

**Operating expenses** increased \$27 due primarily to an increase in grant expenses.

**Nonoperating expenses** increased \$23 overall because of increases in bond interest expense and bond issuance costs.

**Transfers, net** includes \$201 in transfers from the primary government for debt services and \$118 for grant programs. Additionally, the Series A Revenue bond proceeds, net of issuance costs, of \$386 were transferred to the General Fund for the Department of Education's funding reimbursements to school districts for construction and restoration projects (PlanCon).

**Net position** decreased by \$329 primarily due to the transfer of bond proceeds to the Commonwealth. CFA's business purpose may result in continued losses from operations due to the disbursement of grant awards and transfer of bond proceeds to promote economic growth.

Section E: Budget Analysis Overview

**General Fund Budgetary Basis  
Comparison between original budget and final budget**  
(Amounts in millions)

The Budgetary Comparison Schedule for the General Fund for the fiscal year ended June 30, 2019 is presented immediately following the Notes to the Financial Statements section of the CAFR. In the final budget, state program revenues were adjusted to the revised revenue estimates anticipated to be received by the end of the fiscal year, and were anticipated to be insufficient to fund all 2018-2019 original and supplemental appropriation requests.

Final federal revenues and corresponding expenditures were \$372 more than originally budgeted primarily due to increases of \$355 in the Department of Human Services, \$10 in the Department of Drug and Alcohol Programs, and \$7 combined in the Departments of Health, Criminal Justice, Labor and industry, and the Executive Offices.

The difference in total state program revenues from the original to the final budget was due to an increase of \$455 in tax revenues and a decrease of \$35 in refunds offset by a decrease of \$30 in nontax revenues, resulting in a net increase of \$460.

**General Fund Budgetary Basis  
Comparison between final budgeted and actual results**  
(Amounts in millions)

In the actual budgetary basis, state program revenues were adjusted to actual revenues received by the fiscal year-end. State program revenues sufficiently funded all 2018-2019 original state appropriations. Supplemental appropriations passed on June 28, 2019 by Act 1A resulted in a \$674 increase to state appropriations and a \$372 increase in federal appropriations, with supplemental appropriations effective as of the fiscal year ended June 30, 2019.

attributable to decreased receipts in the Departments of Human Services, Environmental Protection, Health, Education and Criminal Justice and other agencies offset by increases in the Departments of State, General Services, Agriculture, the Judiciary, Attorney General, Civil Service Commission, and other agencies resulting in the net increase of \$315 in state program revenues.

Actual total state revenues were \$458 more than the final budgeted state revenues due to increases in both tax (\$384) and nontax (\$74) revenues actually received. The \$143 decrease in departmental services is mainly

The difference of \$143 in actual state program expenditures under the final budget is the net result of the \$143 decrease available from departmental services.



## Section F: Capital Asset and Long-term Debt Activity

## Capital Asset Overview and Explanation

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. General capital assets of the Commonwealth are those used in the performance of specific governmental functions with useful lives greater than one year. General capital assets are reported as part of governmental activities in government-wide financial statements. Capital assets of proprietary funds are reported in both proprietary fund financial statements and government-wide financial statements. Fiduciary fund capital assets are reported in fiduciary fund financial statements; fiduciary funds are not included in government-wide financial statements.

Funding for construction of buildings and related improvements is almost entirely provided by proceeds of general obligation (GO) bonds issued; such proceeds are generally accounted for in capital projects funds in governmental fund financial statements as an other financing source. In the government-wide financial statements, bond proceeds are reported as additions to long-term GO bond liabilities. Construction project expenditures and cumulative construction-in-progress expenditures at fiscal year-end are reported as part of general capital assets. Highway and bridge infrastructure assets are typically funded with Motor License Fund taxes, license and registration fees, transfers from the Pennsylvania Turnpike Commission, and federal revenues. The Motor License Fund reports transportation and capital outlay

expenditures in its governmental fund financial statements; a portion of such expenditures are reported as additions to capital assets in government-wide financial statements.

In government-wide and proprietary fund financial statements, depreciation expense for capital assets is reported to recognize the cost of "using up" capital assets over their estimated useful lives. In other words, depreciation expense is an allocation of an asset's cost over its estimated useful life and is reported in the government-wide financial statements. This treatment differs from reporting capital outlay as 'current expenditures' in governmental fund financial statements. Depreciation expense of highway and bridge infrastructure and other capital assets is not related to the quality or relative value of these assets; rather, as previously mentioned, it is a specific accounting treatment to recognize the cost of "using up" the assets over periods of time. The estimated useful lives of highway and bridge infrastructure capital assets are 25 years for highways and 50 years for bridges. Neither land nor construction-in-progress assets are considered depreciable; therefore, no depreciation expense is reported for those assets.

Note 1 in the notes to the financial statements section of the CAFR discusses capital assets significant accounting policies.

Note 4 in the notes to the financial statements section of the CAFR provides more information on capital asset activities during the fiscal year ended June 30, 2019.

**Long-term Debt Overview – fiscal year ended June 30, 2019**

(Amounts in millions)

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 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 \$71.3 billion as of August 31, 2019 with net debt outstanding after credit for refunded debt of \$10.2 billion for a remaining legal debt margin of \$61.1 billion. In addition to constitutionally authorized capital project debt, the Commonwealth may incur debt for electorate-approved programs, such as economic revitalization, land and water development, water facilities restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

At June 30, 2019, the Commonwealth had total General Obligation Bond principal outstanding of \$11.6 billion for the following purposes:

\$	6,238	Capital Facilities Bonds
	5,009	Refunding Bonds
	326	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2019, total debt service fund transfers were paid from the General Fund of \$1,092, the Motor License Fund of \$104, the Gaming Fund of \$58, the Growing Greener Fund of \$6, and the Environmental Stewardship Fund of \$4 to make principal and interest payments to bondholders.

Note 6 in the notes to the financial statements section of the CAFR provides more details on long-term debt balances and activity.

**Debt Administration – fiscal year ending June 30, 2020**

(Amounts in millions)

During the fiscal year ending June 30, 2020, the Office of the Budget currently plans general obligation bond issuances, excluding refundings, amounting to \$1,010. This is an increase of \$1,010 as no new money bonds were issued in the fiscal year ended June 30, 2019. The Commonwealth did, however, issue \$887 in refunding bonds on June 26, 2019. The current plan reflects the need to make continued investments in the Commonwealth's capital infrastructure, local capital projects and mass transportation infrastructure.

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 any such notes through November 30, 2019. In lieu of issuing tax anticipation notes, the Commonwealth may obtain a short-term investment line of credit with the Pennsylvania Treasury Department. All amounts drawn using the lines of credit must be returned with interest in the same fiscal year in which the draw occurred.

Debt principal retirements of \$818 are currently planned for the fiscal year ending June 30, 2020.

There were no debt limitations, restrictions or commitments during the fiscal year ended June 30, 2019 that may affect the Commonwealth's plans during the fiscal year ending June 30, 2020. The Commonwealth's planned issuance for the fiscal year ending June 30, 2020 is dependent on the passage of an annual capital budget by the state legislature. No current fiscal year capital budget has been passed as of November 30, 2019.

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% of the funds' estimated revenues for the fiscal year and must mature during the fiscal year in which they were issued. Cash

## Section G: Currently Known Facts

(Amounts in whole dollars)

**Medicaid Expansion**

On January 1, 2015, the Commonwealth implemented Medicaid expansion, which is part of the federal Affordable Care Act and is voluntary for states. Medicaid expansion is currently available to Commonwealth citizens through the Department of Human Services' HealthChoices Medicaid plan. Federal funds will cover 100% of the medical costs of Medicaid expansion for calendar years 2015 to 2016, 95% in 2017, 94% in 2018, 93% in 2019 and 90% in 2020 and subsequent years.

**Health Insurance Reform**

On July 2, 2019, the Commonwealth enacted Act 42 of 2019, a reform to Pennsylvania health insurance that creates a Pennsylvania online health insurance exchange, operated in lieu of the Federal Government's exchange. Act 42 established the PA Health Insurance Exchange Authority to administer the exchange. Under the legislation, the Commonwealth is allowed to charge a user fee of 3% of exchange insurance premiums in place of the federal exchange fee of 3.5%. Additionally, on condition of a federal waiver, the Act establishes a reinsurance program to prevent premium increases in the individual market, which would be funded by pass-through federal subsidy savings related to lower premiums. The state-based exchange is anticipated to be operational for January 1, 2021.

**Pension Reform**

On June 12, 2017, the Commonwealth enacted Act 5 of 2017 to reform pension benefits for new employees in order to lower the Commonwealth's pension costs and risk in the future. Beginning January 1, 2019, Commonwealth new, non-hazardous duty employees eligible for the State Employees' Retirement System (SERS) benefits must elect one of three new plan options. Unlike prior plans which only offered defined benefit plans, each new option contains a defined contribution element. Two are hybrid options with both defined benefit and defined contribution components, and the third is a defined contribution plan only. The contribution rates, benefit rates, and vesting time-frames vary by plan option. Current members have a one-time opportunity to opt into one of the new plan options. The addition of defined contribution components transfers a portion of investment risk to the employees, however it also provides the employees options of contributing additional amounts up to the federal maximum. In addition to the plan changes, Act 5 also created a Public Pension Management and Asset Investment Review Commission to recommend investment cost reductions. The Pennsylvania Independent Fiscal Office (IFO) estimates cash-basis reductions in the Commonwealth's costs in the billions over the next 30 years. The impact on the Commonwealth's financial statements has not yet been fully assessed at the

time of issuance, but is anticipated to decrease the Commonwealth's net pension liability and expense over time.

Additionally, Act 5 also created three new plan options with defined contribution components for the Public School Employees' Retirement System (PSERS). Effective July 1, 2019, new Pennsylvania public-school employees eligible for the PSERS retirement benefits must elect one of the three new plan options. The three plan options are similar in design to the options available with the SERS, but the contribution rates required differ. Annually, the Commonwealth reimburses public schools 50% of their employer contributions, however, the Commonwealth is responsible for only a small portion of the PSERS net pension liability.

More information regarding the new plans and estimated cost-reductions under Act 5 may be found at [www.ifo.state.pa.us](http://www.ifo.state.pa.us).

**Fiduciary Activities Accounting and Financial Reporting**

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, "Fiduciary Activities". The objective of this Statement is to improve guidance and consistency regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for reporting periods beginning after December 15, 2018 and the Commonwealth will be implementing in the fiscal year ending June 30, 2020. Based on the newly established guidelines of fiduciary activities, it is anticipated that some funds previously reported as fiduciary may be reclassified to governmental activities. As of the issuance date of this report, the Commonwealth is still preparing an assessment of the impact that GASB Statement No. 84 will have on its financial statements.

**Leases Accounting and Financial Reporting**

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, "Leases". This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Statement is effective for reporting periods beginning after December 15, 2019, and the Commonwealth will be implementing in the fiscal year ending June 30, 2021. As of the issuance date of this report, the Commonwealth is still preparing an assessment of the impact that GASB Statement No. 87 will have on its financial statements.

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Basic Financial Statements

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Government-wide Financial Statements

**Commonwealth of Pennsylvania**  
**Statement of Net Position**

June 30, 2019

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Current assets:				
Cash—Note 2, 16 .....	\$ 568,469	\$ 998,687	\$ 1,567,156	\$ 1,939,881
Cash with fiscal agents—Note 2 .....	29,004	3,468,016	3,497,020	—
Temporary investments—Note 2, 16 .....	7,974,232	769,333	8,743,565	3,864,682
Receivables (net):				
Taxes—Note 3 .....	2,818,938	—	2,818,938	—
Unemployment assessments .....	—	608,965	608,965	—
Accounts .....	1,446,328	154,030	1,600,358	258,777
Investment income .....	16,910	14,400	31,310	8,698
Interest on notes and loans .....	3	11,761	11,764	113,702
Loans—Note 3, 16 .....	12,646	47,838	60,484	907,910
Lease rentals .....	—	1,243	1,243	—
Investment sale proceeds .....	189	1,066	1,255	—
Other .....	202,350	30	202,380	40,718
Due from pension trust funds—Note 5 .....	22,612	—	22,612	—
Due from primary government—Note 5 .....	—	—	—	37,965
Due from component units—Note 5 .....	20,540	—	20,540	627
Due from Federal Government .....	5,085,506	4,482	5,089,988	15,792
Due from political subdivisions .....	9,788	4,165	13,953	—
Due from other governments .....	—	12,835	12,835	19
Inventory .....	102,742	246,501	349,243	20,213
Prepaid expenses .....	—	1,123	1,123	37,075
Other assets .....	9,010	22,144	31,154	93,945
Total current assets .....	<u>18,319,267</u>	<u>6,366,619</u>	<u>24,685,886</u>	<u>7,340,004</u>
Noncurrent assets:				
Restricted cash—Note 2 .....	—	476,628	476,628	59,588
Long-term investments—Note 2, 16 .....	2,308,598	3,492,655	5,801,253	2,384,229
Receivables (net):				
Taxes—Note 3 .....	1,378,609	—	1,378,609	—
Loans—Note 3, 16 .....	49,300	385,819	435,119	9,375,071
Due from component units—Note 5 .....	140,480	—	140,480	—
Non-depreciable capital assets—Note 4, 16:				
Land .....	3,190,310	230,276	3,420,586	451,306
Construction in progress .....	5,289,370	57,208	5,346,578	1,603,735
Depreciable or amortizable capital assets—Note 4, 16:				
Land improvements .....	1,105,631	108,970	1,214,601	475,724
Buildings and building improvements .....	8,174,825	479,002	8,653,827	5,645,402
Machinery and equipment .....	1,797,845	234,425	2,032,270	1,412,380
Turnpike infrastructure .....	—	—	—	9,044,067
Highway infrastructure .....	33,708,646	—	33,708,646	—
Bridge infrastructure .....	16,889,016	—	16,889,016	—
Waterway infrastructure .....	33,806	—	33,806	—
Infrastructure-other .....	223,067	—	223,067	—
Library books .....	—	—	—	75,816
Other capital assets .....	—	—	—	1
Intangible assets .....	933,126	22,458	955,584	93,774
Less: accumulated depreciation and amortization .....	(31,138,774)	(424,214)	(31,562,988)	(8,960,855)
Net depreciable or amortizable capital assets .....	<u>31,727,188</u>	<u>420,641</u>	<u>32,147,829</u>	<u>7,786,309</u>
Other assets .....	—	9,100	9,100	160,622
Total noncurrent assets .....	<u>44,083,855</u>	<u>5,072,327</u>	<u>49,156,182</u>	<u>21,820,860</u>
<b>TOTAL ASSETS</b> .....	<u>62,403,122</u>	<u>11,438,946</u>	<u>73,842,068</u>	<u>29,160,864</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16</b> .....	<u>\$ 4,708,862</u>	<u>\$ 270,397</u>	<u>\$ 4,979,259</u>	<u>\$ 1,117,792</u>



**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
**June 30, 2019**

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued liabilities .....	\$ 8,930,983	\$ 855,992	\$ 9,786,975	\$ 676,705
Investment purchases payable .....	843	1,084	1,927	—
Tax refunds payable .....	676,096	—	676,096	—
Tuition benefits payable—Note 6 .....	—	241,163	241,163	—
Securities lending obligations .....	25,363	36,249	61,612	8,517
Internal balances—Note 5 .....	(28,237)	27,884	(353)	—
Due to pension trust funds—Note 5 .....	232,787	2,651	235,438	—
Due to primary government—Note 5 .....	—	—	—	470,625
Due to component units—Note 5 .....	41,689	—	41,689	628
Due to political subdivisions .....	1,801,945	9,234	1,811,179	—
Due to other governments .....	42,201	14,919	57,120	1,936
Interest payable .....	180,650	29,919	210,569	310,003
Unearned revenue .....	106,600	83,601	190,201	150,062
Notes payable—Note 16 .....	—	—	—	73,362
General obligation bonds payable—Note 6 .....	817,745	—	817,745	—
Bonds Payable—Note 16 .....	—	—	—	93,240
Revenue bonds payable—Note 6, 16 .....	—	551,450	551,450	446,392
Capital lease/installment purchase obligations—Note 6 .....	4,682	—	4,682	3,975
Self-insurance liabilities—Note 6, 8 .....	117,533	6,034	123,567	8,696
Compensated absence liability—Note 6, 16 .....	147,760	7,082	154,842	22,326
Insurance loss liability—Note 6 .....	—	161,301	161,301	—
Other financing obligations—Note 6 .....	12,600	—	12,600	155
Other postemployment benefit liability—Note 10, 16 .....	287,341	12,996	300,337	63,301
Other liabilities—Note 6 .....	302,537	13,351	315,888	401,217
Total current liabilities .....	13,701,118	2,054,910	15,756,028	2,731,140
Noncurrent liabilities:				
Tuition benefits payable—Note 6 .....	—	1,400,921	1,400,921	—
Due to primary government—Note 5 .....	—	—	—	140,480
Unearned revenue .....	—	—	—	1,526
Student loan auction rate security bonds payable—Note 16 .....	—	—	—	9,400
Insurance loss liability—Note 6 .....	—	1,262,828	1,262,828	—
Notes payable—Note 16 .....	—	—	—	3,653,929
General obligation bonds payable—Note 6 .....	11,673,020	—	11,673,020	—
Bonds Payable—Note 16 .....	—	—	—	2,144,990
Revenue bonds payable—Note 6, 16 .....	—	4,534,912	4,534,912	16,654,630
Capital lease/installment purchase obligations—Note 6 .....	92,043	—	92,043	54,120
Other financing obligations—Note 6, 16 .....	554,452	—	554,452	9,631
Compensated absence liability—Note 6, 16 .....	606,569	30,301	636,870	137,709
Self-insurance liabilities—Note 6, 8 .....	1,016,648	56,746	1,073,394	51,944
Other postemployment benefit liability—Note 10, 16 .....	20,076,594	866,823	20,943,417	2,337,493
Nonexchange financial guarantees—Note 14 .....	—	16,843	16,843	—
Net pension liability—Note 9, 16 .....	16,728,670	760,876	17,489,546	2,004,512
Other liabilities—Note 6 .....	802,361	1,405	803,766	661,879
Total noncurrent liabilities .....	51,550,357	8,931,655	60,482,012	27,862,243
<b>TOTAL LIABILITIES</b> .....	<b>65,251,475</b>	<b>10,986,565</b>	<b>76,238,040</b>	<b>30,593,383</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16 .....	7,861,732	408,643	8,270,375	958,176
<b>NET POSITION—Note 15</b>				
Net investment in capital assets .....	34,261,559	707,080	34,968,639	919,632
Restricted for:				
General government operations .....	217,571	—	217,571	—
Health-related programs .....	18,033	—	18,033	—
Transportation .....	1,209,807	141,160	1,350,967	—
Capital projects .....	—	166	166	4,342,750
Debt service .....	—	4,273	4,273	604,869
Unemployment/worker's compensation .....	655,581	4,094,675	4,750,256	—
Environmental and conservation programs .....	308,401	—	308,401	—
Economic development .....	2,907	6,073	8,980	98,099
Gaming/horse racing regulation .....	141,125	—	141,125	—
Emergency support .....	110,587	134,694	245,281	—
Higher education .....	—	465,429	465,429	592,536
Other purposes .....	—	147,636	147,636	647,948
Unrestricted .....	(42,926,794)	(5,387,051)	(48,313,845)	(8,478,737)
<b>TOTAL NET POSITION</b> .....	<b>\$ (6,001,223)</b>	<b>\$ 314,135</b>	<b>\$ (5,687,088)</b>	<b>\$ (1,272,903)</b>

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

**Commonwealth of Pennsylvania**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Sales and Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary government:</b>								
<b>Governmental activities:</b>								
Direction and supportive services .....	\$ 1,649,677	\$ 385,580	\$ 73,657	\$ —	\$ (1,190,440)	\$ —	\$ (1,190,440)	\$ —
Protection of persons and property .....	6,997,412	1,940,835	505,905	2,638	(4,548,034)	—	(4,548,034)	—
Public education .....	16,978,293	7,370	2,114,775	—	(14,856,148)	—	(14,856,148)	—
Health and human services .....	43,215,757	3,920,299	25,457,263	—	(13,838,195)	—	(13,838,195)	—
Economic development .....	907,959	7,363	458,307	—	(442,289)	—	(442,289)	—
Transportation .....	6,472,612	1,425,810	2,432,129	205,579	(2,409,094)	—	(2,409,094)	—
Recreation and cultural enrichment .....	591,836	328,164	77,561	8,839	(177,272)	—	(177,272)	—
Interest .....	343,572	—	—	—	(343,572)	—	(343,572)	—
<b>Total governmental activities .....</b>	<b>77,157,118</b>	<b>8,015,421</b>	<b>31,119,597</b>	<b>217,056</b>	<b>(37,805,044)</b>	<b>—</b>	<b>(37,805,044)</b>	<b>—</b>
<b>Business-Type activities:</b>								
State lottery .....	4,498,658	4,587,868	5,567	—	—	94,777	94,777	—
State workers' insurance .....	132,028	153,279	(10,106)	—	—	11,145	11,145	—
Tuition payment .....	255,230	208,814	130,135	—	—	83,719	83,719	—
Unemployment compensation .....	1,785,691	2,966,174	54,680	—	—	1,235,163	1,235,163	—
Commonwealth financing .....	298,466	15,045	21,179	—	—	(262,242)	(262,242)	—
Liquor control .....	1,988,873	2,169,930	5,866	—	—	186,923	186,923	—
Economic development and other .....	76,317	32,257	15,755	3,803	—	(24,502)	(24,502)	—
<b>Total business-type activities .....</b>	<b>9,035,263</b>	<b>10,133,367</b>	<b>223,076</b>	<b>3,803</b>	<b>—</b>	<b>1,324,983</b>	<b>1,324,983</b>	<b>—</b>
Total primary government .....	\$ 86,192,381	\$ 18,148,788	\$ 31,342,673	\$ 220,859	(37,805,044)	1,324,983	(36,480,061)	—
<b>Component units:</b>								
Total component units .....	\$ 6,461,237	\$ 3,680,916	\$ 2,125,974	\$ 347,460	—	—	—	(306,887)
<b>General revenues:</b>								
<b>Taxes:</b>								
Personal income .....					13,588,057	—	13,588,057	—
Sales and use .....					11,837,831	—	11,837,831	—
Corporation .....					5,049,323	—	5,049,323	—
Liquid fuels and motor carriers .....					3,830,243	—	3,830,243	—
Gaming .....					1,465,402	—	1,465,402	—
Inheritance .....					1,034,367	—	1,034,367	—
Cigarette .....					1,288,162	—	1,288,162	—
Realty transfer .....					628,245	—	628,245	—
Other .....					723,702	—	723,702	—
Total taxes .....					39,445,332	—	39,445,332	—
Investment income .....					66,236	—	66,236	—
Total general revenues .....					39,511,568	—	39,511,568	—
Transfers—Note 5 .....					235,395	(235,395)	—	—
Net general revenues, special items and transfers .....					39,746,963	(235,395)	39,511,568	—
Change in net position .....					1,941,919	1,089,588	3,031,507	(306,887)
<b>Net Position June 30, 2018 (restated)—Note 16 .....</b>					<b>(7,943,142)</b>	<b>(775,453)</b>	<b>(8,718,595)</b>	<b>(966,016)</b>
<b>Net Position June 30, 2019—Note 15 .....</b>					<b>\$ (6,001,223)</b>	<b>\$ 314,135</b>	<b>\$ (5,687,088)</b>	<b>\$ (1,272,903)</b>

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



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Fund Financial Statements

**Commonwealth of Pennsylvania**

**Balance Sheet**

Governmental Funds

June 30, 2019

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
<b>ASSETS</b>				
Cash—Note 2 .....	\$ 79,937	\$ 9,024	\$ 477,856	\$ 566,817
Cash with fiscal agents—Note 2 .....	23,382	—	5,622	29,004
Temporary investments—Note 2 .....	4,262,331	882,682	2,813,091	7,958,104
Long-term investments—Note 2 .....	211,786	164,606	1,907,826	2,284,218
Receivables (net):				
Taxes—Note 3 .....	3,840,622	317,714	39,211	4,197,547
Accounts .....	1,227,816	31,057	186,945	1,445,818
Investment income .....	6,974	1,415	8,489	16,878
Interest on notes and loans .....	3	—	—	3
Loans—Note 3 .....	61,946	—	—	61,946
Investment sale proceeds .....	—	—	189	189
Other .....	115,637	22,054	64,659	202,350
Due from other funds—Note 5 .....	141,066	43,610	442,220	626,896
Due from pension trust funds—Note 5 .....	17,558	87	31	17,676
Due from component units—Note 5 .....	154,858	3	6,110	160,971
Due from Federal Government .....	4,726,840	338,002	20,663	5,085,505
Due from political subdivisions .....	4,621	5,134	—	9,755
Advances to other funds—Note 5 .....	7,475	—	181,500	188,975
Other assets .....	3,000	—	—	3,000
<b>TOTAL ASSETS</b> .....	<u>\$ 14,885,852</u>	<u>\$ 1,815,388</u>	<u>\$ 6,154,412</u>	<u>\$ 22,855,652</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities .....	\$ 7,733,322	\$ 673,447	\$ 478,219	\$ 8,884,988
Investment purchases payable .....	—	—	843	843
Tax refunds payable .....	672,575	3,521	—	676,096
Securities lending obligations .....	1,399	1,088	22,713	25,200
Due to other funds—Note 5 .....	213,695	113,062	285,393	612,150
Due to component units—Note 5 .....	3,245	14,771	23,672	41,688
Due to pension trust funds—Note 5 .....	221,926	8,321	2,286	232,533
Due to political subdivisions .....	1,564,567	50,662	186,710	1,801,939
Due to other governments .....	8,967	32,691	489	42,147
Unearned revenue—Note 3 .....	17,315	21,318	67,967	106,600
Advances from other funds—Note 5 .....	232,500	24,470	19,500	276,470
Other liabilities .....	307,790	—	—	307,790
<b>TOTAL LIABILITIES</b> .....	<u>10,977,301</u>	<u>943,351</u>	<u>1,087,792</u>	<u>13,008,444</u>
<b>Deferred inflows of resources:</b>				
<b>TOTAL DEFERRED INFLOWS OF RESOURCES - Note 3</b> .....	<u>3,073,161</u>	<u>—</u>	<u>176,512</u>	<u>3,249,673</u>
<b>Fund balances—Note 15:</b>				
Nonspendable .....	183,102	—	—	183,102
Restricted .....	8,791	872,037	3,851,836	4,732,664
Committed .....	2,820,739	—	1,052,209	3,872,948
Unassigned deficit .....	(2,177,242)	—	(13,937)	(2,191,179)
<b>TOTAL FUND BALANCES</b> .....	<u>835,390</u>	<u>872,037</u>	<u>4,890,108</u>	<u>6,597,535</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b> .....	<u>\$ 14,885,852</u>	<u>\$ 1,815,388</u>	<u>\$ 6,154,412</u>	<u>\$ 22,855,652</u>

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

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**Commonwealth of Pennsylvania**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Position**  
June 30, 2019

(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 position, amounts are reported for all governmental funds and are adjusted to account for specific items that are treated differently on the statement of net position than on the governmental funds balance sheet. Under the modified accrual basis of accounting, numerous governmental assets are deferred 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 position 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 position.

**Total Fund Balances—Governmental Funds** ..... \$ **6,597,535**

General capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds balance sheet. These assets consist of:

Land .....	\$ 3,190,310	
Land improvements .....	1,105,439	
Buildings and building improvements .....	8,168,525	
Machinery and equipment .....	1,671,000	
Infrastructure .....	50,854,535	
Intangible .....	933,126	
Construction in progress .....	5,289,370	
Accumulated depreciation .....	<u>(31,054,347)</u>	
Net general capital assets .....		40,157,958

Certain revenues are earned but not available at fiscal year-end, and therefore, are reported as deferred inflows of resources in the governmental funds balance sheet ..... 3,249,673

Debt refunding losses are recognized as deferred outflows of resources and debt refunding gains are reported as deferred inflows of resources in the governmental activities statement of net position ..... (178,902)

Other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position ..... 73,508

Internal service funds are proprietary in nature and charge the costs of certain goods and services to governmental funds. Therefore, the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the statement of net position as governmental activities ..... (39,508)

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources ..... 88,474

**Commonwealth of Pennsylvania**  
**Reconciliation of the Balance Sheet**  
**Governmental Funds to the Statement of Net Position**  
June 30, 2019

(Amounts in thousands)

The statement of net position includes net pension liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the net pension liability and associated deferred outflows of resources and deferred inflows of resources related to these pension obligations. .... (13,731,035)

The statement of net position includes other postemployment benefit liabilities for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the other postemployment benefit liability and associated deferred outflows of resources and deferred inflows of resources related to other postemployment benefits. .... (26,351,080)

The statement of net position includes asset retirement obligations for the governmental funds that are considered long-term, and therefore, are not reported in the governmental funds balance sheet. These include the asset retirement obligation liability and associated deferred outflows of resources related to asset retirement obligations. .... (3,899)

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.

These liabilities are:

Bonds payable .....	\$	(12,490,765)	
Accrued interest payable .....		(180,650)	
Capital lease and installment purchase obligations .....		(94,468)	
Compensated absence liability .....		(751,408)	
Self-insurance liabilities .....		(1,129,629)	
Other financing obligations .....		(567,052)	
Other liabilities .....		(649,975)	
		<u>                    </u>	<u>(15,863,947)</u>

**Total Net Position—Governmental Activities** ..... **\$ (6,001,223)**

- 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, 2019

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
<b>REVENUES:</b>				
Taxes, net of refunds .....	\$ 33,074,546	\$ 3,795,265	\$ 2,298,088	\$ 39,167,899
Licenses and fees .....	854,757	1,015,010	1,449,058	3,318,825
Intergovernmental .....	28,215,760	1,917,103	842,736	30,975,599
Charges for sales and services .....	3,356,759	33,719	305,251	3,695,729
Investment income .....	64,106	22,659	202,074	288,839
Interest on notes and loans .....	916	1	—	917
Other .....	236,886	2,014	731,772	970,672
<b>TOTAL REVENUES</b> .....	<b>65,803,730</b>	<b>6,785,771</b>	<b>5,828,979</b>	<b>78,418,480</b>
<b>EXPENDITURES:</b>				
Current:				
Direction and supportive services .....	908,473	34,692	429,394	1,372,559
Protection of persons and property .....	4,806,069	1,021,772	766,020	6,593,861
Health and human services .....	42,633,941	1	622,813	43,256,755
Public education .....	16,295,404	290	639,238	16,934,932
Recreation and cultural enrichment .....	324,364	5,416	234,066	563,846
Economic development .....	493,406	163	432,676	926,245
Transportation .....	57,473	2,911,380	1,601,368	4,570,221
Capital outlay .....	127,394	2,840,569	406,613	3,374,576
Debt service:				
Principal retirement .....	8,140	—	807,045	815,185
Interest and fiscal charges .....	22,620	18	567,256	589,894
<b>TOTAL EXPENDITURES</b> .....	<b>65,677,284</b>	<b>6,814,301</b>	<b>6,506,489</b>	<b>78,998,074</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES</b>				
<b>OVER/(UNDER) EXPENDITURES</b> .....	<b>126,446</b>	<b>(28,530)</b>	<b>(677,510)</b>	<b>(579,594)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bonds issued .....	—	—	886,875	886,875
Premium on bonds/refunding bonds .....	—	—	176,780	176,780
Transfers in—Note 5 .....	1,207,913	24,860	1,654,680	2,887,453
Transfers out—Note 5 .....	(1,314,257)	(128,309)	(1,209,492)	(2,652,058)
Payment to refunded bond escrow agent .....	—	—	(1,059,811)	(1,059,811)
Capital lease and installment purchase .....	1,578	57	—	1,635
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(104,766)</b>	<b>(103,392)</b>	<b>449,032</b>	<b>240,874</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>21,680</b>	<b>(131,922)</b>	<b>(228,478)</b>	<b>(338,720)</b>
<b>FUND BALANCES, JULY 1, 2018</b> .....	<b>813,710</b>	<b>1,003,959</b>	<b>5,118,586</b>	<b>6,936,255</b>
<b>FUND BALANCES, JUNE 30, 2019</b> .....	<b>\$ 835,390</b>	<b>\$ 872,037</b>	<b>\$ 4,890,108</b>	<b>\$ 6,597,535</b>

- 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 Statement of Activities**

For the Fiscal Year Ended June 30, 2019

(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 resources 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, 2019. 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 ..... \$ (338,720)**

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. The current amounts were:

Capital asset acquisitions .....	\$ 3,374,576	
Depreciation expense and losses on retirement or sale of assets .....	(2,174,664)	
Capital lease, installment purchase and related payments .....	<u>3,379</u>	
Net excess of capital asset additions/installment purchase payments over depreciation expense .....		1,203,291

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

Refunding bonds, including a premium of \$176,780 .....	\$ (1,063,655)	
Capital lease and installment purchase acquisitions .....	<u>(1,635)</u>	
Total bond proceeds and capital lease and installment purchase acquisitions .....		(1,065,290)

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 position. During the current fiscal year, these amounts consisted of:

Bond principal retirement .....	\$ 815,185	
Payments to refunded bond escrow agent .....	<u>1,059,811</u>	
Total bond principal retirement and payment to refunded bond escrow agent .....		1,874,996

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. .... (3,234)

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. .... 440,299

Certain expense adjustments are reported in the statement of activities because they are not due and payable and are funded with future economic resources rather than current available financial resources. .... (169,423)

**Net change in governmental net position in the statement of activities ..... \$ 1,941,919**

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

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
**Proprietary Funds**

June 30, 2019

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2018)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
<b>ASSETS</b>									
Current assets:									
Cash—Note 2 .....	\$ 79,958	\$ 1,054	\$ 746	\$ 8,317	\$ 52,291	\$ 795,509	\$ 60,812	\$ 998,687	\$ 1,654
Cash with fiscal agents .....	3,468,015	—	—	—	—	—	1	3,468,016	—
Temporary investments—Note 2 .....	3,169	74,830	254,553	126,817	226,280	—	83,684	769,333	16,126
Receivables (net):									
Unemployment assessments .....	608,965	—	—	—	—	—	—	608,965	—
Accounts .....	70,815	48,733	30,559	—	3,606	—	317	154,030	510
Investment income .....	19	9,735	422	4,076	—	—	148	14,400	30
Interest on loans .....	9,197	—	—	—	—	1,852	712	11,761	—
Loans—Note 3 .....	—	—	—	—	—	24,088	23,750	47,838	—
Lease rental .....	—	—	—	—	—	—	1,243	1,243	—
Investment sale proceeds .....	—	—	—	1,066	—	—	—	1,066	—
Other .....	—	—	—	27	—	—	3	30	—
Due from other funds—Note 5 .....	258	—	22	3	16	101,468	31,932	133,699	35,733
Due from pension trust funds—Note 5 .....	—	—	—	—	—	—	—	—	4,937
Due from component units—Note 5 .....	—	—	—	—	—	—	—	—	48
Due from Federal Government .....	789	—	3,623	—	—	—	70	4,482	1
Due from political subdivisions .....	4,165	—	—	—	—	—	—	4,165	34
Due from other governments .....	12,776	—	—	—	—	—	59	12,835	—
Advances to other funds—Note 5 .....	—	—	—	—	—	—	22,295	22,295	—
Inventory .....	—	—	—	—	246,497	—	4	246,501	14,268
Prepaid expenses .....	—	—	—	—	523	—	600	1,123	—
Other assets .....	—	210	20,464	—	—	—	1,470	22,144	—
Total current assets .....	4,258,126	134,562	310,389	140,306	529,213	922,917	227,100	6,522,613	73,341
Noncurrent assets:									
Restricted cash .....	472,029	—	—	—	—	—	4,599	476,628	—
Long-term investments—Note 2 .....	—	1,303,418	3	1,986,370	—	—	202,864	3,492,655	24,379
Receivables (net):									
Loans—Note 3 .....	—	—	—	—	—	260,233	125,586	385,819	—
Non-depreciable capital assets—Note 4:									
Land .....	—	—	—	—	323	—	229,953	230,276	—
Construction in progress .....	—	—	—	—	—	—	57,208	57,208	—
Depreciable or amortizable capital assets—Note 4:									
Land improvements .....	—	—	—	—	—	—	108,970	108,970	192
Buildings and building improvements .....	—	—	—	—	21,217	—	457,785	479,002	6,300
Machinery and equipment .....	—	1,512	100,047	—	52,333	—	80,533	234,425	126,845
Intangible assets .....	—	—	—	—	22,458	—	—	22,458	—
Less: accumulated depreciation and amortization .....	—	(1,512)	(68,813)	—	(66,041)	—	(287,848)	(424,214)	(84,427)
Net depreciable or amortizable capital assets .....	—	—	31,234	—	29,967	—	359,440	420,641	48,910
Other assets .....	—	—	—	—	—	—	9,100	9,100	—
Total noncurrent assets .....	472,029	1,303,418	31,237	1,986,370	30,290	260,233	988,750	5,072,327	73,289
<b>TOTAL ASSETS</b> .....	<b>4,730,155</b>	<b>1,437,980</b>	<b>341,626</b>	<b>2,126,676</b>	<b>559,503</b>	<b>1,183,150</b>	<b>1,215,850</b>	<b>11,594,940</b>	<b>146,630</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
<b>TOTAL DEFERRED OUTFLOWS</b>									
OF RESOURCES—Note 3, 6, 9, 10 .....	\$ 48,317	\$ 8,442	\$ 17,285	\$ —	\$ 179,764	\$ 2,030	\$ 14,559	\$ 270,397	\$ 15,700

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2019**

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2018)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
<b>LIABILITIES</b>									
Current liabilities:									
Accounts payable and accrued liabilities .....	\$ 60,255	\$ 11,879	\$ 408,269	\$ 6,494	\$ 314,844	149	\$ 54,102	\$ 855,992	\$ 45,994
Investment purchases payable .....	—	—	—	1,084	—	—	—	1,084	—
Tuition benefits payable—Note 6 .....	—	—	—	241,163	—	—	—	241,163	—
Securities lending obligations .....	—	23,462	—	11,446	—	—	1,341	36,249	161
Due to other funds—Note 5 .....	5,580	—	160,983	36	13,771	663	385	181,418	2,247
Due to pension trust funds—Note 5 .....	38	—	234	—	2,288	—	91	2,651	254
Due to political subdivisions .....	18	—	9,194	—	—	—	22	9,234	6
Due to other governments .....	7,673	—	6,269	—	595	—	382	14,919	54
Interest payable .....	12,784	—	—	—	—	16,989	146	29,919	—
Unearned revenue .....	—	58,213	1,524	—	—	—	23,864	83,601	—
Revenue bonds payable—Note 6 .....	422,510	—	—	—	—	124,470	4,470	551,450	—
Capital lease/installment purchase obligations—Note 6 .....	—	—	—	—	—	—	—	—	808
Self-insurance liabilities—Note 8 .....	34	111	202	—	5,548	—	139	6,034	438
Compensated absences—Note 6 .....	—	332	517	—	5,755	—	478	7,082	555
Insurance loss liability—Note 6 .....	—	161,301	—	—	—	—	—	161,301	—
Advances from other funds—Note 5 .....	—	2,460	—	—	—	—	—	2,460	—
Other postemployment benefit liability—Note 10 .....	571	751	1,089	—	9,795	—	790	12,996	799
Other liabilities .....	156	12,112	—	—	—	—	1,083	13,351	—
<b>Total current liabilities .....</b>	<b>509,619</b>	<b>270,621</b>	<b>588,281</b>	<b>260,223</b>	<b>352,596</b>	<b>142,271</b>	<b>87,293</b>	<b>2,210,904</b>	<b>51,316</b>
Noncurrent liabilities:									
Tuition benefits payable—Note 6 .....	—	—	—	1,400,921	—	—	—	1,400,921	—
Insurance loss liability—Note 6 .....	—	1,262,430	—	—	—	—	398	1,262,828	—
Revenue bonds payable—Note 6 .....	96,947	—	—	—	—	4,433,437	4,528	4,534,912	—
Installment purchase obligation—Note 6 .....	—	—	—	—	—	—	—	—	1,449
Compensated absences—Note 6 .....	—	1,416	2,205	103	24,533	—	2,044	30,301	2,366
Self-insurance liabilities—Note 8 .....	317	1,043	1,904	—	52,167	—	1,315	56,746	4,114
Other postemployment benefit liability—Note 10 .....	37,790	49,688	72,048	—	659,018	—	48,279	866,823	52,861
Nonexchange financial guarantees—Note 14 .....	—	—	—	—	—	16,843	—	16,843	—
Net pension liability—Note 9 .....	21,706	43,786	67,087	—	580,786	—	47,511	760,876	63,586
Other liabilities .....	—	—	—	—	—	—	1,405	1,405	—
<b>Total noncurrent liabilities .....</b>	<b>156,760</b>	<b>1,358,363</b>	<b>143,244</b>	<b>1,401,024</b>	<b>1,316,504</b>	<b>4,450,280</b>	<b>105,480</b>	<b>8,931,655</b>	<b>124,376</b>
<b>TOTAL LIABILITIES .....</b>	<b>666,379</b>	<b>1,628,984</b>	<b>731,525</b>	<b>1,661,247</b>	<b>1,669,100</b>	<b>4,592,551</b>	<b>192,773</b>	<b>11,142,559</b>	<b>175,692</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
<b>TOTAL DEFERRED INFLOWS</b>									
<b>OF RESOURCES—Note 3, 6, 9, 10 .....</b>	<b>17,418</b>	<b>24,876</b>	<b>35,252</b>	<b>—</b>	<b>302,494</b>	<b>—</b>	<b>28,603</b>	<b>408,643</b>	<b>26,146</b>
<b>NET POSITION—Note 15</b>									
Net investment in capital assets .....	—	—	31,234	—	30,290	—	645,556	707,080	46,653
Restricted for:									
Transportation .....	—	—	—	—	—	—	141,160	141,160	—
Capital projects .....	—	—	—	—	—	—	166	166	—
Debt service .....	—	—	—	—	—	—	4,273	4,273	—
Unemployment/workers' compensation .....	4,094,675	—	—	—	—	—	—	4,094,675	—
Economic development .....	—	—	—	—	—	—	6,073	6,073	—
Emergency support .....	—	—	—	—	—	—	134,694	134,694	—
Higher Education .....	—	—	—	465,429	—	—	—	465,429	—
Other purposes .....	—	—	—	—	—	—	147,636	147,636	—
Unrestricted .....	—	(207,438)	(439,100)	—	(1,262,617)	(3,407,371)	(70,525)	(5,387,051)	(86,161)
<b>TOTAL NET POSITION .....</b>	<b>\$ 4,094,675</b>	<b>\$ (207,438)</b>	<b>\$ (407,866)</b>	<b>\$ 465,429</b>	<b>\$ (1,232,327)</b>	<b>\$ (3,407,371)</b>	<b>\$ 1,009,033</b>	<b>\$ 314,135</b>	<b>\$ (39,508)</b>

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

**Commonwealth of Pennsylvania**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2018)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
<b>OPERATING REVENUES:</b>									
Sales and services—Note 3 .....	\$ 2,952,437	\$ 152,649	\$ 4,587,499	\$ 208,814	\$ 2,169,930	\$ 368	\$ 27,430	\$ 10,099,127	\$ 99,446
Interest on loans .....	—	—	—	—	—	14,436	2,847	17,283	—
Other .....	—	630	—	—	—	241	288	1,159	287
<b>OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS .....</b>	<b>2,952,437</b>	<b>153,279</b>	<b>4,587,499</b>	<b>208,814</b>	<b>2,169,930</b>	<b>15,045</b>	<b>30,565</b>	<b>10,117,569</b>	<b>99,733</b>
Provision for uncollectible accounts .....	—	—	—	—	—	1,306	287	1,593	—
<b>NET OPERATING REVENUES .....</b>	<b>2,952,437</b>	<b>153,279</b>	<b>4,587,499</b>	<b>208,814</b>	<b>2,169,930</b>	<b>16,351</b>	<b>30,852</b>	<b>10,119,162</b>	<b>99,733</b>
<b>OPERATING EXPENSES:</b>									
Cost of sales and services .....	1,774,490	129,589	4,485,905	254,047	1,980,224	114,627	43,734	8,782,616	91,956
Depreciation and amortization .....	—	—	5,324	—	8,649	—	24,004	37,977	12,594
Other .....	—	—	7,371	—	—	—	5,352	12,723	—
<b>TOTAL OPERATING EXPENSES .....</b>	<b>1,774,490</b>	<b>129,589</b>	<b>4,498,600</b>	<b>254,047</b>	<b>1,988,873</b>	<b>114,627</b>	<b>73,090</b>	<b>8,833,316</b>	<b>104,550</b>
<b>OPERATING INCOME (LOSS) .....</b>	<b>1,177,947</b>	<b>23,690</b>	<b>88,899</b>	<b>(45,233)</b>	<b>181,057</b>	<b>(98,276)</b>	<b>(42,238)</b>	<b>1,285,846</b>	<b>(4,817)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment income .....	20,166	(10,106)	3,598	130,135	5,866	21,179	15,757	186,595	2,134
Interest expense .....	(10,923)	—	—	—	—	(182,174)	—	(193,097)	(93)
Investment expense .....	—	(2,439)	—	(1,183)	—	—	—	(3,622)	—
Grants and other revenues .....	48,251	—	2,338	—	—	—	1,690	52,279	—
Other expenses .....	(278)	—	(58)	—	—	(2,971)	(3,514)	(6,821)	(458)
<b>NONOPERATING REVENUES (EXPENSES), NET .....</b>	<b>57,216</b>	<b>(12,545)</b>	<b>5,878</b>	<b>128,952</b>	<b>5,866</b>	<b>(163,966)</b>	<b>13,933</b>	<b>35,334</b>	<b>1,583</b>
<b>INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS ...</b>	<b>1,235,163</b>	<b>11,145</b>	<b>94,777</b>	<b>83,719</b>	<b>186,923</b>	<b>(262,242)</b>	<b>(28,305)</b>	<b>1,321,180</b>	<b>(3,234)</b>
<b>TRANSFERS AND CONTRIBUTIONS:</b>									
Capital contributions .....	—	—	—	—	—	—	3,803	3,803	—
Transfers in—Note 5 .....	—	—	141,700	—	—	318,719	132,063	592,482	—
Transfers out—Note 5 .....	(1,880)	—	(250,907)	—	(188,921)	(386,169)	—	(827,877)	—
<b>TRANSFERS AND CONTRIBUTIONS, NET .....</b>	<b>(1,880)</b>	<b>—</b>	<b>(109,207)</b>	<b>—</b>	<b>(188,921)</b>	<b>(67,450)</b>	<b>135,866</b>	<b>(231,592)</b>	<b>—</b>
<b>INCREASE/(DECREASE) IN NET POSITION .....</b>	<b>1,233,283</b>	<b>11,145</b>	<b>(14,430)</b>	<b>83,719</b>	<b>(1,998)</b>	<b>(329,692)</b>	<b>107,561</b>	<b>1,089,588</b>	<b>(3,234)</b>
<b>TOTAL NET POSITION, JULY 1, 2018 .....</b>	<b>2,861,392</b>	<b>(218,583)</b>	<b>(393,436)</b>	<b>381,710</b>	<b>(1,230,329)</b>	<b>(3,077,679)</b>	<b>901,472</b>	<b>(775,453)</b>	<b>(36,274)</b>
<b>TOTAL NET POSITION, JUNE 30, 2019 .....</b>	<b>\$ 4,094,675</b>	<b>\$ (207,438)</b>	<b>\$ (407,866)</b>	<b>\$ 465,429</b>	<b>\$ (1,232,327)</b>	<b>\$ (3,407,371)</b>	<b>\$ 1,009,033</b>	<b>\$ 314,135</b>	<b>\$ (39,508)</b>

- 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, 2019**

(Amounts in thousands)

	Enterprise Funds							Internal Service Funds	
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2018)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds		Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>									
Receipts from employers .....	\$ 2,955,915	\$ 148,951	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,104,866	\$ —
Receipts from customers and participants .....	—	—	4,587,669	208,814	2,168,595	—	17,357	6,982,435	100,996
Receipts from borrowers for fees and loan repayments .....	—	—	—	—	—	47,037	18,978	66,015	—
Receipt of premiums .....	—	—	—	—	—	—	6,657	6,657	—
Payments to programs for the elderly .....	—	—	(1,038,394)	—	—	—	—	(1,038,394)	—
Payments to prize winners .....	—	—	(2,948,935)	—	—	—	—	(2,948,935)	—
Payments to participants .....	—	—	—	(249,566)	—	—	—	(249,566)	—
Payments to claimants .....	(1,715,545)	(154,493)	—	—	—	—	—	(1,870,038)	—
Payments to borrowers .....	—	—	—	—	—	(27,395)	(21,493)	(48,888)	—
Payments for vendors, employees and other costs .....	—	(49,785)	(412,595)	(3,971)	(1,956,962)	(3,776)	(24,165)	(2,451,254)	(99,538)
Payments of grants and loan guarantees .....	—	—	—	—	—	(111,534)	—	(111,534)	—
Other receipts .....	—	630	—	—	—	—	249	879	287
Other payments .....	—	—	—	—	—	(13)	—	(13)	—
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>1,240,370</b>	<b>(54,697)</b>	<b>187,745</b>	<b>(44,723)</b>	<b>211,633</b>	<b>(95,681)</b>	<b>(2,417)</b>	<b>1,442,230</b>	<b>1,745</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>									
Net borrowings under advances from other funds .....	—	50	—	—	—	—	(22,295)	(22,245)	—
Proceeds from other non-capital borrowings .....	—	—	—	—	—	439,224	—	439,224	—
Principal payments on other non-capital debt .....	(501,915)	—	—	—	—	(125,650)	—	(627,565)	—
Interest payments on other non-capital debt .....	(42,278)	—	—	—	—	(192,499)	—	(234,777)	—
Transfers in .....	—	—	141,700	—	—	286,372	—	428,072	—
Transfers out .....	(1,880)	—	(250,907)	—	(187,600)	(386,169)	—	(826,556)	—
Grants and other revenues .....	34,747	—	6,060	—	—	—	1,622	42,429	—
Other payments for non-capital financing uses .....	(278)	—	—	—	—	(2,971)	(2,167)	(5,416)	—
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES .....</b>	<b>(511,604)</b>	<b>50</b>	<b>(103,147)</b>	<b>—</b>	<b>(187,600)</b>	<b>18,307</b>	<b>(22,840)</b>	<b>(806,834)</b>	<b>—</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>									
Acquisition and construction of capital assets .....	—	—	(13,592)	—	(9,607)	—	(75,644)	(98,843)	(17,130)
Proceeds from disposal of capital assets .....	—	—	—	—	1	—	—	1	1,471
Capital lease/installment purchase payments .....	—	—	—	—	—	—	—	—	(987)
Principal payments on other capital debt .....	—	—	—	—	—	—	(4,065)	(4,065)	—
Interest payments on other capital debt .....	—	—	—	—	—	—	(540)	(540)	—
Transfers in .....	—	—	—	—	—	—	114,518	114,518	—
Other receipts for capital and related financing activities .....	—	—	—	—	—	—	4,580	4,580	—
Other payments for capital and related financing uses .....	—	—	—	—	—	—	(8,863)	(8,863)	—
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>—</b>	<b>—</b>	<b>(13,592)</b>	<b>—</b>	<b>(9,606)</b>	<b>—</b>	<b>29,986</b>	<b>6,788</b>	<b>(16,646)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>									
Purchase of investments .....	(13,890)	(1,542,965)	(1,719,159)	(926,440)	(1,552,908)	—	(63,180)	(5,818,542)	(301,554)
Sales and maturities of investments .....	16,331	1,554,174	1,643,573	927,441	1,530,704	—	74,456	5,746,679	315,563
Investment income .....	20,175	42,722	3,528	44,983	5,866	21,179	8,920	147,373	1,157
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>22,616</b>	<b>53,931</b>	<b>(72,058)</b>	<b>45,984</b>	<b>(16,338)</b>	<b>21,179</b>	<b>20,196</b>	<b>75,510</b>	<b>15,166</b>
<b>NET INCREASE (DECREASE) IN CASH .....</b>	<b>751,382</b>	<b>(716)</b>	<b>(1,052)</b>	<b>1,261</b>	<b>(1,911)</b>	<b>(56,195)</b>	<b>24,925</b>	<b>717,694</b>	<b>265</b>
<b>CASH AT JULY 1, 2018 .....</b>	<b>3,268,620</b>	<b>1,770</b>	<b>1,798</b>	<b>7,056</b>	<b>54,202</b>	<b>851,704</b>	<b>40,487</b>	<b>4,225,637</b>	<b>1,389</b>
<b>CASH AT JUNE 30, 2019 (including \$476,628 in restricted assets) .....</b>	<b>\$ 4,020,002</b>	<b>\$ 1,054</b>	<b>\$ 746</b>	<b>\$ 8,317</b>	<b>\$ 52,291</b>	<b>\$ 795,509</b>	<b>\$ 65,412</b>	<b>\$ 4,943,331</b>	<b>\$ 1,654</b>

**Commonwealth of Pennsylvania**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2019**

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2018)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>									
Operating income (loss)	\$ 1,177,947	\$ 23,690	\$ 88,899	\$ (45,233)	\$ 181,057	\$ (98,276)	\$ (42,238)	\$ 1,285,846	\$ (4,817)
Depreciation and amortization of capital assets	—	—	5,324	—	8,649	—	24,004	37,977	12,594
Amortization of other assets	—	—	—	—	—	—	5,352	5,352	—
Loss from disposal of capital assets	—	—	—	—	709	—	—	709	—
Provision for uncollectible accounts	—	—	—	—	—	(1,306)	(287)	(1,593)	—
Other adjustments	—	—	—	—	—	—	—	—	(1,471)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:									
Unemployment assessments receivable	45,649	—	—	—	—	—	—	45,649	—
Accounts receivable	2,269	5,134	(3,759)	—	(2,880)	—	(282)	482	(120)
Interest on loans receivable	(537)	—	—	—	—	(158)	(17)	(712)	—
Loans receivable	—	—	—	—	—	4,754	(517)	4,237	—
Lease rental receivable	—	—	—	—	—	—	(247)	(247)	—
Other receivables	—	—	—	(17)	—	—	—	(17)	—
Due from other funds	1,507	—	12,913	(3)	838	—	(8,509)	6,746	7,219
Due from pension trust funds	—	—	—	—	—	—	—	—	(695)
Due from component units	—	—	—	—	—	—	—	—	(31)
Due from political subdivisions	844	—	—	—	—	—	—	844	(3)
Due from other governments	(1,317)	—	—	—	—	—	—	(1,317)	—
Inventory	—	—	—	—	12,328	—	—	12,328	264
Prepaid expenses	—	—	—	—	(450)	—	—	(450)	—
Other current and noncurrent assets	—	—	(2,822)	—	—	—	(986)	(3,808)	—
Deferred outflows	(44,937)	(2,987)	(6,053)	—	(83,143)	—	(5,594)	(142,714)	(5,972)
Accounts payable and accrued liabilities	(216)	810	23,775	2,637	16,148	149	291	43,594	(10,288)
Tuition benefits payable	—	—	—	(2,151)	—	—	—	(2,151)	—
Due to other funds	5,526	—	64,853	36	(7,676)	(32)	163	62,870	(2,418)
Due to pension trust funds	(8)	—	1	—	165	—	(11)	147	13
Due to component units	—	—	—	—	—	—	(23)	(23)	(3)
Due to political subdivisions	16	—	392	—	—	—	(6)	402	—
Due to other governments	(4,980)	—	63	—	32	—	(3)	(4,888)	—
Unearned revenue	—	(5,845)	(109)	—	—	—	20,339	14,385	—
Self-insurance liabilities	(690)	(362)	(277)	—	(1,590)	—	(230)	(3,149)	486
Compensated absences	—	51	65	8	1,040	—	(139)	1,025	(11)
Insurance loss liability	—	(73,739)	—	—	—	—	(98)	(73,837)	—
Other postemployment benefit liability	34,061	(20,266)	(27,321)	—	(198,082)	—	(17,170)	(228,778)	(19,938)
Nonexchange financial guarantees	—	—	—	—	—	(812)	—	(812)	—
Net pension liability	9,205	4,242	10,324	—	100,478	—	6,933	131,182	11,704
Other current and noncurrent liabilities	8	(639)	—	—	—	—	887	256	—
Deferred inflows	16,023	15,214	21,477	—	184,010	—	15,971	252,695	15,232
<b>Total Adjustments</b>	<b>62,423</b>	<b>(78,387)</b>	<b>98,846</b>	<b>510</b>	<b>30,576</b>	<b>2,595</b>	<b>39,821</b>	<b>156,384</b>	<b>6,562</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 1,240,370</b>	<b>\$ (54,697)</b>	<b>\$ 187,745</b>	<b>\$ (44,723)</b>	<b>\$ 211,633</b>	<b>\$ (95,681)</b>	<b>\$ (2,417)</b>	<b>\$ 1,442,230</b>	<b>\$ 1,745</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>									
Increase (decrease) in fair value of investments during the fiscal year	\$ —	\$ (56,463)	\$ —	\$ 87,329	\$ —	\$ —	\$ 6,852	\$ 37,718	\$ 992
Increase (decrease) in investments from changes in investment sale proceeds rec. and income rec.	19	954	70	(798)	—	—	(15)	230	(15)
Increase (decrease) in investments from changes in investment purchases and expense payable	—	(4,043)	—	(59)	4	—	—	(4,098)	—
Decrease in investments from changes in securities lending obligations	—	(67,344)	—	(3,889)	—	—	(161)	(71,394)	(13)
Capital assets acquired through installment purchases	—	—	—	—	—	—	—	—	103
Disposals of capital assets	—	—	(617)	—	(12,307)	—	(4,119)	(17,043)	(2,624)
Amortization of bond premium/discount and deferred refunding loss (net)	(32,465)	—	—	—	—	(7,996)	(264)	(40,725)	—
Transfers from other funds (accruals)	—	—	—	—	—	32,347	—	32,347	—
Transfers to other funds (accruals)	—	—	—	—	(1,321)	—	—	(1,321)	—
Gain on bond redemptions	13,737	—	—	—	—	—	—	13,737	—
Internal activity elimination for capital financing activities	—	—	—	—	—	—	(4,513)	(4,513)	—

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 Position**  
**Fiduciary Funds**

June 30, 2019

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund	Private Purpose Trust Funds	Agency Funds
		INVEST Program for Local Governments (December 31, 2018)		
<b>ASSETS</b>				
Cash—Note 2 .....	\$ 315,864	\$ 29,008	\$ 4,326	\$ 16,114
Cash with fiscal agents .....	—	—	—	6,845
Temporary investments—Note 2 .....	50,427	761,375	1,057	760,888
Long-term investments—Note 2 .....	643,323	—	3,117,439	1,155,571
Short-term funds—Note 2 .....	6,938,655	—	—	—
Corporate obligations—Note 2 .....	3,051,662	—	—	—
Collective trust funds—Note 2 .....	16,248,259	—	—	—
Real estate—Note 2 .....	7,451,718	—	—	—
Alternative—Note 2 .....	18,266,232	—	—	—
Securities lending collateral—Note 2 .....	4,682,327	—	—	—
Asset-backed securities—Note 2 .....	1,163,198	—	—	—
Domestic equities—Note 2 .....	20,361,557	—	—	—
International equities—Note 2 .....	5,851,158	—	—	—
International public debt securities—Note 2 .....	502,711	—	—	—
Mortgage-backed securities—Note 2 .....	3,152	—	—	—
Private placements—Note 2 .....	453,561	—	—	—
U.S. Treasury obligations—Note 2 .....	7,440,571	—	—	—
U.S. government agency debt securities—Note 2 .....	51,666	—	—	—
Receivables (net):				
Taxes—Note 3 .....	—	—	—	112,881
Accounts .....	—	—	115	44,586
Investment income .....	577,766	—	2	6,356
Interest on notes and loans .....	796	6,360	—	—
Pension contributions .....	1,668,050	—	—	—
Investment sale proceeds .....	388,195	901	—	102
Other .....	31,676	—	—	—
Due from other funds—Note 5 .....	20,096	—	—	—
Due from pension trust funds—Note 5 .....	2,876	—	—	—
Due from component units—Note 5 .....	55,642	—	—	—
Due from political subdivisions .....	41,206	—	—	—
Due from other governments .....	25,613	—	—	—
Advances to other funds—Note 5 .....	—	—	—	67,500
Depreciable or amortizable capital assets:				
Machinery and equipment .....	13,025	—	—	—
Intangible assets .....	42,835	—	—	—
Less: accumulated depreciation and amortization .....	(34,515)	—	—	—
Net depreciable or amortizable capital assets .....	21,345	—	—	—
Other assets .....	—	—	—	420,337
<b>TOTAL ASSETS</b> .....	<b>96,309,302</b>	<b>797,644</b>	<b>3,122,939</b>	<b>2,591,180</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3</b> .....	<b>25,565</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>LIABILITIES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities .....	183,755	64	1,663	\$ 147,284
Investment purchases payable .....	690,015	33,887	389	12,247
Securities lending obligations .....	4,685,314	—	332	8,701
Due to other funds—Note 5 .....	1,026	—	—	—
Due to pension trust funds—Note 5 .....	950	—	—	—
Due to political subdivisions .....	—	—	180	570,998
Due to other governments .....	—	—	—	8
Interest payable .....	—	1,514	—	—
Other postemployment benefit liability—Note 10 .....	87,640	—	—	—
Net pension liability—Note 9 .....	78,175	—	—	—
Other liabilities .....	655,109	—	—	1,851,942
<b>TOTAL LIABILITIES</b> .....	<b>6,381,984</b>	<b>35,465</b>	<b>2,564</b>	<b>\$ 2,591,180</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
<b>TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3</b> .....	<b>41,221</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>NET POSITION</b>				
Restricted and held in trust for:				
Pension benefits .....	85,683,999	—	—	—
Postemployment healthcare benefits .....	900,600	—	—	—
Employee salary deferrals .....	3,327,063	—	—	—
INVEST Program participants .....	—	762,179	—	—
Tuition Account Investment Program participants .....	—	—	3,069,918	—
Other .....	—	—	50,457	—
<b>TOTAL NET POSITION</b> .....	<b>\$ 89,911,662</b>	<b>\$ 762,179</b>	<b>\$ 3,120,375</b>	<b>—</b>

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



**Commonwealth of Pennsylvania**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Investment Trust Fund	
		INVEST Program for Local Governments (December 31, 2018)	Private Purpose Trust Funds
<b>ADDITIONS:</b>			
Contributions:			
Pension:			
Employer .....	\$ 7,361,490	\$ —	\$ —
Employee .....	1,980,079	—	—
Transfer in from other plans .....	123,135	—	—
Total contributions .....	<u>9,464,704</u>	<u>—</u>	<u>—</u>
Investment income:			
Net increase in			
fair value of investments .....	984,562	—	99,725
Interest income .....	776,017	16,207	95,203
Dividend income .....	538,071	—	—
Rental and other income .....	373,108	—	—
Total investment activity income .....	<u>2,671,758</u>	<u>16,207</u>	<u>194,928</u>
Less: investment expenses			
Investment activity expense .....	<u>(584,137)</u>	<u>(886)</u>	<u>—</u>
Net investment earnings .....	<u>2,087,621</u>	<u>15,321</u>	<u>194,928</u>
Securities lending activities:			
Income .....	120,342	—	—
Expenses .....	<u>(102,683)</u>	<u>—</u>	<u>—</u>
Total securities lending income .....	<u>17,659</u>	<u>—</u>	<u>—</u>
Total net investment income .....	<u>2,105,280</u>	<u>15,321</u>	<u>194,928</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares issued in lieu of cash distributions .....	—	12,830	—
Shares purchased/redeemed (net) .....	—	36,505	153,411
Net increase in net position from share transactions .....	<u>—</u>	<u>49,335</u>	<u>153,411</u>
<b>TOTAL ADDITIONS</b> .....	<u>11,569,984</u>	<u>64,656</u>	<u>348,339</u>
<b>DEDUCTIONS:</b>			
Benefit payments .....	11,336,274	—	—
Refunds of contributions .....	46,269	—	—
Transfers to other plans .....	149,417	—	—
Administrative expenses .....	133,540	—	5,760
Other expenses .....	4,432	—	2,267
Distributions to participants .....	—	15,321	—
<b>TOTAL DEDUCTIONS</b> .....	<u>11,669,932</u>	<u>15,321</u>	<u>8,027</u>
<b>CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:</b>			
Pension benefits .....	(43,822)	—	—
Postemployment healthcare benefits .....	112,141	—	—
Employee salary deferrals .....	(168,267)	—	—
INVEST program participants .....	—	49,335	—
Tuition Account Investment Program participants .....	—	—	339,264
Other .....	—	—	1,048
<b>TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST</b> .....	<u>(99,948)</u>	<u>49,335</u>	<u>340,312</u>
<b>NET POSITION, JULY 1, 2018 (restated)—Note 1</b> .....	<u>90,011,610</u>	<u>712,844</u>	<u>2,780,063</u>
<b>TOTAL NET POSITION, JUNE 30, 2019</b> .....	<u>\$ 89,911,662</u>	<u>\$ 762,179</u>	<u>\$ 3,120,375</u>

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

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
Discretely Presented Component Units  
June 30, 2019

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2019)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
<b>ASSETS</b>							
Current assets:							
Cash—Note 16 .....	\$ 999,916	\$ 537,934	\$ 14,986	\$ 184,104	\$ 179,061	\$ 23,880	\$ 1,939,881
Temporary investments—Note 16 .....	615,233	10	666,838	1,465,312	758,140	359,149	3,864,682
Receivables (net):							
Accounts .....	78,600	—	47,862	5,116	121,151	6,048	258,777
Investment income .....	5,250	2,110	410	752	—	176	8,698
Interest on notes and loans .....	—	18,536	94,120	—	—	1,046	113,702
Loans—Note 16 .....	—	109,617	572,934	169,404	7,158	48,797	907,910
Other .....	—	—	—	—	40,363	355	40,718
Due from primary government—Note 5 .....	11,047	8,145	—	15,017	2,131	1,625	37,965
Due from component units—Note 5 .....	—	454	—	173	—	—	627
Due from Federal Government .....	—	—	15,581	—	—	211	15,792
Due from other governments .....	19	—	—	—	—	—	19
Inventory .....	19,290	—	—	—	—	923	20,213
Prepaid expenses .....	—	—	12,853	—	21,686	2,536	37,075
Other assets .....	—	4,662	82,009	—	7,274	—	93,945
Total current assets .....	<u>1,729,355</u>	<u>681,468</u>	<u>1,507,593</u>	<u>1,839,878</u>	<u>1,136,964</u>	<u>444,746</u>	<u>7,340,004</u>
Noncurrent assets:							
Restricted cash .....	—	—	—	—	59,551	37	59,588
Long-term investments—Note 16 .....	995,525	279,568	—	—	1,084,255	24,881	2,384,229
Receivables (net):							
Loans—Note 16 .....	—	3,299,544	3,318,921	2,461,786	25,250	269,570	9,375,071
Non-depreciable capital assets—Note 16							
Land .....	405,643	2,454	8,044	—	34,010	1,155	451,306
Construction in progress .....	1,490,161	21,164	—	—	81,852	10,558	1,603,735
Depreciable or amortizable capital assets—Note 16							
Land improvements .....	150,306	—	—	—	321,842	3,576	475,724
Buildings and building improvements .....	981,115	32,096	74,192	—	3,767,767	790,232	5,645,402
Machinery and equipment .....	642,785	11,313	45,629	—	522,478	190,175	1,412,380
Turnpike infrastructure .....	9,044,067	—	—	—	—	—	9,044,067
Library books .....	—	—	—	—	75,441	375	75,816
Other capital assets .....	—	—	—	—	—	1	1
Intangible assets .....	—	—	93,774	—	—	—	93,774
Less: accumulated depreciation and amortization .....	(6,574,079)	(17,077)	(118,283)	—	(1,845,172)	(406,244)	(8,960,855)
Net depreciable or amortizable capital assets .....	<u>4,244,194</u>	<u>26,332</u>	<u>95,312</u>	<u>—</u>	<u>2,842,356</u>	<u>578,115</u>	<u>7,786,309</u>
Other assets .....	<u>33,823</u>	<u>19,505</u>	<u>—</u>	<u>—</u>	<u>102,560</u>	<u>4,734</u>	<u>160,622</u>
Total noncurrent assets .....	<u>7,169,346</u>	<u>3,648,567</u>	<u>3,422,277</u>	<u>2,461,786</u>	<u>4,229,834</u>	<u>889,050</u>	<u>21,820,860</u>
<b>TOTAL ASSETS</b> .....	<u><b>8,898,701</b></u>	<u><b>4,330,035</b></u>	<u><b>4,929,870</b></u>	<u><b>4,301,664</b></u>	<u><b>5,366,798</b></u>	<u><b>1,333,796</b></u>	<u><b>29,160,864</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 16</b> .....	<u><b>621,105</b></u>	<u><b>36,798</b></u>	<u><b>104,033</b></u>	<u><b>1,868</b></u>	<u><b>330,493</b></u>	<u><b>23,495</b></u>	<u><b>1,117,792</b></u>

**Commonwealth of Pennsylvania**  
**Statement of Net Position**  
Discretely Presented Component Units  
June 30, 2019

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2019)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities .....	222,457	4,040	162,521	1,676	273,234	12,777	676,705
Securities lending obligations .....	—	—	—	8,249	—	268	8,517
Due to primary government—Note 5 .....	450,000	—	17	13,851	910	5,847	470,625
Due to component units—Note 5 .....	—	173	—	455	—	—	628
Due to other governments .....	—	—	—	1,934	—	2	1,936
Interest payable .....	279,986	23,073	4,415	—	—	2,529	310,003
Unearned revenue .....	77,632	—	60	—	70,235	2,135	150,062
Notes payable—Note 16 .....	—	3,239	40,000	30,123	—	—	73,362
Bonds Payable—Note 16 .....	—	—	—	6,650	86,590	—	93,240
Revenue bonds payable—Note 16 .....	325,205	98,332	—	—	—	22,855	446,392
Capital lease/installment purchase obligations .....	—	—	—	—	3,899	76	3,975
Self-insurance liabilities .....	3,917	—	—	—	4,779	—	8,696
Compensated absences .....	8,737	—	—	117	12,894	578	22,326
Other financing obligations—Note 16 .....	—	—	—	—	—	155	155
Other postemployment benefit liability—Note 16 .....	—	—	—	84	62,924	293	63,301
Other liabilities .....	—	131,739	82,009	—	187,464	5	401,217
Total current liabilities .....	<u>1,367,934</u>	<u>260,596</u>	<u>289,022</u>	<u>63,139</u>	<u>702,929</u>	<u>47,520</u>	<u>2,731,140</u>
Noncurrent liabilities:							
Due to primary government—Note 5 .....	—	—	—	140,480	—	—	140,480
Unearned revenue .....	627	—	—	—	899	—	1,526
Student loan auction rate security bonds payable—Note 16 .....	—	—	9,400	—	—	—	9,400
Notes payable—Note 16 .....	—	13,229	3,640,700	—	—	—	3,653,929
Bonds Payable—Note 16 .....	—	—	—	—	2,144,990	—	2,144,990
Revenue bonds payable—Note 16 .....	13,591,404	2,841,279	—	110,074	—	111,873	16,654,630
Capital lease/installment purchase obligations .....	—	—	—	—	54,081	39	54,120
Other financing obligations—Note 16 .....	—	—	6,965	—	—	2,666	9,631
Compensated absences .....	7,148	—	12,542	500	114,738	2,781	137,709
Self-insurance liabilities .....	33,996	—	—	—	17,948	—	51,944
Other postemployment benefit liability—Note 16 .....	12,934	89,840	274,286	5,560	1,913,725	41,148	2,337,493
Net pension liability—Note 9, 16 .....	385,821	32,148	438,740	7,573	1,108,260	31,970	2,004,512
Other liabilities .....	208,326	331,127	—	—	122,315	111	661,879
Total noncurrent liabilities .....	<u>14,240,256</u>	<u>3,307,623</u>	<u>4,382,633</u>	<u>264,187</u>	<u>5,476,956</u>	<u>190,588</u>	<u>27,862,243</u>
<b>TOTAL LIABILITIES</b> .....	<u>15,608,190</u>	<u>3,568,219</u>	<u>4,671,655</u>	<u>327,326</u>	<u>6,179,885</u>	<u>238,108</u>	<u>30,593,383</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED INFLOWS OF RESOURCES—Note 16</b> .....	<u>153,857</u>	<u>26,033</u>	<u>187,804</u>	<u>2,786</u>	<u>568,447</u>	<u>19,249</u>	<u>958,176</u>
<b>NET POSITION</b>							
Net investment in capital assets .....	(623,209)	12,950	103,356	—	839,644	586,891	919,632
Restricted for:							
Capital projects .....	331,065	—	—	3,973,420	38,265	—	4,342,750
Debt service .....	51,536	138,764	361,176	—	—	53,393	604,869
Economic development .....	—	—	—	—	—	98,099	98,099
Higher education .....	—	—	29,961	—	562,575	—	592,536
Other purposes .....	—	620,867	—	—	—	27,081	647,948
Unrestricted .....	(6,001,633)	—	(320,049)	—	(2,491,525)	334,470	(8,478,737)
<b>TOTAL NET POSITION</b> .....	<u>\$ (6,242,241)</u>	<u>\$ 772,581</u>	<u>\$ 174,444</u>	<u>\$ 3,973,420</u>	<u>\$ (1,051,041)</u>	<u>\$ 1,099,934</u>	<u>\$ (1,272,903)</u>

- 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, 2019

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2019)	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 .....	\$ 2,127,423	\$ 613,670	\$ 1,025,550	\$ 61,868	\$ 2,463,636	\$ 169,090	\$ 6,461,237
Program revenues:							
Charges for goods and services .....	1,336,605	177,742	619,533	37,610	1,461,643	47,783	3,680,916
Operating grants and contributions .....	105,644	458,111	359,949	136,191	979,135	86,944	2,125,974
Capital grants and contributions .....	229,386	—	—	86,884	10,930	20,260	347,460
<b>Total program revenues .....</b>	<b>1,671,635</b>	<b>635,853</b>	<b>979,482</b>	<b>260,685</b>	<b>2,451,708</b>	<b>154,987</b>	<b>6,154,350</b>
<b>Change in net position .....</b>	<b>(455,788)</b>	<b>22,183</b>	<b>(46,068)</b>	<b>198,817</b>	<b>(11,928)</b>	<b>(14,103)</b>	<b>(306,887)</b>
<b>TOTAL NET POSITION, JULY 1, 2018 (restated)—Note 16 .....</b>	<b>(5,786,453)</b>	<b>750,398</b>	<b>220,512</b>	<b>3,774,603</b>	<b>(1,039,113)</b>	<b>1,114,037</b>	<b>(966,016)</b>
<b>TOTAL NET POSITION, JUNE 30, 2019 .....</b>	<b>\$ (6,242,241)</b>	<b>\$ 772,581</b>	<b>\$ 174,444</b>	<b>\$ 3,973,420</b>	<b>\$ (1,051,041)</b>	<b>\$ 1,099,934</b>	<b>\$ (1,272,903)</b>

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

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Basis of Presentation**

The basic financial statements of the Commonwealth of Pennsylvania (the Commonwealth) 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. There may be rounding differences between amounts reported in the basic financial statements section and amounts reported in other sections of the Comprehensive Annual Financial Report (CAFR). Also note, all amounts in the CAFR are stated in thousands unless otherwise indicated.

**Government-wide Financial Statements**

Government-wide financial statements report the financial position and results of activities for the Commonwealth as a whole, except for its fiduciary activities. Separate columns are presented for governmental and business-type activities within the primary government (PG) and discretely presented component units (DPCU). The statement of net position reports all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position of the government increased or decreased during the fiscal year ended June 30, 2019. The government-wide financial statements do not include any fiduciary fund assets, liabilities or activities for the primary government or component units (CU) that are fiduciary in nature because they are held for the benefit of others and are not available to address activities or obligations of the PG. 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 and two blended CUs.

**Financial Reporting Entity**

The basic financial statements include all funds of the PG, which for reporting purposes represents the Commonwealth, as well as the CUs determined to be included in the Commonwealth's financial reporting entity. A fund is a self-balancing set of accounts, segregated for specific purposes. A CU is a legally separate organization, the activity of which must be included in the Commonwealth's reporting entity.

The basic financial statements include the government-wide financial statements and fund financial statements. The fund financial statements present governmental, proprietary and fiduciary financial statements. Reconciliation between the governmental fund financial statements and the governmental activities column of the government-wide financial statements is presented since a different measurement focus and basis of accounting is used. The reconciliation explains the adjustments required to convert the fund-level financial statements to the government-wide financial statements.

School districts, local governments, counties and numerous authorities are considered separate, stand-alone primary governments or organizations. Although these organizations may receive significant PG operating and/or capital subsidies, they have been excluded from the financial reporting entity because they are governed by popularly-elected officials or appointees and are not fiscally dependent on the PG. The PG provides significant subsidies and 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. 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**

For financial reporting purposes, the Commonwealth is a primary government. 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Component Units**

CUs are legally separate organizations for which the Commonwealth is either financially accountable or the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. CUs are reported either discretely as an aggregated separate column in the government-wide financial statements or blended in both the government-wide and fund financial statements as if they were funds of the PG. The decision to include and how to report a CU in the Commonwealth's reporting entity is based on several criteria, including legal standing, debt responsibility, fiscal dependency, and financial accountability. The Commonwealth reports nineteen CUs, fifteen of which are reported as DPCUs, two as CU fiduciary funds and two as blended CUs. The financial information for the DPCUs reported in the aggregate in the government-wide financial statements are presented separately in the combining financial statements section of the CAFR. CUs classified as fiduciary funds are aggregated in the pension (and other employee benefit) trust funds column in the fund financial statements.

More detailed information for the individual CUs is available from the CUs' separately issued financial statements available by writing to the Commonwealth's Chief Accounting Officer, 555 Walnut Street, Ninth Floor, Harrisburg, PA 17101-1921. The following paragraphs are a brief description of the Commonwealth's CUs. Note 16 and the combining financial statements contain additional DPCU information.

**Blended Component Units**

A blended CU is an entity that functions as an integral part of the PG and as a result the entity's financial data is blended with the financial data of the PG. The following two entities are reported as blended CUs because the total debt of the CUs are expected to be repaid entirely or almost entirely with resources of the PG.

**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 CFA is authorized to issue limited obligation revenue bonds and other types of limited obligation revenue financing. The PG appoints all seven voting members of the Board of Directors, four by appointment, whom may be removed at will, and three ex-officio board members, the Secretary of Community and Economic Development, Secretary of the Budget, and Secretary of Banking and Securities. A Service Agreement entered into by the CFA and the Department of Community and Economic Development (DCED), a PG agency, in 2005 states that the DCED shall request annual appropriations from the General Assembly in amounts necessary to pay the debt service requirements of the CFA. CFA's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the PG.

**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 funding from the PG. The PRPA also issues revenue bonds to finance its activities. The Governor must approve the issuance of its debt. 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's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the PG.

**Fiduciary Fund Component Units**

A fiduciary fund CU is an entity that functions as an integral part of the PG but because the funds are held for the benefit of others and are not available to address activities or obligations of the PG, they are reported separately throughout this financial report.

**State Employees' Retirement System (SERS)** - The SERS is a public employee retirement system that provides retirement benefits to Commonwealth employees. The PG appoints all voting board members and, on a very limited basis, imposes its will on the SERS. 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 substantially all of the SERS pension obligations. The SERS provides services and benefits almost exclusively to the PG. The SERS administers a defined benefit plan, defined contribution plan and a deferred compensation plan. Act 5 of 2017 established the defined contribution plan and provided two new side-by-side hybrid defined benefit/defined contribution benefit options and a new

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

defined contribution only option for all Commonwealth employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. The defined benefit plan and the defined contribution plan are funded through a combination of employee contributions, employer contributions and investment earnings. The deferred compensation plan is funded by voluntary employee contributions and investment earnings. The SERS is reported for its fiscal year ended December 31, 2018.

*Public School Employees' Retirement System (PSERS)* - The PSERS was created to administer and provide retirement benefits to public school employees in Pennsylvania. The PSERS covers almost all such employees. Covered elementary and secondary school employers make employer contributions, with the PG reimbursing each employer at least half their required annual contribution. Employer contributions for covered employees of higher education institutions and state-owned schools are shared equally by covered employers and the PG; all covered public school employees also contribute. The PSERS administers a defined benefit plan and defined contribution plan. Act 5 of 2017 established the defined contribution plan and provided two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option for all new employees who enter PSERS membership on or after July 1, 2019. 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 as a governmental nonemployer contributing entity for the PSERS plan, the PG guarantees the payment of all annuities and other pension benefits. This represents a compelling PG financial burden.

**Discretely Presented Component Units**

DPCUs are legally separate organizations for which the elected officials of the PG are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG is such that exclusion of these organizations from the PG's financial statements would be misleading. DPCUs do not function as an integral part of the PG and therefore are presented in separate (discrete) columns.

*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 board members. When all the PTC bondholders have been satisfied, the PTC assets revert to the Department of Transportation, which represents a financial benefit to the PG. The Governor must approve the issuance of all PTC debt, by which the PG can impose its will. The PG is not obligated for all PTC debt, but the PG could take certain actions to satisfy bondholders. Note 14 to the Financial Statements provides information related to the Commonwealth's contingent liability for certain PTC debt at fiscal year-end. The PTC is reported for its fiscal year ended May 31, 2019.

*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 with disabilities, and low- and moderate-income individuals and families. The PG appoints all voting board members. The Secretary of Banking and Securities, the Secretary of Community and Economic Development, the Secretary of Human Services, 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 to avoid a default on the PHFA debt. This moral obligation represents a financial burden to the PG. The PHFA 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. Through June 30, 2019, lending institutions and post-secondary schools were 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 and the Federal Government. The PG appoints all twenty voting board members. A significant PG financial burden exists through subsidizing the PHEAA 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 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



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

repayments finance the PENNVEST debt service costs. The PENNVEST operates closely with the Department of Environmental Protection. The PG appoints all voting board members. By issuing general obligation debt and providing the proceeds to PENNVEST as capital contributions, a significant financial burden exists. 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.

*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 twenty 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 which creates a significant financial burden. The PG is not obligated for the SSHE debt, but the PG could take certain actions to satisfy bondholders.

*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 facilities for school districts and public/private colleges and universities. Neither the PG nor the Authorities are obligated for debt service payments, these bonds are repaid solely from lease/loan payments from the schools. All nine voting members of the SPSBA and the PHEFA governing boards are PG's high ranking officials being ex-officio board members by virtue of their position. The PG's Department of Education approves the SPSBA's projects, which indicates imposition of will.

*Ben Franklin Technology Development Authority (BFTDA)* - The BFTDA encourages and coordinates programs and investments which advance the competitiveness of Commonwealth companies in the global economy. The BFTDA, staffed by the Department of Community and Economic Development (DCED), provides vital seed capital, technology commercialization and entrepreneurial support services to the technology sector of the Commonwealth's economy. The PG appoints all twenty-one voting members of the governing board. The PG also provides funding on an annual basis, which is a financial burden to the PG.

*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 fifteen voting members of the governing board and can impose its will by removing board members at will. The PG provides funding for the PPC, but is not required to do so.

*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 PG appoints the majority of the governing board by appointing three of five voting board members. The PG also provides a significant portion of funding for the PSDC, which is a financial burden to the PG. 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 PSDC is reported for its fiscal year ended December 31, 2018.

*Pennsylvania Industrial Development Authority (PIDA)* - The PIDA was created to provide employment opportunities throughout the Commonwealth by attracting businesses and investors to the Commonwealth and retaining existing businesses. The PIDA provides low interest rate loans to prospective and existing businesses focusing on areas of the Commonwealth where unemployment rates are the highest. 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 works closely with the Department of Community and Economic Development. The PG appoints all voting board members. The PG has provided capital contributions and "excess" PIDA funds are transferred to the **General Fund**, which represents a financial burden and benefit to the PG. The PG is not obligated for the PIDA debt, but the PG could take certain actions to satisfy bondholders.

*Thaddeus Stevens College of Technology (College)* - The College is governed by a Board of Directors that is 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 of the ten voting Board members, and the Secretary of Education serves as an ex-officio member. The PG has some ability to influence the structure and/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 funds for College operations.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Pennsylvania Convention Center Authority (PCCA)* - The PCCA was created to operate the Pennsylvania Convention Center located in the City of Philadelphia. The PG may impose its will because it has final approval authority over the PCCA operating and capital budgets and the PCCA may not incur debt without the prior written approval of the PG. The PG financed a portion of the PCCA facility in prior fiscal years and during the fiscal year ended June 30, 2019, as well as paying other periodic amounts to the PCCA, thus there is a financial burden on the PG.

*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 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 the majority of the activity involves conduit debt. The PG appoints eleven of the sixteen board members and 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. Although the PEDFA issues only conduit debt and therefore there is no direct financial benefit or burden attributable to the PG, the ultimate purpose of the PEDFA is to benefit the PG by supporting and growing the tax base of the PG through economic development loans. Therefore, because the PG is the ultimate beneficiary of the growing tax base, provides all management and administrative services to the PEDFA, as well as appoints the entire board, it would be misleading to exclude the PEDFA from the CAFR.

*Pennsylvania Energy Development Authority (PEDA)* - The PEDA was created to promote the development of energy sources within the Commonwealth. PEDA has two distinct functions: (1) the issuance of non-recourse debt and (2) the management of the Energy Development Fund. The Energy Development Fund is reported as an activity of the PEDA. The non-recourse debt that was previously issued by PEDA has been satisfied. The PG appoints thirteen of the nineteen board members and six members are ex-officio. The Governor must approve the issuance of PEDA debt. By legislative authority, the PEDA is required to take action to deposit excess moneys into the Commonwealth's **General Fund** and that the PEDA may requisition moneys in the amounts necessary to pay administrative costs, which results in a financial benefit and burden to the PG.

**Related Organizations**

Related organizations are legally separate, fiscally independent entities for which the Commonwealth appoints a voting majority of the board, but the Commonwealth is not financially accountable for the entity.

*The Philadelphia Parking Authority (Authority)* is financially reported as a DPCU unit in the City of Philadelphia's 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 Philadelphia School District (School District)* is financially reported as a DPCU in the City of Philadelphia's (City) financial reporting entity. During 2001, the General Assembly passed Senate Bill 640 amending Act 46 of 1999, providing 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.

*Patient Safety Authority* 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 PG appoints all eleven members of the Board; 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. Although the Pennsylvania Department of Health approves the recommendations that will be adopted, the approval is not substantive.

*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. 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. Through a contract (exchange transaction) a significant portion of IFPA expenditures funds the Section on Insurance Fraud in the Office of Attorney General.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Joint Venture**

A joint venture is a legal entity that results from a contractual arrangement owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or responsibility. Joint control means no single participant has the ability to unilaterally control the financial or operating policies of the joint venture. The purpose of a joint venture is to pool resources and share the costs, risks, and rewards of providing goods or services. The Pennsylvania Employees Benefit Trust Fund is the only joint venture in which the Commonwealth participates.

*The Pennsylvania Employees Benefit Trust Fund (PEBTF)* was created by the Commonwealth, through its Office of Administration, 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.

**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. The purpose of a fund is for 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 Commonwealth transactions are recorded in three fund types: governmental, proprietary and fiduciary funds. In addition, within each fund type there are various categories of funds. The governmental funds include two funds that qualify as major funds and the proprietary funds include six funds that qualify as major funds. Major funds are displayed in bold print in the Notes to the Financial Statements.

**Governmental Funds**

Governmental funds focus on the sources and uses of funds. Included in the governmental fund financial statements are general, special revenue, debt service, and capital project funds.

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

Special revenue funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The **Motor License Fund**, one of several special revenue funds, is the only special revenue fund reported as a major fund.

The **Motor License Fund**, a major 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 **Motor License 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.

Debt service funds account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest. There are no major debt service funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Capital projects funds account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments. There are no major capital projects funds.

**Proprietary Funds**

The Proprietary funds are used to account for activities that receive significant support from fees and charges. They focus on determining operating income, changes in financial position and cash flows. Generally accepted accounting principles, similar to those used by private sector businesses, are applied in accounting for these funds. Included in proprietary fund financial statements are enterprise funds and internal service funds.

Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Activities must be reported as enterprise funds if any one of the following criteria is met:

- The activity is financed with debt secured solely by a pledge of the net revenues from fees and charges of the activity;
- Laws or regulations require the activity's costs of providing services, including capital costs (such as depreciation, amortization or debt service), be recovered with fees and charges; or
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The **State Lottery Fund**, **State Workers' Insurance Fund**, **Unemployment Compensation Fund**, **State Stores Fund**, **Tuition Payment Fund**, and **Commonwealth Financing Authority** are enterprise funds 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. The **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 **SWIF**. The **SWIF** is reported for its fiscal year ended December 31, 2018.

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. The purpose of these funds is to collect employer assessments for unemployment compensation 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 **State Stores Fund** accounts for the general operations of the Pennsylvania Liquor Control Board. Revenue is derived primarily from the sale of wine and spirits. Expenses include all costs associated with the operation and administration of the liquor store system and enforcement of the Liquor Control Law.

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.

The **Commonwealth Financing Authority (CFA)** is a blended CU. Please see the aforementioned description for the **CFA**.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 Purchasing Fund. The Purchasing Fund receives reimbursements from the various Commonwealth departments, boards, and commissions for the materials, services, and supplies provided. Also, the Purchasing Fund receives proceeds from the sale of vehicles and unserviceable property as well as from investment income.

The Manufacturing Fund uses inmate labor to produce items for the Department of Corrections and other Commonwealth agencies. The revenue source is the sale of items produced or services provided. Expenses include raw materials, inmate labor, and general and administrative costs.

**Fiduciary Funds**

Fiduciary funds are used to account for resources that a government holds as a trustee or agent on behalf of an outside party and that cannot be used to support that government's own programs.

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 (SERS)-Pension, a defined benefit pension trust fund, accounts for the payment of retirement, disability, and death benefits to members of the SERS and their beneficiaries. The Deferred Compensation Fund is a pension trust fund 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. The SERS-Defined Contribution, a defined contribution pension trust fund, administered by the SERS, was established by Act 5 of 2017 to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019. The SERS-Pension, SERS-Defined Contribution and the Deferred Compensation Fund are reported for their fiscal years ended December 31, 2018. SERS restated its beginning net position, as of January 1, 2018, by (\$47,694) for the implementation of GASB 75.

The Public School Employees' Retirement System (PSERS)-Pension, a defined benefit pension trust fund, was created to administer and provide pension benefits to public school employees in Pennsylvania. The PSERS-Defined Contribution, a defined contribution pension trust fund, administered by the PSERS, was established by Act 5 of 2017 to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

The INVEST Program for Local Governments is an investment trust fund that invests amounts owned by local governments, school districts, and not for profit entities. The INVEST Program for Local Governments is reported for its fiscal year ended December 31, 2018. Audited financial statements for that Program are available through the Chief Accounting Officer.

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. Audited financial statements for that Program are available through the Chief Accounting Officer.

The Monetary Penalty Endowments Trust Fund, a private purpose trust fund, was established in accordance with Act 1 of 2013 to account for the monetary penalty payments from the Pennsylvania State University.

The Statutory Liquidator Fund, the largest agency fund, converts the remaining assets of insolvent insurance companies to cash for remittance to policyholders, creditors, and stockholders. The order of distribution of the assets is 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Medical Care Availability and Reduction of Error Fund (Mcare), created by Act 13 of 2002, is used to pay claims against participating health care providers for losses or damages awarded in medical professional liability actions against them in excess of the basic insurance coverage required by the act.

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.

**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 position reports all assets (including capital assets, such as heavy trucks, highways, and bridges), all liabilities regardless of when payment is due and all deferred inflows and outflows of resources. 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. All tax revenues, except for unemployment compensation tax revenues which are reported as charges for sales and services program 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 of activities when incurred, regardless of when the benefits are used or the liabilities are paid.

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

The **General Fund**, special revenue funds, debt service funds, and capital project funds (governmental funds) are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this measurement focus, current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are presented 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. 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 defined 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 and available; 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 and other long-term liabilities 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 and Fiduciary Funds**

The enterprise, internal service (proprietary funds), pension (and other employee benefit) trust funds, the investment trust funds and private purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations of these funds are included on the statement of net position. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Proprietary funds classify revenues and expenses as either operating or non-operating, 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 non-operating revenues by all proprietary funds. Fiduciary funds, except for agency funds, classify revenues and expenses as either additions or deductions to net position.

Agency funds, a fiduciary fund type, use the accrual basis of accounting to report assets and liabilities. 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.

**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 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 or long-term investments; the pools themselves are not financially reported. Periodic earnings are allocated to specific participating funds. Several individual funds have statutory authority to own investments outside the Commonwealth Investment Program (CIP). The Treasury Department maintains an external investment pool, the INVEST Program for Local Governments, which separately issues audited financial statements and is reported as an investment trust fund.

**Temporary Investments:** The Treasury Department manages the temporary investment pools. Practically all individual funds that are part of PG are participants in the temporary investment pools. Except for the INVEST Program, temporary investments are reported at fair value. Such investments, which are expected to be realized in cash within twelve months after fiscal year-end or less, are reported as temporary investments. The Treasury Department accounts for each participating fund's equity (considered "shares") on a daily basis. "Share" balances of participating funds may fluctuate considerably during the fiscal year, based on the timing of cash receipts and disbursements in the participating fund. These investments are considered internal investment pools. Periodic earnings are allocated to specific participating funds based on the weighted daily average share balance.

The INVEST Program reports all investments at amortized cost, which approximates fair value. The INVEST Program meets the provisions related to portfolio quality, custodial credit risk, and shadow pricing, which are required for an external investment pool to report investments at amortized 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. Most long-term investments are reported at fair value, those not recorded at fair value are recorded at net asset value. In addition to long-term investments held by funds with statutory authority to own investments outside the CIP, the Treasury Department manages a long-term investment pool in which a number of individual funds participate. Income is allocated periodically to specific participating funds based on the net asset value of a fund's shares at redemption date. Income is also distributed periodically based on the net asset value of the pool and participant fund share balances on the income declaration date.

**Inventories and Prepaid Expenses:** Inventories of operating materials and supplies are reported by certain governmental activities. Operating and merchandise inventories are reported by proprietary funds and the SSHE, a DPCU. 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 using weighted average cost. 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. Prepaid expenses are not reported in governmental fund financial statements.

**NOTE 1 - 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 position. Donated capital assets are reported at acquisition 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:

Land improvements, buildings and building improvements.....	\$	25
Machinery and equipment .....		25
Highway and bridge infrastructure .....		100
All other infrastructure .....		25
Computer software.....		1,000
Trademarks, patents and copyrights.....		100

Commonwealth agencies maintain inventories of all their respective capital assets, including assets acquired for less than the above minimum amounts, which are not capitalized 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 to protect farmland under the Agricultural Area Security Law since participating counties within the Commonwealth play a much greater role in administering the Law than the Commonwealth. Capital assets (excluding land and construction in progress) are depreciated/amortized over the estimated useful lives of major capital asset classes using the straight-line method. Depreciation/amortization expense is reported in the statement of activities as part of direct functional expenses; all depreciation/amortization is allocated to a specific function. Capital assets reported by proprietary funds are reported in those funds at cost or estimated historical cost. Depreciation/amortization is reported on the straight-line basis over the capital assets' estimated useful lives. Depreciation expense associated with capital assets procured under capital lease arrangements is reported as part of depreciation expense for other capital assets. The following useful lives are used for PG 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
Computer software.....	3 - 30 years
Trademarks, patents and copyrights.....	3 - 40 years

PG business-type activities report depreciation/amortization 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 SSHE, a DPCU, which were acquired or constructed before July 1, 1983 (the inception date for the SSHE), are financially reported as governmental activities 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 capital assets. This reporting treatment is based on the title for the SSHE-used real property remaining with the PG. Based on agreements between the PG, through its Department of General Services (DGS), and SSHE universities in 2002, DGS effectively transferred



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

occupancy, custody, and control to the SSHE universities and the SSHE universities assumed financial responsibility and legal liability for the SSHE-used real property but the Commonwealth retained title.

**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, Commonwealth agencies using capital assets must report impairments promptly.

**Deferred Outflows of Resources** are a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources have a natural debit balance and, therefore increase net position, similar to assets.

**Deferred Inflows of Resources** are an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows of resources have a natural credit balance and, therefore decrease net position, similar to liabilities.

**Liabilities:** Governmental, business-type, and proprietary liabilities in the statement of net position, 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.

**Self-Insurance:** The Commonwealth is self-insured for annuitant medical/hospital benefits, employee disability and tort claims. Note 8 provides disclosures for self-insurance liabilities and property loss coverage.

**Compensated Absences:** Most employees earn annual leave, depending on length of credited service, from between 4.24% to 11.55% 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.

Most employees earn sick leave based on 4.24% to 5.00% 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

Some collective bargaining agreements may have different accrual rates and payouts.

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 and business-type activities and fiduciary funds.

**Pollution Remediation and Asset Retirement Obligations:** In the government-wide statement of net position, pollution remediation and asset retirement obligations are reported at the current value of expected outlays to fund 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 cost experience, cost estimates and/or discrete cost 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 or retirement activities beyond site investigation/assessment or feasibility studies have not begun, remaining costs are not reasonably estimable and liabilities for such cases are not reported.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Interfund Transactions:** The Commonwealth has the following types of transactions between funds; between the PG governmental activities and business-type activities; and between the PG and DPCUs:

Statutory Transfers-Legally required transfers from specific funds that subsidize receiving fund programs, when paid, are reported as transfers in by the receiving fund and as transfers out by the disbursing fund. Legally required payments from the PG to CU organizations are reported when paid as governmental activities program expenses and as either operating grants and contributions or capital grants and contributions by CU 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.

Interfund Services Provided and Used-Charges or collections for services provided by one fund to another that are recorded as revenues and expenditures or expenses of the providing (reimbursed) fund are treated as reimbursements (above) and are eliminated. Expenditures or expenses of the using (reimbursing) fund are reported in fund financial statements and the statement of activities.

**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, 2019 and transfers in/out during the fiscal year ended June 30, 2019 are presented in Note 5. Interfund balances between two governmental funds or two proprietary funds are not reported in the statement of net position.

**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.

**Grant and Intergovernmental Revenues:** 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 and the revenue is available to pay expenditures. Intergovernmental revenues represent revenues received principally from the Federal Government and include revenues received from the PTC, a DPCU, based on Act 44 of 2007 and Act 89 of 2013, and the related lease and funding agreement between the PTC and the PG Department of Transportation.

**Pension Costs, Liabilities and Deferred Items:** The Commonwealth participates as an employer in the State Employees' Retirement System (SERS) pension plan and nonemployer contributing entity in the Public School Employees' Retirement System (PSERS) pension plan. The Commonwealth's policy is to fund employer contributions to the SERS and PSERS as required by their Boards, through statutory authority, or as required based on other applicable statutory requirements. As prescribed by GASB 68, actuarial valuations were prepared to value the total and net pension liabilities, deferred outflows of resources, and deferred inflows of resources for each pension plan. In the government-wide statement of net position and the proprietary fund statement of net position the Commonwealth will report its share of the net pension liability, deferred outflows of resources, and deferred inflows of resources at the actuarial present value. The changes in the net pension liability will be recognized in pension expense. Deferred outflows of resources and deferred inflows of resources balances will be amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

**Other Postemployment Benefits (OPEB) Costs, Liabilities and Deferred Items:** The Commonwealth participates as an employer in five OPEB plans: The Retired Employees Health Program (REHP), the Retired Pennsylvania State Police Program (RPSPP), the Unified Judicial System's Postemployment Medical Plan (Judiciary), Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental nonemployer contributing entity in the Public School Employees' Retirement System Health

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Insurance Premium Assistance Program (Premium Assistance). As prescribed by GASB 75, actuarial valuations were prepared to value the total and net OPEB liabilities, deferred outflows of resources, and deferred inflows of resources for all six OPEB plans. In the government-wide statement of net position and the proprietary fund statement of net position the Commonwealth reports its share of the OPEB liability, deferred outflows of resources, and deferred inflows of resources at the actuarial present value. The changes in the OPEB liability are recognized in OPEB expense. Deferred outflows of resources and deferred inflows of resources balances are amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

**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, 2019.

**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 as other financing sources/uses. 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.

**Restricted Net Position:** These amounts were determined based on enabling legislation, externally restricted by creditors, grantors, contributions or laws that provide for restrictions on how the resources of special (non-**General Fund**) funds may be used. At June 30, 2019, a portion of governmental activities net position was restricted based on a Federal Government purpose restriction.

**Governmental Funds Fund Balance Categories****Nonspendable:**

Nonspendable fund balances include amounts that cannot be spent because they are either not in a spendable form or they are legally or contractually required to be maintained intact.

**Spendable Categories:**

**Restricted:** Amounts which may only be spent for 1) expenditures in accordance with grants received from external parties or 2) expenditures for limited, specific purposes authorized by enabling legislation (which also authorizes the Commonwealth to assess, levy, charge or otherwise mandate payment of resources from external sources) are reported as restricted fund balance.

**Unrestricted:**

**Committed:** Commonwealth law, enacted by the General Assembly (legislature) and approved by the Governor, is the Commonwealth's highest level of decision-making authority. Both legislative enactment and gubernatorial approval on or prior to fiscal year-end are necessary to establish, modify and/or rescind amounts committed.

**Assigned:** Based on applicable Commonwealth laws, the Governor is responsible for accounting and financial reporting matters. Through a 1984 Executive Order, the Governor delegates this authority to the Secretary of the Budget. Through further delegation, amounts assigned are determined jointly, between the Governor's Budget Office and the Office of Comptroller Operations. Fund balances are reported as assigned when the Commonwealth intends for resources to be used for specific purposes, but the requirements for resources to be reported as restricted or committed have not been met.

**Unassigned:** This is a residual category. Only the **General Fund** can report a positive unassigned fund balance. The **General Fund** can also report a negative amount in the unassigned category. For other governmental funds where amounts restricted and/or committed exceed total fund balance, such funds report negative amounts in the unassigned category.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Classification among Fund Balance Categories:** Commonwealth laws, including annual enacted budgets, include legally enforceable expenditure restrictions on all funds. Commonwealth laws do not specifically recognize 'restricted' or 'unrestricted' (committed, assigned or unassigned) fund balance amounts. For financial reporting purposes, fund balance amounts for individual Commonwealth funds are reported in the first classification for which the amount 'qualifies', in this order: nonspendable, restricted, committed, assigned, and unassigned. Amounts are considered to have been spent from the fund balance classification from which specific expenditures are legally authorized. Within individual, specific Commonwealth funds, based on applicable law, individual expenditures may be disbursed from only one, specific appropriation at a time. Budgetary spending control occurs at the appropriation level. Since appropriations are not duplicated among the various GAAP-reported fund balance classifications and Commonwealth laws do not recognize the various classifications, accounting policies cannot establish that restricted amounts are spent before or after unrestricted amounts, or, within unrestricted amounts, that committed, assigned or unassigned amounts are spent in any specific order.

**Budget Stabilization Reserve Fund:** Act 91 of 2002 provided for the Budget Stabilization Reserve Fund (Fund), budgetarily, effective July 1, 2002, to gradually provide a budgetary reserve amounting to 6% of the revenues of the **General Fund**. This Fund is reported as part of the **General Fund** for financial reporting purposes. The Fund provides financial assistance to minimize future revenue shortfalls and deficits, and promote greater continuity and predictability in the funding of vital government services. It minimizes the need to increase taxes to balance the budget of the Commonwealth during periods of economic distress. See Note 15 for more information on the current balance of the Fund. See Note 17 for more information on the transfer related to the fiscal year-end June 30, 2019 budgetary surplus.

**New Accounting Pronouncements - Adopted:**

The GASB issued Statement No. 83, "Certain Asset Retirement Obligations" in November 2016. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The adoption of this statement resulted in the reporting of other liabilities offset by deferred outflows of resources as of July 1, 2018, with no impact on the total beginning net position.

The GASB issued Statement No. 88, "Certain Disclosures Related to Debt including Direct Borrowings and Direct Placements" in March 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The adoption of this statement had no effect on previously reported amounts.

The GASB issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period" in June 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The adoption of this statement had no effect on previously reported amounts.

**New Accounting Pronouncements - To Be Adopted:**

The GASB issued Statement No. 84, "Fiduciary Activities" in January 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

The GASB issued Statement No. 87, "Leases" in June 2017. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The GASB issued Statement No. 90, "Majority Equity Interests" in August 2018. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The GASB issued Statement No. 91, "Conduit Debt Obligations in August 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

The new standards must be adopted as follows:

- GASB Statement No. 84 Effective July 1, 2019 for financial statements for fiscal year ending June 30, 2020.
- GASB Statement No. 87 Effective July 1, 2020 for financial statements for fiscal year ending June 30, 2021.
- GASB Statement No. 90 Effective July 1, 2019 for financial statements for fiscal year ending June 30, 2020.
- GASB Statement No. 91 Effective July 1, 2021 for financial statements for fiscal year ending June 30, 2022.

The effect of these statements has not yet been determined.

**NOTE 2 - 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 Department 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 'prudent person' standard prevailing at that time. The 'prudent person' standard is one of judgment and care as defined by a person of discretion and intelligence, who is familiar with such matters, in exercising such standard in the management of their own affairs. And it must not be in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

The Treasury Department manages the Commonwealth Investment Program (CIP). Practically all Commonwealth funds of the primary government are invested on a temporary basis in the CIP. The Treasury Department is required to exercise judgment and care in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pools are invested in both equity securities, fixed income securities and loans to the primary government to achieve the investment objectives of the CIP funds. Asset allocation targets among cash, equity securities, fixed income securities and alternative investments are established in order to meet these overall objectives.

The Treasury Department has created Pools 999 and 998 within the CIP, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and risk tolerance. A highly liquid vehicle, Pool 999, consists of short-term fixed income securities and cash which provide a high degree of liquidity and security but only modest returns. Shares in this pool are classified as temporary investments. A less liquid vehicle, Pool 998, allows for investment in assets that offer potentially higher returns with commensurate risk. Shares in this pool are classified as long-term investments.

**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: Workmens' Compensation, Workers' Compensation Security Trust, **State Workers Insurance Fund (SWIF)**, **Tuition Payment**, Tuition Account Investment Program, **Commonwealth Financing Authority (CFA)**, Pennsylvania Industrial Development Authority (PIDA), INVEST Program for Local Governments (INVEST Program), and Underground Storage Tank Indemnification (collectively, other investing organizations). 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), and limited partnerships. Several of the organizations also prohibit short selling and margin transactions. An exception includes **Tuition Payment**; this organization permits some or all of the previously mentioned prohibited assets and transactions as well as foreign investments. **SWIF** and INVEST Program amounts are reported as of December 31, 2018 unless otherwise noted.

**Pension Trust Funds**

The State Employees' Retirement System (SERS), the Deferred Compensation Program (DCP), the Public School Employees' Retirement System (PSERS) and the Other Postemployment Benefit Investment Pool constitute combined pension (and other employee benefit) trust funds reported in the basic financial statements. The Other Postemployment Benefits Investment Pool is managed by the Treasury Department, whereas the other aforementioned trusts are managed outside the Treasury Department.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

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 material portion of total pension trust fund investments consists of equity securities, real estate and fixed income investments. The SERS and DCP are reported as of December 31, 2018.

**Statutory Liquidator Fund**

The Statutory Liquidator Fund, an agency fund, investments are primarily managed by the affected insurance companies pursuant to liquidation orders issued by the PA Insurance Commissioner. Other investments are managed by the Insurance Department's Office of Liquidations, Rehabilitations and Special Funds. Also, a portion of Statutory Liquidator Fund holdings is invested in the CIP.

**Fair Value of Investments****Treasury Department**

The Treasury Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The Treasury Department has the following recurring fair value measurements as of June 30, 2019:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
<b>Debt Securities</b>				
Corporate obligations .....	\$ 1,033,011	\$ —	\$ 935,245	\$ 97,766
U.S. Treasury obligations .....	1,287,044	1,287,044	—	—
Mortgage backed securities .....	204,506	—	204,506	—
Private placements .....	359,105	—	359,105	—
State and municipal obligations .....	37,341	—	37,341	—
U.S. government agencies .....	20,939	—	20,939	—
Asset backed securities .....	27,203	—	27,203	—
U.S. government sponsored enterprises .....	107,271	—	107,271	—
Commercial paper .....	7,962,913	—	7,962,913	—
Sovereign debt .....	43,108	2,978	40,130	—
<b>Equity Securities</b>				
Equity .....	2,740,522	2,705,749	—	34,773
Preferred securities .....	3,826	1,826	2,000	—
<b>Other Securities</b>				
Treasury group investment (1) .....	12,106,791	—	12,106,791	—
<b>Other</b>				
Certificates of deposits .....	1,928,201	—	1,928,201	—
Mutual funds .....	1,763,945	1,763,945	—	—
Money market mutual funds .....	1,775,949	1,727,196	48,753	—
<b>Total investments by fair value level</b> .....	<b>\$ 31,401,675</b>	<b>\$ 7,488,738</b>	<b>\$ 23,780,398</b>	<b>\$ 132,539</b>
<b>Investments by Net Asset Value (NAV)</b>				
Real estate alternative managers .....	340,486			
Fund of funds alternative managers .....	560,028			
Private equity alternative managers .....	3,956			
Absolute return alternative managers .....	278			
<b>Total investments at NAV</b> .....	<b>904,748</b>			
<b>Total investments measured at fair value</b> .....	<b>\$ 32,306,423</b>			

(1) The amount is 100% invested in the Treasury Group Consolidated Cash Pool which is made up of 14% Level 1 and 86% Level 2 inputs.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 are valued by a loan pricing matrix. If vendor pricing is not available the price defaults to cost.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 valuations are based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets. Level 3 valuations use proprietary or single source pricing derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds. The underlying funds are reported at fair value, determined by Vanguard based on the net asset value per share of each mutual fund as of the close of the New York Stock



**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Exchange (NYSE) on the reporting date (level 1 inputs). Other securities classified in Level 2 of the fair value hierarchy consist of Treasury pooled investments. The underlying investments for the pools consist of 14% Level 1 securities and 86% Level 2 securities.

The Treasury Department has the following investments measured at the Net Asset Value (NAV):

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemptions Frequency</u>	<u>Redemption Notice Period</u>
Real estate alternative managers (1) .....	\$ 340,486	\$ 7,578	Monthly	n/a, 30-60 days
Fund of funds alternative managers (2) .....	560,028	21,170	Monthly, Quarterly	n/a, 45-90 days
Private equity alternative managers (3) .....	3,956	—	n/a	n/a, 60 days
Absolute return alternative managers (4) .....	278	9,675	n/a	n/a, 60 days
<b>Total investments at NAV .....</b>	<u>\$ 904,748</u>	<u>\$ 38,423</u>		

(1) Real Estate Managers - This type of investment’s objective is to provide investors a return by investing in Real Estate Investment Trusts, mortgage loans, and other real estate development projects in certain metropolitan markets. The fair value of the investments in these managers have been determined using the NAV per share (or its equivalent) of the investments. For one investment valued at \$5,000, the invested funds cannot be withdrawn until the agreement expires.

(2) Fund of Fund Managers - This type of investment objective aims to achieve broad diversification and appropriate asset allocation with investments in a variety of fund categories that are all wrapped into one fund. This strategy invests in portfolios that contains different underlying assets through investing in other types of funds instead of investing directly in bonds, stocks and other types of securities. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. The redemption notices of these investments vary from no notice specified, 45 or 90 day required notice.

(3) Private Equity Managers - This type of investment objective is to provide an above average return by investing in private companies across a variety of industries. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. These investments cannot be easily redeemed as distributions are received through the liquidation of the underlying assets. For this category, the invested funds cannot be withdrawn until the agreement expires.

(4) Absolute Return Managers - This type of investment vehicle seeks to make positive returns by employing investment management techniques that differ from traditional mutual funds. The fair value of the investments in this manager have been determined using the NAV per share (or its equivalent) of the investments. The invested funds cannot be withdrawn until the agreement expires.

**State Employees’ Retirement System (SERS)**

The SERS fair value hierarchy is broken down into three levels based on inputs that market participants would use in valuing assets and liabilities derived from market data as follows:

- Level 1 inputs: are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
- Level 3 inputs: are unobservable inputs used to measure fair value if relevant observable inputs are not available for the asset or liability at the reporting date.

Common and preferred stocks, commingled equity funds, real estate securities, and foreign exchange contracts are valued using prices quoted in active markets for those securities and are categorized as Level 1. They are marked to market daily with changes in fair value recognized as part of investments and investment income. Fixed income securities are valued using a matrix pricing technique and are categorized as Level 2. Matrix pricing is used to value securities based on the securities’ relationship to benchmark quoted prices and recently printed security-specific trading levels. Value add/opportunistic separately managed

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

accounts (SMA) in real estate and other securities classified in Level 3 reflect prices, which may use several unobservable inputs using assumptions based on market methodologies to determine the fair value of investments.

Derivative instruments, which include foreign exchange contracts, interest rate swaps, credit default swaps, and futures, are included in other investments in the fair value tables.

The SERS has the following fair value measurements as of December 31, 2018:

<b>Investments by Fair Value Level</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Fixed Income</b>				
Agencies .....	\$ 51,666	\$ —	\$ 51,666	\$ —
Asset and mortgage backed securities .....	673,339	—	672,623	716
Corporates .....	765,602	—	738,860	26,742
Government .....	1,835,364	—	1,835,364	—
Sovereign debt .....	234,120	—	234,120	—
Private placements .....	451,575	—	440,317	11,258
<b>Equity</b>				
Domestic common and preferred stocks .....	7,655,607	7,649,738	5,869	—
Foreign common and preferred stocks .....	1,725,585	1,725,585	—	—
Commingled equity funds .....	5,345,989	5,345,989	—	—
<b>Real Estate</b>				
Real estate securities .....	221,138	221,138	—	—
Value add/opportunistic SMA .....	746,256	—	—	746,256
<b>Other Investments</b>				
.....	(422)	(183)	(305)	66
<b>Total investments by fair value level</b> .....	<b>\$ 19,705,819</b>	<b>\$ 14,942,267</b>	<b>\$ 3,978,514</b>	<b>\$ 785,038</b>

**Investments by Net Asset Value (NAV) .....**

Buyouts private equity .....	1,773,423
Legacy private equity .....	983,302
Special situation private equity .....	543,658
Venture capital private equity .....	506,141
Private credit funds private equity .....	93,075
Core/core plus real estate .....	591,351
Value add/opportunistic funds real estate .....	402,795
Natural resources/infrastructure real estate .....	5,557
Funds-of-hedge funds .....	10,185
Credit-focused hedge funds .....	872,594
Direct investments hedge funds .....	3,806
Absolute return strategies hedge funds .....	3,768
Commingled fixed income funds .....	521,474
<b>Total investments at NAV</b> .....	<b>6,311,129</b>
<b>Total investments measured at fair value</b> .....	<b>\$ 26,016,948</b>

Private equity limited partnerships are valued at the NAV of the SERS ownership interest in partners' capital, which approximates fair value. The NAV is determined by the general partners using assumptions and estimates that have been reviewed and approved by valuation committees. Since private equity investments in such partnerships are generally illiquid with holding periods lasting seven to ten years, the value realized by the SERS upon disposition may differ from estimated values reflected in the basic financial statements. SERS private equity investments are categorized into the following strategies:

- Buyouts is characterized chiefly by investments in established private or publicly listed firms that are undergoing a fundamental change in operations or strategy.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

- Venture Capital is characterized chiefly by high-risk investments in new or young companies following a growth path (early, late, and balanced stage funds) in technology and other value-added sectors.
- Special Situations is characterized chiefly by investments in funds that acquire distressed companies or companies in need of restructuring, funds from the secondary market, and funds providing mezzanine financing.
- Legacy Private Equity is characterized chiefly by consolidating legacy assets from various Private Equity core sub asset-classes (Buyouts, Venture Capital, Special Situations) that are being managed by a third-party administrator which provides day-to-day oversight of operations.
- Private Credit is characterized chiefly by closed-end (drawdown) limited partnership structures with liquidity events in five years or more, which may include investment strategies such as direct lending, specialty lending, mezzanine, and distressed investing.

Real estate limited partnerships are valued at the NAV of the SERS ownership percentage in partners' capital. The investment managers use third-party appraisals based on discounted cash flows, recent comparable sales, and current market conditions to arrive at NAV. For the SERS Value Add/Oppportunistic Funds and Core/Core Plus, the NAV is updated by independent appraisals typically at least every three years by appraisers who meet specific professional qualifications. The appraisal process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

The real estate partnerships' investments are valued at the NAV. Any assumptions and estimates used in developing the NAV have been reviewed and approved by valuation committees. Because the investments in such partnerships are generally illiquid with holding periods lasting seven to ten years, the value realized by the SERS upon disposition may differ materially from estimated values reflected in the basic financial statements. The following portions of the SERS real estate investments are valued at the NAV:

- Value Add/Oppportunistic Funds utilize greater leverage and development strategies relative to core strategies, thereby taking higher risks but demand higher returns. Returns are primarily generated from capital appreciation from opportunistic investments. Strategies for this category of investing can include niche opportunities that are typically not available in core-style investing. These are closed-end funds.
- Core/Core Plus are a long-term investment in high-quality real estate that generates returns primarily from stable income producing properties. These are open-end funds.
- Natural Resources/Infrastructure differ from real estate in that they focus on other real assets other than real estate, but maintain the characteristics of collateralization by hard assets and income-producing potential.

Hedge funds are valued on a monthly basis by general partners based on information provided by underlying hedge fund investments (if a fund-of-hedge fund structure), third-party administrators, and brokers. Hedge fund investments in limited partnerships are valued using the NAV of units held at the end of the period based on the fair value of underlying investments. Hedge funds includes investments designed to provide total returns comparable to the total fund return but with lower volatility and correlation to other asset classes. Hedge fund investments are designed to provide attractive long-term, risk-adjusted returns, diversification from equity markets, low beta to equity markets, and downside protection during prolonged periods of equity market decline. Most investments within this strategy are generally liquid. In general and under normal market conditions, 80% of most strategies should be able to be liquidated within one year of the withdrawal date. Hedge fund investments are categorized into the following specific strategies:

- Funds-of-Hedge Funds are investments in funds with investment managers who invest in hedge funds. Funds-of-Hedge Funds provide an additional layer of fiduciary oversight (investment, legal, compliance, and monitoring) with similar all-in fees as direct investments in hedge funds. The SERS was the only limited partner and was able to make larger allocations, which lowered fees and improved liquidity terms. The assets are to be sold in an orderly fashion as market conditions dictate.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

- Credit-Focused Strategies are investments that include directional and relative value investments through various structures, excluding closed-end funds, that may include debt securities, credit derivatives and related instruments, and/or multi-sector fixed income funds.
- Direct Investments are investments where the SERS and other institutional investors pool their funds with a manager tasked with incorporating hedge strategies. The assets are to be sold in orderly fashion as market conditions dictate.
- Absolute Return Strategies are investments intended to produce uncorrelated diversified return streams in the portfolio to help preserve and enhance the real value of the SERS Fund over long periods of time. The assets are to be sold in orderly fashion as market conditions dictate.

Commingled fixed income funds are pooled investments in multiple debt-type securities, which are valued at the NAV. Commingled fixed income funds are calculated using the closing price of the underlying investments and apportioned to the SERS based on units of ownership.

The SERS has the following investments measured at the Net Asset Value (NAV) as of December 31, 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemptions Frequency</u>	<u>Redemption Notice Period</u>
Buyouts private equity .....	\$ 1,773,423	\$ 1,741,014	n/a	n/a
Legacy private equity .....	983,302	199,463	n/a	n/a
Special situation private equity .....	543,658	268,566	n/a	n/a
Venture capital private equity .....	506,141	235,797	n/a	n/a
Private credit funds private equity .....	93,075	802,561	n/a	n/a
Core/core plus real estate .....	591,351	—	Quarterly	60 - 90 days
Value add/opportunistic funds real estate .....	402,795	382,861	n/a	n/a
Natural resources/infrastructure real estate ...	5,557	—	Daily	None
Funds-of-hedge funds .....	10,185	—	see note (1)	see note (1)
Credit-focused hedge funds .....	872,594	—	Quarterly	95 days
Direct investments hedge funds .....	3,806	—	see note (1)	see note (1)
Absolute return strategies hedge funds .....	3,768	—	see note (1)	see note (1)
Commingled fixed income funds .....	521,474	—	Quarterly	30 days
<b>Total investments at NAV .....</b>	<u>\$ 6,311,129</u>	<u>\$ 3,630,262</u>		

(1) The assets are to be sold in an orderly fashion as market conditions dictate.

The SERS also has investments that are not measured at fair value or the NAV, which were excluded from the previous tables. The SERS owns a portion of the Pennsylvania Treasury Department’s (Treasury Department) short-term investment fund (STIF). The SERS portion of STIF is valued at cost plus accrued interest, which approximates fair value. The value of the SERS portion of the STIF was \$1,145,805 as of December 31, 2018. Additionally, the SERS has investments that are carried at either cost or liquidation basis values. These other investments totaled \$32,086 as of December 31, 2018.

**Deferred Compensation Program (DCP)**

DCP utilizes the fair value hierarchy, which contains three levels, and is based on the valuation inputs used to measure an asset's fair value.

- Level 1 inputs: are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs: are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable.
- Level 3 inputs: are unobservable inputs used to measure fair value if relevant observable inputs are not available for the asset or liability at the reporting date.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Collective investment funds and self-directed brokerage accounts are reported at fair value based on DCP’s ownership percentage of underlying investments as of the last business day of the calendar year, and are categorized as Level 1. The collective investment funds comprise two U.S. equity funds, one international equity fund, and one U.S. bond fund. Using a mix of these funds, DCP offers a balanced fund and three profile funds, which are aggressive, moderate, and conservative.

For 2018, the Stable Value Fund excluding the commonwealth Treasury Department’s STIF is valued at Net Asset Value (NAV), which approximates fair value. NAV for the Stable Value Fund represents the consolidated values of the multiple managers that were hired by the fund manager.

DCP also has investments that are not measured at fair value or NAV and are excluded from the following fair value hierarchy table. These investments include cash, Short-Term Investment Fund, the Treasury Department’s short-term investment fund (STIF), and a group annuity contract totaling \$119,297 for December 31, 2018. The Short-Term Investment Fund and STIF are valued at cost plus accrued interest, which approximates fair value. The group annuity contract, which is no longer offered to participants, is valued at contract value, which approximates fair value. Contract value for the group annuity contract represents contributions made under the contract, plus earnings, less payments made to retirees and terminated participants.

DCP has the following fair value measurements as of December 31, 2018:

<b>Investments by Fair Value Level</b>	<b>Level 1</b>
<b>Self directed brokerage accounts</b> .....	\$ 109,487
<b>Collective investment funds</b>	
U.S. large company stock index fund .....	1,109,041
U.S. small/mid company index fund .....	372,001
U.S. bond index fund .....	402,722
International company stock index fund .....	191,621
<b>Total investments by fair value level</b> .....	<u>\$ 2,184,872</u>
<b>Investments by Net Asset Value (NAV)</b>	
Stable value fund .....	<u>\$ 1,019,018</u>
<b>Total investments measured at fair value</b> .....	<u><u>\$ 3,203,890</u></u>

**Public School Employees’ Retirement System (PSERS)**

The PSERS measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs: Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price for an identical asset or liability in an active market (e.g., an equity security traded on a major exchange) provides the most reliable fair value measurement and, if available, should be used to measure fair value in that particular market.
- Level 2 inputs: Level 2 inputs are prices that are observable either directly or indirectly. Level 2 inputs may include quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable such as interest rates, yield curves, implied volatilities, credit spreads or market-corroborated inputs.
- Level 3 inputs: Reporting entities may use unobservable inputs to measure fair value if relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. These unobservable inputs are considered Level 3.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

At June 30, 2019, the PSERS had the following recurring fair value measurements:

<b>Investments by Fair Value Level</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Short-term</b>				
PSERS Short-Term Investment Fund .....	\$ 5,521,295	\$ 2,732,041	\$ 2,789,254	\$ —
Other domestic short-term .....	98,669	79,699	18,970	—
International short-term .....	17,598	13,193	4,405	—
<b>Fixed income</b>				
Domestic asset backed and mortgage backed securities .....	493,011	—	493,011	—
U.S. government and agency obligations .....	5,605,208	5,027,359	577,849	—
Domestic corporate and taxable municipal bonds .....	2,286,060	237,039	2,045,364	3,657
International fixed income .....	268,591	—	268,591	—
<b>Common and preferred stock</b>				
Domestic common and preferred stock .....	5,374,971	5,371,911	3,060	—
International common and preferred stock .....	4,438,175	4,438,175	—	—
<b>Directly owned real estate</b> .....	654,253	(132,000)	—	786,253
<b>Total investments by fair value level</b> .....	<u>\$ 24,757,831</u>	<u>\$ 17,767,417</u>	<u>\$ 6,200,504</u>	<u>\$ 789,910</u>
<b>Investments by Net Asset Value (NAV)</b>				
Collective trust funds .....	14,305,045			
Equity real estate .....	4,830,368			
Private equity alternative investments .....	6,379,347			
Special situations alternative investments .....	6,004,654			
Venture capital alternative investments .....	1,061,134			
<b>Total investments at NAV</b> .....	<u>32,580,548</u>			
<b>Total investments measured at fair value</b> .....	<u>\$ 57,338,379</u>			
<b>Investment derivative instruments</b>				
Futures .....	31,039	31,039		
Total return type swaps .....	330,229	330,229		
Foreign exchange contracts .....	(39,666)	(39,666)		
<b>Total investment derivative instruments</b> .....	<u>\$ 321,602</u>	<u>\$ 321,602</u>		

Debt, equity, and derivative instrument securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices and recently published security specific trading levels. Short-term securities are carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

For alternative investments, which include private equity, special situation, venture capital and equity real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and, for properties not appraised, the present value of the projected future net income stream is used. Directly-owned real estate investments are reported net of related debt borrowed against the market value of the property. At June 30, 2019 and 2018, \$132,000 in open-ended repurchase agreements were netted against the related property valuation and classified as Level 1. The agreements are payable at an interest rate equivalent to 1 month LIBOR plus 40 basis points and are collateralized by certain fixed income investments of the PSERS.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using observable exchange, dealer, or broker market pricing.

The Premium Assistance investment assets have the following recurring fair value measurements as of June 30, 2019:

- PSERS Short-Term Investment Fund of \$10,860 consists of Level 1 values of \$5,374 and Level 2 values of \$5,486.
- Other domestic short-term investments of \$82,765 consists of Level 2 values.

The Health Options Program (HOP) investment assets have the following recurring fair value measurements as of June 30, 2019:

- PSERS Short-Term Investment Fund of \$93,363 consists of Level 1 values of \$46,198 and Level 2 values of \$47,165.
- Other domestic short-term investments of \$192,714 consists of Level 1 values.

The Defined Contribution Plan investment assets have the following fair value measurement at June 30, 2019:

PSERS Short-Term Investment Fund of \$10,476 consists of Level 1 values of \$5,184 and Level 2 values of \$5,292.

The valuation method for investments measured at the NAV per share (or its equivalent) as of June 30, 2019 is presented in the following table:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Collective trust funds (1) .....	\$ 14,305,045	\$ —	see note (1)	0-90 days
Equity real estate (2) .....	4,830,368	2,945,064	see note (2)	see note (2)
Private equity alternative investments (3) .....	6,379,347	3,105,373	see note (3)	see note (3)
Private debt alternative investments (4) .....	6,004,654	3,639,565	see note (4)	see note (4)
Venture capital alternative investments (5) .....	1,061,134	591,118	see note (5)	see note (5)
<b>Total investments at NAV .....</b>	<b>\$ 32,580,548</b>	<b>\$ 10,281,120</b>		

(1) Collective trust fund investments (CTF) consist primarily of domestic and international institutional funds. 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 regulatory agencies such as the Securities and Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits. Redemption frequency for these assets range from monthly, to quarterly, to annual.

(2) Equity real estate includes real estate funds that invest primarily in U.S., Latin American, European and Asian commercial real estate. Fund investments can be made across the capital structure of each property venture. The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from each fund may be received as: 1) cash flows from operations or 2) return of capital from dispositions. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 12 years.

(3) Private equity includes U.S. buyout funds and international buyout funds that invest mostly in private companies across a variety of industries (although they may invest in public companies from time to time). The fair value of the investments in this

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

type have been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 3 to 7 years.

(4) Special situations includes private investment funds that invest across the fixed income capital structure primarily in North America and Western Europe. The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital. These investments cannot be easily redeemed. Instead, the nature of the investments in this type is that distributions are received through the orderly liquidation of the underlying assets of the fund throughout the stated term of the fund. It is expected that the underlying assets of the funds will be liquidated over the next 3 to 7 years.

(5) Venture capital includes U.S. based private funds, that finance young, relatively small, rapidly growing companies, typically in either the health care or information technology sectors. The fair value of the investments in this type have been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of venture capital investments is that distributions are received through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over the next 5 to 10 years.

**Statutory Liquidator Fund**

The Statutory Liquidator categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.



**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The Statutory Liquidator Fund has the following recurring fair value measurements as of June 30, 2019:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
<b>Debt Securities</b>				
Corporate obligations .....	\$ 264,799	\$ 17,201	\$ 247,598	\$ —
U.S. Treasury obligations .....	187,462	161,279	26,183	—
Mortgage backed securities .....	52,204	4,038	48,166	—
Private placements .....	132,460	—	86,910	45,550
State and municipal obligations .....	8,963	—	8,963	—
U.S. government agencies .....	17,926	1,410	16,516	—
Asset backed securities .....	6,392	6,304	88	—
Sovereign debt .....	10,848	—	10,848	—
Alternative investments .....	26,420	358	26,062	—
<b>Equity Securities</b>				
Preferred securities .....	736	736	—	—
<b>Other Securities</b>				
Annuity .....	637	—	—	637
Treasury group investment(1) .....	93,135	—	93,135	—
Mutual Funds .....	37,239	—	—	37,239
Money market mutual funds .....	115,555	115,555	—	—
<b>Total investments by fair value level .....</b>	<b>\$ 954,776</b>	<b>\$ 306,881</b>	<b>\$ 564,469</b>	<b>\$ 83,426</b>

(1) The amount is 100% invested in the Treasury Group Consolidated Cash Pool which are made up of 14% Level 1 and 86% Level 2.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds valued using prices quoted in active markets. Other securities classified in Level 2 of the fair value hierarchy consist of Treasury Pooled investments. The underlying investments for the pools consist of 14% Level 1 securities and 86% Level 2 securities.

**Deposit Risks**

At June 30, 2019, Commonwealth bank balances of \$9,952 were subject to custodial risk because they were uninsured and uncollateralized. In addition, \$4,863 of Statutory Liquidator Fund deposits were subject to custodial deposit risk because they were uninsured and uncollateralized. The PSERS, through its third party administrator, maintains certain bank deposits for the operation of its voluntary Health Options Program. These deposits are not required to be collateralized by statute or policy. These deposits totaled \$192,714 at June 30, 2019 and are under the custody of its bank which has an A- rating by Standard and Poor's (S&P) and an A3 rating by Moody's Investors Service (Moody's).

**Cash with Fiscal Agent**

Within the business-type activities cash with fiscal agent, the **Unemployment Compensation Fund** reported \$3,468,015 and within the governmental activities cash with fiscal agent, the **General Fund** and the Game Fund reported \$23,382 and \$5,622, respectively. The **Unemployment Compensation Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust Fund. The **General Fund's** cash with fiscal agent is held with the Federal Unemployment Insurance Trust Fund, bank accounts for Pennsylvania's judicial courts, and with an escrow agent the purposes of interest repayment on certificates of participation.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The Game Fund cash with fiscal agent represents escrow accounts held for the purposes of land acquisition. The Statutory Liquidator, an Agency fund, reported \$6,845 cash with fiscal agent.

**Restricted Cash**

Restricted cash consists of funds held for the payment of debt service interest and principal payments of the **Unemployment Compensation Fund** and debt service interest and principal payments and other purposes of the other nonmajor funds, all of which is collateralized. At June 30, 2019, the reported carrying amount of the **Unemployment Compensation Fund** and other nonmajor funds restricted cash and cash equivalents were \$472,029 and \$4,599, respectively.

**Investment Risks**

**Risk Management Policies:** The Treasury Department, which is responsible for the CIP, **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. Pension trust fund policies limit custodial credit risk to a minimum but are exposed to credit risk, interest rate, and foreign currency risk. Credit risk is mitigated by following policies to purchase only 'investment grade' securities (Baa/BBB/BBB or better). Interest rate risk policies have been adopted to limit the risk by establishing maximum maturities. The establishment of policies limiting investment purchases from a single issuer mitigates concentration risk. The individual risk policies and related disclosures are discussed in greater detail below.

**Investments by Type**

At June 30, 2019, the Treasury Department and other investing organizations, excluding Statutory Liquidator, Tuition Account Investment Program, the SERS, DCP and the PSERS, reported a total of \$20,856,975 in investments. Cash equivalents amounting to \$559,575, which are held in the CIP and other portfolios, are reported as investments but are not included as part of fixed income investment disclosures. Excluding cash equivalents, total investments disclosed amount to \$20,297,400; of this amount, excluding equities and alternative investments (\$2,740,523 and \$904,748, respectively), fixed income investments disclosed amount to \$16,652,129.

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

The investment types and related amounts are as follows:

Investment Type	Amount
Alternative Investments .....	\$ 904,748
Asset backed securities .....	27,203
Certificates of deposit .....	1,928,201
Commercial paper .....	7,962,913
Corporate obligations .....	1,033,012
Equity .....	2,740,523
Money market mutual funds .....	1,775,949
Mortgage-backed securities .....	204,506
Mutual funds .....	1,763,945
Preferred securities .....	3,826
Private placements .....	359,105
Securities lending collateral pool .....	97,766
Sovereign debt obligations .....	43,108
State and municipal obligations .....	37,341
U.S. government agencies .....	20,939
U.S. government sponsored enterprises .....	107,271
U.S. Treasury obligations .....	1,287,044
<b>Total investments</b> .....	<b>20,297,400</b>
Cash equivalents .....	559,575
<b>Total investments and cash equivalents</b> .....	<b>\$ 20,856,975</b>

In addition, at June 30, 2019, all reported investments of the Tuition Account Investment Program, amounting to \$3,067,257 consist entirely of mutual funds, \$3,019,398, and money market mutual funds, \$47,859.

**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. 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. The CFA reported at June 30, 2019, \$795,509 of deposits and disclosed that due to the nature of the cash and cash equivalents balances, there is no custodial credit risk. The Tuition Account Investment Program reported at June 30, 2019, \$147,837 of bank investment contracts that are not insured by the FDIC or otherwise covered by collateral or supplementary insurance. Also, at June 30, 2019, only the Statutory Liquidator Fund, an Agency Fund, owned investment securities subject to custodial credit risk, in the amount of \$672,092. 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:

Investment Type	Amount
Asset backed securities .....	\$ 6,392
Corporate obligations .....	264,799
Mortgage-backed securities .....	52,204
Private placements .....	132,461
Sovereign debts .....	10,848
U.S. government agencies .....	17,926
U.S. Treasury obligations .....	187,462
<b>Total</b> .....	<b>\$ 672,092</b>

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

**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% limit on the concentration of investments in any one fixed income issuer within the CIP, **Tuition Payment** and INVEST Program. This limitation excludes government-sponsored enterprises (GSEs), direct obligations of the U.S. Treasury or U.S. government agencies, and repurchase agreements. The Treasury Department also places a 5% limit on the concentration of investments in one equity issuer within the CIP. Similarly, to a degree, the five other investing organizations limit exposure to concentration of credit risk. Several of the other investing organizations have adopted policies, which allow greater than 5% of portfolios to consist of securities issued by the U.S. Treasury. Among Treasury and other investing organizations, based on total portfolio value, the following concentrations existed as of June 30, 2019:

Issuer Name	Amount	% of Treasury and Other Investing Organizations Portfolio
Vanguard .....	\$ 1,887,577	9.1%
iShares .....	\$ 1,698,941	8.2%

The concentration of credit risk for the Statutory Liquidator Fund is as follows:

Issuer Name	Amount	% of Statutory Liquidators Portfolio
Dreyfus Treasury and Agency Cash Management .....	\$ 113,710	11.2%
PIMCO Funds .....	\$ 82,790	8.2%

**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 CIP 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% 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).

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

At June 30, 2019, \$16,652,129 of total Treasury and other investing organization investments of \$20,856,975 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$2,740,523, alternative investments \$904,748, cash equivalents, and various deposit accounts of \$559,575. Of the Treasury amount susceptible to credit quality rating, \$16,245,889 is rated; ratings are not available for \$406,240 of fixed income investments:

<b>Moody's Investors Service</b>	<b>Amount</b>
P-1 .....	\$ 2,837,428
Aaa .....	3,184,874
Aa .....	424,943
A .....	305,928
Baa .....	286,194
Ba .....	139,740
B .....	78,251
Caa .....	16,559
<b>Moody's Investors Service subtotal</b> .....	<b>7,273,917</b>
<b>Standard and Poor's</b>	
AAA .....	349,010
AA .....	882,148
A .....	4,614,274
BBB .....	93,954
BB .....	23,236
B .....	26,633
CCC .....	3,451
C .....	4,238
D .....	187
<b>Standard and Poor's subtotal</b> .....	<b>5,997,131</b>
<b>Fitch Ratings</b>	
F-1 .....	2,811,536
AAA .....	1,960
AA .....	13,716
A .....	113,750
BBB .....	28,801
BB .....	5,007
CCC .....	71
<b>Fitch Ratings subtotal</b> .....	<b>2,974,841</b>
<b>Rated subtotal</b> .....	<b>16,245,889</b>
<b>Unrated subtotal</b> .....	<b>406,240</b>
<b>Total fixed income investments</b> .....	<b>\$ 16,652,129</b>

At June 30, 2019, 1.83% (\$297,373) of rated fixed income Treasury investments of \$16,245,889 are rated below investment grade. Approximately 2.44% (\$406,240) of the fixed income portfolio in Treasury and other investing organizations are not rated by the NRSRAs. Unrated Fixed Income Investments include securities that did not have a credit rating available from a NRSRA at June 30, 2019. Among the Tuition Account Investment Program's mutual fund portfolios, certain mutual funds hold fixed income investments susceptible to credit quality ratings and all such investments are rated Aaa-mf by Moody's or AAAM by S&P.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The pension trust funds may expose themselves to greater credit risk than the Treasury Department or other investing organizations to meet specific investment objectives. The SERS and DCP fixed income securities (at December 31, 2018), which are exposed to credit risk, are rated as follows:

<b>Moody's Investors Service <sup>1</sup></b>	<b>SERS</b>	<b>DCP</b>
Aaa .....	\$ 295,700	\$ 17,914
Aa .....	485,009	129,699
A .....	281,015	35,529
Baa .....	604,046	57,459
Ba and below .....	950,686	3,053
Unrated <sup>2</sup> .....	44,130	—
Short-term investments .....	1,144,614	74,027
<b>Total</b> .....	<b>\$ 3,805,200</b>	<b>\$ 317,681</b>

1. 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.
2. 'Unrated' represents securities that were either not rated or had a withdrawn rating.

The 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, 2019:

<b>Standard and Poor's Equivalent <sup>1</sup></b>	<b>Amount</b>
AAA .....	\$ 3,485,216
AA .....	1,540,932
A .....	751,820
BBB .....	1,413,528
BB and below .....	472,903
Unrated <sup>2</sup> .....	6,462,354
U.S. government guaranteed <sup>3</sup> .....	5,593,605
<b>Total</b> .....	<b>\$ 19,720,358</b>

1. The S&P rating represents all 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.
2. 'Unrated' securities include \$5,039,748 in collective trust funds and \$461,142 in PSERS Short-Term Investment Fund assets.
3. 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.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The Statutory Liquidator Fund fixed income securities at June 30, 2019, which are exposed to credit risk, are rated as follows:

<u>Moody's Investors Service</u>	<u>Amount</u>
Aaa .....	\$ 151,124
Aa .....	66,468
A .....	58,108
Baa .....	94,463
Ba .....	5,061
B .....	602
Caa .....	189
Ca .....	7,785
P-1 .....	99,868
<b>Moody's Investors Service subtotal .....</b>	<b>483,668</b>
<u>Standard and Poor's</u>	
AAA .....	5,899
AA .....	112,461
A .....	63,376
BBB .....	59,003
BB .....	323
B .....	715
CCC .....	2,405
D .....	434
<b>Standard and Poor's subtotal .....</b>	<b>244,616</b>
<u>Fitch Ratings</u>	
A .....	21,376
BBB .....	387
BB .....	30
D .....	247
<b>Fitch Ratings subtotal .....</b>	<b>22,040</b>
<b>Rated subtotal .....</b>	<b>750,324</b>
<b>Unrated subtotal .....</b>	<b>265,925</b>
<b>Total fixed income investments .....</b>	<b>\$ 1,016,249</b>

The \$1,016,249 exceeds the total of investments reported in the Statutory Liquidator Statement of Fiduciary Assets and Liabilities as it also includes certain investments included within the cash with fiscal agents and other assets classifications.

**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, the 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

NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

June 30, 2019, Treasury and other investing organizations' fixed income portfolio, excluding Statutory Liquidator Fund and Tuition Account Investment Program, had the following option-adjusted durations (in years) by investment type:

Investment Type	Amount of Securities with Duration	Option-Adjusted Duration	Amount of Securities with no Duration	Total
Asset backed securities	\$ 20,995	1.135	\$ 6,208	\$ 27,203
Certificates of deposit	1,928,201	0.255	—	1,928,201
Commercial paper	7,628,251	0.200	334,662	7,962,913
Corporate obligations	983,020	5.221	49,992	1,033,012
Money market	1,775,949	0.080	—	1,775,949
Mortgage-backed securities	194,579	4.419	9,927	204,506
Mutual funds	—	0.000	1,763,945	1,763,945
Preferred securities	2,104	4.893	1,722	3,826
Private placements	356,224	1.881	2,881	359,105
Securities lending collateral pool	97,766	0.083	—	97,766
Sovereign debt obligations	43,108	1.010	—	43,108
State and municipal obligations	37,341	5.726	—	37,341
U.S. government agencies	20,939	3.310	—	20,939
U.S. government sponsored enterprises	107,271	0.964	—	107,271
U.S. Treasury obligations	1,287,044	5.960	—	1,287,044
<b>Total</b>	<b>\$ 14,482,792</b>		<b>\$ 2,169,337</b>	<b>\$ 16,652,129</b>

Neither the Statutory Liquidator Fund nor the Tuition Account Investment Program use option-adjusted duration as a means of managing interest rate risk; the following provides segmented time distribution for the Statutory Liquidator Fund:

Investment Type	Matured	No Maturity Date	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 after 40 Years	Total
Alternative investments	\$ —	\$ —	\$ 17,669	\$ 3,928	\$ 2,054	\$ —	\$ 2,769	\$ —	\$ —	\$ 26,420
Annuity	—	637	—	—	—	—	—	—	—	637
Asset backed securities	—	—	—	5,291	589	464	48	—	—	6,392
Cash & equivalents	2	671	—	—	—	—	—	—	—	673
Commonwealth investment program	—	93,134	—	—	—	—	—	—	—	93,134
Corporate obligations	52	—	197,051	36,167	19,580	3,259	8,080	610	—	264,799
Money markets	804	175,552	—	—	—	—	—	—	—	176,356
Mortgage-backed securities	—	—	3	98	4,626	17,422	16,118	13,937	—	52,204
Mutual funds	—	37,239	—	—	—	—	—	—	—	37,239
Preferred securities	—	326	—	—	—	—	—	—	409	735
Private placements	—	45,551	69,654	1,416	4,493	6,011	1,999	2,593	743	132,460
Sovereign debts	—	—	—	7,421	2,290	495	257	—	385	10,848
State and municipal obligations	—	—	1,145	—	596	4,575	1,446	1,201	—	8,963
U.S. government agencies	—	—	16,766	901	259	—	—	—	—	17,926
U.S. Treasury obligations	400	—	124,207	55,622	6,028	—	1,206	—	—	187,463
<b>Total</b>	<b>\$ 1,258</b>	<b>\$ 353,110</b>	<b>\$ 426,495</b>	<b>\$ 110,844</b>	<b>\$ 40,515</b>	<b>\$ 32,226</b>	<b>\$ 31,923</b>	<b>\$ 18,341</b>	<b>\$ 1,537</b>	<b>\$1,016,249</b>



**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

Within the Tuition Account Investment Program, the following mutual funds are exposed to interest rate risk:

	<b>Amount</b>	<b>Average Duration</b>	<b>Average Effective Maturity</b>
Vanguard Total Bond Market II Index Fund Institutional Shares .....	\$ 740,918	6.0 years	8.2 years
Vanguard Total Bond Market Index Fund Institutional Shares .....	16,069	6.0 years	8.2 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares .....	68,498	2.6 years	2.7 years
Vanguard Total International Bond Index Fund Institutional Shares.....	331,194	8.1 years	9.6 years
Vanguard Federal Money Market Fund .....	47,859	N/A	39 days

Based on specific investment objectives, the pension trust funds may expose themselves to greater interest rate risk than Treasury or other investing organizations. Several investment choices, which may be selected by the DCP participants, including the Short-Term Investment Fund, the Stable Value Fund and the U.S. Bond Index 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:

<b>SERS Investment Type</b>	<b>Amount</b>	<b>Option-Adjusted Duration</b>
Asset and mortgage backed securities .....	\$ 673,339	4.10
Commingled investments funds .....	521,474	3.50
Corporate obligations .....	765,602	5.70
Sovereign debt obligations .....	234,120	7.60
Short-term investments .....	149,557	n/a
Treasury investment pool .....	995,057	0.10
U.S. Treasury obligations .....	1,835,363	6.50
U.S. government sponsored enterprises .....	51,666	4.50
U.S. private placements .....	453,561	4.40
<b>Total</b> .....	<b>\$ 5,679,739</b>	

<b>DCP Investment Type</b>	<b>Amount</b>	<b>Option-Adjusted Duration</b>
Collective investment funds .....	\$ 402,722	5.90
Treasury investment pool .....	74,027	0.10
<b>Total</b> .....	<b>\$ 476,749</b>	

<b>PSERS Investment Type</b>	<b>Amount</b>	<b>Option-Adjusted Duration</b>
Domestic asset-backed and mortgage-backed securities .....	\$ 493,011	0.20
U.S. government and agency obligations .....	5,605,208	12.10
Domestic corporate and taxable municipal bonds.....	2,286,060	1.30
International fixed income .....	268,591	0.40
Collective trust funds .....	5,039,748	5.70
PSERS Short-Term Investment Fund .....	5,635,993	0.10
Other Short-term assets .....	391,747	0.10
<b>Total</b> .....	<b>\$ 19,720,358</b>	

Fixed income investment managers enter into futures contracts to adjust the durations of their portfolios as a whole. In total, futures contracts have adjusted the PSERS' total portfolio duration upward by 0.1 at June 30, 2019.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

**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. Investment managers may trade in foreign currencies if investments will be returned to U.S. dollars. The Treasury amounts invested, by currency, are as follows:

Foreign Currency	Equities	Preferred Securities	Total
Australian dollar .....	\$ 17,386	\$ —	\$ 17,386
British pound sterling .....	40,888	—	40,888
Canadian dollar .....	25,208	—	25,208
Colombian peso .....	311	148	459
Danish krone .....	4,362	—	4,362
Euro currency unit .....	73,450	1,429	74,879
Hong Kong dollar .....	31,492	—	31,492
Hungarian forint .....	239	—	239
Indonesian rupiah .....	2,388	—	2,388
Israeli shekel .....	346	—	346
Japanese yen .....	57,623	—	57,623
Malaysian ringgit .....	2,355	—	2,355
Mexican peso .....	2,794	—	2,794
New Zealand dollar .....	566	—	566
Norwegian krone .....	797	—	797
Philippines peso .....	1,135	—	1,135
Singapore dollar .....	5,533	—	5,533
South African rand .....	5,696	—	5,696
Swedish krona .....	6,622	—	6,622
Swiss franc .....	22,864	—	22,864
Thailand baht .....	1,502	—	1,502
Turkish lira .....	277	—	277
<b>Total .....</b>	<b>\$ 303,834</b>	<b>\$ 1,577</b>	<b>\$ 305,411</b>

Within the Tuition Account Investment Program, equities of \$900,511 are exposed to foreign currency risk.

**NOTE 2 - 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, 2018 as follows:

Foreign Currency	Short-Term Investments <sup>1</sup>	Fixed Income	Common & Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European euro.....	\$ 7,459	\$ 33,856	\$ 220,471	\$ (14,237)	\$ —	\$ 109,899	\$ 357,448
British pound sterling..	1,678	42,314	146,841	6,332	—	—	197,165
Hong Kong dollar.....	1	—	156,730	(1)	—	—	156,730
South Korean won.....	2,037	—	133,635	—	—	—	135,672
Japanese yen.....	369	—	100,767	24,634	—	—	125,770
Swiss franc.....	8,546	—	93,544	(7,746)	—	—	94,344
Australian dollar.....	150	11,093	43,920	4,961	—	—	60,124
New Taiwan dollar.....	86	—	53,415	—	—	—	53,501
Swedish krona.....	(3)	—	—	28,699	—	24,177	52,873
Mexican peso.....	209	23,489	23,266	—	412	—	47,376
Canadian dollar.....	233	2,023	29,251	9,742	—	—	41,249
Danish krone.....	1,140	—	30,645	278	—	—	32,063
South African rand.....	374	11,826	21,268	(1,812)	—	—	31,656
Indonesian rupiah.....	198	8,230	22,771	—	—	—	31,199
Brazilian real.....	468	8,558	21,652	—	—	—	30,678
Norwegian krone.....	124	—	10,914	7,348	—	—	18,386
Malaysian ringgit.....	127	12,417	3,981	—	—	—	16,525
New Zealand dollar.....	50	—	11,891	416	—	—	12,357
Polish zloty.....	91	12,214	1,042	(1,342)	—	—	12,005
Thai baht.....	5	—	11,205	36	—	—	11,246
Hungarian forint.....	—	—	10,059	—	—	—	10,059
Columbian peso.....	200	4,733	—	3,491	—	—	8,424
Other currencies (9)....	1,692	4,623	10,610	727	—	—	17,652
<b>Total.....</b>	<b>\$ 25,234</b>	<b>\$ 175,376</b>	<b>\$ 1,157,878</b>	<b>\$ 61,526</b>	<b>\$ 412</b>	<b>\$ 134,076</b>	<b>\$ 1,554,502</b>

1. Includes receivables and payables as of December 31, 2018 for securities sold and purchased.

One of several investing choices that may be selected by the DCP participants is the International Company Stock Index Fund, which is a collective investment fund that invests in international stocks in the European, Australian, and Far East Markets and is managed by an external manager. The 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. Since the International Company Stock Index Fund is a collective investment fund, the DCP is indirectly exposed to foreign currency risk through those underlying securities.

**NOTE 2 - 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:

<b>Foreign Currency</b>	<b>Equities</b>	<b>Fixed income</b>	<b>Alternative Investments and Real Estate</b>	<b>Short-term<sup>1</sup></b>	<b>Currency Hedge</b>	<b>Total</b>
Euro .....	\$ 845,070	\$ 1,960	\$ 1,520,488	\$ 8,750	\$ (1,598,636)	\$ 777,632
British pound sterling .....	653,411	—	253,652	2,784	(545,783)	364,064
Taiwan new dollar .....	127,402	—	—	109	—	127,511
South Korean won .....	121,498	—	—	(1,667)	(95)	119,736
Indian rupee .....	99,225	—	—	19	—	99,244
South African rand .....	64,782	13,099	—	234	(55)	78,060
Brazil real .....	74,116	—	—	91	—	74,207
Hong Kong dollar .....	219,613	—	—	332	(164,167)	55,778
Mexican peso .....	42,800	12,769	—	172	—	55,741
Other currencies .....	1,818,553	93,454	7,034	32,723	(1,984,698)	(32,934)
<b>Total .....</b>	<b>\$ 4,066,470</b>	<b>\$ 121,282</b>	<b>\$ 1,781,174</b>	<b>\$ 43,547</b>	<b>\$ (4,293,434)</b>	<b>\$ 1,719,039</b>

1. 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 and fixed income securities. 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% 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%. 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 obligation to borrowers are reported.

To the extent collateral received consists of cash, the lending agent invests the cash in accordance with reinvestment guidelines approved by the Treasury Department. At June 30, 2019, 100% of the collateral was invested in overnight U.S. Government repurchase agreements. Either the lender or the borrower may terminate the loan on demand. Loans are typically of very short duration, usually overnight. The duration of lending agreements do not 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 loans 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, 2019, 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 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)

At June 30, 2019, the total fair value of the securities lent, along with the type of investments lent, were as follows:

Fund/Organization	Total Securities Lent	U.S. Treasury Obligations	U.S. Government Sponsored Enterprises	Corporate Obligations	Equities	Sovereign Debt	Exchange Traded
State Employees' Retirement System.....	\$ 272,808	\$ 58,130	\$ 1,727	\$ 23,822	\$ 186,446	\$ 1,037	\$ 1,646
Public School Employees' Retirement System .....	95	—	—	—	95	—	—
Underground Storage Tank Indemnification Fund .....	8,182	6,042	—	2,140	—	—	—
Workers' Compensation Security Trust Fund .....	14,975	11,860	—	2,964	—	—	151
<b>State Workers' Insurance Fund</b> .....	22,957	12,737	—	10,220	—	—	—
Other Postemployment Benefits Investment Pool .....	2,928	—	—	—	—	—	2,928
Commonwealth Investment Program ....	21,144	—	—	587	3,939	—	16,618
<b>Tuition Payment Fund</b> .....	10,939	—	—	1,491	3,738	—	5,711

Public School Employees' Retirement System (PSERS)

The PSERS participates in a securities lending program with a third party agent. Under this program, the lending agent loans securities (equities, fixed income, and money market instruments) to independent brokers and dealers in exchange for U.S. dollar cash collateral in an amount not less than 102% of the fair value of any securities loaned. Collateral is marked-to-market daily. If the fair value of the collateral held falls below the minimum guidelines for securities loaned, additional collateral is obtained. The lending agent invests the cash collateral in accordance with reinvestment guidelines approved by the PSERS.

As of June 30, 2019, the PSERS had no credit risk exposure to borrowers because the amounts the PSERS owed the borrowers exceeded the amounts the borrowers owed the PSERS. Under the securities lending program, the lending agent provides indemnification to the PSERS if a borrower fails to return borrowed securities (and the collateral is inadequate to replace the loaned securities) or fails to pay income distributions on them. The lending agent also provides indemnification to the PSERS if investment of cash collateral results in investment loss. There were no losses during the fiscal year ended June 30, 2019 resulting from a default of the borrowers or the lending agent. All securities loans can be terminated on demand by either the PSERS or the borrower, although the average term of the loan is one day. There were no term loans as of June 30, 2019.

Cash collateral is invested in a short-term collateral investment pool that is managed by the lending agent, is segregated from all other clients of the lending agent, and is not subject to custodial credit risk. The PSERS' income from securities lending represents its pro-rata share from participating in the program. The weighted-average maturity of the investments in the pool was one day at June 30, 2019. During the fiscal year ended June 30, 2019, the mismatch between the maturities of the investments made with cash collateral and the maturities of the securities loans may have posed some interest rate risk to the PSERS. In the event of a default, the lending agent may use the collateral to replace the loaned securities. As of June 30, 2019, the fair value of loaned securities was \$4,430,554. The fair value of the associated collateral was \$4,518,372, all of which was cash.

Derivative and Other Similar Investments

State Employees' Retirement System (SERS)

Within narrowly prescribed guidelines, the SERS permits investment managers to enter into certain derivative and structured financial instruments primarily to hedge risk and reduce the volatility of its portfolio. Typically, investment managers enter into foreign exchange contracts to make payment for international investments and to hedge currency risk, futures contracts to manage interest rate risk, and swaps to more efficiently gain investment exposure in the equity and credit markets.

The SERS is exposed to counterparty credit risk on all open derivative positions. Counterparty credit risk is the risk that a derivative counterparty may fail to meet its payment obligation under the derivative contract. As of December 31, 2018, the SERS'

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

counterparty credit risk was not significant. The SERS mitigates its legal risk on investment holdings including derivatives by ensuring that all of its legal requirements (indemnification, sovereign immunity, jurisdiction, etc.) are acknowledged and agreed to in all of the derivatives agreements to which they are subject.

The SERS managers also indirectly hold foreign exchange contracts, futures contracts, and certain swap contracts through its investments in commingled funds and hedge funds. These funds invest in instruments directly and indirectly to gain foreign exchange exposure, to synthetically create equity-like returns, and to manage interest rate risk by altering the average life of the portfolio.

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 investment manager uses these contracts primarily for its international investments to settle pending trades that occur more than two business days after trade date. The contracts are used by the investment manager for the purpose of eliminating foreign exchange risk. As a matter of policy, the investment managers enter into these contracts at their full discretion to protect currency fluctuations. To reduce the risk of counterparty nonperformance, the investment managers generally enter 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 position and represents the fair value of the contracts on December 31. At December 31, 2018, the SERS had contracts to purchase and sell, by major foreign currency, as follows:

<b>Foreign Currency</b>	<b>Purchase Contracts</b>	<b>Unrealized Gain/ (Loss)</b>	<b>Sell Contracts</b>	<b>Unrealized Gain/ (Loss)</b>
Swedish krona .....	\$ 28,699	\$ 39	\$ —	\$ —
Japanese yen .....	24,634	610	—	—
Norwegian krone .....	10,422	(281)	3,074	144
Canadian dollar .....	9,778	(492)	36	—
British pound sterling .....	8,197	34	1,864	(15)
European Euro .....	5,711	23	19,949	54
Australian dollar .....	4,961	(126)	—	—
Colombian peso .....	3,491	(95)	—	—
Argentina peso .....	727	24	—	—
New Zealand dollar .....	416	—	—	—
Danish krone .....	278	—	—	—
Thai baht .....	36	—	—	—
Swiss franc .....	—	—	7,746	187
South African rand .....	—	—	1,812	(6)
Polish zloty .....	—	—	1,342	20
Hong Kong dollar .....	—	—	1	—
<b>Total</b> .....	<b>\$ 97,350</b>	<b>\$ (264)</b>	<b>\$ 35,824</b>	<b>\$ 384</b>

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and credit worthiness. The SERS uses contracts with multiple counterparties as well as collateral posting requirements to manage its counterparty credit risk. Credit default swaps are agreements with counterparties to either purchase or sell credit protection. The SERS managers 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 or vice versa. The SERS managers use interest rate swaps as a cost-effective way of gaining exposure to certain sectors of the fixed income market. The SERS' exposure to swap agreements was not significant at December 31, 2018.

**Deferred Compensation Program (DCP)**

The DCP, through investments in collective investment funds trustee by The Bank of New York Mellon (BNY Mellon) and managed by employees of Mellon Capital Management Corporation (Mellon)(in their capacities as dual officers of BNY Mellon), indirectly holds certain derivative financial instruments. The derivatives most commonly used by Mellon include currency forwards, futures, options, and swaps. BNY Mellon may take long or short positions in derivative instruments for various purposes. The DCP exposure to these instruments was not significant as of December 31, 2018.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

The collective investment funds that the DCP is invested in currently utilize stock index futures and currency forwards. These instruments are used in the investment management of the collective funds to the extent that their use is consistent with the specific collective fund’s objective. Derivatives are viewed within the context of the collective fund’s total portfolio. Mellon has instituted policies and procedures designed to ensure that derivative transactions are in keeping with the overall strategy and that such transactions are properly reviewed and monitored.

Mellon may take long or short positions in derivative instruments for, but not limited to, the following purposes: to create or hedge required exposure; to create or hedge model-driven recommended exposure; as an adjustment to asset exposures within the parameters set in the collective fund’s investment instructions and guidelines; to achieve transactional efficiency; to adjust the duration of a fixed income portfolio; if applicable, to achieve the appropriate degree of leverage, as stated in the collective fund’s investment instructions and guidelines; and to facilitate meeting the collective fund’s objectives.

**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 performance and/or reduce the volatility of the 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 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 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, 2019:

<b>Type of Derivative</b>	<b>Notional Value</b>
Futures contracts - long .....	\$ 2,401,774
Futures contracts - short .....	25,594
Foreign exchange forward and spot contracts, gross.....	4,348,864
Swaps - total return type .....	9,447,923

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, 2019 represent a restriction on the amount of assets available as of fiscal year-end 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. During FYE June 30, 2018, the PSERS purchased over-the-counter put options on the S&P 500 Index. The fair value of these option contracts was \$43,904 at June 30, 2018. The options were not exercised and expired worthless during FYE June 30, 2019.

**NOTE 2 - DEPOSITS, INVESTMENTS AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK (continued)**

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. To reduce the risk of counterparty non-performance, the investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts reported primarily include forwards. The \$4,348,864 of foreign currency contracts outstanding at June 30, 2019 consist of "buy" contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$27,715 and "sell" contracts, which represent U.S. dollar equivalents of commitments to sell foreign currencies of \$4,321,149. The unrealized loss on contracts of \$(39,666) at June 30, 2019, is included in the statement of fiduciary net position and represents the fair value of the contracts.

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 year ended June 30, 2019, the PSERS entered into total return type swaps. Under the total return type swap arrangements, the PSERS receives the net return of certain equity securities or indexes 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 \$330,229 at June 30, 2019, is included in the statement of fiduciary net position and represents the fair value of the contracts. The contracts have varying maturity dates ranging from August 7, 2019 to May 29, 2020.

The PSERS also invests in mortgage-backed securities (MBS) such as CMOs and MBS forwards to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of CMOs at June 30, 2019 is \$456,934.

The PSERS invests in U.S. Treasury strips which essentially act as zero coupon bonds and are subject to market volatility from a rise or drop 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/or reduce the volatility of their portfolios.



NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES

Taxes Receivable: Taxes receivable, by tax type, reported on the statement of net position at June 30, 2019 consisted of the following:

Statement of Net Position			
Governmental Activities			
	Current	Noncurrent	Total
Sales and use .....	\$ 892,991	\$ 245,547	\$ 1,138,538
Personal income .....	707,255	555,291	1,262,546
Corporation .....	390,768	446,320	837,088
Liquid fuels .....	317,714	—	317,714
Inheritance .....	415,208	131,451	546,659
Cigarette .....	47,997	—	47,997
Other .....	47,005	—	47,005
Total .....	<u>\$ 2,818,938</u>	<u>\$ 1,378,609</u>	<u>\$ 4,197,547</u>

Taxes receivable reported on the governmental funds balance sheet and the statement of fiduciary net position at June 30, 2019 consisted of the following:

Balance Sheet-Governmental Funds					Statement of Fiduciary Net Position		
General Fund					Motor License Fund	Nonmajor Governmental Funds	Fiduciary Funds
Expected to be Collected:					Collected by	Collected by	Collected by
From					August 31, 2019	August 31, 2019	August 31, 2019
September 1, 2019							
By	through	After	Total				
August 31, 2019	June 30, 2020	June 30, 2020		August 31, 2019	August 31, 2019	August 31, 2019	
Sales and use .....	\$ 715,908	\$ 177,083	\$ 245,547	\$ 1,138,538	\$ —	\$ —	\$ 91,570
Personal income .....	445,635	261,620	555,291	1,262,546	—	—	—
Corporation .....	63,575	327,193	446,320	837,088	—	—	—
Liquid fuels .....	—	—	—	—	317,714	—	—
Inheritance .....	187,963	227,245	131,451	546,659	—	—	—
Cigarette .....	47,997	—	—	47,997	—	—	19,045
Other .....	7,794	—	—	7,794	—	39,211	2,266
Total .....	<u>\$ 1,468,872</u>	<u>\$ 993,141</u>	<u>\$ 1,378,609</u>	<u>\$ 3,840,622</u>	<u>\$ 317,714</u>	<u>\$ 39,211</u>	<u>\$ 112,881</u>

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$2,371,750 expected to be collected after August 31, 2019 is reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$2,818,938 (\$2,462,013 reported in the **General Fund**, \$317,714 reported in the **Motor License Fund**, and \$39,211 reported in nonmajor governmental funds), expected to be collected from July 1, 2019 through June 30, 2020 is also reported as current taxes receivable in governmental activities on the statement of net position. The remaining **General Fund** taxes receivable of \$1,378,609 reported on the governmental funds balance sheet expected to be collected after June 30, 2020 is reported as noncurrent taxes receivable in governmental activities on the statement of net position. All of the revenue associated with the taxes receivable reported in governmental activities on the statement of net position is reported as tax revenue in governmental activities on the statement of activities.

**NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)**

**Loans Receivable:** Loans receivable at June 30, 2019 consisted of the following:

	Governmental Activities	Business-Type Activities	
	General Fund	Commonwealth Financing Authority	Nonmajor Enterprise Funds
Economic development loans .....	\$ 47,518	\$ 311,054	\$ 82,439
Volunteer fire, ambulance and rescue company loans .....	—	—	74,646
Environmental program loans .....	1,834	—	—
School district loans .....	17,166	—	—
Other notes and loans .....	110	—	—
	66,628	311,054	157,085
Less: allowance for uncollectible amounts .....	(4,682)	(26,733)	(7,749)
Loans receivable, net .....	\$ 61,946	\$ 284,321	\$ 149,336

The **General Fund** reported \$49,300 in loans due after June 30, 2020, the **Commonwealth Financing Authority** (a blended component unit) reported \$260,233 in loans due after June 30, 2020, and nonmajor enterprise funds reported \$125,586 in loans due after June 30, 2020.

**Uncollectible Receivables:** On the statement of revenues, expenses, and changes in net position-proprietary funds, the **State Workers' Insurance Fund** reports sales and services net of \$7,660 in uncollectible amounts.

**Governmental Funds Unearned Revenue:** The **General Fund**, the **Motor License Fund**, and several nonmajor special revenue and debt service funds reported unearned revenue. The following chart provides the portion of total receipts which have not yet been earned as revenue as of June 30, 2019:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue .....	\$ 17,315	\$ 21,318	\$ 67,967	\$ 106,600

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

**Deferred Outflows of Resources and Deferred Inflows of Resources:** On the statement of net position, governmental activities and business-type activities reported both deferred outflows of resources and deferred inflows of resources at June 30, 2019. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively at June 30, 2019:

	Total Governmental Activities	Total Business-Type Activities
<b>Deferred Outflows of Resources</b>		
Refundings of debt .....	\$ 45,310	\$ 2,337
Asset retirement obligations .....	143,234	—
Pension related:		
Contributions subsequent to measurement date .....	832,121	35,425
Differences between expected and actual experience .....	249,021	11,418
Net difference between projected and actual earnings on plan investments. ....	1,600,799	74,029
Changes of assumptions .....	443,369	20,270
Changes in proportion .....	224,025	10,890
Differences between employer contributions and proportionate share .....	30,312	1,490
Other postemployment benefits related:		
Contributions subsequent to measurement date .....	654,528	32,136
Differences between expected and actual experience .....	78	—
Net difference between projected and actual earnings on plan investments .....	21	—
Changes of assumptions .....	35,182	—
Changes in proportion .....	450,862	82,402
<b>Total deferred outflows of resources</b> .....	<b>\$ 4,708,862</b>	<b>\$ 270,397</b>
<b>Deferred Inflows of Resources</b>		
Refundings of debt .....	\$ 224,212	\$ —
Pension related:		
Differences between expected and actual experience .....	182,618	8,245
Changes in proportion .....	230,655	15,387
Differences between employer contributions and proportionate share .....	21,091	1,024
Other postemployment benefits related:		
Differences between expected and actual experience .....	4,147,470	263,100
Net difference between projected and actual earnings on plan investments .....	27,016	1,339
Changes of assumptions .....	2,459,996	115,564
Changes in proportion .....	568,674	3,984
<b>Total deferred inflows of resources</b> .....	<b>\$ 7,861,732</b>	<b>\$ 408,643</b>

On the balance sheet for governmental funds, the **General Fund**, the **Motor License Fund** and several nonmajor special revenue funds reported unavailable revenue as deferred inflows of resources. The following chart provides, per receivable, the amounts expected to be collected after August 31, 2019 which are reported as deferred inflows of resources:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Expected to be collected after August 31, 2019:</b>			
Taxes receivable .....	\$ 2,371,750	\$ —	\$ 2,371,750
Accounts receivable .....	428,406	176,512	604,918
Due from Federal Government .....	273,005	—	273,005
<b>Total deferred inflows of resources</b> .....	<b>\$ 3,073,161</b>	<b>\$ 176,512</b>	<b>\$ 3,249,673</b>

NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)

On the statement of net position-proprietary funds, the **Unemployment Compensation Fund**, the **State Workers' Insurance Fund**, the **State Lottery Fund**, the **State Stores Fund**, the **Commonwealth Financing Authority**, (a blended component unit), each respectively a major fund, various nonmajor proprietary funds and the internal service funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2019. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively at June 30, 2019:

	Unemployment Compensation Fund	State Workers' Insurance Fund	State Lottery Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total Proprietary Funds	Internal Service Funds
<b>Deferred Outflows of Resources</b>								
Refundings of debt.....	\$ —	\$ —	\$ —	\$ —	\$ 2,030	\$ 307	\$ 2,337	\$ —
Pension related:								
Contributions subsequent to measurement date .....	1,062	—	3,283	28,745	—	2,335	35,425	3,111
Differences between expected and actual experience .....	326	657	1,007	8,716	—	712	11,418	954
Net difference between projected and actual earnings on plan investments....	2,112	4,260	6,527	56,507	—	4,623	74,029	6,186
Changes of assumptions.....	578	1,166	1,787	15,474	—	1,265	20,270	1,694
Changes in proportion.....	284	574	879	7,612	—	1,541	10,890	833
Differences between employer contributions and proportionate share	40	81	124	1,071	—	174	1,490	118
Other postemployment benefits related:								
Contributions subsequent to measurement date .....	501	1,704	2,727	25,564	—	1,640	32,136	2,103
Changes in proportion.....	43,414	—	951	36,075	—	1,962	82,402	701
<b>Total deferred outflows of resources ..</b>	<b>\$ 48,317</b>	<b>\$ 8,442</b>	<b>\$ 17,285</b>	<b>\$ 179,764</b>	<b>\$ 2,030</b>	<b>\$ 14,559</b>	<b>\$ 270,397</b>	<b>\$ 15,700</b>
<b>Deferred Inflows of Resources</b>								
Pension related:								
Differences between expected and actual experience .....	\$ 235	\$ 474	\$ 727	\$ 6,294	\$ —	\$ 515	\$ 8,245	\$ 689
Changes in proportion.....	304	614	941	8,146	—	5,382	15,387	892
Differences between employer contributions and proportionate share	28	56	85	740	—	115	1,024	81
Other postemployment benefits related:								
Differences between expected and actual experience .....	11,749	15,448	22,400	198,474	—	15,029	263,100	16,435
Net difference between projected and actual earnings on plan investments....	59	77	112	1,016	—	75	1,339	82
Changes of assumptions.....	5,043	6,631	9,615	87,824	—	6,451	115,564	7,055
Changes in proportion.....	—	1,576	1,372	—	—	1,036	3,984	912
<b>Total deferred inflows of resources .....</b>	<b>\$ 17,418</b>	<b>\$ 24,876</b>	<b>\$ 35,252</b>	<b>\$ 302,494</b>	<b>\$ —</b>	<b>\$ 28,603</b>	<b>\$ 408,643</b>	<b>\$ 26,146</b>

**NOTE 3 - RECEIVABLES, UNEARNED REVENUE AND DEFERRED RESOURCES (continued)**

On the statement of fiduciary net position, the pension (and other employee benefit) trust funds reported deferred outflows of resources and deferred inflows of resources at June 30, 2019. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively at June 30, 2019:

	<b>Pension (and Other Employee Benefit) Trust Funds</b>
<b><u>Deferred Outflows of Resources</u></b>	
Pension related:	
Contributions subsequent to measurement date .....	\$ 4,236
Differences between expected and actual experience .....	1,173
Net difference between projected and actual earnings on plan investments .....	7,606
Changes of assumptions .....	2,083
Changes in proportion .....	7,029
Differences between employer contributions and proportionate share .....	27
Other postemployment benefits related:	
Contributions subsequent to measurement date .....	2,652
Changes in proportion .....	759
<b>Total deferred outflows of resources .....</b>	<b>\$ 25,565</b>
<b><u>Deferred Inflows of Resources</u></b>	
Pension related:	
Differences between expected and actual experience .....	\$ 847
Changes in proportion .....	352
Differences between employer contributions and proportionate share .....	107
Other postemployment benefits related:	
Differences between expected and actual experience .....	26,842
Net difference between projected and actual earnings on plan investments .....	134
Changes of assumptions .....	11,521
Changes in proportion .....	1,418
<b>Total deferred inflows of resources .....</b>	<b>\$ 41,221</b>

**NOTE 4 - CAPITAL ASSETS**

Changes in governmental activities capital assets for the fiscal year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
<b>Non-depreciable capital assets:</b>				
Land .....	\$ 608,420	\$ 59,774	\$ 43	\$ 668,151
Highway right-of-way .....	2,467,240	54,919	—	2,522,159
General construction in progress .....	910,003	350,800	189,128	1,071,675
Transportation construction in progress .....	4,159,860	2,772,272	2,714,437	4,217,695
Subtotal .....	<u>8,145,523</u>	<u>3,237,765</u>	<u>2,903,608</u>	<u>8,479,680</u>
<b>Depreciable and amortizable capital assets:</b>				
Land improvements .....	1,054,169	51,489	27	1,105,631
Buildings and building improvements .....	8,017,820	177,665	20,660	8,174,825
Machinery and equipment .....	1,691,812	133,214	27,181	1,797,845
Highway infrastructure .....	31,955,541	1,753,105	—	33,708,646
Bridge infrastructure .....	15,878,059	1,011,178	221	16,889,016
Waterway infrastructure .....	33,731	75	—	33,806
Infrastructure-other .....	219,863	3,204	—	223,067
Software .....	833,176	103,378	3,628	932,926
Other intangibles .....	200	—	—	200
Subtotal .....	<u>59,684,371</u>	<u>3,233,308</u>	<u>51,717</u>	<u>62,865,962</u>
<b>Less accumulated depreciation and amortization for:</b>				
Land improvements .....	450,213	31,733	27	481,919
Buildings and building improvements .....	3,502,011	177,734	9,353	3,670,392
Machinery and equipment .....	1,116,309	122,970	25,249	1,214,030
Highway infrastructure .....	18,774,637	1,351,433	—	20,126,070
Bridge infrastructure .....	4,717,781	446,111	97	5,163,795
Waterway infrastructure .....	5,705	683	—	6,388
Infrastructure-other .....	88,186	11,229	—	99,415
Software .....	333,117	45,365	1,917	376,565
Other intangibles .....	200	—	—	200
Subtotal .....	<u>28,988,159</u>	<u>2,187,258</u>	<u>36,643</u>	<u>31,138,774</u>
Total depreciable and amortizable capital assets, net.....	<u>30,696,212</u>	<u>1,046,050</u>	<u>15,074</u>	<u>31,727,188</u>
Total governmental activities capital assets, net .....	<u>\$ 38,841,735</u>	<u>\$ 4,283,815</u>	<u>\$ 2,918,682</u>	<u>\$ 40,206,868</u>

The decreases in construction in progress represent increases to all capital asset classes including non-depreciable assets such as land and highway right-of-way. For the fiscal year ending June 30, 2019, the amount of the decreases to construction in progress that resulted in increases to land and highway right-of-way totaled \$61,938.

**NOTE 4 - CAPITAL ASSETS (continued)**

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2019 is as follows:

	<b>Governmental Activities Capital Assets</b>
Direction and supportive services .....	\$ 60,270
Protection of persons and property .....	130,507
Public education .....	47,628
Health and human services .....	30,843
Economic development .....	48
Transportation .....	1,890,323
Recreation and cultural enrichment .....	27,639
Total depreciation and amortization expense .....	<u>\$ 2,187,258</u>

Changes in business-type activities capital assets for the fiscal year ended June 30, 2019 are as follows:

	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</b>
<b>Non-depreciable capital assets:</b>				
Land .....	\$ 220,846	\$ 9,430	\$ —	\$ 230,276
General construction in progress .....	55,090	109,305	107,187	57,208
Subtotal .....	<u>275,936</u>	<u>118,735</u>	<u>107,187</u>	<u>287,484</u>
<b>Depreciable and amortizable capital assets:</b>				
Land improvements .....	81,705	27,265	—	108,970
Buildings and building improvements .....	441,197	42,146	4,341	479,002
Machinery and equipment .....	191,281	53,915	10,771	234,425
Software .....	20,245	4,145	1,932	22,458
Subtotal .....	<u>734,428</u>	<u>127,471</u>	<u>17,044</u>	<u>844,855</u>
<b>Less accumulated depreciation and amortization for:</b>				
Land improvements .....	19,250	4,572	—	23,822
Buildings and building improvements .....	223,760	18,659	1,773	240,646
Machinery and equipment .....	147,037	10,724	9,972	147,789
Software .....	9,867	4,022	1,932	11,957
Subtotal .....	<u>399,914</u>	<u>37,977</u>	<u>13,677</u>	<u>424,214</u>
Total depreciable and amortizable capital assets, net .....	<u>334,514</u>	<u>89,494</u>	<u>3,367</u>	<u>420,641</u>
Total business-type activities capital assets, net .....	<u>\$ 610,450</u>	<u>\$ 208,229</u>	<u>\$ 110,554</u>	<u>\$ 708,125</u>

**NOTE 4 - CAPITAL ASSETS (continued)**

Construction in progress included in governmental activities capital assets at June 30, 2019 includes project information as follows:

	<b>Project Authorization</b>	<b>Amounts Expended at June 30, 2019</b>	<b>Authorization Available</b>
General construction in progress:			
Capitol Complex .....	\$ 253,918	\$ 85,874	\$ 168,044
Department of Corrections Institutions .....	431,856	390,047	41,809
Educational Institutions .....	623,343	293,605	329,738
Environmental Protection .....	10,263	6,540	3,723
State Parks and Forests .....	184,254	55,625	128,629
Veterans Homes and Military Armories .....	43,457	22,805	20,652
Department of Human Services Institutions .....	82,719	69,132	13,587
Transportation Facilities .....	151,654	84,184	67,470
Historical and Museum Commission Facilities .....	13,086	8,217	4,869
State Police Facilities .....	45,424	12,560	32,864
Agriculture Facilities .....	94,222	1,624	92,598
Department of Labor and Industry .....	6,358	6,323	35
Other .....	553,543	35,139	518,404
Total general construction in progress .....	<u>2,494,097</u>	<u>1,071,675</u>	<u>1,422,422</u>
Highway and Bridge Construction in Progress:	6,664,821	4,217,695	2,447,126
Total construction in progress .....	<u>\$ 9,158,918</u>	<u>\$ 5,289,370</u>	<u>\$ 3,869,548</u>

The Commonwealth's initial valuation of governmental activities capital assets was made as of June 30, 1986 using appraisal and historical cost reconstruction techniques. Subsequent to June 30, 1986, governmental activities capital asset acquisitions are reported at cost or, for donations or confiscations, at fair value. At June 30, 2019 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,492,100. The initial June 30, 1986 valuation did not include highway, bridge or waterway infrastructure. Such infrastructure was first reported in the June 30, 2002 basic financial statements, retroactive to July 1, 1980.



NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS

Statement of Net Position

Internal Balances

In the statement of net position, reported internal balances of \$(28,237)/\$27,884 for governmental activities/business-type activities differ by \$353 because the **State Workers' Insurance Fund**, an enterprise fund, reports for its fiscal year ended December 31, 2018.

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary funds interfund balances reported at June 30, 2019 is as follows, with major fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$442,251 and \$6,110; aggregate nonmajor enterprise funds receivables from other funds amount to \$31,932; aggregate internal service funds receivables from other funds and from component units, respectively, amount to \$40,670 and \$48:

Fund Type/Fund Primary Government	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
<b>General Fund</b> .....	\$ 158,624	\$ 154,858	\$ 435,621	\$ 3,245
<u>Special Revenue:</u>				
<b>Motor License Fund</b> .....	43,697	3	121,383	14,771
Banking Fund .....	—	—	78	—
Milk Marketing Fund .....	—	—	25	—
Workmen's Compensation Administration Fund .....	26	—	876	205
Workers' Compensation Security .....	—	—	139	—
Tobacco Settlement Fund .....	102,163	—	2,175	—
Public Transportation Trust Fund .....	201,008	—	57,503	—
Gaming Fund .....	241	5,825	9,858	15,000
Environmental Stewardship Fund .....	29,340	—	2,703	—
Marcellus Shale Fund .....	—	—	114,800	8,145
Multimodal Transportation Fund .....	42,229	—	64,679	250
Other Funds .....	47,602	—	9,826	72
Special Revenue subtotal .....	466,306	5,828	384,045	38,443
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund ....	—	285	—	—
Capital Debt Fund .....	—	—	501	—
Debt Service subtotal .....	—	285	501	—
<u>Capital Projects:</u>				
Capital Facilities Fund .....	631	—	23,315	—
Keystone Recreation, Park and Conservation Fund .....	9,318	—	1,201	—
Public Transportation Assistance Fund .....	9,693	—	—	—
Capital Projects subtotal .....	19,642	—	24,516	—
<u>Enterprise:</u>				
<b>Unemployment Compensation Fund</b> .....	258	—	5,618	—
<b>State Lottery Fund</b> .....	22	—	161,217	—
<b>Tuition Payment Fund</b> .....	3	—	36	—
<b>State Stores Fund</b> .....	16	—	16,059	—
<b>Commonwealth Financing Authority</b> .....	101,468	—	663	—
Rehabilitation Center Fund .....	1,692	—	385	—
Philadelphia Regional Port Authority .....	23,407	—	36	—
Other Funds .....	6,833	—	55	—
Enterprise subtotal .....	133,699	—	184,069	—
<u>Internal Service:</u>				
Purchasing Fund .....	32,986	42	1,863	—
Manufacturing Fund .....	7,684	6	638	—
Internal Service subtotal .....	40,670	48	2,501	—

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

Fund Type/Fund Primary Government	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
<b>Fiduciary - Pension Trust:</b>				
State Employees' Retirement System .....	15,311	55,642	—	—
Deferred Compensation Fund .....	—	—	241	—
Public School Employees' Retirement System .....	7,661	—	1,731	—
Public School Employees' Retirement System - DC .....	—	—	4	—
Fiduciary - Pension Trust subtotal .....	22,972	55,642	1,976	—
Total primary government .....	\$ 841,913	\$ 216,661	\$ 1,033,229	\$ 41,688

Discretely Presented Component Units	Due From		Due To	
	Primary Government	Component Units	Primary Government	Component Units
Pennsylvania Turnpike Commission .....	\$ 11,047	\$ —	\$ 450,000	\$ —
Pennsylvania Housing Finance Agency .....	8,145	454	—	173
Pennsylvania Higher Education Assistance Agency .....	—	—	17	—
Pennsylvania Infrastructure Investment Authority .....	15,017	173	154,331	455
State System of Higher Education .....	2,131	—	910	—
Pennsylvania Industrial Development Authority .....	—	—	5	—
Pennsylvania Convention Center Authority .....	—	—	5,825	—
Other component units .....	1,625	—	17	—
Total component units .....	\$ 37,965	\$ 627	\$ 611,105	\$ 628

The amount of total reported interfund receivables of \$1,097,166 does not agree with total reported interfund payables of \$1,686,650 at June 30, 2019 due to different fiscal year ends and reporting differences for certain funds included in the fund financial statements at June 30, 2019. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2019; the amounts reported as interfund balances for the State Employees' Retirement System and Deferred Compensation Fund, pension trust funds, and the **State Workers' Insurance Fund**, an enterprise fund, are reported at their fiscal years ended December 31, 2018. The following presents a reconciliation of interfund balances reported at June 30, 2019 and those amounts that would have been reported if all funds reported at the same fiscal year-end:

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due from other funds .....	\$ 626,896	\$ 169,432	\$ 20,096	\$ —	\$ 816,424
Due from pension trust funds .....	17,676	4,937	2,876	—	25,489
Due from component units .....	160,971	48	55,642	627	217,288
Due from primary government .....	—	—	—	37,965	37,965
Total .....	\$ 805,543	\$ 174,417	\$ 78,614	\$ 38,592	\$ 1,097,166
<b>Reported Interfund Receivables</b> .....					\$ 1,097,166
State Employees' Retirement System decrease in receivables from January 1, 2019 through June 30, 2019 .....					(40,309)
Deferred Compensation Fund increase in receivables from January 1, 2019 through June 30, 2019 .....					93
Pennsylvania Turnpike Commission increase in receivables from June 1, 2019 through June 30, 2019 .....					3,724
<b>State Workers' Insurance Fund increase in receivables from January 1, 2019 through June 30, 2019</b> .....					173
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds .....					145,604
Payroll accrual at June 30, 2019 - receivables attributable to State Employees' Retirement System .....					54,956
<b>Reconciled Interfund Receivables</b> .....					\$ 1,261,407

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds .....	\$ 612,150	\$ 183,665	\$ 1,026	\$ —	\$ 796,841
Due to pension trust funds .....	232,533	2,905	950	—	236,388
Due to component units .....	41,688	—	—	628	42,316
Due to primary government .....	—	—	—	611,105	611,105
Total .....	<u>\$ 886,371</u>	<u>\$ 186,570</u>	<u>\$ 1,976</u>	<u>\$ 611,733</u>	<u>\$ 1,686,650</u>
<b>Reported Interfund Payables</b> .....					\$ 1,686,650
State Employees' Retirement System increase in payables from January 1, 2019 through June 30, 2019 .....					3,047
Deferred Compensation Fund decrease in payables from January 1, 2019 through June 30, 2019 .....					(75)
Pennsylvania Turnpike Commission decrease in payables from June 1, 2019 through June 30, 2019 .....					(449,943)
<b>State Workers' Insurance Fund increase in payables from January 1, 2019 through June 30, 2019</b> .....					685
Interfund payables reported as accounts payable by fiduciary funds .....					<u>21,043</u>
<b>Reconciled Interfund Payables</b> .....					<u>\$ 1,261,407</u>

Advances - Fund Financial Statements

At June 30, 2019, the **General Fund** reported Advances to Other Funds of \$7,475. Specifically, this amount has been advanced as follows: \$2,300 to the **State Workers' Insurance Fund (SWIF)**, an enterprise fund; \$2,175 to the **Motor License Fund** and \$3,000 to the Medical Marijuana Program Fund, special revenue funds. These amounts have been reported by the respective owing funds as advances from other funds, except for the **SWIF**, which reported an advance of \$2,460 at its fiscal year ended December 31, 2018. The advance to the Medical Marijuana Program Fund is expected to be repaid during the fiscal year ending June 30, 2020. At June 30, 2019, the Workers' Compensation Security Fund, a special revenue fund, reported Advances to Other Funds of \$165,000; the amount was advanced to the **General Fund** and is expected to be repaid by July 1, 2024. At June 30, 2019, the Workmen's Compensation Administration Fund, a special revenue fund, reported Advances to Other Funds of \$16,500; the amount was advanced to the Uninsured Employers Guaranty Fund, a special revenue fund. The Underground Storage Tank Indemnification Fund, an agency fund, reported a \$67,500 statutory advance to the **General Fund** at June 30, 2019; a \$7,000 repayment is expected to occur during the fiscal year ending June 30, 2020. The Pennsylvania Infrastructure Bank Fund, an enterprise fund, reported Advances to Other Funds of \$22,295; the amount was advanced to the **Motor License Fund** and is expected to be repaid by the fiscal year ending June 30, 2023.

Transfers

A summary of transfers reported for the fiscal year ended June 30, 2019 is as follows, with major fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,654,680 during the fiscal year ended June 30, 2019; aggregate nonmajor governmental fund transfers to other funds amounted to \$1,209,492. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$132,063.

The **Commonwealth Financing Authority (CFA)**, a blended component unit enterprise fund, transferred revenue bond proceeds in the amount \$386,169 to the **General Fund**. As prescribed by Act 25 of 2016, the bond proceeds transferred from the **CFA** shall be used by the **General Fund** to reimburse school districts for construction costs.

NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)

	Transfers	
	In	Out
<b>Primary Government</b>		
<b>General Fund</b> .....	\$ 1,207,913	\$ 1,314,257
<b>Special Revenue:</b>		
<b>Motor License Fund</b> .....	24,860	128,309
Workmen's Compensation Administration Fund .....	2,023	—
Tobacco Settlement Fund .....	—	359,469
Public Transportation Trust Fund .....	118,205	30,000
Gaming Fund .....	87	334,323
Environmental Stewardship Fund .....	29,337	38,421
Vocational Rehabilitation Fund .....	45,626	—
Agricultural Conservation Easement Purchase Fund .....	12,368	—
State Farm Products Show Fund .....	5,000	—
Recycling Fund .....	1,000	—
Oil and Gas Lease Fund .....	—	72,294
Hazardous Sites Cleanup Fund .....	19,656	5,000
Marcellus Shale Fund .....	35,000	112,632
Uninsured Employers Guaranty Fund .....	107	—
State Racing Fund .....	12,424	—
Fish and Boat Fund .....	22,502	507
Multimodal Transportation Fund .....	30,000	64,513
Other Funds .....	911	8,437
Special Revenue subtotal .....	359,106	1,153,905
<b>Debt Service:</b>		
Capital Debt Fund .....	1,264,852	—
Growing Greener Bond Sinking Fund .....	21,706	—
Water and Sewer Assistance Bond Sinking Fund .....	20,906	—
Water Supply and Wastewater Treatment Sinking Fund .....	5,101	—
Debt Service subtotal .....	1,312,565	—
<b>Capital Projects:</b>		
Capital Facilities Fund .....	7,869	146,062
Keystone Recreation, Park and Conservation Fund .....	—	9,512
Growing Greener Bond Fund .....	—	6,024
Public Transportation Assistance Fund .....	—	22,298
Capital Projects subtotal .....	7,869	183,896
<b>Enterprise:</b>		
<b>Unemployment Compensation Fund</b> .....	—	1,880
<b>State Lottery Fund</b> .....	141,700	250,907
<b>State Stores Fund</b> .....	—	188,921
<b>Commonwealth Financing Authority</b> .....	318,719	386,169
Philadelphia Regional Port Authority .....	132,063	—
Enterprise subtotal .....	592,482	827,877
Total transfers, fund financial statements .....	3,479,935	3,479,935
Less: net elimination of governmental fund transfers .....	(3,244,540)	(3,244,540)
Total transfers, Statement of Activities .....	\$ 235,395	\$ 235,395

**NOTE 5 - INTERNAL/INTERFUND BALANCES AND TRANSFERS (continued)**

**Primary Government Transactions with Discretely Presented Component Units**

**Financial Support Provided to:**

**Major Discretely Presented Component Units**

During the fiscal year ended June 30, 2019 (May 31, 2019 for Pennsylvania Turnpike Commission), the Commonwealth provided financial support to major discretely presented component units, reported by the component units as follows:

State System of Higher Education (appropriations, grants and contracts) .....	\$	589,298
Pennsylvania Higher Education Assistance Agency (grants) .....		333,212
Pennsylvania Turnpike Commission (capital contributions) .....		169,843
Pennsylvania Housing Finance Agency (program income and fees) .....		32,227
Pennsylvania Infrastructure Investment Authority (operating revenues) .....		32,104

**Nonmajor Discretely Presented Component Units**

During the fiscal year ended June 30, 2019, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority .....	\$	14,500
Thaddeus Stevens College of Technology .....		14,701
Port of Pittsburgh Commission .....		750

**Financial Support Provided to the Commonwealth**

In June 2019, subsequent to its fiscal year ended May 31, 2019, the Pennsylvania Turnpike Commission incurred additional debt in order to provide \$450,000 to the Public Transportation Trust Fund under the statutory provisions of Act 89 of 2013, Act 44 of 2007, and the related Lease and Funding Agreement between the Pennsylvania Turnpike Commission and the Commonwealth. The June 2019 payment to the Public Transportation Trust Fund was accrued as of the Commission's fiscal year-end May 31, 2019. Under the provisions of Act 89 of 2013, the Commonwealth subsequently transferred \$30,000 from the Public Transportation Trust Fund to the Multimodal Transportation Fund.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES

**Governmental Activities**

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2019 and changes therein during the fiscal year ended June 30, 2019 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
<b>GENERAL LONG-TERM OBLIGATIONS</b>								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities .....	2010-18	3.00-5.45%	2039	\$ 134,084,410	\$ 7,454,432	\$ —	\$ 1,216,346	\$ 6,238,086
Disaster Relief .....	—	—	—	105,908	—	—	—	—
Land and Water Development .....	—	—	—	300	—	—	—	—
Nursing Home Loan Development .....	—	—	—	31,000	—	—	—	—
Volunteer Companies Loan .....	—	—	—	50,000	—	—	—	—
Vietnam Conflict Veterans Compensation .....	—	—	—	3,000	—	—	—	—
Water Facilities Loan .....	—	—	—	11,500	—	—	—	—
Pennsylvania Economic Revitalization .....	—	—	—	14,000	—	—	—	—
Pennsylvania Infrastructure .....								
Investment Authority .....	2010-18	3.00-5.00%	2038	35,600	329,070	—	178,700	150,370
Local Criminal Justice .....				3,000	—	—	—	—
Water Supply and Wastewater Treatment .....	2010-16	3.00-5.00%	2036	—	44,625	—	11,885	32,740
Growing Greener .....	2010-18	3.00-5.45%	2039	—	176,129	—	33,365	142,764
Persian Gulf Conflict Veterans Compensation .....				13,000	—	—	—	—
Refunding Bonds .....	2004-19	3.00-5.38%	2031	—	4,504,145	886,875	382,255	5,008,765
Total principal .....				134,351,718	12,508,401	886,875	1,822,551	11,572,725
Unamortized premium on bonds issued .....				—	914,393	176,779	167,527	923,645
Unamortized discount on bonds issued .....				—	(7,161)	—	(1,556)	(5,605)
Total general obligation bonds payable .....				\$ 134,351,718	\$ 13,415,633	\$ 1,063,654	\$ 1,988,522	\$ 12,490,765
Other General Long-Term Obligations								
Payable From Tax and Other Revenues:								
Installment Purchase Obligations (1) .....					3,049	103	895	2,257
Capital Lease Obligations (1) .....					96,211	1,635	3,378	94,468
Self-Insurance---Note 8 (1) .....					1,037,447	207,821	111,087	1,134,181
Compensated Absences (1) .....					745,282	522,770	513,723	754,329
Other (1)(2) .....					1,201,594	220,313	317,009	1,104,898
Subtotal .....					3,083,583	952,642	946,092	3,090,133
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS .....</b>					<b>\$ 16,499,216</b>	<b>\$ 2,016,296</b>	<b>\$ 2,934,614</b>	<b>\$ 15,580,898</b>

Totals may not foot due to rounding.

(1) The reported current liability portion of: Installment Purchase Obligations is \$808; Capital Lease Obligations is \$3,874; Self-Insurance is \$117,533; Compensated Absences is \$147,760; and Other liabilities is \$302,537.

(2) The beginning balance for Other liabilities was adjusted due to the implementation of GASB 83.

Total principal "Additions" above, amounting to \$886,875, are equal to refunding bonds reported in the governmental funds statement of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2019.

The total "Additions" of \$1,063,654 for general obligation bonds payable at June 30, 2019 consists of total refunding bond proceeds of \$886,875 (including a premium of \$176,779).

The total "Reductions" of \$1,988,522 for general obligation bonds payable at June 30, 2019 consists of total principal repayments of \$1,822,551 plus \$167,527 of bond premium and \$1,556 bond discount that were amortized and posted to bond interest expense in the statement of activities (unamortized premium in the statement of net position at June 30, 2019 is \$923,645, unamortized discount is \$5,605).

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

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**, the Gaming Fund, the Growing Greener Fund, and the Environmental Stewardship Fund transferred amounts to debt service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2019, these funds transferred \$1,091,993, \$104,488, \$58,000, \$6,024, and \$4,347 respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,317,911 (96%) of total Debt Service funds principal and interest expenditures of \$1,374,301. 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. In accordance the Constitution of Pennsylvania, Section 807 §7 (d), in the event of default on Commonwealth debt; if sufficient funds are not appropriated for the timely payment of debt, the State Treasurer shall apply the first revenues thereafter received applicable to the appropriate fund sufficient to pay the interest and principal amount of the debt, and shall apply those funds to such debt.

Included in "Other" for Other General Long-Term Obligations payable from workers' compensation insurance carrier assessments, **General Fund**, **Motor License Fund**, and/or other governmental fund tax revenues, investment income and/or escheated property are the following at June 30, 2019:

Workers' compensation security trust claims .....	\$	363,085
Catastrophic loss benefits claims .....		67,091
Public Utility Realty Tax Act (PURTA) liability .....		26,683
Litigation liability - Note 14 .....		325
State Insurance Fund claims .....		5,578
Restricted receipts liability .....		10,775
Escheated property liability .....		297,015
Pollution remediation liability .....		187,213
Asset retirement obligation .....		147,133
<b>Total</b> .....	<b>\$</b>	<b>1,104,898</b>

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 Public Utility Realty Tax Act (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. Escheated property is held in perpetuity for the rightful owner. The liability represents the estimated property that will ultimately be claimed. This property may be claimed without the appropriation process. None of the "Other" amounts included in general long-term obligations at June 30, 2019 are payable with currently expendable available financial resources.

Pollution remediation obligations generally involve groundwater, surface water and/or soil at or adjacent to former manufacturing/industrial locations. Affected landfills have either received specific contaminants and/or are the source of leachate, either on-site or affecting adjacent properties. 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, 2019. 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.

Asset retirement obligations reported by the Commonwealth generally involve the removal of dams, bridges or abandonment of water obstructions and encroachments. Prior to the discontinuance or abandonment of these water structures, the Commonwealth has an obligation to remove all or part of the facilities and take other actions are necessary to protect safety and the environment in accordance with existing Pennsylvania code regulations. The remaining useful life of Commonwealth capital

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

assets associated with asset retirement obligations range from one to 50 years. Reported obligation amounts do not include instances, or portions of instances, where the asset retirement obligations are not reasonably estimable as of June 30, 2019.

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 \$61,070,033 as of August 31, 2019, with net debt outstanding after credit for refunded debt of \$10,222,540.

The following table presents annual principal and interest payments for long-term debt outstanding at June 30, 2019:

	2020	2021	2022	2023	2024	2025-29	2030-34	2035-39	Total
<b>GENERAL OBLIGATION BONDS</b>									
Capital Facilities .....	\$ 643,093	\$ 603,300	\$ 603,435	\$ 536,074	\$ 496,922	\$ 2,621,722	\$ 2,643,684	\$ 948,232	\$ 9,096,462
Disaster Relief .....	—	—	—	—	—	—	—	—	—
Land and Water Development .....	—	—	—	—	—	—	—	—	—
Nursing Home Loan Development .....	—	—	—	—	—	—	—	—	—
Volunteer Companies Loan .....	—	—	—	—	—	—	—	—	—
Vietnam Conflict Veterans Compensation .....	—	—	—	—	—	—	—	—	—
Water Facilities Loan .....	—	—	—	—	—	—	—	—	—
Pennsylvania Economic Revitalization	—	—	—	—	—	—	—	—	—
Pennsylvania Infrastructure Investment Authority .....	21,756	18,529	18,535	9,680	4,714	59,278	63,510	5,177	201,179
Local Criminal Justice .....	—	—	—	—	—	—	—	—	—
Water Supply and Wastewater Treatment .....	3,402	3,397	3,398	3,389	3,385	9,871	15,941	2,029	44,812
Growing Greener .....	19,081	13,781	13,794	12,604	10,825	63,079	48,305	15,636	197,105
Persian Gulf Conflict Veterans Compensation .....	—	—	—	—	—	—	—	—	—
Refunding Bonds .....	638,369	672,846	655,793	670,886	685,854	2,413,664	234,083	—	5,971,495
Total Principal and Interest .....	1,325,701	1,311,853	1,294,955	1,232,633	1,201,700	5,167,614	3,005,523	971,074	15,511,053
Less: Interest Payments .....	(507,956)	(488,713)	(446,831)	(404,264)	(363,066)	(1,212,805)	(441,233)	(73,460)	(3,938,328)
Total General Obligation Bonds .....	817,745	823,140	848,124	828,369	838,634	3,954,809	2,564,290	897,614	11,572,725
Other General Long-Term Obligations	572,512	182,428	177,552	173,501	179,693	710,760	514,290	579,397	3,090,133
<b>TOTAL GENERAL LONG-TERM OBLIGATIONS</b> .....	<b>\$ 1,390,257</b>	<b>\$ 1,005,568</b>	<b>\$ 1,025,676</b>	<b>\$ 1,001,870</b>	<b>\$ 1,018,327</b>	<b>\$ 4,665,569</b>	<b>\$ 3,078,580</b>	<b>\$ 1,477,011</b>	<b>\$ 14,662,858</b>

Totals may not foot due to rounding.

The Commonwealth routinely leases various facilities and equipment on an ongoing basis. Some of these lease agreements constitute in-substance purchases (capital leases) whereby the assets being leased are reported as capital assets and the related liabilities are reported as capital lease obligations. In addition, the Commonwealth routinely acquires certain capital assets using installment purchase arrangements. The following is a schedule by fiscal year of future minimum payments due for capital leases and installment purchases, together with the present value of the net minimum lease payments as of June 30, 2019:



NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Fiscal Year Ending June 30	Capital Lease Obligations	Installment Purchase Obligations
2020 .....	\$ 8,334	\$ 868
2021 .....	8,442	692
2022 .....	8,546	506
2023 .....	8,489	295
2024 .....	8,146	9
2025-29 .....	42,263	—
2030-34 .....	53,760	—
Total minimum lease payments .....	137,980	2,370
Less: amount representing interest .....	(43,512)	(113)
<b>Total Capital Lease and Installment Purchase Obligations .....</b>	<b>\$ 94,468</b>	<b>\$ 2,257</b>

At June 30, 2019, general capital assets included \$197,000 of buildings and \$3,868 of equipment procured by capital leases. A total of \$25,641 in general capital assets have been procured using vendor-financed installment purchase arrangements.

**Refunded Debt Information**

During the fiscal year ended June 30, 2019 the Commonwealth issued \$886,875 in general obligation bonds, First Refunding Series of 2019 with an average interest cost of 1.8% to advance refund \$1,015,505 of previously issued general obligation bonds with average interest rates of 5.4%. The net refunding bond proceeds of \$1,059,812 after payment of underwriting fees and other issuance costs, which included a bond premium of \$176,779, were deposited with an escrow agent in an irrevocable trust 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 \$93,105 and to obtain an economic gain of \$79,351.

A deferred outflow of resources of \$45,310 for net refunding loss was reported in the statement of net position. Bond issuance costs of \$3,343 were reported in the statement of revenues, expenditures and changes in fund balance, as interest and fiscal charges.

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, 2019, \$1,963,795 of general obligation bonds outstanding that were previously accounted for in the Commonwealth’s financial statements were defeased through advance refunding.

**Other Financing Obligations**

In 2018, the Commonwealth entered into a long-term financing agreement. The term of the agreement is for 29 years with a one time, lump-sum net payment of \$200,000 paid to the Commonwealth. This agreement was securitized with a publicly-offered issuance of certificates of participation on April 26, 2018. Interest will accrue on the principal amount payable by the Commonwealth per the established rates. The semi-annual payments are to be made solely from funds appropriated by the General Assembly, and are not secured by a pledge by the Commonwealth of the Commonwealth’s full faith, credit and taxing power. The interest due through June 30, 2019 was capitalized with the escrow agent. No additional principal or interest will be due for the 2018-2019 fiscal year. The first payment will be due July 1, 2020. The other financing obligation at June 30, 2019 consists of \$201,115 in principal and \$15,535 in unamortized premium.

In 2010, multiple agencies participated in energy audits pursuant to the Guaranteed Energy Savings Act. As a result of the audits, the agencies entered into guaranteed energy saving installment agreements with various vendors to acquire energy-saving improvements. These agreements were financed with issuances of Commonwealth certificates of participation totaling \$114,845. The guaranteed energy savings from the improvements were designed to be sufficient to fund the future installment payments.

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

These certificates are secured and payable by the Commonwealth through the installment agreement arrangements, which are subject to annual appropriations. The certificates are not secured by a pledge of the Commonwealth’s full faith, credit and taxing power. During the fiscal year ended June 30, 2019, the Commonwealth made annual installment payments for the principal and interest totaling \$8,140 and \$3,395, respectively. As of June 30, 2019, total principal remaining on the certificates of participation is \$66,285.

The tables for the balances and changes in the certificates of participation balances as of June 30, 2019 and the annual principal and interest payments are as follows:

	Issue Date	Interest Rates	Maturity Dates Through	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
<b>CERTIFICATES OF PARTICIPATION</b>							
Certificates of Participation Payable From Appropriation:							
Series A of 2018 .....	2018	3.63-5.85	2046	\$ 201,115	\$ —	\$ —	\$ 201,115
2010 - Multiple Series .....	2010	1.15-7.11	2027	74,425	—	8,140	66,285
Total principal .....				275,540	—	8,140	267,400
Unamortized premium on certificates issued ..				15,535	—	1,623	13,912
<b>Total certificates of participation payable .....</b>				<b>\$ 291,075</b>	<b>\$ —</b>	<b>\$ 9,763</b>	<b>\$ 281,312</b>

**CERTIFICATES PAYABLE FROM APPROPRIATION**

For the fiscal year ending June 30,	2020	2021	2022	2023	2024	2025-29	2030-34
Certificates of Participation (Principal and Interest) .....	\$ 21,436	\$ 24,645	\$ 23,814	\$ 24,203	\$ 24,958	\$ 89,277	\$ 66,277
Less: Interest payments .....	(12,581)	(12,220)	(11,639)	(11,033)	(10,378)	(42,892)	(34,252)
<b>Total Certificates of Participation .....</b>	<b>\$ 8,855</b>	<b>\$ 12,425</b>	<b>\$ 12,175</b>	<b>\$ 13,170</b>	<b>\$ 14,580</b>	<b>\$ 46,385</b>	<b>\$ 32,025</b>

For the fiscal year ending June 30,	2035-39	2040-44	2045-46	Total
Certificates of Participation (Principal and Interest) .....	\$ 66,280	\$ 66,285	\$ 39,766	\$ 446,941
Less: Interest payments .....	(26,305)	(15,260)	(2,981)	(179,541)
<b>Total Certificates of Participation .....</b>	<b>\$ 39,975</b>	<b>\$ 51,025</b>	<b>\$ 36,785</b>	<b>\$ 267,400</b>

Based on several contractual agreements between the Commonwealth, the City of Philadelphia (City), and the Pennsylvania Convention Center Authority (PCCA), a discretely presented component unit, the Commonwealth is financially obligated for debt service principal and interest payments for certain bonds issued by a public financing authority in connection with the PCCA premises in Philadelphia, Pennsylvania. Total debt service requirements for the bonds at June 30, 2019 are as follows:

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Fiscal Year Ending June 30	Total Other Financing Obligations
2020 .....	\$ 18,726
2021 .....	19,482
2022 .....	19,396
2023 .....	19,313
2024 .....	12,735
2025-29 .....	80,157
2030-34 .....	120,260
2035-39 .....	130,306
Total principal and interest .....	420,375
Less: interest .....	(202,135)
<b>Total Principal</b> .....	<b>\$ 218,240</b>

Total bond interest payments made during the fiscal year ended June 30, 2019 amounted to \$13,956 and were financed by \$9,374 from the City (in the form of an annual service fee), and \$4,582 from the U.S. Treasury (in the form of a Build America Bonds interest subsidy for Series B of the bonds).

Through June 30, 2039, the Commonwealth anticipates that the City will remit \$15,000 each fiscal year to the bond trustee, to be applied first to bond principal and interest payments due during each fiscal year amounting to a total of \$285,000; a total of \$75,632 of Build America Bonds Series B interest subsidy that will be paid to the bond trustee; the bond trustee will apply Debt Service Reserve fund income of \$26,800; and the Commonwealth will appropriate a maximum amount of \$32,944 to be financed by the Gaming Fund under the provisions of Act 53 of 2007 to finance total bond principal and interest payments of \$420,376 at June 30, 2019. Amounts to be financed by the Gaming Fund under the provisions of Act 53 of 2007 are established each fiscal year and will vary based on bond trustee investment income and other amounts due under the bond trust indenture and other contractual agreements. No Gaming Fund payment was required for the fiscal year ended June 30, 2019.

Pursuant to applicable Commonwealth laws, in 2002, the Underground Storage Tank Indemnification Fund (USTIF), an agency fund, advanced \$67,500 to the **General Fund**. Repayments are subject to appropriation. There were no borrowings from, or repayments to, the USTIF during the fiscal year ended June 30, 2019, as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Principal	\$ 67,500	\$ —	\$ —	\$ 67,500

**NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)**

**Business-Type Activities**

**Tuition Benefits Payable**

The reported liability for tuition benefits payable of \$1,642,084 of the **Tuition Payment Fund**, an enterprise fund, at June 30, 2019 is based on several actuarial assumptions, including those related to tuition cost increases, investment experience, income from account maintenance fees, and program expenses for the Pennsylvania 529 Guaranteed Savings Plan (GSP). The assumed rate of return on long-term investments is 6.00%.

Changes in tuition benefits payable are as follows:

<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2019</u>	<u>Current Due within One Year</u>	<u>Noncurrent Due after One Year</u>
\$ 1,644,235	\$ 226,744	\$ 228,895	\$ 1,642,084	\$ 241,163	\$ 1,400,921

**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 2.0% at December 31, 2018 and December 31, 2017. 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, 2018 and 2017, the following summary provides information on prior year reported insurance loss liability, incurred claims and payments, and current year reported insurance loss liability.

<u>Year Ended December 31</u>	<u>Prior Year Liability</u>	<u>Incurred Claims</u>		<u>Payments</u>		<u>Current Year Liability</u>
		<u>Current</u>	<u>Prior</u>	<u>Current</u>	<u>Prior</u>	
2018	\$ 1,497,470	\$ 191,500	\$ (76,753)	\$ 35,579	\$ 152,907	\$ 1,423,731
2017	\$ 1,562,897	\$ 183,256	\$ (41,676)	\$ 34,832	\$ 172,175	\$ 1,497,470

The current portion of the total **SWIF** insurance loss liability is \$161,301 and the noncurrent portion is \$1,262,430. Additionally, nonmajor enterprise funds reported a noncurrent insurance loss liability of \$398 at June 30, 2019. Total reported current insurance loss liability amounts to \$161,301 and total noncurrent insurance loss liability amounts to \$1,262,828 at June 30, 2019.

**Compensated Absences Liability**

The reported compensated absences liability for the enterprise funds totaled \$37,383 at June 30, 2019. Of that amount, the liability is primarily owed by the **State Stores Fund** (\$30,288), the **SWIF** (\$1,748), and the **State Lottery Fund** (\$2,722). The following summary provides aggregated information reported for June 30, 2019 compensated absences liabilities; additions and reductions during the fiscal year ended June 30, 2019 and reported compensated absences liabilities at June 30, 2019:

<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>
\$ 36,358	\$ 26,582	\$ 25,557	\$ 37,383

The current portion of the total compensated absences liability for enterprise funds is \$7,082; the noncurrent portion is \$30,301.

NOTE 6 - LONG-TERM OBLIGATIONS - GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES (continued)

Revenue Bonds Payable

Revenue bond obligations of the enterprise funds (including the Philadelphia Regional Port Authority and the Commonwealth Financing Authority, blended component units) at June 30, 2019 and changes during the fiscal year ended June 30, 2019 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2019
<b>REVENUE BONDS PAYABLE</b>							
Philadelphia Regional Port Authority .....	2008	3.00-5.00%	2021	\$ 12,835	\$ —	\$ 4,065	\$ 8,770
Unemployment Compensation Fund .....	2012	1.00-5.00%	2024	1,013,290	—	501,915	511,375
Commonwealth Financing Authority .....	2005-19	0.55-6.40%	2042	4,087,710	429,800	125,650	4,391,860
Total principal obligations .....				5,113,835	429,800	631,630	4,912,005
Less: unamortized bond discount .....				(4,218)	—	(888)	(3,330)
Add: unamortized bond premium .....				210,208	9,425	41,946	177,687
<b>TOTAL REVENUE BONDS PAYABLE .....</b>				<b>\$ 5,319,825</b>	<b>\$ 439,225</b>	<b>\$ 672,688</b>	<b>\$ 5,086,362</b>

The following table presents annual principal and interest payments for long-term debt outstanding for revenue bonds for the enterprise funds:

	2020	2021	2022	2023	2024	2025-29	2030-34
Philadelphia Regional Port Authority .....	\$ 4,607	\$ 4,607	\$ —	\$ —	\$ —	\$ —	\$ —
Unemployment Compensation Fund .....	439,361	91,087	—	—	—	—	—
Commonwealth Financing Authority .....	328,106	326,330	326,107	325,864	324,606	1,556,462	1,757,279
Total Principal and Interest .....	772,074	422,024	326,107	325,864	324,606	1,556,462	1,757,279
Less: Interest Payments .....	(220,819)	(198,964)	(190,077)	(183,049)	(175,781)	(764,942)	(543,159)
<b>TOTAL PRINCIPAL OBLIGATIONS .....</b>	<b>\$ 551,255</b>	<b>\$ 223,060</b>	<b>\$ 136,030</b>	<b>\$ 142,815</b>	<b>\$ 148,825</b>	<b>\$ 791,520</b>	<b>\$ 1,214,120</b>

	2035-39	2040-44	Total
Philadelphia Regional Port Authority .....	\$ —	\$ —	\$ 9,214
Unemployment Compensation Fund .....	—	—	530,448
Commonwealth Financing Authority .....	1,674,755	281,856	6,901,365
Total Principal and Interest .....	1,674,755	281,856	7,441,027
Less: Interest Payments .....	(235,335)	(16,896)	(2,529,022)
<b>TOTAL PRINCIPAL OBLIGATIONS .....</b>	<b>\$ 1,439,420</b>	<b>\$ 264,960</b>	<b>\$ 4,912,005</b>

**NOTE 7 - SHORT-TERM DEBT**

On December 31, 2018, the Department of Transportation entered into a Memorandum of Understanding (MOU) with the Office of the Budget establishing a line of credit (LOC) for \$450,000 between the **Motor License Fund (MLF)** and the **General Fund**. The LOC is a revolving line of credit that permits the **General Fund** to borrow monies only to be used to pay expenditures of state monies payable from the **General Fund** during fiscal year 2018-19. None of the borrowed monies may be used for federal expenditures. The LOC establishes an interest rate based on the monthly rate of return earned by the Department of Treasury's Short-Term Investment Pool (Pool 999) and will be calculated on a daily basis by multiplying the principal amount of the LOC outstanding by the Pool 999 Average Weighted Yield month-to-date rate applicable to each day of the period from the date of the first draw through the date of repayment. Pursuant to the terms of the MOU the **General Fund** received \$300,000 from the **MLF** on January 2, 2019 and \$75,000 on February 14, 2019. Principal repayments of \$200,000 and \$175,000 were made on February 27, 2019 and March 20, 2019, respectively. Per the MOU the calculated interest of \$1,516 was repaid on April 11, 2019. The MOU expired when the final payment was made, April 11, 2019.

On February 28, 2019, the Commonwealth initiated a Short-Term Investment Agreement (Investment Agreement) between the Treasury Department's Short-Term Investments Pool (STIP) and the Office of the Budget for \$800,000. The Investment Agreement is structured as a revolving line of credit, which imposes a market-based rate of return, for the exclusive purpose of providing revenue for the general purposes of the Commonwealth and such other expenses payable from the **General Fund**. The Investment Agreement will provide the benefit, consistent with the public interest, of an alternate means of financing short-term revenue shortfalls and avoids unnecessary costs and fees otherwise associated with traditional short-term bond financing. On February 28, 2019, an advance related to the Investment Agreement in the amount of \$650,000 was made to the **General Fund**. On March 22, 2019, the principal of \$650,000 was repaid. Additionally, per the Investment Agreement the interest calculated of \$733 was repaid along with the principal. The Investment Agreement expired on March 22, 2019.

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>		<b>June 30, 2019</b>
MOU	\$ —	\$ 375,000	\$ 375,000		\$ —
STIP	\$ —	\$ 650,000	\$ 650,000		\$ —

**NOTE 8 - 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 a \$1,000 retention with excess commercial insurance coverage up to \$1,000,000 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.

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 for the fiscal year ended June 30, 2019. No accrued liability has been reported for property losses under self-insurance.

There were no reductions in commercial insurance coverage during the fiscal year ended June 30, 2019. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2019, none of the \$1,134,181 of accrued self-insurance liabilities for governmental activities were payable from current expendable available financial resources. The governmental activities liabilities are primarily owed by the **General Fund** (\$888,750) and the **Motor License Fund** (\$204,458). Business-type activities liabilities are primarily owed by the **State Lottery Fund** (\$2,106), the **State Workers’ Insurance Fund** (\$1,154), and the **State Stores Fund** (\$57,715), all enterprise funds. All accrued self-insurance liabilities at June 30, 2019 are summarized as follows:

	<u>Government Activities</u>		<u>Business-Type Activities</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Employee disability .....	\$ 96,331	\$ 905,835	\$ 6,034	\$ 56,746
Automobile tort .....	2,327	7,663	—	—
Employee tort .....	11,630	40,255	—	—
General tort .....	1,171	10,504	—	—
Transportation .....	6,074	52,391	—	—
Totals .....	<u>\$ 117,533</u>	<u>\$ 1,016,648</u>	<u>\$ 6,034</u>	<u>\$ 56,746</u>

**NOTE 8 - SELF-INSURANCE LIABILITIES (continued)**

The following summary provides aggregated information on June 30, 2018 reported self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2019 and reported self-insurance liabilities at June 30, 2019:

	June 30, 2018	Incurred Claims		Payments		June 30, 2019
	Liability	Current	Prior	Current	Prior	Liability
Employee disability .....	\$ 972,201	\$ 88,552	\$ 113,054	\$ 9,969	\$ 98,892	\$ 1,064,946
Automobile tort .....	11,653	3,472	(1,684)	1,145	2,306	9,990
Employee tort .....	49,283	11,787	(1,737)	158	7,290	51,885
General tort .....	12,820	1,219	(1,538)	48	778	11,675
Transportation .....	57,419	6,488	92	414	5,120	58,465
Totals .....	<u>\$ 1,103,376</u>	<u>\$ 111,518</u>	<u>\$ 108,187</u>	<u>\$ 11,734</u>	<u>\$ 114,386</u>	<u>\$ 1,196,961</u>

The following summary provides aggregated information on June 30, 2017 self-insurance liabilities; incurred claims and payments during the fiscal year ended June 30, 2018; and reported self-insurance liabilities at June 30, 2018:

	June 30, 2017	Incurred Claims		Payments		June 30, 2018
	Liability	Current	Prior	Current	Prior	Liability
Employee disability .....	\$ 974,133	\$ 80,813	\$ 24,149	\$ 9,462	\$ 97,432	\$ 972,201
Automobile tort .....	11,859	3,936	(660)	1,249	2,233	11,653
Employee tort .....	64,713	11,691	(21,503)	147	5,471	49,283
General tort .....	12,768	1,180	(261)	49	818	12,820
Transportation .....	57,613	7,699	(1,066)	474	6,353	57,419
Totals .....	<u>\$ 1,121,086</u>	<u>\$ 105,319</u>	<u>\$ 659</u>	<u>\$ 11,381</u>	<u>\$ 112,307</u>	<u>\$ 1,103,376</u>



**NOTE 9 - PENSION**

**Pension Systems**

Commonwealth laws established contributory 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 classified as fiduciary fund component units. The SERS and the PSERS issue stand-alone, audited financial statements which are available at [www.sers.pa.gov](http://www.sers.pa.gov) and [www.psers.pa.gov](http://www.psers.pa.gov), respectively. Written requests for the SERS or PSERS financial statements 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

**Total Net Pension Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Expense - SERS and PSERS**

Below is an aggregation of the total net pension liabilities, deferred outflows of resources, deferred inflows of resources, and net pension expense for both the SERS and PSERS plans.

	<u>SERS</u>	<u>PSERS</u>	<u>Total</u>
Net Pension Liability .....	\$ 17,199,452	\$ 290,094	\$ 17,489,546
Deferred outflows of resources .....	\$ 3,487,755	\$ 45,414	\$ 3,533,169
Deferred inflows of resources .....	\$ 454,299	\$ 4,721	\$ 459,020
Net Pension expense .....	\$ 2,538,812	\$ 34,246	\$ 2,573,058

**State Employees’ Retirement System - Defined Benefit**

**Plan Description:** The SERS is the administrator of a cost-sharing multiple-employer defined benefit retirement plan established to provide retirement benefits for Commonwealth employees and certain other organizations. At December 31, 2018 there were 102 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. Prior to Act 2010-120 (Act 120), 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 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. Act 120 preserved all benefits in place for existing members, but mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2% of their final average salary instead of the previous 2.5%. The new vesting period changed from five to 10 years of credited service, and the option to withdraw lump sum accumulated employee contributions was eliminated. The new normal retirement age is 65 for most employees and age 55 for members of the General Assembly and certain employees classified in hazardous duty positions.

Most members of the SERS, and all covered employees hired after June 30, 2001 and prior to January 1, 2011 (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% 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% of salary for 25 or more years of service and 50% of salary for 20-24.99 years of service. Judges are entitled to a benefit of 4% of final average salary for each of the first 10 years of service and 3% for subsequent years. District Justices are entitled to a benefit

**NOTE 9 - PENSION (continued)**

of 3% of final average salary for each year of service. Legislators taking office before December 1, 2010 are Class D-4, which translates into an annual benefit of 3% of the final average salary for each year of service. The general annual benefit for full retirement for Class A members is 2% of the member's highest three-year salary multiplied by years of service. Act 120 of 2010 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011 and December 1, 2010 for legislators newly elected in November 2010. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5%.

Act 2017-5 established two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option for all state employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. While most hazardous employees are exempt, those starting on or after January 1, 2019, will have a 10% cap on voluntary overtime that is included for retirement covered earnings. Additionally, all current SERS members had a one-time, irrevocable option to select one of the three new retirement benefit options between January 1, 2019, and March 31, 2019. The newly elected option is effective July 1, 2019, and generally will apply to all future service. The new normal retirement age is 67 for most employees. Act 2017-5 provides for general annual retirement benefits of 1.25% (Class A5) or 1% (Class A6) of the member's highest five-year average salary multiplied by years of service. The defined benefit portions of both hybrid options are included in the defined benefit plan.

**Contribution Requirements:** Commonwealth law establishes the funding policy for all members' contribution rates. The active plan member contribution rate is 6.25% of covered payroll for employees in Class AA; for Class A members, the contribution rate is 5%. The general membership contribution rate under Act 120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. The active plan member defined contribution rates for hybrid plans A5 and A6 are 5% and 4%, respectively. Higher contributions are required for certain members of the General Assembly, 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.

Act 120 imposed rate increase collars on employer contributions until no longer needed. The actuarially required employer contribution increase was lower than the 4.5% collar established as of June 30, 2018. As a result, the rate caps are no longer in effect. Contributions to the SERS defined benefit plan from the Commonwealth, including PRPA (a blended component unit) were \$1,706,602 for the year ended June 30, 2019.

**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. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has a legal requirement to provide contributions. 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. government securities and corporate and foreign bonds and notes are valued based on matrix pricing. Commingled equity funds and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Private equity, real estate, hedge funds and commingled fixed income funds are reported at fair value as estimated and reported by general partners based upon the underlying net asset value (NAV) of the fund or partnership as a practical expedient of fair value. Adjustments are required when the SERS expects to sell the investment at a value other than NAV.

The investments in short-term funds, including those managed by the Treasury Department, are reported at cost plus allocated interest, which approximates fair value. The securities lending collateral pool, which is a fund operated by the securities lending agent, also is reported at cost plus accrued interest, which approximates fair value.

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 9 - PENSION (continued)**

**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2019, the Commonwealth reported a total net pension liability of \$17,199,452 for its participation in the SERS Defined Benefit Plan. The net pension liability attributed to participation in the SERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth's proportion of the SERS net pension liability was based on a projection of the Commonwealth's long-term share of contributions to the pension plan relative to the projected contributions of all participating SERS employers, actuarially determined. At December 31, 2018 the Commonwealth's reported proportionate share of the SERS net pension liability was 82.57%, which was an increase of 0.09% from its proportion measured as of December 31, 2017.

As of June 30, 2019, the Commonwealth recognized a defined benefit pension expense of \$2,538,812, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS (December 31, 2018)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience .....	\$ 258,104	\$ 186,373
Differences between employer contributions and proportionate share .....	31,802	21,966
Net difference between projected and actual earnings on plan investments .....	1,673,406	—
Changes of assumptions .....	458,234	—
Changes in proportion .....	226,344	245,960
Contributions subsequent to measurement date .....	839,865	—
<b>Total .....</b>	<b>\$ 3,487,755</b>	<b>\$ 454,299</b>

The \$839,865 reported as deferred outflows of resources related to pensions resulting from Commonwealth contributions to the SERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	SERS (December 31, 2018)
2020 .....	\$ 871,592
2021 .....	\$ 410,456
2022 .....	\$ 284,082
2023 .....	\$ 618,514
2024 .....	\$ 8,947

**Actuarial Assumptions:** Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 18th Investigation of Actuarial Experience study for the period 2011 - 2015 was released in March 2016. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was a slight increase to the net pension liability.

Most demographic assumptions remained the same as or similar to experience over the last five years. However, the experience study did recommend changing some assumptions, which are highlighted as follows. The study recommended decreasing disability retirement rates for all active members. Additionally, it recommended adjusting superannuation separation rates, early retirement separation rates, and withdrawal rates for certain active member groupings (gender, age, years of service) in both the general and special membership classes. Furthermore, it recommended decreasing most annuitant and survivor mortality

**NOTE 9 - PENSION (continued)**

rates. The board adopted the actuarial assumptions set forth in the 18th Investigation of Actuarial Experience at its March 2016 meeting. The study can be viewed at [www.sers.pa.gov](http://www.sers.pa.gov).

The current set of assumptions used in the December 31, 2018 actuarial valuation, with the exception of the discount rate and inflation assumptions, was adopted by the State Employees' Retirement Board (the Board) based upon actual experience of the SERS during the years 2011 through 2015. In addition to the five-year experience study, the SERS reviews its investment return assumption in light of economic conditions every year as part of its annual valuation.

Actuarial Cost Method	Entry age
Amortization Method	Straight-line amortization of investments over five years and amortization of assumption changes and noninvestment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	7.25% net of expenses including inflation
Projected salary increases	Average of 5.60% with range of 3.7% to 8.9% including inflation
Asset valuation method	Fair (market) value
Inflation	2.60%
Mortality Rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost of living adjustments	Ad hoc

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class in the SERS current and target asset allocation as of December 31, 2018, are summarized in the following table:

<b>SERS (December 31, 2018)</b>		
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return</b>
Alternative investments .....	16.00%	7.25%
Global public equity .....	48.00%	5.15%
Real assets .....	12.00%	5.26%
Diversifying assets .....	10.00%	4.44%
Fixed income .....	11.00%	1.26%
Cash .....	3.00%	0.00%
<b>Total .....</b>	<b>100.00%</b>	

**Discount rate:** The SERS discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary and as set by statute. Based on those assumptions, the SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore the long-term expected rate of return on the SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

**NOTE 9 - PENSION (continued)**

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate:** The following chart presents the Commonwealth’s proportionate share of the SERS net pension liability using the discount rate of (7.25%), as well as what the Commonwealth’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SERS (December 31, 2018) .....	\$ 21,119,523	\$ 17,199,452	\$ 13,840,165

**Payables to the Pension Plan:** For the fiscal year ended June 30, 2019, the Commonwealth reported an accounts payable for the employer’s share of retirement contributions to the SERS in the amount of \$56,017.

**State Employees’ Retirement System - Defined Contribution**

**Plan Description:** The SERS is the administrator of the State Employees Defined Contribution Plan, an investment plan, which was established as part of Act 2017-5 to provide retirement benefits for employees of state government and certain independent agencies. Enrollment to the investment plan opened January 1, 2019.

**Retirement Benefits:** Act 2017-5 established two new side-by-side hybrid defined benefit/defined contribution benefit options and a new defined contribution only option for all state employees, excluding most hazardous duty employees, who first enter SERS membership on or after January 1, 2019. Employees are vested in the defined contribution plan after 3 years. Employees are vested in the defined benefit portion of hybrid plans class A5 and class A6 after 10 years. In the hybrid plans, employees who retire at age 67 with three years of service are entitled to a normal annual retirement benefits. Additionally, all current SERS members had a one-time, irrevocable option to select one of the three new retirement benefit options between January 1, 2019, and March 31, 2019. The newly elected option is effective July 1, 2019, and generally will apply to all future service. The fully defined contribution option and the defined contributions portions of both hybrid options are included in a newly established defined contribution plan.

**Contribution Requirements:** Commonwealth law establishes the funding policy for all contribution rates. The active plan member contribution rate is 7.5% of covered payroll for employees participating in the defined contribution plan and the employer defined contribution rate is 2%. The active plan member defined contribution rates for hybrid plan Class A5 is 3.25% (for a total employee contribution rate of 8.25% including the defined benefit rate) and the employer defined contribution rate is 2.25%. The active plan member defined contribution rates for hybrid plan Class A6 is 3.5% (for a total employee contribution rate of 7.5% including the defined benefit rate) and the employer defined contribution rate is 2%.

Pension expense, consisting of contributions to the SERS from the Commonwealth for the defined contribution plan, including PRPA (a blended component unit), was \$433 for the year ended June 30, 2019.

**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, 2019 there were 775 participating employers, generally school districts. In relation to the PSERS, the Commonwealth is a non-employer contributor organization that recognizes a less than substantial portion of the PSERS collective net pension liability.

**Retirement Benefits:** The PSERS provides retirement, disability retirement, death, and health care benefits. Under the provisions of the 1975 revision of the Code by the Pennsylvania General Assembly, members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and

**NOTE 9 - PENSION (continued)**

Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Pennsylvania Public School Employees' Retirement Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

**Contribution Requirements:** 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. According to requirements established in Act 29 of 1994, the Commonwealth reimburses school entity employers a portion of the employer contributions paid to the PSERS. All school entity employers are reimbursed by the Commonwealth at least 50% of the total employer contributions based on the total contribution rate. The Commonwealth remits 50% of employer contributions for employers other than school entities directly to the PSERS resulting in a special funding situation.

The contribution rates for active plan memberships started prior to July 1, 2011 are as follows:

- Membership Class T-C and T-D hired before July 22, 1983 are 5.25% and 6.50% of covered payroll, respectively;
- Membership Class T-C and T-D hired after July 21, 1983, the rates are 6.25% and 7.50%, respectively.

The contribution rates for active plan memberships started on or after July 1, 2011 are as follows:

- Membership Class T-E rates may increase or decrease by 0.5%, but will never go below 7.5% or above 9.5%;
- Membership Class T-F rates may increase or decrease by 0.5%, but will never go below 10.3% or above 12.3%

Act 120 imposed rate increase collars on employer contributions until no longer needed. The actuarially required employer contribution increase was lower than the 4.5% collar established as of June 30, 2018. As a result, the rate caps are no longer in effect. Contributions to the PSERS from the Commonwealth for the employers other than school entities were \$27,681 for the year ended June 30, 2019.

**Summary of Significant Accounting Policies:** The financial statements of the PSERS are prepared on the accrual basis of accounting under which 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 their trade date. Member and employer contributions are recognized in the period for which employees' salaries are reported. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

**Investment Valuation:** The PSERS' investments are reported at fair value. Fair value 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 carried at cost, which approximates fair value, unless they have published market prices or quotations from national securities exchanges or securities pricing services, in which case they are valued at the published market price. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national securities exchanges or securities pricing services. Securities which are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

Directly-owned real estate investments are primarily valued based on appraisals performed by independent appraisers and, for properties not appraised, the present value of the projected future net income stream is used. Real estate owned investments are reported net of related debt borrowed against the market value of the property. As of June 30, 2019 \$132,000 in an open-ended repurchase agreement were netted against the related property valuation. The repurchase agreement is payable at an interest rate equivalent to one month of the LIBOR plus 40 basis points and is collateralized by certain fixed income investments of the PSERS.

Collective trust fund investments (CTF) consist primarily of domestic and international institutional funds. 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 regulatory agencies such as the Securities and

**NOTE 9 - PENSION (continued)**

Exchange Commission have regulatory oversight. Investments that are not subject to this oversight are subject to annual independent audits.

The fair value of equity real estate, private equity, private debt, and venture capital are determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital.

**Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** At June 30, 2019, the Commonwealth reported a liability of \$290,094 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commonwealth's proportion of the net pension liability was calculated by dividing the plan's total covered payroll by the sum of all employers' covered payroll. The Commonwealth remits directly to the PSERS 50% of the employer contributions for employers other than school entities. At June 30, 2018 the Commonwealth's proportion was .6043%, which was an increase of .016% from its proportion measured as of June 30, 2017.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized expense of \$34,246 for the year ended June 30, 2019. At June 30, 2019 the Commonwealth reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to the PSERS:

	<b>PSERS (June 30, 2018)</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience .....	\$ 2,335	\$ 4,490
Differences between employer contributions and proportionate share .....	—	149
Net difference between projected and actual earnings on plan investments .....	1,422	—
Changes of assumptions .....	5,405	—
Changes in proportion .....	8,571	82
Contributions subsequent to measurement date .....	27,681	—
<b>Total</b> .....	<b>\$ 45,414</b>	<b>\$ 4,721</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Commonwealth of Pennsylvania participates in six postemployment benefit plans other than pensions (OPEB). The Commonwealth participates as an employer in five plans: The Retired Employees Health Program (REHP), the Retired Pennsylvania State Police Program (RPSPP), the Unified Judicial System's Postemployment Medical Plan (Judiciary), Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental nonemployer contributing entity in the Public School Employees' Retirement System Health Insurance Premium Assistance Program (Premium Assistance).

**Plan Administration:** The Commonwealth established and sponsors two primary plans which provide postemployment benefits other than pensions (OPEB). These two plans are the REHP and the RPSPP and both are established as trust equivalent arrangements. These two plans are administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as a third-party administrator for the REHP and RPSPP under an administrative agreement with the Commonwealth. Both plans are single-employer defined benefit OPEB plans that include Commonwealth agencies and some component units. The REHP is provided 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. All policy decisions and types and levels of benefits for the REHP and RPSPP fall under the purview of the Commonwealth's Executive Board, Secretary of Administration, and for the RPSPP the collective bargaining agreement with the Pennsylvania State Troopers Association. Neither the REHP nor the RPSPP have a governing board. The REHP offers postemployment healthcare and prescription benefits. The RPSPP offers postemployment healthcare, prescription, vision and dental benefits.

The Judiciary has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Judiciary OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms and authority to pay benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court. The Judiciary OPEB plan does not have a governing board. The Judiciary OPEB plan offers postemployment healthcare, prescription, vision, and dental benefits.

The House of Representatives has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the House OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the House OPEB plan, fall under the purview of the House of Representatives. The House OPEB plan does not have a governing board. The House OPEB plan offers postemployment healthcare, prescription and for certain members vision, dental and long-term care benefits.

The Senate has established and sponsors their own single-employer defined-benefit OPEB plan. A trust or equivalent arrangement meeting the requirements of GASB 74 has not been established for the Senate OPEB plan and assets have not been accumulated to fund OPEB. All policy decisions related to the types and levels of benefits including changes to benefit terms, and authority to pay benefits as they come due for the Senate OPEB plan, fall under the purview of the Senate. The Senate OPEB plan does not have a governing board. The Senate OPEB plan offers postemployment healthcare, prescription and for certain members vision and dental benefits.

The Premium Assistance plan is a governmental cost sharing, multiple-employer other postemployment benefit plan for all public school eligible retirees who qualify and elect to participate. The Premium Assistance plan is under the control and management of the Board of Trustees of the Public School Employees Retirement System, including the investment of its assets, and all policy decisions related to types and levels of benefits, and authority to pay benefits as they come due. As of June 30, 2018, there were no assumed future benefit increases to participating members of the Premium Assistance plan.

**Benefits Provided:** Benefit provisions included in the REHP, Judiciary, House, and Senate plans are established and may be amended by the establishing sponsor of the given OPEB plan. The RPSPP, under the terms of the collective bargaining agreement, cannot be amended for existing retirees. The Commonwealth's General Assembly has the authority to amend the benefit terms of the Premium Assistance plan. Each OPEB plan provides postemployment healthcare and prescription benefits to varying degrees. The RPSPP, Judiciary, House and Senate provide specific dental, hearing, vision, and long-term care benefits. RPSPP benefits are provided in accordance with the collective bargaining agreement that was in effect at the time of retirement. The REHP, RPSPP, Judicial, House, and Senate OPEB plans do not issue stand-alone financial reports and are not included in the financial



**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

statements of a public employee retirement system. The Premium Assistance OPEB plan is reported in the Public School Employees Retirement System Comprehensive Annual Financial Report which can be found at [www.pasers.pa.gov](http://www.pasers.pa.gov).

**Eligibility and Retiree Contributions:****REHP**

Eligible employees who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service;
- 20 or more years of service and superannuation age - age 50 for Park Rangers, Capitol Police and certain enforcement officers or age 60 for all other employees (age 55 or 65 for employees subject to Act 120 of 2010);
- Disability retirement - requires five years of service (no service requirements for enforcement officers).
- For employees who retired after June 30, 2005 and before July 1, 2007 the retiree contribution is set at 1% of employee's final annual salary. Most Commonwealth employees who retired on or after July 1, 2007 but before July 1, 2011 are currently required to pay retiree contributions of 3% of either their final annual salary or final average salary, whichever is less. Most employees who retire on or after July 1, 2011 are currently required to pay retiree contributions of 3% of their final average salary. Upon enrollment in Medicare, Commonwealth employees who are currently paying 3% will pay retiree contributions of 1.5% of either their final annual salary or final average salary, whichever applies.

**RPSPP**

Permanent enlisted employees of the Pennsylvania State Police who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive RPSPP benefits:

- Superannuation retirement (excluding vested employees) - age 50 (age 55 for employees subject to Act 120 of 2010) with three years of service;
- Retirement with at least 25 years of Commonwealth service;
- Retirement with at least 20 but less than 25 years of service, with at least 10 years of enlisted service with State Police (military time, civilian service with another Commonwealth agency are not considered service with the State Police);
- Disability retirement - no service requirement.
- RPSPP plan members are not required to make contributions.

**Judicial**

Eligible employees (members and staff) who retire from the Unified Judicial System and meet one of the following eligibility criteria are eligible to receive Judicial benefits:

- Staff:
  - Prior to attaining age 60 and retiring before/after January 1, 2001:
    - The retiree will pay 100% of the premium if retiring with less than 20/25 years of total service and less than 3/5 years of judiciary service.
    - The retiree will pay 75% of the premium if retiring with less than 20/25 years of service and more than 3/5 years of judiciary service.
    - The retiree will pay between 75% and 25% of the premium if retiring with 20/25 years or more of service and less than 3/5 years of judiciary service.
    - The retiree will pay 1% of pension if retiring with 20/25 years or more of service and more than 3/5 years of judiciary service.
  - After attaining age 60 and retiring before/after January 1, 2001:
    - The retiree will pay 100% of the premium if retiring with less than 10/15 years of total service and less than 3/5 years of judiciary service.
    - The retiree will pay 75% of the premium if retiring with less than 10/15 years of service and more than 3/5 years of judiciary service.
    - The retiree will pay between 75% and 25% of the premium if retiring with 10/15 years or more of service and less than 3/5 years of judiciary service.
    - The retiree will pay 1% of pension if retiring with 10/15 years or more of service and more than 3/5 years of judiciary service.
- Judges/ District Justices:
  - Prior to attaining age 60:

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

- The retiree will pay 1% of pension/75% of the premium if retiring with more than 10 and less than 18 years of judiciary service.
- The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.
- After attaining age 60:
  - The retiree will pay 75% of the premium if retiring with more than 3 and less than 10 years of judiciary service.
  - The retiree will pay 1% of pension if retiring with more than 18 years of judiciary service.

**House**

Eligible employees (members and staff) who retire from the House of Representatives and meet one of the following eligibility criteria are eligible to receive House benefits:

- **Members:**
  - Age 49 or younger with at least 10 years of creditable service, but less than 10 years as a legislator:
    - The House will pay \$5 per month towards the premium for Medical and prescription drug coverage. The retiree must pay the remainder.
  - Age 49 or younger with at least 10 years as a legislator (after December 1, 1992 any creditable service), age 50 or older with at least 10 years of creditable service or member retired under disability with at least 5 years of SERS eligible service:
    - The House will pay 100% of the premiums. Beginning 2012, the retiree must contribute 1% of the retiree's final salary. Members that retired prior to November 30, 1980 are eligible for medical and prescription drug coverage. Members that retired after December 1, 1980 are eligible for medical, prescription drug, vision and dental coverage. Members that retired after December 1, 1992 are eligible for medical, prescription drug, vision, dental and long-term health care coverage.
- **Staff:**
  - Age 59 or younger with between 10 to 24 years of creditable service:
    - The House will pay \$5 per month towards the premium for medical and prescription drug coverage.
  - Age 60 or older with at least 10 years of creditable service or at least 25 years of creditable service:
    - The House will pay 100% of the premiums for medical and prescription drug coverage. If the retiree has at least 12.5 years of legislative service and the last 3 years are as an employee of the House, the retiree will receive 100% paid vision and dental coverage. Beginning January 1, 2012, the retiree must contribute 1% of the retiree's final salary annually.

**Senate**

Eligible employees (members and staff) who retire from the Senate and meet one of the following eligibility criteria are eligible to receive Senate benefits:

- **Option 1**
  - For employees hired prior to October 3, 2006, individuals must have 25 years of credited service, of which 12 ½ years of such credited service were with the Legislature, and further provided that the last three (3) continuous years (4,950 hours) of credited service were with the Senate.
  - For employees hired on or after October 3, 2006, individuals must have 30 years of credited service, of which 20 years of such credited service were with the Senate and had at least 5 continuous years of credited service with the Senate.
  - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.
- **Option 2**
  - For employees hired prior to October 3, 2006, individuals must be a minimum of age 60 with 10 or more years of credited service and worked for the Senate for at least 18 continuous months in the most recent employment period with the Senate.
  - For employees hired on or after October 3, 2006, individual must be a minimum of age 60 with 20 or more years of credited service and worked for the Senate for at least 5 continuous years in the most recent employment period with the Senate.
  - Retiree contribution rates are based on salary with rates equal to 1% of their final salary for all benefits.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

GASB 74 Plan Reporting

REHP and RPSPP

Plan Membership: At June 30, 2019, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2018	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments .....	64,516	5,211
Inactive plan members entitled to but not yet receiving benefit payments .....	16,948	—
Active plan members .....	69,477	4,326
<b>Total all plan members</b> .....	<b>150,941</b>	<b>9,537</b>

Employer Contributions: REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2019, almost all REHP participating agencies contributed \$300 (whole dollars) for each current active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2019 participating agencies contributed \$1,288 (whole dollars) for each current RPSPP eligible active employee per biweekly pay period to fund the RPSPP.

The REHP and RPSPP funding rates needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2019, the Commonwealth funded \$508,876 (estimated) of annuitant health care claims and administrative costs for the REHP and \$141,292 (estimated) of annuitant health care claims and administrative costs for the RPSPP, respectively. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2019, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually. The REHP and RPSPP maintain reserves for claims that are Incurred But Not Paid. At June 30, 2019, the REHP and RPSPP recorded \$23,583 and \$8,492, respectively.

Specific Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation with a measurement date as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	REHP/RPSPP
Actuarial cost method .....	Entry age normal
Method used to determine actuarial value of assets .....	Market value
Investment returns .....	5.00%
Inflation rate assumption .....	2.6%
Payroll growth .....	2.9%
Cost of living adjustment .....	N/A
Healthcare cost trend rates:	
Medicare retiree <sup>(1)(3)</sup> .....	5.9% for 2019 decreasing to an ultimate rate of 4.1% for 2075 and later years
Non-Medicare retiree <sup>(2)(3)</sup> .....	6.0% for 2019 decreasing to an ultimate rate of 4.1% for 2075 and later years

(1) For the REHP, the non-Medicare trend in 2019 was adjusted to be (1.1%) based on rebidding of prescription drug benefits and preliminary estimates of calendar year 2020 claims experience.  
 (2) For the REHP, the Medicare trend in 2019 – 2022 was adjusted for fully insured Medicare Advantage premium guarantees for calendar years 2020 – 2022 and expectations for the renewal in 2023. The 2019 trend was also adjusted for the rebidding of prescription drug benefits. The adjusted 2019 – 2022 Medicare trend rates are (32.9%), 3.6%, 5.7% and 27.5%.  
 (3) For the RPSPP, the 2019 trend assumption was adjusted based on preliminary estimates of calendar year 2020 claims experience. The resulting adjusted 2019 trend rates were 1.4% and 3.7% for non-Medicare and Medicare, respectively.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

Mortality rates were based on the RP-2000 Male and Female Combined Health Mortality Tables projected (using Projection Scale AA) to 2016 for males and to 2020 for females, and then further adjusted to ensure sufficient margin improvement in certain age ranges. Disabled participants mortality rates were based on the RP-2000 Male and Female Disabled Retiree Mortality Tables projected (using Projection Scale AA) to 2021 for males and to 2017 for females. Each table includes a margin for future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2011 through 2015. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during an April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 2.0 for one year of service or less and increased by 10 percentage points for service of 2 years through 9 years.

**Investments:** The assets of both the REHP and RPSPP are managed by the Commonwealth’s Treasury Department in an investment pool. The OPEB investments are made based upon an interagency agreement, dated June 17, 2008, and the prudent investor standard set forth in the Commonwealth of Pennsylvania’s fiscal code 72P.S. §30.1, amendment to the fiscal code, the Principles of Prudent Investors Standards.

Asset Class	REHP	RPSPP
	Target Allocation	Target Allocation
Domestic equity .....	47.00%	47.00%
International equity .....	20.00%	20.00%
Fixed income .....	25.00%	25.00%
Real estate .....	8.00%	8.00%
<b>Total .....</b>	<b>100.00%</b>	<b>100.00%</b>

**Concentration:** Based on a portfolio value of \$430,522 for the REHP and \$109,097 for the RPSPP, the following investment concentrations existed as of June 30, 2019. In order to achieve the target return and to keep costs low, asset classes have been populated with Exchange-Traded Funds (ETFs) and low cost mutual funds.

Issuer Name	REHP		RPSPP	
	Amount	% of Total Portfolio	Amount	% of Total Portfolio
ISHARES .....	\$ 173,600	40.32%	\$ 43,991	40.32%
VANGUARD .....	119,718	27.81%	30,337	27.81%
MACQUARIE .....	43,254	10.05%	10,961	10.05%
SDPR S&P 500 .....	42,924	9.97%	10,877	9.97%
INVESTCO .....	42,831	9.95%	10,854	9.95%
TREASURY OPEB FUND .....	6,723	1.56%	1,704	1.56%
POWERSHARES .....	1,472	0.34%	373	0.34%
<b>Total .....</b>	<b>\$ 430,522</b>	<b>100.00%</b>	<b>\$ 109,097</b>	<b>100.00%</b>

**Rate of Return:** For the year ended June 30, 2019, the annual rate of return on investments, net of investment expense was 4.69%. The rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 are summarized in the following table:

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
International equity .....	5.80%	5.80%
Domestic equity .....	5.60%	5.60%
Real estate .....	4.60%	4.60%
Fixed income .....	1.70%	1.70%
Cash and cash equivalents .....	0.90%	0.90%

**Net OPEB Liability:** The net OPEB liability represents the liability of the employers contributing to the plan for benefits provided through a defined benefit OPEB plan that is administered through a trust or trust equivalent. The components of the net OPEB liability for the participating employers at June 30, 2019 were as follows:

	REHP	RPSPP
Total OPEB liability .....	\$ 10,821,333	\$ 5,787,345
Plan fiduciary net position .....	(407,480)	(100,742)
<b>Plan net OPEB liability</b> .....	<b>\$ 10,413,853</b>	<b>\$ 5,686,603</b>
Plan fiduciary net position as a percentage of the total OPEB liability .....	3.77%	1.74%

**Discount Rate:** The discount rate used to measure the total OPEB liability of the REHP and RPSPP was 3.50% as of June 30, 2019. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2019. Since REHP and RPSPP have insufficient assets to meet next year’s projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the net OPEB liability for the REHP and the RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current discount rate:

Net OPEB Liability	Discount Rate		
	1% Decrease 2.50%	3.50%	1% Increase 4.50%
REHP .....	\$ 11,815,060	\$ 10,413,853	\$ 9,240,967
RPSPP .....	\$ 6,702,864	\$ 5,686,603	\$ 4,878,688

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates:** The following presents the net OPEB liability of the Commonwealth, as well as what the Commonwealth’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (decreasing to 3.1%) or one percentage point higher (decreasing to 5.1%) than the current healthcare cost trend rates.

Net OPEB Liability	Healthcare Cost Trend Rates		
	1% Decrease 5.0%/4.9% decreasing to 3.1%	6.0%/5.9% decreasing to 4.1%	1% Increase 7.0%/6.9% decreasing to 5.1%
REHP .....	\$ 9,046,353	\$ 10,413,853	\$ 12,095,955
RPSPP .....	\$ 4,886,271	\$ 5,686,603	\$ 6,693,917

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**PSERS OPEB Plans**

The Public School Employees Retirement System (PSERS), a component unit, provides two voluntary postemployment healthcare programs for all eligible retired public school employees (annuitants) who qualify and elect to participate. The Health Insurance Premium Assistance Program (Premium Assistance) and the Health Options Program (HOP).

Under the Premium Assistance employer contribution rates are established to provide reserves that are sufficient for the Premium Assistance benefits for each succeeding year. For June 30, 2019, the employer contribution to the Premium Assistance was 0.83% of the total employer contribution to the PSERS. Participating eligible annuitants are entitled to receive the lesser of \$100 per month or their out-of-pocket monthly health insurance premium.

The HOP is a voluntary health insurance program for the sole benefit of annuitants, spouses of annuitants, survivor annuitants and their dependents. The HOP is funded exclusively by the premiums paid by its participants. Participants may select among two self-funded Medicare supplement plans, three Medicare Rx plans, and multiple Medicare Advantage plans. Participants not eligible for Medicare have a choice of a self-funded high deductible indemnity plan and multiple managed care plans. The HOP maintains reserves for claims that are Incurred But Not Reported (IBNR) and for claim fluctuation for the self-funded benefit plans. At June 30, 2019, the PSERS recorded \$19,125 in IBNR.

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**Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense - All Plans**

	REHP*	RPSPP*	Judiciary	House	Senate	Premium Assistance*	Total
<b>OPEB liability</b>							
Primary government .....	\$13,609,973	\$ 5,885,241	\$ 749,515	\$ 585,192	\$ 401,234	\$ 12,599	\$21,243,754
Discretely presented component units .....	\$ 974,394	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 974,394
<b>Deferred outflows of resources</b>							
Primary government .....	\$ 1,046,592	\$ 153,007	\$ 30,006	\$ 24,317	\$ —	\$ 1,287	\$ 1,255,209
Discretely presented component units .....	\$ 71,400	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 71,400
<b>Deferred inflows of resources</b>							
Primary government .....	\$ 6,540,340	\$ 934,705	\$ —	\$ 111,615	\$ —	\$ 483	\$ 7,587,143
Discretely presented component units .....	\$ 429,445	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 429,445
<b>OPEB (income) expense</b>							
Primary government .....	\$ (182,264)	\$ 158,532	\$ 56,142	\$ 34,853	\$ 17,836	\$ 630	\$ 85,729
Discretely presented component units .....	\$ (4,215)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4,215)

\*Administered through a trust

**Plans Administered Through Trusts - REHP and RPSPP**

**Plan Membership:** At June 30, 2018, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments ....	64,308	5,067
Inactive plan members entitled to but not yet receiving benefit payments.....	16,166	—
Active plan members .....	70,374	4,304
<b>Total all plan members</b> .....	<b>150,848</b>	<b>9,371</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Employer Contributions:** REHP employer contributions are contractually required and established by the Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the fiscal year ended June 30, 2018, almost all REHP participating agencies began the fiscal year contributing \$350 (whole dollars), which was lowered to \$300 and subsequently lowered to \$188 for each current, active REHP eligible employee per biweekly pay period to fund the REHP. Several participating agencies contribute under different but comparable payment arrangements.

RPSPP employer contribution requirements are established by the Office of Administration and the Office of the Budget. During the fiscal year ended June 30, 2018 participating agencies contributed \$1,200 (whole dollars) for each current RPSPP eligible 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 current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. During the fiscal year ended June 30, 2018, the Commonwealth funded \$541,796 (estimated) and \$132,813 (estimated) of annuitant health care claims and administrative costs for the REHP and RPSPP, respectively. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2018, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. Determinations of advance funding amounts are evaluated annually.

**Net OPEB Liability:** The net OPEB liability for both the REHP and the RPSPP was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions and Other Inputs:** The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

	REHP/RPSPP
Actuarial cost method .....	Entry age normal
Method used to determine actuarial value of assets.....	Market value
Investment returns .....	5.00%
Inflation rate assumption .....	2.60%
Payroll growth .....	2.90%
Cost of living adjustment .....	N/A
Healthcare cost trend rates:	
Medicare Retiree .....	5.9% for 2018 decreasing to an ultimate rate of 4.1% for 2075 and later years
Non-Medicare retiree .....	6.2% for 2018 decreasing to an ultimate rate of 4.1% for 2075 and later years

Mortality rates were based on the RP-2000 Male and Female Combined Health Mortality Tables projected (using Projection Scale AA) to 2016 for males and to 2020 for females, and then further adjusted to ensure sufficient margin improvement in certain age ranges. Disabled participants mortality rates were based on the RP-2000 Male and Female Disabled Retiree Mortality Tables projected (using Projection Scale AA) to 2021 for males and to 2017 for females. Each table includes a margin for future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2018 valuation were based on the State Employees’ Retirement System (SERS) experience study that covered the years 2011 through 2015. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during an April 2017 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). For the employers that contribute to the REHP plan in accordance with a special contribution arrangement, the withdrawal assumption is increased by a factor of 2.0 for one year of service or less and increased by 10 percentage points for service of 2 years through 9 years. Cost of living adjustments (COLA) may be granted on an ad hoc basis, there were no COLAs granted during the measurement period.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Long-Term Expected	
	Real Rate of Return	
	REHP	RPSPP
International equity .....	8.60%	8.60%
Domestic equity .....	6.60%	6.60%
Real estate .....	6.90%	6.90%
Fixed income .....	3.00%	3.00%
Cash and cash equivalents ....	1.00%	1.00%

**Discount Rate:** The discount rate used to measure the total OPEB liability was 3.87% as of June 30, 2018. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2018. Since REHP and RPSPP have insufficient assets to meet next year’s projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

Changes in the Net OPEB Liability:

REHP	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS		
	Total OPEB	Plan	Net OPEB	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability	Liability	Fiduciary	Liability
	(a)	Net Position	(a)-(b)	(c)	Net Position	(c)-(d)
Balance at June 30, 2017 .....	\$ 18,918,607	\$ 267,433	\$ 18,651,174	\$ 1,283,284	\$ 13,101	\$ 1,270,183
Changes for the year						
Service cost .....	488,617	—	488,617	34,983	—	34,983
Interest .....	683,132	—	683,132	48,908	—	48,908
Changes in assumptions .....	(534,729)	—	(534,729)	(38,284)	—	(38,284)
Difference between expected and actual experience....	(5,047,830)	—	(5,047,830)	(361,396)	—	(361,396)
Benefit payments						
Employer paid .....	(531,376)	(531,376)	—	(27,345)	(27,345)	—
Contributions						
Employer .....	—	554,746	(554,746)	—	33,111	(33,111)
Administrative expenses .....	—	(4,849)	4,849	—	(348)	348
Net investment income						
Expected investment earnings .....	—	13,643	(13,643)	—	977	(977)
Difference between projected and actual earnings....	—	11,712	(11,712)	—	839	(839)
Change in proportionate share .....	(56,979)	(1,840)	(55,139)	56,400	1,821	54,579
Net Change .....	<u>(4,999,165)</u>	<u>42,036</u>	<u>(5,041,201)</u>	<u>(286,734)</u>	<u>9,055</u>	<u>(295,789)</u>
Balance at June 30, 2018 .....	<u>\$ 13,919,442</u>	<u>\$ 309,469</u>	<u>\$ 13,609,973</u>	<u>\$ 996,550</u>	<u>\$ 22,156</u>	<u>\$ 974,394</u>



NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

RPSPP	PRIMARY GOVERNMENT		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(e)	(f)	(e)-(f)
Balance at June 30, 2017 .....	\$ 6,209,658	\$ 93,666	\$ 6,115,992
Changes for the year			
Service cost .....	161,103	—	161,103
Interest .....	225,601	—	225,601
Changes in assumptions .....	(272,746)	—	(272,746)
Difference between expected and actual experience ....	(202,655)	—	(202,655)
Benefit payments			
Employer paid .....	(140,440)	(140,440)	—
Contributions			
Employer .....	1,077	134,890	(133,813)
Administrative expenses .....	—	(473)	473
Net investment income			
Expected investment earnings .....	—	4,535	(4,535)
Difference between projected and actual earnings ....	—	4,179	(4,179)
Net Change .....	(228,060)	2,691	(230,751)
Balance at June 30, 2018 .....	<u>\$ 5,981,598</u>	<u>\$ 96,357</u>	<u>\$ 5,885,241</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:** The following presents the net OPEB liability for the REHP and the RPSPP OPEB plans of the Commonwealth, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

REHP	Discount Rate		
	1% Decrease		1% Increase
	2.87%	3.87%	4.87%
Net OPEB liability			
Primary Government .....	\$ 15,592,453	\$ 13,609,973	\$ 11,976,669
Discretely presented component units .....	\$ 1,116,327	\$ 974,394	\$ 857,459
<b>RPSPP</b>			
	1% Decrease		1% Increase
	2.87%	3.87%	4.87%
Net OPEB liability .....	\$ 6,929,075	\$ 5,885,241	\$ 5,054,182

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:** The following presents the net OPEB liability of the REHP and RPSPP OPEB plans Commonwealth, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates.

REHP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
	4.9% decreasing to 3.1%	5.9% decreasing to 4.1%	6.9% decreasing to 5.1%
Net OPEB Liability			
Primary Government .....	\$ 11,683,082	\$ 13,609,973	\$ 16,005,092
Discretely presented component units .....	\$ 836,439	\$ 974,394	\$ 1,145,870

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

RPSPP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
	4.9% decreasing to 3.1%	5.9% decreasing to 4.1%	6.9% decreasing to 5.1%
Net OPEB Liability .....	\$ 5,017,129	\$ 5,885,241	\$ 6,979,861

**OPEB Expense and Deferred Outflows and Deferred Inflows:** For the year ended June 30, 2018, the primary government recognized OPEB income of \$182,264 and expense of \$158,532 for the REHP and the RPSPP, respectively, and the discretely presented component units recognized OPEB income of \$4,215 for the REHP.

At June 30, 2018, reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources are listed as follows:

REHP	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Primary Government	Discretely Presented Component Units	Primary Government	Discretely Presented Component Units
Employer contributions				
subsequent to measurement date .....	\$ 524,330	\$ 30,662	\$ —	\$ —
Changes in assumptions .....	—	—	(1,789,168)	(128,094)
Net difference between expected and actual plan experience .....	—	—	(4,168,425)	(298,435)
Net difference between projected and actual investment earnings .....	—	—	(20,808)	(1,490)
Changes in proportion .....	522,262	40,738	(561,939)	(1,426)
<b>Total</b> .....	<b>\$ 1,046,592</b>	<b>\$ 71,400</b>	<b>\$ (6,540,340)</b>	<b>\$ (429,445)</b>

RPSPP	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions		
subsequent to measurement date .....	\$ 142,293	\$ —
Changes in assumptions .....	—	(748,372)
Net difference between expected and actual plan experience .....	—	(168,072)
Net difference between projected and actual earnings on investments .....	—	(7,547)
Changes in proportion .....	10,714	(10,714)
<b>Total</b> .....	<b>\$ 153,007</b>	<b>\$ (934,705)</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

Deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date in the amounts of \$554,992 and \$142,293, for REHP and RPSPP, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>REHP</b>		
<b>Year ended June 30:</b>	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
2019 .....	\$ (1,337,551)	\$ (95,767)
2020 .....	\$ (1,337,537)	\$ (95,767)
2021 .....	\$ (1,337,535)	\$ (95,767)
2022 .....	\$ (1,231,129)	\$ (88,151)
2023 .....	\$ (725,418)	\$ (51,937)
Thereafter .....	\$ (48,908)	\$ 38,682

<b>RPSPP</b>	
<b>Year ended June 30:</b>	<b>Primary Government</b>
2019 .....	\$ (224,110)
2020 .....	\$ (224,110)
2021 .....	\$ (224,111)
2022 .....	\$ (181,894)
2023 .....	\$ (69,766)

**Plans Not Administered Through Trusts - Judiciary, House and Senate**

**Plan Membership:** The Judiciary, House, and Senate OPEB plan membership consisted of the following (actual number of plan members):

	<b>Census date:</b>	<b>June 30, 2018</b>	<b>July 1, 2018</b>	<b>July 1, 2017</b>
		<b>Judiciary</b>	<b>House</b>	<b>Senate</b>
Inactive plan members or beneficiaries currently receiving benefit payments .....		1,511	1,114	483
Inactive plan members entitled to but not yet receiving benefit payments .....		—	—	—
Active plan members .....		1,950	1,677	759
Total all plan members .....		3,461	2,791	1,242

**Employer Contributions:** During the fiscal year ended June 30, 2019, the Judiciary funded \$22,491 of annuitant health care claims and administrative costs. The contribution policy of the Judiciary is to pay OPEB benefits as they come due. The Judiciary does not prefund its OPEB. The authority to pay OPEB benefits as they come due for the Judiciary OPEB plan, fall under the purview of the Supreme Court.

During the fiscal year ended June 30, 2019, the House funded \$19,880 of annuitant health care claims and administrative costs. The contribution policy of the House is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the House.

During the fiscal year ended June 30, 2019, the Senate funded \$8,967 of annuitant healthcare claims and administrative costs. The contribution policy of the Senate is to pay OPEB benefits as they come due. The authority to pay OPEB benefits as they come due fall under the purview of the Senate.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Total OPEB Liability:** The Judiciary, House and Senate reported a total OPEB liability for the fiscal year ended June 30, 2019. The valuation date and measurement date differed for each plan.

	Judiciary	House	Senate
Total OPEB liability reported June 30, 2019 .....	\$ 749,515	\$ 585,192	\$ 401,234
Valuation date .....	June 30, 2018	July 1, 2018	July 1, 2018
Measurement date .....	June 30, 2019	July 1, 2018	June 30, 2019

**Actuarial Assumptions and Other Inputs:** The total OPEB liability in the GASB 75 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Judiciary	House	Senate
Inflation .....	2.40%	N/A	N/A
Salary increases .....	3.00%	2.90%	3.50%
Discount rate .....	3.51%	2.98%	3.50%
Healthcare cost trend rates .....	5.40% to 3.84%	5.50% to 3.80%	9.00% to 5.00%
Retirees share of benefit-related costs .....	1% to 100%	1.00%	1.00%
Cost of living adjustments .....	N/A	N/A	N/A

The discount rate was based on:

Judiciary- Bond Buyer General Obligation 20-Year Municipal Bond Index at June 30, 2019

House- S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2018

Senate- An average of three 20-year bond indices (Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate index, Fidelity GA AA 20 Years) as of June 30, 2019.

Mortality rates were based on:

Judiciary- the RP-2000 Healthy Annuitant Mortality Table for Males or Females using projection scale AA.

House- the RP-2000 Health Annuitant Mortality Table for Males or Females using projection scale AA.

Senate- the RP-2014 for Male or Female using projection scale AA

**Changes in the Total OPEB Liability:**

	Judiciary (June 30, 2019)	House (June 30, 2018)	Senate (June 30, 2019)
<b>Total OPEB liability at beginning of fiscal year .....</b>	<b>\$ 685,857</b>	<b>\$ 633,057</b>	<b>\$ 392,365</b>
Changes for the year:			
Service cost .....	23,135	30,547	4,260
Interest .....	27,007	20,434	13,576
Differences between expected and actual experience .....	—	(84,654)	—
Changes in assumptions or other inputs .....	36,007	5,688	—
Benefit payments .....	(22,491)	(19,880)	(8,967)
Net Changes .....	63,658	(47,865)	8,869
<b>Total OPEB liability at end of fiscal year .....</b>	<b>\$ 749,515</b>	<b>\$ 585,192</b>	<b>\$ 401,234</b>

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:** The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Total OPEB liability	Discount Rate	1% Decrease	@ Discount Rate	1% Increase
Judiciary .....	3.51%	\$ 854,018	\$ 749,515	\$ 663,192
House .....	2.98%	\$ 674,945	\$ 585,192	\$ 512,139
Senate .....	3.50%	\$ 505,273	\$ 401,234	\$ 327,428

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:** The following presents the total OPEB liability of the Judiciary, House and Senate, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rates.

Total OPEB liability	Healthcare Cost Trend Rate	1% Decrease	@ Healthcare Cost Trend Rate	1% Increase
Judiciary .....	5.40% to 3.84%	\$ 645,233	\$ 749,515	\$ 878,373
House .....	5.50% to 3.80%	\$ 497,179	\$ 585,192	\$ 697,236
Senate .....	9.00% to 5.00%	\$ 317,336	\$ 401,234	\$ 525,440

**OPEB Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to OPEB:** For the year ended June 30, 2019, the Judiciary, House and Senate recognized OPEB expense of \$56,142, \$34,853 and \$17,836, respectively. At June 30, 2019, the Judiciary, House and Senate reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Judiciary	House	Senate	Judiciary	House	Senate
Changes in assumptions or other inputs .....	\$ 30,006	\$ 4,977	\$ —	\$ —	\$ 37,542	\$ —
Contributions subsequent to measurement date .....	—	19,340	—	—	—	—
Differences between expected and actual experience .....	—	—	—	—	74,073	—
<b>Total</b> .....	<b>\$ 30,006</b>	<b>\$ 24,317</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 111,615</b>	<b>\$ —</b>

The House's \$19,340 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Judiciary	House
<b>Year ended June 30:</b>		
2020 .....	\$ 6,001	\$ 16,128
2021 .....	6,001	16,128
2022 .....	6,001	16,128
2023 .....	6,001	16,128
2024 .....	6,001	16,128
Thereafter .....	—	25,999
<b>Total</b> .....	<b>\$ 30,005</b>	<b>\$ 106,639</b>

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Special Funding Situation - Premium Assistance Plan**

As a governmental nonemployer contributing entity in the Premium Assistance plan, the Commonwealth is required to contribute 50% of the employers share of the OPEB contribution for the non-school entities. The Commonwealth’s proportionate share of the net OPEB liability at June 30, 2019 was \$12,599 or 0.6043%, which was an increase of .016% from its proportion measured as of June 30, 2018. The proportionate share is calculated utilizing the employers’ one-year reported covered payroll as a percentage of the total one-year reported covered payroll. The Commonwealth is assigned 50% of non-school entities covered payroll for purposes of calculating proportionate share. The Commonwealth’s proportionate share of OPEB expense, deferred outflows of resources and deferred inflows of resources are listed in the chart below.

	<b>Premium Assistance</b>
<b>OPEB expense</b> .....	\$ 630
<b>Deferred outflows of resources</b>	
Difference between expected and actual experience .....	\$ 78
Changes of assumptions .....	\$ 199
Difference between projected and actual investment earnings .....	\$ 21
Changes in proportion .....	\$ 288
Contributions subsequent to measurement date .....	\$ 701
<b>Deferred inflows of resources</b>	
Changes of assumptions .....	\$ 478
Changes in proportion .....	\$ 5

**Employer Contributions:** The contribution policy of the Premium Assistance plan is governed by applicable provisions of the Retirement Code. A portion of each employer pension contribution is set aside for the funding of the Premium Assistance. The total contribution rate for employers and governmental nonemployer contributing entities is 0.83% of the total employer pension contribution. The contribution rate for the Premium Assistance plan is set at a level necessary to establish reserves sufficient to provide Premium Assistance plan payments for all participating eligible members for the subsequent fiscal year. The Premium Assistance plan recognized \$701 of contributions during the fiscal year ended June 30, 2019.

**NOTE 11 - CERTAIN AGENCY FUND CLAIMS LIABILITIES**

The Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare), 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 Mcare collects statutory healthcare provider surcharges, as a percentage of insurance premiums for basic liability coverage; in turn, the Mcare pays claimants on behalf of healthcare providers. The Mcare has assets of \$95,825 at June 30, 2019. The actuarially computed liability for outstanding claims for injuries caused by alleged negligence by certain healthcare providers totaled \$991,677 at June 30, 2019. 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 (USTIF), 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 total \$345,428 and \$1,284,913 respectively, at June 30, 2019. There are statutory limits on the extent of the USTIF's liability to participating owners and operators; the USTIF is not obligated beyond assets held at June 30, 2019. The USTIF has assets of \$405,178 at June 30, 2019. Owners and operators will be assessed for any claims exceeding assets and no financial liability is reported for those claims.

**NOTE 12 - JOINT VENTURE**

The Commonwealth and various labor unions representing Commonwealth collective bargaining employees participate in a joint venture, the Pennsylvania Employees Benefit Trust Fund (PEBTF). The PEBTF was established in 1988 through an Agreement and Declaration of Trust (Agreement). 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 REHP and the RPSPP. The Commonwealth has, in its collective bargaining agreements with unions participating in the Agreement, obligated itself to provide certain contributions on behalf of 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. Nearly all active employees contribute established percentages of their salaries and wages received, constituting an 'employee share,' to finance active employee benefits. During the fiscal year ended June 30, 2019 total employer contributions for active employees amounted to approximately \$989,445; active employee contributions amounted to approximately \$119,299. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2019, for the active employees benefit program, the PEBTF reported total assets of \$734,797, total liabilities of \$1,903, total benefit obligations of \$101,434, and an excess of net assets over benefit obligations of \$631,460. During the fiscal year ended June 30, 2019 the PEBTF reported an increase in net assets over benefit obligations of \$96,123 for the active employees benefit program.

Due to timing differences in the implementation and payment of the new employer contribution effective July 1, 2011, the PEBTF recorded \$237 in contribution overpayments for the fiscal year ended June 30, 2019. It is expected that these overpayments will be offset by reductions in contribution payments as the collective bargaining agreements are adopted.

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 13 - TAX ABATEMENTS****Tax Abatements**

A tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. As of June 30, 2019, the Commonwealth of Pennsylvania provided tax abatements through the following programs listed in alphabetical order:

- The Coal Refuse Energy and Reclamation Tax Credit program is administered by the Department of Community and Economic Development (DCED) under Article XVII-J of the Tax Reform Code of 1971 to incentivize Pennsylvania electric generating facilities to use coal refuse for power generation, control acid gases, and use ash produced to reclaim mining-affected sites. To be eligible, an electric generating facility must have been in service within the Commonwealth prior to July 1, 2016, must use qualified coal refuse to generate power, and use a qualified system to control acid gases. Additionally, facilities commit to using at least 50% ash produced in the prior year to reclaim mining-affected sites. Eligible facilities may apply for tax credits of \$4 dollars per ton of qualified coal refuse used, up to 22.2% of the annual program cap of \$10 million. If applications exceed the annual program cap, the credits will be prorated among applicants. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and after the initial filing may be sold to an approved business. Tax credits are valid to be deducted from the following taxes: corporate net income, personal income, bank and trust company shares, insurance premiums, title insurance company shares tax, gross receipts, and mutual thrift institutions. For the fiscal year ended June 30, 2019, \$9.8 million in taxes were abated.
- The Educational Tax Credit, previously known as the Educational Improvement Tax Credit (EITC), is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B to provide an incentive for Pennsylvania businesses to make contributions to a list of pre-approved Scholarship Organizations (SO), Educational Improvement Organizations (EIO), or Pre-Kindergarten Scholarship Organizations (PKSO). For both SOs and EIOs, businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. For PKSOs, businesses may apply for a tax credit equal to 100% of the first \$10 thousand, and 90% of any additional amount up to \$200 thousand. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days. If proof is not received, the tax credit approval is void. For two-year applications, if the second year contribution is not made, the prior year credit is reduced to 75%. Applications are approved first come/first served. Tax credits are applied against the tax liability in the year of the contribution or the following year if a pass-through entity. Credits may not be carried forward or sold, and total credits for the program cannot exceed \$160 million annually (\$110 million for SOs, \$37.5 million for EIOs, and \$12.5 million for PKSOs). If EITC's total program credits have been met, an applicant may elect to have the application be considered for the Opportunity Scholarship Tax Credit program instead. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and surplus lines tax for retaliatory fees. For the fiscal year ended June 30, 2019, \$150.9 million in taxes were abated.
- The Film Production Tax Credit is administered by DCED under Article XVII-D of the Tax Reform Code of 1971, and encourages production of films, television commercials, or television shows within the Commonwealth. To be eligible, the productions must be for a national audience, and production companies must spend a minimum of 60% of their total budgets on qualified Pennsylvania expenses. The budget must be approved by DCED. Tax credits are calculated at 25% of qualified Pennsylvania expenses, with an option of an additional 5% if filming is at a qualified facility within the Commonwealth. The total tax credits for an individual project are capped at 30% of the total annual program budget of \$60 million. The taxpayer also agrees to submit monthly progress reports and an independently audited report of expenses upon completion of the project. If the agreed upon qualified film production expenses are not incurred, the taxpayer must repay the Commonwealth the amount of tax credit claimed. Tax credits may be carried forward three years, and after the initial filing may be sold to an approved business. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, and title insurance company shares. For the fiscal year ended June 30, 2019, \$60.9 million in taxes were abated.

## NOTE 13 - TAX ABATEMENTS (continued)

- The Keystone Innovation Zone Program (KIZ) is administered by the Ben Franklin Technology Development Authority (BFTDA) and DCED under Article XIX-F of the Tax Reform Code of 1971, and fosters entrepreneurial opportunities for young companies to grow in designated geographic areas. Each KIZ has a keystone innovation zone partnership and coordinator that develops a strategic plan for the targeted industry segments they are promoting. To be eligible for the tax credit a business must be located within a designated KIZ geographic area, must be in operation less than eight years, and must be within the specific KIZ's targeted industry sectors. Businesses must work with the KIZ coordinator prior to applying for the KIZ tax credit. Tax credits are awarded for 50% of the increase of revenues within the KIZ between the first and second year after application, up to \$100 thousand. If a business has operations outside the zone, the revenues are attributed based on property and payroll factors. If there is no payroll within the KIZ, the tax credit may be reduced. If there is no property or payroll within the KIZ, the business is ineligible. Businesses must report semi-annually through the KIZ Force reporting tool. If tax credits awarded exceed the \$15 million annual program cap, tax credits are prorated between recipients. Tax credits may be carried forward four years, and may be sold to an approved buyer after the initial year's filed taxes. Tax credits may be utilized against the following taxes: corporate net income and personal income. For the fiscal year ended June 30, 2019, \$15.3 million in taxes were abated. Total taxes abated may exceed the annual cap of tax credits issued due to timing of redemption.
- The Keystone Opportunity Zone Program (KOZ) is administered by DCED under Chapter 16B of the Pennsylvania Keystone Opportunity Zone Act, and is designed to create economic development in designated zones within the Commonwealth by providing tax abatements to businesses and residents located within the zones. While zones are in effect, qualified applicants within the zone are eligible to have tax liabilities waived for corporate net income tax, personal income tax, sales and use tax, mutual thrift institutions tax, bank and trust company shares tax, and insurance premiums tax. Businesses that cease operations in a KOZ within five years of first receiving tax benefits must repay a prorated percentage of the taxes abated; 66% if within three years or 33% if within four to five years. Existing Pennsylvania businesses relocating to the zone must satisfy one of the following relocation requirements to be eligible: increase full-time employment by at least 20% in the first year of operating within the KOZ; make a capital investment of at least 10% of the business' gross revenues of the year prior to relocating to the KOZ; or enter a lease agreement for the duration of the KOZ with aggregate lease payments of at least 5% of gross revenues of the year prior to relocating to the KOZ. KOZ applicants may not claim or accumulate the Tax Credit for New Jobs, the Research and Development tax credit, or the Neighborhood Assistance Program tax credit for activity performed within the zone. Qualified businesses must also be fully compliant with all state and local taxes and building codes, and within their annual renewal should include reporting on the jobs and private investment created within the KOZ. For residents to be eligible for tax waiver of personal income tax they must reside 184 consecutive days in the zone during each tax year, and comply with all state and local tax laws. In conjunction with the KOZ, the Commonwealth also at times committed to providing other economic growth opportunities in the form of grants and training reimbursements. For the fiscal year ended June 30, 2019, \$95.1 million in taxes were abated.
- The Neighborhood Assistance Programs are administered by DCED under Article XIX-A of the Tax Reform Code of 1971, and provides an incentive for Pennsylvania business to contribute to approved neighborhood organizations' projects or otherwise provide qualified assistance to impoverished areas. There are five subset programs to Neighborhood Assistance Program tax credit program: the Neighborhood Assistance Program (NAP) is for contributions for projects to improve distressed communities, the Special Program Priorities (SPP) targets Commonwealth designated priority problems or projects within a distressed area, the Neighborhood Partnership Program (NPP) works holistically on multiple projects and contributions must be for five or more years, the Charitable Food Program (CFP) supports nonprofit regional food banks, and the Enterprise Zone Program (EZP) allows businesses in distressed areas to receive tax credits for investing directly in the construction costs of rehabilitating or improving buildings or land. The eligibility requirements and tax credit awards vary by subset program. In order to be eligible for the NAP, SPP, NPP and CFP tax credits, a business must provide to DCED a letter of commitment on corporate letterhead to contribute to an approved neighborhood organization's project in one of these subset programs. Upon approval, the contribution must be made within 12 months, and the business must submit proof of contribution to DCED within 18 months to receive the tax credit certificate. The neighborhood organization must use the donation on the approved project within 15 months of the donation. Tax credits are awarded at 55% of the contribution for NAPs, 75% of the contribution for SPPs, 75-80% for Neighborhood Partnership Programs, and 55% for Charitable Food Programs. The tax credit per business is capped at \$500 thousand for contributions to three or fewer projects or \$1.25 million for four or more projects. In order to be eligible for the EZP, a business must invest in the rehabilitation, expansion, improvement, engineering, architecture or acquisition of a

**NOTE 13 - TAX ABATEMENTS (continued)**

building or land within a designated Enterprise Zone distressed community. The business must additionally provide full-time employment opportunities with benefits at a defined family sustainable wage. The tax credits are awarded at 25% of the investment up to a \$500 thousand limit per business. The Neighborhood Assistance Programs combined annual cap is \$18 million. Tax credits must be applied against the business' tax liability, can be carried forward five years, and after the initial filing may be sold to an approved business. The tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, insurance premiums, and title insurance. For the fiscal year ended June 30, 2019, \$18 million in taxes were abated.

- The Neighborhood Improvement Zone Program (NIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR), under Article XIX-B of the Tax Reform Code of 1971, and is a hybrid tax incremental financing program with a primary focus for the construction of an arena and a secondary focus for economic development in the zone. Each year entities located or partially located within the zone are required to file a NIZ report, which includes the following state taxes paid during the previous calendar year: corporate net income, capital stock/foreign franchise, bank and trust company shares, sales, use & hotel occupancy, employer withholding, gross receipts, unemployment compensation, realty transfer, cigarette, vehicle rental, gross premiums, malt beverage, and liquor/wine. The total amount of state taxes certified by DOR and applicable local taxes are deposited into the NIZ fund for use by the contracting authority. The authority may utilize the funds for the payment of debt service on bonds issued for the construction of the arena, or to fund the debt service of additional eligible improvement projects within the zone. All eligible NIZ projects must be geographically located within the NIZ and be approved by the authority. Once in operation, the payment of taxes associated with the project can go toward payment of the debt service owed by the developer on the project. The NIZ zone is effective for a period equal to the payment of all debt service incurred, including bond repayment or 30 years, whichever occurs first. For the fiscal year ended June 30, 2019, \$40.5 million in taxes were abated and deposited into the NIZ fund for use by the contracting authority.
- The Educational Opportunity Scholarship Tax Credit (EOSTC) is administered by DCED under Article XX-B of the Public School Code of 1949, 24 P.S. Section 20-2005-B and allows for businesses to receive tax credits for contributions to a list of pre-approved scholarship organizations. Businesses may apply to DCED for a tax credit equal to 75% of the contribution for a one-year pledge, or 90% of the contribution for a two-year pledge, up to \$750 thousand annually. After receiving the approved application from DCED, the business must make the contribution within 60 days, and provide DCED a written acknowledgment with proof within 90 days of the approved application. If proof is not received, the tax credit approval is void. Applications are approved first come/first served. Tax credits may not be sold, and total credits for the program cannot exceed \$50 million annually. If program thresholds are not met in a given year, the remaining balance will be available to the waiting list of the Education Tax Credit Program for Scholarship Organizations and Pre-Kindergarten Organizations, but not for Educational Improvement Organizations. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank and trust company shares, mutual thrift institutions, title insurance company shares, malt beverage, and retaliatory fees. For the fiscal year ended June 30, 2019, \$32.6 million in taxes were abated.
- The Resource Enhancement and Protection Tax Credit (REAP) is administered by the State Conservation Commission (SCC) under Article XVII-E of the Tax Reform Code of 1971 and provides an incentive for farmers and agricultural businesses to institute "Best Management Practices" (BMP) to protect Pennsylvania natural resources. Pennsylvania farmers or businesses must apply to the SCC with a qualified proposed or completed BPM project; and must agree to maintain the BMP for the life span of the practice as defined by the SCC. Tax credits are awarded at 50% - 75% of eligible implementation costs, dependent on the type of BPM, up to \$150 thousand per agricultural operation. The program is first come/first served up to the annual program cap of \$10 million. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward 15 years, and after the initial filing may be sold to an approved business. If the BMP is not maintained for the entire defined life span, all tax credits must be refunded. Tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, insurance premiums, and title insurance company shares. For the fiscal year ended June 30, 2019, \$5.4 million in taxes were abated.

**NOTE 13 - TAX ABATEMENTS (continued)**

- The Tax Credit for New Jobs, formerly and more commonly known as the Job Creation Tax Credit (JCTC) is administered by the Department of Community and Economic Development (DCEd) under Article XVIII-B of the Tax Reform Code of 1971, and promotes economic growth through the expansion of jobs at existing or new Pennsylvania businesses. To be eligible to receive the JCTC, the business must apply to DCEd with a plan of the anticipated number of jobs to be created. At a minimum, a business must agree to create 25 or more new full-time jobs or increase employment by 20% in Pennsylvania, and once approved by DCEd the business has three years after an assigned start date to create the full-time jobs. To qualify as a full-time position, the employee must earn an hourly wage of at least 150% of the federal minimum wage. Additionally, the business must demonstrate financial stability, leadership in business technology or innovation, and that the business decision to expand or locate within the Commonwealth was based in part on the JCTC opportunity. Businesses must also agree to maintain operations for five years from the start date. Although businesses do not receive the tax credit until after the jobs are created, if businesses do not maintain operations for five years all tax credits must be refunded. If a business does not create the required promised number of jobs, penalties may be assessed. The tax credit is awarded at \$1 thousand per full-time job or \$2.5 thousand if the job is filled by a veteran or unemployed individual. The JCTC is awarded first come/first served, up to the annual program cap of \$10.1 million. Additionally, a minimum of 25% of all credits must be awarded to small businesses with 100 or less employees. Tax credits can be applied up to 100% of the business' tax liability, must be claimed within five years of the tax credit certificate, and may not be sold. Tax credits may be utilized against the following taxes: corporate net income, personal income, bank and trust company shares, mutual thrift institutions, gross receipts, gross premiums, and title insurance company shares. Applications for credit may not be approved after June 30, 2020. In conjunction with the JCTC, the Commonwealth also at times committed to providing other economic growth opportunities in the form of grants, loans, and training reimbursements. For the fiscal year ended June 30, 2019, \$10.1 million in taxes were abated.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

**Construction and Other Commitments:** At June 30, 2019 the Department of Transportation (DOT) had contractual commitments of approximately \$1,247,668 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 \$5,185,690 at June 30, 2019. Actual expenditures are contingent upon approved spending authority and/or availability of financial resources.

**Encumbrances:** The Commonwealth utilizes encumbrances to account for outstanding commitments for open purchase orders and unfulfilled contracts. Amounts related to encumbrances based on outstanding purchase orders or other contracts are as follows:

General Fund .....	\$ 746,196
Motor License Fund .....	343,062
Capital Facilities Fund .....	946,450
Other nonmajor funds.....	<u>532,740</u>
Total .....	<u>\$ 2,568,448</u>

**Investment Commitments:** At June 30, 2019, the Treasury Commonwealth Investment Program had capital commitments of \$205,124 to fund alternative investments, of which \$9,675 was unfunded. At June 30, 2019, the **Tuition Payment Fund** had capital commitments of \$412,991 to fund alternative investments, of which \$28,748 was unfunded.

**Loan and Grant Commitments:** At June 30, 2019 primary government funds had approved \$5,174 in loans that had not been disbursed. Also at June 30, 2019 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$540,495.

**Operating Lease Commitments:** As of June 30, 2019, the Commonwealth has commitments to lease certain buildings and equipment. Future minimum rental commitments for non-cancelable operating leases as of June 30, 2019 were as follows:

Fiscal year ending June 30:	
2020 .....	\$ 344,341
2021 .....	248,012
2022 .....	212,223
2023 .....	182,330
2024 .....	155,279
2025-29 .....	541,297
2030-34 .....	147,298
2035-39 .....	<u>11,096</u>
Total Minimum Lease Payments .....	<u>\$ 1,841,876</u>

Rental expenditures/expenses for all operating leases for the fiscal year ended June 30, 2019 amounted to \$339,316.

In 2016, the Commonwealth amended a long-term lease agreement with Harristown Development Corporation (HDC) in order to finance energy efficiency upgrades and capital improvements to the leased office space. The Commonwealth issued \$38,935 of certificates of participation, which are secured and payable through the annually appropriated lease payments paid by Commonwealth to HDC. The certificates are not secured by a pledge of the Commonwealth’s full faith, credit and taxing power, and the Commonwealth has no obligation beyond the annually appropriated lease payments. For the fiscal year ended June 30, 2019, the lease payments assigned for payment of debt service totaled \$5,711. As of June 30, 2019, the total principal remaining on the certificates of participation is \$30,690.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)**

**Child Support Payments:** At June 30, 2019, the Commonwealth was contingently liable for approximately \$16,901 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, 2019 with respect to torts as described in Note 8 for probable losses, and, separately, other general long-term obligations with respect to litigation cases in the amount of \$325 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 and may impair future revenue sources. Unfavorable outcomes for such cases, which the Commonwealth is vigorously contesting, could range from approximately \$24,000 to \$599,000 for the **General Fund**; \$10,000 to \$76,000 for the Philadelphia Regional Port Authority, an enterprise fund; and \$100 to \$1,069,000 of possible additional liabilities for the State Employees' Retirement System, a fiduciary fund. The range of potential liability for governmental activities is from \$24,000 to \$599,000. The liability for these cases has not been recorded as of June 30, 2019.

**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 \$24,000 to \$169,000 at June 30, 2019. The Commonwealth's management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

**Lottery Prizes:** The **State Lottery Fund (Lottery)**, 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, 2019, the amount of future payments owed to prizewinners was \$479,036. To satisfy its financial obligation to these prizewinners, the **Lottery** purchases annuity contracts from insurance companies whereby the insurance companies make periodic payments to prizewinners. Generally, in the event of insurance company default, the **Lottery** 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 **Lottery** is not liable for the related annuity payments. At June 30, 2019, prizewinners had voluntarily assigned future payments of \$584,352.

**Pennsylvania Turnpike Commission (PTC):** The PTC, a discretely presented component unit, had \$984,651 of Special Revenue Bonds outstanding at May 31, 2019. Pursuant to Act 44 of 2007 the PG, through its **Motor License Fund**, provided security for these bonds in the event of a debt service shortfall. This guarantee extends until the retirement or defeasance of any special revenue bonds or until October 13, 2057, whichever is sooner. To date, the PTC has made all required Special Revenue Bond debt service payments. No funds have been drawn or requested from the Commonwealth's **Motor License Fund** for special revenue bond debt service during the current reporting period or any prior reporting periods. In the event that the Commonwealth's **Motor License Fund** would be required to make a special revenue bond debt service payment, a provision of the Amended Lease and Funding Agreement, executed between the PTC and the **Motor License Fund**, requires the PTC to reimburse the **Motor License Fund** for any special revenue bond debt service payments plus interest.

During the PTC's fiscal year ending May 31, 2019, total interest and principal due on the \$984,651 of special revenue bonds outstanding at May 31, 2019 will amount to \$39,419 and \$6,110, respectively. Disclosures related to the PTC's special revenue bonds payable as of May 31, 2019 are provided in Note 16 to the basic financial statements.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)**

**Loan Guarantees:** The CFA, through various economic development programs, provided loan guarantees as of June 30, 2019 as follows:

First Industries Loan Guarantees .....	\$	15,154
Tax Increment Financing Guarantees .....		17,486
New Pennsylvania Venture Guarantees .....		54,998
Total Loan Guarantees .....	\$	<u>87,638</u>

In the event a borrower is unable to make the required debt service payment on a guaranteed debt issuance, or a loss is incurred on the aggregate guaranteed investment portfolio, the CFA is required to make payment. The guarantees related to the First Industries and Tax Increment Financing Guarantee extend through July 15, 2035 and July 1, 2032, respectively, as of June 30, 2019. The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio.

**Nonexchange Financial Guarantees:** As of June 30, 2019, the Commonwealth, in accordance with Act 52 of 2013 as amended by Act 84 of 2016, guarantees the remaining \$5,350 of the 26-year, \$6,080 December 2015 general obligation bond issuance of the Lancaster City Revitalization and Improvement Zone (CRIZ) Authority, a legally separate authority operating as a component unit of the City of Lancaster. The bonds mature in varying annual installments, plus interest, beginning December 2017 through December 2041. The Commonwealth also guarantees the five-year, \$2,600 note payable of the Lancaster CRIZ Authority, payable to the Lancaster County Convention Center Authority. The note matures in 2020, with varying annual installments, carrying a 0% interest rate. In the event the Lancaster CRIZ Authority is unable to make payment on these obligations, the Commonwealth will be required to make that payment on behalf of the Lancaster CRIZ Authority under a borrowing provision within the CRIZ law.

As of June 30, 2019, the Commonwealth, in accordance with Act 52 of 2013 as amended by Act 84 of 2016, guarantees the remaining \$5,731 of the 25-year, \$6,000 August 2017 conduit debt loan entered into by the Bethlehem Revitalization & Improvement Authority (BRIA), a legally separate reporting entity. The loan matures in 2044, with a variable interest rates of at least 4.375% during the loan term. In the event that the BRIA is unable to make payment on this obligation, the Commonwealth will be required to make that payment on behalf of the BRIA under the borrowing provision within the CRIZ law.

The CFA has recognized a liability for nonexchange financial guarantees at June 30, 2019 of \$16,843 and has made cumulative payments of \$10,936 for said amount. The CFA expects to recover a portion of these amounts in future periods; however, at this time the amount of any future recoveries is undeterminable.

Balance				Balance
<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	
\$ 17,654	\$ 51	\$ 862	\$ 16,843	

**Primary Government Commitment for the Pennsylvania Convention Center Authority (PCCA):** According to a contractual arrangement (Operating Agreement) among the Commonwealth, the City of Philadelphia, and the PCCA, a discretely presented component unit, the Commonwealth is required to make payments to the PCCA to finance operating deficits. Such payments are to be primarily financed using the Gaming Fund. The Gaming Fund is used to finance a variety of programs and/or projects and the Gaming Fund itself may be unable to finance all of the PCCA operating deficits during the term of the Operating Agreement, which expires in 2039. In that event, primary government payments to the PCCA based on the Operating Agreement must be financed using funds separate from the Gaming Fund; such amounts are subject to annual appropriation by the General Assembly.

**Primary Government Commitment for the CFA:** According to a contractual arrangement (Service Agreement) among the Department of Community and Economic Development, the Office of the Budget and the CFA, the primary government is required to request sufficient annual appropriations from the General Assembly (to be funded by the **General Fund** and the Gaming Fund) to finance the service fee established in the Service Agreement. The service fee is the only significant source of funds the CFA

**NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)**

has to pay its debt service obligations. The amount of such service fee is to be requested by October 1, each year, for the succeeding fiscal year budget effective July 1 of the following year. During the term of the Service Agreement, there can be no assurance that 1) the General Assembly will annually appropriate sufficient amounts to fund the annual service fee, or 2) funds will be available to finance such annual appropriations. During the fiscal year ended June 30, 2019 the primary government paid a service fee in the amount of \$201,226. Disclosures related to the CFA's \$4,391,860 of revenue bonds payable are provided in Note 6 to the basic financial statements.

**Primary Government Commitment for the Pittsburgh Penguins Arena:** A lease agreement between the Commonwealth and the Sports and Exhibition Authority of Pittsburgh and Allegheny County (SEA) created a 'subject to appropriation' obligation of the Commonwealth. In October 2007, the SEA issued \$313,300 of Commonwealth Lease Revenue Bonds (the Arena Bonds) to finance a multi-purpose arena to serve as home of the Pittsburgh Penguins (the Penguins), a hockey team in the National Hockey League. The Arena Bonds are not debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged. These special revenues include annually (1) \$4,100 from a lease with the Penguins, (2) not less than \$7,500 from the operator of a casino located in the City of Pittsburgh, and (3) \$7,500 from the Commonwealth's Gaming and Economic Development and Tourism Fund. While the special revenues are currently projected to be adequate to pay all debt service on the Arena Bonds, to the extent such revenues in any year are inadequate to cover debt service, the Commonwealth is obligated under the Arena Lease to fund such deficiency, subject in all cases to appropriation by the General Assembly. The maximum annual amount payable by the Commonwealth under the Arena Lease is \$19,100.

In April 2010, the SEA issued \$17,360 in additional Commonwealth Lease Revenue Bonds (the Supplemental Arena Bonds). The Supplemental Arena Bonds do not constitute debt of the Commonwealth but are limited obligations of the SEA payable solely from the special revenues pledged therefor. The Commonwealth is obligated under the Arena Lease to fund any deficiency in special revenues necessary to pay debt service; subject in all cases to appropriation by the General Assembly. For fiscal year ended June 30, 2019 the actual amount appropriated to support the SEA debt service was \$4,547.



**NOTE 15 - NET POSITION AND FUND BALANCE**

**Governmental Activities and Business-Type Activities Net Position:** Total net position is the difference between total assets and total deferred outflows of resources less total liabilities and total deferred inflows of resources as reported on the statement of net position. Total net position is reported in three distinct components: Net investment in capital assets; restricted net position; and unrestricted net position.

Net investment in capital assets represents total capital assets less accumulated depreciation and the outstanding liability (excluding unspent proceeds) for debt specifically related to the construction and acquisition of the capital assets. At June 30, 2019, governmental and business-type activities, respectively, reported net investment in capital assets of \$34,261,559 and \$707,080.

Restricted net position is reported based on constraints imposed by either: 1) creditors, grantors, contributors, or laws or regulations of the Federal or other governments; or 2) Commonwealth enabling legislation. At June 30, 2019, governmental and business-type activities, respectively, reported \$2,664,012 and \$4,994,106 of restricted net position. Net position restricted for other purposes of \$147,636 for business-type activities at June 30, 2019 include amounts for a range of dissimilar statutory purposes.

Unrestricted net position represents total net position less the amounts of net investment in capital assets and restricted net position. At June 30, 2019, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$42,926,794 and \$5,387,051.

**Governmental Funds Fund Balance:** Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2019 nonspendable fund balance is only reported for amounts which are not in spendable form; no nonspendable fund balance is reported based on either legal or contractual requirements to be maintained intact. Within the spendable category, fund balance is further categorized among: restricted, committed, assigned and, unassigned categories. For the **General Fund**, balances may be reported within any of the four spendable categories. However, for all other funds, all balances must be reported within the restricted, committed, or assigned categories, with the exception of a fund balance deficit, which then must be reported in the unassigned category. At June 30, 2019, spendable governmental funds fund balance is categorized among all categories except that no assigned fund balance is reported among any governmental fund for which reporting assigned fund balance would cause reporting a deficit unassigned fund balance. The following chart provides detail about reported nonspendable fund balance and fund balance restrictions and commitments at June 30, 2019:

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

	General Fund	Motor License Fund	Nonmajor Funds	Total
<b>Nonspendable:</b>				
<b>Not in spendable form:</b>				
Advances to other funds .....	\$ 7,475	\$ —	\$ —	\$ 7,475
Long-term loans receivable .....	35,147	—	—	35,147
Due from component unit .....	<u>140,480</u>	<u>—</u>	<u>—</u>	<u>140,480</u>
<b>Total nonspendable .....</b>	<b><u>183,102</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>183,102</u></b>
<b>Restricted for:</b>				
General government operations .....	8,791	—	79,564	88,355
Health-related programs .....	—	—	22,080	22,080
Transportation .....	—	872,037	1,229,643	2,101,680
Unemployment/worker's compensation .....	—	—	1,110,009	1,110,009
Environmental and conservation programs .....	—	—	726,100	726,100
Economic development .....	—	—	14,221	14,221
Gaming/horse racing regulation .....	—	—	553,638	553,638
Emergency support .....	<u>—</u>	<u>—</u>	<u>116,581</u>	<u>116,581</u>
<b>Total restricted .....</b>	<b><u>8,791</u></b>	<b><u>872,037</u></b>	<b><u>3,851,836</u></b>	<b><u>4,732,664</u></b>
<b>Committed for:</b>				
General government operations .....	2,070,219	—	—	2,070,219
Health-related programs .....	—	—	61,797	61,797
Transportation .....	—	—	50,000	50,000
Capital projects .....	—	—	880,615	880,615
Debt service .....	—	—	14,206	14,206
Elderly programs .....	22,338	—	—	22,338
Environmental and conservation programs .....	117,341	—	45,591	162,932
Economic development .....	118,362	—	—	118,362
Higher education .....	469,208	—	—	469,208
Budget stabilization .....	<u>23,271</u>	<u>—</u>	<u>—</u>	<u>23,271</u>
<b>Total committed .....</b>	<b><u>2,820,739</u></b>	<b><u>—</u></b>	<b><u>1,052,209</u></b>	<b><u>3,872,948</u></b>
<b>Unassigned:</b>				
Deficit .....	(2,177,242)	—	(13,937)	(2,191,179)
<b>Total fund balances .....</b>	<b><u>\$ 835,390</u></b>	<b><u>\$ 872,037</u></b>	<b><u>\$ 4,890,108</u></b>	<b><u>\$ 6,597,535</u></b>

A portion of the nonspendable fund balance reported by the **General Fund**, \$7,475, is applicable to advances to other funds at June 30, 2019 as follows: \$2,300 to the **State Workers' Insurance Fund**, an enterprise fund; \$2,175 to the **Motor License Fund** and \$3,000 to the Medical Marijuana Program Fund, both special revenue funds, respectively.

**Governmental Funds Fund Balance Deficit:** The Uninsured Employers' Guaranty Fund, a special revenue fund, reported a fund balance deficit of \$13,937 at June 30, 2019.

**Proprietary Funds Net Position:** Nonmajor enterprise funds reported total restricted net position for "other purposes" of \$147,636 at June 30, 2019 for the following programs: mine subsidence insurance, \$137,548; vocational support, \$2,307; maintain historical properties, \$2,638; restaurant maintenance in state facilities, \$710; local government loans, \$4,425; and port operations, \$8.

**NOTE 15 - NET POSITION AND FUND BALANCE (continued)**

**Proprietary Funds Unrestricted Net Position Deficits:** In addition to unrestricted net position deficits reported in four of the six major enterprise funds (**State Workers' Insurance Fund, State Lottery Fund, State Stores Fund** and the **Commonwealth Financing Authority**, a blended component unit), two nonmajor enterprise funds and two internal service funds reported an unrestricted net position deficit in the statement of net position-proprietary funds at June 30, 2019. These enterprise funds reported the following unrestricted net position deficits at June 30, 2019: the Rehabilitation Center Fund, \$64,789; and the Philadelphia Regional Port Authority (a blended component unit), \$5,736.

The Manufacturing Fund and the Purchasing Fund, both internal service funds, reported unrestricted net position deficits of \$31,714 and \$54,447, respectively, at June 30, 2019. With the Commonwealth's implementation of GASB Statements No. 68 and No. 75, these funds have reported pension and other postemployment benefit liabilities, causing these deficits.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS**

Discretely Presented Component Units (DPCUs) as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, paragraph 20, and amended by GASB 61, paragraph 4b, are legally separate organizations for which the elected officials of the primary government (PG) are financially accountable. In addition, DPCUs can be other organizations of which the nature and significance of their relationship with the PG is such that exclusion of these organizations from the PG’s financial statements would be misleading. DPCUs are established for the benefit of the Commonwealth’s citizenry for a variety of purposes such as economic development, financing and public transportation. The following DPCU disclosures include only information that is deemed essential to the fair presentation of the Commonwealth’s financial statements.

**Restatements**

The Pennsylvania Turnpike Commission (PTC) adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) for the fiscal year ended May 31, 2019. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The Pennsylvania Higher Education Assistance Agency (PHEAA) decreased its beginning total and unrestricted net position due to a change in PHEAA’s proportionate share of the net pension liability. One of the State System of Higher Education’s (SSHE) component units reaffiliated during the fiscal year. The following table reflects the aggregate restatement impact on the beginning net position:

Statement of Net Position	PTC <sup>(1)</sup> (May 31, 2018)	PHEAA	SSHE
Net position, as previously reported, at June 30, 2018 .....	\$ (5,638,762)	\$ 221,516	\$ (1,059,000)
Increase in net pension liability .....	—	(1,004)	—
Cumulative effect of adopting GASB 75 .....	(147,691)	—	—
Reaffiliation of a component unit .....	—	—	19,887
<b>Net position, as restated, at July 1, 2018 .....</b>	<b><u>\$ (5,786,453)</u></b>	<b><u>\$ 220,512</u></b>	<b><u>\$ (1,039,113)</u></b>

(1) PTC restatement is as of June 1, 2018 in alignment with its fiscal year.

Please refer to the individual component unit separately audited and issued financial statements for additional restatement detail.

**Deposits, Investments and Financial Instruments with Off-Balance Sheet Risk**

DPCU organizations typically control receipt and disbursement of their own deposits, often through a trustee. Enabling legislation provides varying authority for investments; several DPCU organizations participate in the Commonwealth Investment Program (CIP).

**Fair Value of Investments**

The following table categorizes the investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs; the fair value of certain investments that do not have a readily determinable fair value are classified as net asset value (NAV).

A more detailed discussion of the application of the fair value hierarchy as it applies to each component unit is available from the component units separately issued financial statements.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Investment Type/Fair Value	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset backed securities					
Level 2 .....	\$ —	\$ —	\$ —	\$ —	\$ 182,093
Bond mutual funds					
Level 1 .....	—	—	—	—	3,161
Level 2 .....	—	—	—	—	7,225
NAV .....	—	—	—	—	6,975
Commercial paper					
Level 2 .....	—	—	47,058	—	243,505
Common stock					
Level 1 .....	—	—	—	—	4,496
Commonwealth investment pool					
Level 2 .....	—	—	—	1,457,063	—
NAV .....	—	—	363,173	—	—
Corporate obligations					
Level 2 .....	321,174	—	—	—	247,503
Debt securities					
Level 1 .....	—	—	—	—	608
Level 2 .....	—	—	—	—	429
Equity balanced mutual funds					
Level 1 .....	—	—	—	—	21,034
Level 2 .....	—	—	—	—	1,768
Level 3 .....	—	—	—	—	1,647
NAV .....	—	—	—	—	18,701
Federal agency discount notes					
Level 2 .....	—	—	55,922	—	—
GNMA mortgages					
Level 2 .....	1,339	—	—	—	—
Investment derivatives					
Level 2 .....	11,866	—	—	—	—
Money market mutual funds					
Level 1 .....	—	—	145,474	—	—
Level 2 .....	—	—	55,211	—	22,970
Mortgage-backed securities					
Level 2 .....	—	85,216	—	—	134,811
Municipal bonds					
Level 2 .....	44,958	—	—	—	—
U.S. Government agency obligations					
Level 1 .....	—	—	—	—	354
Level 2 .....	123,131	194,362	—	—	377,789
U.S. Treasury obligations					
Level 1 .....	1,108,290	—	—	—	—
Subtotal Level 1 .....	1,108,290	—	145,474	—	29,653
Subtotal Level 2 .....	502,468	279,578	158,191	1,457,063	1,218,093
Subtotal Level 3 .....	—	—	—	—	1,647
Subtotal NAV .....	—	—	363,173	—	25,676
Total .....	\$ 1,610,758	\$ 279,578	\$ 666,838	\$ 1,457,063	\$ 1,275,069

Note: Does not include PENNVEST securities lending collateral of \$8,249 or \$567,146 of investments reported by component units of the SSHE.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)****Deposit Risks**

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the DPCU would not be able to recover the value of the deposits.

At May 31, 2019, \$23,600 of the Pennsylvania Turnpike Commission's (PTC) demand deposits were exposed to custodial credit risk, as they were uninsured and collateralized with securities held by an agent of the pledging financial institution but are not in the PTC's name.

The Pennsylvania Housing Finance Agency (PHFA) held \$282,240 of cash deposits that were uninsured but collateralized in accordance with the Commonwealth of Pennsylvania Act 72 of 1971, as amended, by securities held by the pledging financial institution, its trust department or agent, but not in the PHFA's name.

The Pennsylvania Higher Education Assistance Agency (PHEAA) held \$14,800 of deposits with financial institutions in excess of federal depository insurance limits that were uninsured.

The majority of the Pennsylvania Infrastructure Investment Authority (PENNVEST) deposits are held in the CIP. Deposits of the CIP must be held in insured depositories and must be fully collateralized.

The Pennsylvania State System of Higher Education (SSHE) held \$29,646 of uninsured and uncollateralized deposits of which \$28,367 was covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended.

**Investment Risks**

**Risk Management Policies:** DPCU policies for certain risks are established by governing boards and bond indentures. Credit quality risk is addressed by establishing minimum nationally recognized statistical rating organization (NRSRO) ratings for allowable investment purchases. Concentration of credit risk is also avoided 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 PTC investment policies established by its bond indentures and the PTC management define guidelines and operational factors governing the investment of financial assets. Management's policy generally has the same restrictions regarding permitted investments as the indentures. Allowable investments include obligations of, or obligations guaranteed by, the United States of America, its agencies, and its instrumentalities; certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of AA-; investments in bonds or notes issued by any state or municipality which are rated by S&P, Moody's and Fitch in one of their two highest rating categories; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with obligations of, or guaranteed by, the United States of America. All investment ratings shall be based on security ratings at the time of purchase. The portfolio's average credit quality should be rated Aa3/AA- or better by Moody's/S&P.

Commonwealth statutes and contractual provisions contained in the bond trust indentures govern the investment policies of the PHFA. The Housing Finance Agency Law, December 3, 1959, P.L. 1688 as amended December 5, 1972, P.L. 1259, No. 282 ("Act") and bond indentures provide the authority to invest all PHFA funds. In compliance with the Act and bond indentures, it is the policy of the PHFA to invest in securities that provide suitable returns, preserve principal, meet liquidity needs and to further the purposes of the PHFA. The PHFA mitigates its credit risk by limiting investments to those permitted in its deposit and investment policies, diversifying the investment portfolio and prequalifying firms with which PHFA administers its investment activities.

The PHEAA Board of Directors authorizes the investment guidelines and PHEAA management governs the investments by using the "prudent person" rule. Generally, the PHEAA's investments are limited to U.S. Government securities, U.S. Government agency securities, federal instrumentalities sponsored by U.S. agencies, high-grade commercial paper, repurchase agreements collateralized by U.S. Treasury obligations, certificates of deposit, banker's acceptances eligible for purchase by the Federal Reserve System, and other investments approved by the Board of Directors.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

The trust indenture and the Commonwealth Fiscal Code, as amended, authorizes PENNVEST to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements, highly rated bank promissory notes or investment of funds or trusts; and “prudent person” investments as determined by PENNVEST’s depository.

The SSHE investment policy is established by board policy and authorizes SSHE to invest in obligations of the U.S. Treasury, repurchase agreements, commercial paper, certificates of deposit, banker’s acceptances, U.S. money market funds, municipal bonds, corporate bonds, collateralized mortgage obligations, asset-backed securities, and internal loan funds.

<b>Investment Type</b>	<b>PTC</b>	<b>PHFA</b>	<b>PHEAA</b>	<b>PENNVEST</b>	<b>SSHE</b>
Asset-backed securities .....	\$ —	\$ —	\$ —	\$ —	\$ 182,093
Bond mutual funds .....	—	—	—	—	17,361
Commercial paper .....	—	—	47,058	—	243,505
Common stock .....	—	—	—	—	4,496
Corporate obligations .....	321,174	—	—	—	247,503
Debt securities .....	—	—	—	—	1,037
Derivatives .....	11,866	—	—	—	—
Equity/balanced mutual funds .....	—	—	—	—	43,150
Federal agency discount notes .....	—	—	55,922	—	—
GNMA mortgages .....	1,339	—	—	—	—
Money market mutual funds .....	—	—	200,685	—	22,970
Mortgage backed securities .....	—	85,216	—	—	134,811
Municipal bonds .....	44,958	—	—	—	—
Securities lending collateral .....	—	—	—	8,249	—
Commonwealth Investment Program .....	—	—	363,173	1,457,063	—
U.S. Government and agency obligations .....	123,131	194,362	—	—	378,143
U.S. Treasury obligations .....	1,108,290	—	—	—	—
<b>Total investments</b> .....	<b>1,610,758</b>	<b>279,578</b>	<b>666,838</b>	<b>1,465,312</b>	<b>1,275,069</b>
Certificates of deposit .....	—	—	—	—	180
<b>Total investments and certificates of deposits</b> .....	<b>\$ 1,610,758</b>	<b>\$ 279,578</b>	<b>\$ 666,838</b>	<b>\$ 1,465,312</b>	<b>\$ 1,275,249</b>

Note: Total investments by type does not include \$567,146 of investments reported by component units of the SSHE.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**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.

The PTC's investment policy defines permitted investments along with the following concentration limitations. Investments in any single federal agency are limited to 35% of the portfolio. Investments in certificates of deposit and investment agreements are limited to 30% of the portfolio and combined exposure to commercial paper, corporate bonds, and asset-backed securities, in aggregate, is limited to 35% of the total portfolio. Investments in any single issuer, excluding U.S. Treasury and federal agencies, are limited to 5% of the portfolio.

The PHFA policy indicates that the proportion of investments in government securities shall not exceed 70% of the portfolio and the proration of investments in certificates of deposit shall not exceed 30% of the portfolio. As of June 30, 2019, concentrations in government securities, which represented 100% of the portfolio, exceed the policy. Departure from the policy was approved by the Executive Director, as permitted by PHFA Investment Policy and Guidelines. Concentration limits are not established in the bond indentures and governing agreements for trust investments.

The PHEAA investment policy does not contain requirements that limit the amount that can be invested in any one issuer. As of June 30, 2019, the PHEAA had investments in federal agency discount notes (Federal Home Loan Bank) that were 8.4% of their total cash equivalents and investments.

The PENNVEST participates in the CIP managed by the Commonwealth. The Commonwealth places a 10% limit on the concentration of investments in any one fixed income issuer within the CIP. This limitation excludes government-sponsored enterprises, direct obligations of the U.S. Treasury or U.S. agencies, and repurchase agreements. The Commonwealth also places a 5% limit on the concentration of investments in one equity issuer within the CIP.

The SSHE investment policy contains the following limitations: U.S. Government securities together with repurchase agreements must comprise at least 20% of market value of the fund. Commercial paper investments must not exceed 20% of the market value of the fund. Municipal bonds must carry a long-term debt rating of A or better and may not exceed 20% of the market value of the fund. Corporate bonds may not exceed 20% of the market value of the fund; 15% must carry a long-term debt rating of A or better while 5% may be rated Baa2 or better. Collateralized mortgage obligations must be rated Aaa and guaranteed by the U.S. Government and may not exceed 20% of the market value of the fund. Asset-backed securities must be Aaa rated and the total may not exceed 20% of the market value of the fund, with no more than 5% invested in any single issuer. Investment fund loans may not exceed 20% of the market value of the fund and the loan terms may not exceed five years.

The following concentration existed as of June 30, 2019:

<b>Issuer Name</b>	<b>PHFA</b>
Government National Mortgage Association .....	\$ 74,270
Tennessee Valley Authority .....	77,646
Federal Farm Credit Bank .....	56,640
Federal Home Loan Bank .....	42,192
	<b><u>\$ 250,748</u></b>



NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

**Credit Risk:** The following table discloses aggregate fair value, by Moody's or Standard and Poor's credit quality rating category, at June 30, 2019 (May 31, 2019 for the PTC):

	PTC	PHFA	PHEAA	PENNVEST	SSHE
<b>Moody's Investors Service</b>					
Aaa .....	\$ —	\$ 196,873	\$ —	\$ —	\$ 722,281
Aa .....	5,966	—	—	—	29,726
A .....	5,900	—	—	—	170,012
Baa .....	—	—	—	—	44,142
P1 .....	—	—	—	—	243,505
<b>Moody's Investors Service subtotal .....</b>	<b>11,866</b>	<b>196,873</b>	<b>—</b>	<b>—</b>	<b>1,209,666</b>
<b>Standard and Poor's</b>					
AAA .....	196,528	—	200,685	—	—
AA .....	208,374	—	—	—	—
A .....	84,130	—	47,058	—	—
Below A .....	231	—	—	—	—
<b>Standard and Poor's subtotal .....</b>	<b>489,263</b>	<b>—</b>	<b>247,743</b>	<b>—</b>	<b>—</b>
<b>Rated Subtotal .....</b>	<b>501,129</b>	<b>196,873</b>	<b>247,743</b>	<b>—</b>	<b>1,209,666</b>
<b>Unrated</b>					
Bond mutual funds .....	—	—	—	—	17,361
Federal agency discount notes .....	—	—	55,922	—	—
Mortgage backed securities .....	—	74,270	—	—	—
Commonwealth Investment Program .....	—	—	363,173	1,457,063	—
U.S. Government agency obligations .....	1,339	8,435	—	—	396
U.S. Treasury obligations .....	1,108,290	—	—	—	—
<b>Unrated subtotal .....</b>	<b>1,109,629</b>	<b>82,705</b>	<b>419,095</b>	<b>1,457,063</b>	<b>17,757</b>
<b>Total Fixed income investments .....</b>	<b>1,610,758</b>	<b>279,578</b>	<b>666,838</b>	<b>1,457,063</b>	<b>1,227,423</b>
<b>Variable income investments</b>					
Equity/balanced mutual funds .....	—	—	—	—	43,150
Common stock .....	—	—	—	—	4,496
<b>Variable income investments subtotal ....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>47,646</b>
<b>Total investments .....</b>	<b>\$ 1,610,758</b>	<b>\$ 279,578</b>	<b>\$ 666,838</b>	<b>\$ 1,457,063</b>	<b>\$ 1,275,069</b>

Note: Total investments do not include \$567,146 reported by component units of the SSHE or PENNVEST securities lending collateral of \$8,249.

U.S. Government agency obligations include all securities issued by the U.S. Treasury, U.S. Government agencies, and U.S. Government Sponsored Enterprises. 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 NRSRO and have an implied rating of Aaa/AAA.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

**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 PTC at May 31, 2019 and the SSHE at June 30, 2019:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset backed securities .....	\$ —	—	\$ 182,093	0.57	\$ —
Bond mutual funds .....	—	—	17,361	4.84	—
Certificates of deposit .....	—	—	—	—	180
Commercial paper .....	—	—	243,505	0.13	—
Corporate obligations .....	321,174	1.14	246,776	1.53	727
Debt securities .....	—	—	1,037	3.37	—
GNMA mortgages .....	1,339	4.29	—	—	—
Money market mutual funds .....	—	—	—	—	22,970
Mortgage-backed securities .....	—	—	134,811	2.99	—
Municipal bonds .....	44,958	2.55	—	—	—
U.S. Government agency obligations .....	123,131	0.69	378,143	0.99	—
U.S. Treasury obligations .....	1,108,290	2.21	—	—	—
<b>Total .....</b>	<b>\$ 1,598,892</b>		<b>\$ 1,203,726</b>		<b>\$ 23,877</b>

The PHFA and PHEAA 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, 2019:

Investment Type	PHFA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Mortgage-backed securities .....	\$ —	\$ 10,820	\$ 74,396	\$ 85,216
U.S. Government agency obligations .....	10	116,707	77,645	194,362
<b>Total .....</b>	<b>\$ 10</b>	<b>\$ 127,527</b>	<b>\$ 152,041</b>	<b>\$ 279,578</b>

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper .....	\$ 47,058	\$ —	\$ —	\$ 47,058
Money market mutual funds .....	200,685	—	—	200,685
Commonwealth Investment Program .....	363,173	—	—	363,173
Federal agency discount notes .....	55,922	—	—	55,922
<b>Total .....</b>	<b>\$ 666,838</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 666,838</b>

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Derivatives**

As of May 31, 2019, the PTC in its separately-issued financial statements reported noncurrent hedging derivative instrument liabilities of \$126,520 which were offset by reported deferred outflow of resources of \$126,520. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2019 (\$60,090) were deferred.

As of June 30, 2019, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument liability of \$15,648. Changes in the fair value of the hedging derivatives of \$1,961 were deferred.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2019) and the PHFA (as of June 30, 2019) are available within their separately audited and issued financial statements.

**Loans Receivable**

Loans receivable at June 30, 2019 consisted of the following:

	PHFA	PHEAA	PENNVEST
Mortgage loans .....	\$ 3,586,825	\$ —	\$ —
Student loans .....	—	3,896,681	—
Drinking water, storm water and sewer system loans .....	—	—	2,660,070
<b>Subtotal</b> .....	<b>3,586,825</b>	<b>3,896,681</b>	<b>2,660,070</b>
Less: allowance for uncollectible amounts .....	167,093	4,826	28,880
<b>Loans receivable, net</b> .....	<b>\$ 3,419,732</b>	<b>\$ 3,891,855</b>	<b>\$ 2,631,190</b>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2019 for PTC and June 30, 2019 for SSHE is as follows:

PTC	Balance May 31, 2018	Increases	Decreases	Balance May 31, 2019
<b>Non-depreciable capital assets:</b>				
Land and intangibles .....	\$ 380,837	\$ 25,178	\$ 372	\$ 405,643
Construction in progress .....	1,517,692	635,288	662,819	1,490,161
<b>Subtotal</b> .....	<b>1,898,529</b>	<b>660,466</b>	<b>663,191</b>	<b>1,895,804</b>
<b>Depreciable capital assets:</b>				
Buildings .....	980,744	9,839	9,468	981,115
Improvements other than buildings .....	124,960	32,988	7,642	150,306
Equipment .....	621,430	24,416	3,061	642,785
Infrastructure .....	8,809,493	605,695	371,121	9,044,067
<b>Subtotal</b> .....	<b>10,536,627</b>	<b>672,938</b>	<b>391,292</b>	<b>10,818,273</b>
<b>Accumulated depreciation:</b>				
Buildings .....	422,553	22,886	9,468	435,971
Improvements other than buildings .....	86,916	4,555	7,643	83,828
Equipment .....	514,325	28,240	2,935	539,630
Infrastructure .....	5,394,366	328,423	208,139	5,514,650
<b>Total accumulated depreciation</b> .....	<b>6,418,160</b>	<b>384,104</b>	<b>228,185</b>	<b>6,574,079</b>
<b>Total capital assets being depreciated, net</b> .....	<b>4,118,467</b>	<b>288,834</b>	<b>163,107</b>	<b>4,244,194</b>
<b>Total capital assets</b> .....	<b>\$ 6,016,996</b>	<b>\$ 949,300</b>	<b>\$ 826,298</b>	<b>\$ 6,139,998</b>
<b>SSHE</b>				
	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</b>
<b>Non-depreciable capital assets:</b>				
Land and intangibles .....	\$ 32,513	\$ 1,497	\$ —	\$ 34,010
Construction in progress .....	106,182	60,936	85,266	81,852
<b>Subtotal</b> .....	<b>138,695</b>	<b>62,433</b>	<b>85,266</b>	<b>115,862</b>
<b>Depreciable capital assets:</b>				
Buildings .....	2,618,055	207,649	—	2,825,704
Improvements other than buildings .....	307,987	13,855	—	321,842
Equipment .....	503,230	28,022	8,774	522,478
Library books .....	79,502	648	4,709	75,441
<b>Subtotal</b> .....	<b>3,508,774</b>	<b>250,174</b>	<b>13,483</b>	<b>3,745,465</b>
<b>Accumulated depreciation:</b>				
Buildings .....	1,078,975	102,784	10,356	1,171,403
Improvements other than buildings .....	158,569	11,208	194	169,583
Equipment .....	415,386	28,598	10,489	433,495
Library books .....	74,091	1,309	4,709	70,691
<b>Total accumulated depreciation</b> .....	<b>1,727,021</b>	<b>143,899</b>	<b>25,748</b>	<b>1,845,172</b>
<b>Total capital assets being depreciated, net</b> .....	<b>1,781,753</b>	<b>106,275</b>	<b>(12,265)</b>	<b>1,900,293</b>
<b>Total capital assets</b> .....	<b>\$ 1,920,448</b>	<b>\$ 168,708</b>	<b>\$ 73,001</b>	<b>\$ 2,016,155</b>

Note: Capital assets do not include \$942,063 and \$1,063,319 reported by the component units of the SSHE as of June 30, 2019 and 2018, respectively.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Service Concession Arrangements**

There are 17 service plazas along the Turnpike System providing gasoline and diesel fuel, other automotive supplies and services, and restaurant services. The PTC has entered into long-term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco Retail LLC to design, reconstruct, finance, operate and maintain all of the service plazas. During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the contract remained the same. The PTC has no responsibility for maintaining the service plazas under the agreements. The PTC maintains the ability to approve and/or modify the services that the operators can provide and the rates that can be charged. The service plaza operators are compensated by the users of the services and share a portion of that revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets are recognized by the PTC. The current contracts with HMSHost Restaurants, LLC and Sunoco Retail LLC and 7-Eleven Inc. expire on August 25, 2036 and January 31, 2022, respectively. 7-Eleven’s lease may be extended for three additional five-year periods. The first extension shall be at the discretion of 7-Eleven Inc., and the second and third extensions shall be mutually agreed to by both parties. As of May 31, 2019, the PTC had capitalized \$125,400 in capital assets representing all 17 service plazas that had fully completed construction and recorded deferred inflows of resources of \$85,700 related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2019 and in accordance with GASB Statement No. 60, the PTC recognized a receivable and deferred inflow of resources in the amount of \$29,600 for the present value of guaranteed minimum rent payments scheduled to begin upon completion of all construction. Since the final service plaza was completed at the end of fiscal year 2018, guaranteed minimum rental payment requirements began in fiscal year 2019.

**Student loan auction rate security bonds payable, notes payable and other financing obligations**

During the fiscal year ended June 30, 2019, PENNVEST issued short-term obligations to finance the issuance of loans to program participants. These obligations are issued in the form of commercial paper, and bear interest, which is due upon maturity. During the fiscal year ended June 30, 2019, PENNVEST issued short-term obligations in the amount of \$30,123. Interest rates on these instruments ranged from 1.40% to 1.90% with no maturity being greater than 120 days. As of June 30, 2019, \$30,123 in obligations remained outstanding. A schedule of changes in the short-term obligations follows:

	<b>Balance</b>				<b>Balance</b>
	<b>July 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>		<b>June 30, 2019</b>
Notes payable .....	\$ 50,371	\$ 30,123	\$ 50,371		\$ 30,123

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The PHEAA has reported \$9,400 of auction rate security bonds payable, \$3,680,700 of notes payable (consisting of student loan financings of \$40,000 and student loan floating rate notes of 3,640,700), and \$6,965 of other obligations (consisting of capital acquisition refunding bonds of \$685 and term financings of 6,280) at June 30, 2019 as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
<b>Bonds payable:</b>				
Student loan auction rate security bonds, due 2042, at interest rate of 3.34 % as of June 30, 2019 and a weighted-average rate of 2.55 % as of June 30, 2018 .....	\$ 11,100	\$ —	\$ (1,700)	\$ 9,400
<b>Notes payable:</b>				
Student loan floating rate notes, due 2028-2068 at weighted average rates of 3.14 % as of June 30, 2019 and 2.89 % as of June 30, 2018 .....	\$ 3,858,602	\$ 426,700	\$ (640,331)	\$ 3,644,971
Less: discount on student loan floating rate notes .....	(6,909)	2,638	—	(4,271)
<b>Subtotal</b> .....	3,851,693	429,338	(640,331)	3,640,700
Student loan financings, due on demand, at an interest rate of 3.24 % as of June 30, 2019 and 2.83 % as of June 30, 2018. Unused portion was \$200,000 as of June 30, 2019 .....	240,000	—	(200,000)	40,000
Student loan financing warehouse facilities, unused portion was \$250,000 as of June 30, 2019 .....	245,986	—	(245,986)	—
<b>Total notes payable</b> .....	\$ 4,337,679	\$ 429,338	\$ (1,086,317)	\$ 3,680,700
Capital acquisition refunding bonds, Series of 2012, due 2019-2022 .....	\$ 18,245	\$ —	\$ (18,245)	\$ —
Term financings, due 2029, at 0% interest as of June 30, 2019 and 2018 .....	6,280	—	—	6,280
<b>Subtotal</b> .....	24,525	—	(18,245)	6,280
<b>Plus: unamortized premium</b> .....	1,082	—	(397)	685
<b>Total capital and other financing obligations</b> .....	\$ 25,607	\$ —	\$ (18,642)	\$ 6,965

The note and bond indentures, among other things, require the PHEAA to comply with various covenants. Student loans and investments collateralize all student loan financings. As of June 30, 2019, \$3,900,000 of student loan principal and related interest receivable and \$151,900 of cash equivalents collateralized the \$3,700,000 of student loan financings.

The student loan financings and other financings are non-recourse obligations to the PHEAA's unrestricted net position and to the Commonwealth, except for the \$40,000 of student loan financings, which are borrowings from the Commonwealth's Treasury Department.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

The PHEAA reported debt service requirements subsequent to June 30, 2019, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2019 are as follows:

Year of maturity	Student Loan Bonds and Notes		Other Financing Obligations	
	Principal	Interest	Principal	Interest
2020 .....	\$ 40,000	\$ 115,027	\$ —	\$ —
2021 .....	—	114,920	—	—
2022 .....	—	114,920	—	—
2023 .....	—	114,920	—	—
2024 .....	—	114,920	—	—
2025-29 .....	29,649	573,041	—	—
2030-34 .....	108,626	554,446	6,280	—
2035-39 .....	1,054,668	491,136	—	—
2040-44 .....	1,362,801	291,556	—	—
2045-49 .....	30,250	176,593	—	—
2050-54 .....	—	174,758	—	—
2055-59 .....	123,683	167,080	—	—
2060-64 .....	—	156,488	—	—
2065-69 .....	944,694	60,540	—	—
<b>Total</b> .....	<b>\$ 3,694,371</b>	<b>\$ 3,220,345</b>	<b>\$ 6,280</b>	<b>\$ —</b>

**Reported as:**

Total principal owed on student loan auction rate security bonds payable .....	\$ 9,400	\$ —
Notes payable - current .....	40,000	—
Notes payable - noncurrent .....	3,640,700	—
Discount on student loan floating rate notes .....	4,271	—
Other financing obligations, noncurrent .....	—	6,965
Unamortized premium .....	—	(685)
<b>Total principal</b> .....	<b>\$ 3,694,371</b>	<b>\$ 6,280</b>

The student loan financings PHEAA reported are variable-rate debt, which have interest rates that reset on various dates. As of June 30, 2019, interest rates on \$9,400 reset based upon auctions every 28 days, \$3,700,000 was indexed to the one-month or three-month LIBOR (London interbank offered rate). PHEAA notes and bonds payable, as well as all other debt, are limited obligations of the PHEAA, payable only from related pledged assets.

The PHEAA reported current notes payable of \$40,000 at June 30, 2019. Also, the PHEAA reported noncurrent notes payable of \$3,640,700 at June 30, 2019.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Long-Term Obligations**

Significant revenue bond obligations of the PTC (as of May 31, 2019) and the PHFA (as of June 30, 2019), changes during the fiscal year and annual principal and interest payments for long-term debt outstanding are as follows:

<b>REVENUE BONDS PAYABLE &amp; DIRECT PLACEMENTS AND BORROWINGS</b>	<b>Issue Dates</b>	<b>Interest Rates</b>	<b>Maturity Dates Through</b>	<b>Balance June 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance May 31, 2019</b>
PTC .....	2005-19	various	2054	\$ 11,285,419	\$ 1,174,515	\$ 436,280	\$ 12,023,654
Less: unamortized bond discount .				(424)	—	(69)	(355)
Add: unamortized bond premium				1,010,351	123,136	58,452	1,075,035
Add: direct placements and borrowings .....				1,016,925	45,000	243,650	818,275
<b>TOTAL .....</b>				<b>\$ 13,312,271</b>	<b>\$ 1,342,651</b>	<b>\$ 738,313</b>	<b>\$ 13,916,609</b>

<b>Year of Maturity</b>	<b>Bonds</b>			<b>Direct Placements and Borrowings</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020 .....	\$ 325,205	\$ 563,375	\$ 888,580	\$ —	\$ 17,216	\$ 17,216
2021 .....	417,370	551,231	968,601	200,000	18,522	218,522
2022 .....	471,245	536,707	1,007,952	—	13,192	13,192
2023 .....	246,115	529,076	775,191	50,000	13,415	63,415
2024 .....	451,269	515,505	966,774	45,000	12,171	57,171
2025-29 .....	1,507,540	2,396,477	3,904,017	—	56,465	56,465
2030-34 .....	2,081,521	2,004,829	4,086,350	52,550	54,264	106,814
2035-39 .....	2,793,190	1,431,767	4,224,957	168,240	41,315	209,555
2040-44 .....	2,444,196	812,674	3,256,870	302,485	9,574	312,059
2045-49 .....	1,215,818	175,715	1,391,533	—	—	—
2050-54 .....	70,185	3,903	74,088	—	—	—
<b>Total .....</b>	<b>\$12,023,654</b>	<b>\$9,521,259</b>	<b>\$21,544,913</b>	<b>\$ 818,275</b>	<b>\$ 236,134</b>	<b>\$ 1,054,409</b>



**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

<b>REVENUE BONDS &amp; NOTES PAYABLE</b>	<b>Issue Dates</b>	<b>Interest Rates</b>	<b>Maturity Dates Through</b>	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>
PHFA .....	1999-2019	various	2050	\$ 2,981,547	\$ 526,700	\$ 580,504	\$ 2,927,743
Add: unamortized bond premium				29,308	4,445	5,417	28,336
<b>TOTAL .....</b>				<b>\$ 3,010,855</b>	<b>\$ 531,145</b>	<b>\$ 585,921</b>	<b>\$ 2,956,079</b>

<b>Year of Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020 .....	\$ 101,572	\$ 93,016	\$ 194,588
2021 .....	115,330	91,182	206,512
2022 .....	111,442	88,250	199,692
2023 .....	109,849	85,567	195,416
2024 .....	107,596	82,775	190,371
2025-29 .....	545,140	368,566	913,706
2030-34 .....	619,232	275,843	895,075
2035-39 .....	608,402	162,881	771,283
2040-44 .....	381,470	74,225	455,695
2045-49 .....	220,735	17,152	237,887
2050-54 .....	6,975	119	7,094
<b>Total .....</b>	<b>\$ 2,927,743</b>	<b>\$ 1,339,576</b>	<b>\$ 4,267,319</b>

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

The table below presents significant bond obligations of SSHE at June 30, 2019 and changes during the fiscal year then ended, followed by principal and interest payments for long-term debt outstanding.

<b>BONDS PAYABLE</b>	<b>Issue Dates</b>	<b>Interest Rates</b>	<b>Maturity Dates Through</b>	<b>Balance July 1, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>
SSHE .....	2008-18	various	2055	\$ 1,035,570	\$ 236,945	\$ 117,855	\$ 1,154,660

<b>Year of Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020 .....	\$ 86,590	\$ 49,467	\$ 136,057
2021 .....	71,685	45,469	117,154
2022 .....	72,390	42,189	114,579
2023 .....	73,735	38,704	112,439
2024 .....	80,575	35,135	115,710
2025-29 .....	264,300	131,926	396,226
2030-34 .....	213,695	78,752	292,447
2035-39 .....	171,725	40,214	211,939
2040-44 .....	107,225	13,292	120,517
2045-49 .....	8,580	1,721	10,301
2050-54 .....	3,680	690	4,370
2055-59 .....	480	24	504
<b>Total .....</b>	<b>\$ 1,154,660</b>	<b>\$ 477,583</b>	<b>\$ 1,632,243</b>

Note: The total principal obligations outstanding do not include \$1,076,920 in bonds and notes payable reported by component units of the SSHE.

**Conduit Debt**

The PHFA 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, 2019, the PHFA had \$363,934 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 State Public School Building Authority (SPSBA) 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 SPSBA represent limited obligations payable solely from lease/loan payments made by the borrowing institutions and related assets held by trustees. At June 30, 2019, the SPSBA had \$2,637,539 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) 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, 2019, the PHEFA had \$5,783,484 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 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 PEDFA financed project revenues. At June 30, 2019, the PEDFA had \$5,499,958 of debt outstanding of which \$4,677,968 represented conduit debt. Neither the PEDFA nor the Commonwealth has

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

any obligation for this conduit debt. Therefore, neither the financed assets nor the bonds are reported in the accompanying financial statements.

**Refunded Debt****PTC**

In June 2018, the Commission issued \$182,455,000 2018 Series A-1 Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2023. The 2018 Series A-1 Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2018 maturity of the Commission's 2013 Series A Senior Revenue Bonds (\$76,075,000), the current refunding of the December 1, 2018 maturity of the Commission's 2014 Series B-1 Senior Revenue Bonds (\$65,000,000), the current refunding of the December 1, 2018 maturity of the Commission's 2016 Series A-2 Senior Revenue Bonds (\$40,590,000) and for paying the costs of issuing the 2018 Series A-1 Senior Revenue Bonds.

On June 28, 2018, the PTC issued 2018 Series A-1 Variable Rate Senior Revenue Bonds primarily to refund various maturing variable rate bonds. The 2018 Series A-2 Variable Rate Senior Revenue Bonds specifically included refunding the December 1, 2018 maturity of the 2014 Series B-1 Variable Rate Senior Revenue Bonds. As a result, \$10,900 notional amount of the PTC's Mainline SIFMA Fixed Payer swaps associated with those bonds were deemed terminated and are now associated with the 2018 Series A-1 Variable Rate Senior Revenue Bonds. The fair values at the time of deemed termination were a negative \$200 with respect to the Goldman Sachs MMDP swap, a negative \$200 with respect to the Merrill Lynch CS swap, and a negative \$200 with respect to the Morgan Stanley CS swap. These amounts are being amortized until December 1, 2038 which is the final maturity of the swaps.

On September 20, 2018 the PTC entered into a Bond Purchase Agreement of \$179,815 Series of 2019 Forward Delivery Refunding Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2025. The Series of 2019 Forward Delivery Refunding Senior Revenue Bonds will be issued for the purpose of financing the current refunding of the PTC's 2009 Series B Senior Revenue Bonds (\$190,080) and paying the costs of issuing the Series of 2019 Forward Delivery Refunding Senior Revenue Bonds. The Series of 2019 Forward Delivery Refunding Senior Revenue Bonds will be delivered on September 24, 2019. As of May 31, 2019, the PTC does not have outstanding principal related to this transaction.

On November 6, 2018, the PTC issued 2018 Series B Variable Rate Senior Revenue Bonds primarily to refund the outstanding 2017 Series B-1 and B-2 Variable Rate Senior Revenue Bonds (Direct Placement). As a result, the \$86,300 million notional amount of the PTC's Mainline LIBOR Fixed Payer swaps associated with the 2017 Series B-2 Variable Rate Senior Revenue Bonds were deemed terminated and are now associated with the 2018 Series B Variable Rate Senior Revenue Bonds. The fair values at the time of deemed termination were \$1,100 with respect to the Bank of America swap, \$1,100 with respect to the Bank of New York Mellow swap, and \$2,100 with respect to the JPMorgan Chase Bank swap. These amounts are being amortized until December 1, 2030 which is the final maturity of the swaps.

In November 2018, the PTC issued \$141,200 2018 Series B Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2023. The 2018 Series B Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2020 maturity of the PTC's 2017 Series B-1 Senior Revenue Bonds (\$40,000) which were issued as a Direct Placement, the current refunding of the December 1, 2021 maturity of the PTC's 2017 Series B-2 Senior Revenue Bonds (\$100,320,000) which were issued as a Direct Placement, and paying the costs of issuing the 2018 Series B Senior Revenue Bonds.

In February 2019, the PTC issued \$84,365 2019 First Series Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2033. The 2019 First Series Senior Revenue Bond were issued primarily for the current refunding of the PTC's 2017 Series C Senior Revenue Bonds (\$103,330), which were issued as a Direct Placement, and paying the costs of issuing the 2019 First Series Senior Revenue Bonds. The current refunding of 2017 Series C Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately \$8,600. The transaction resulted in an economic gain of \$3,400.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**PHFA**

On September 24, 2018, the PHFA issued Series 2018-127 single family mortgage revenue bonds in the amount of \$173,450. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$15,215 of Series 2004-81C bonds and \$8,235 of Series 2007-99C bonds. This refunding resulted in an economic gain (the difference between the present value of the old and new debt service payments) equal to \$643 and a reduction of future debt service payments equal to \$140.

On September 24, 2018, the PHFA issued Series 101C single family mortgage revenue bonds in the amount of \$9,655. The proceeds of this issuance and a PHFA contribution were used to refund \$9,655 of Series 2008-101C bonds. This refunding resulted in an economic gain of \$247 and a reduction of future debt service payments equal to \$2,364.

On February 25, 2019, the PHFA issued Series 2019-128 single family mortgage revenue bonds in the amount of \$201,595. A portion of the proceeds of this issuance and a PHFA contribution were used to refund \$30,000 of Series 2002-754A bonds, \$51,000 of Series 2003-79B bonds, and \$24,040 of series 2009-105B bonds. While successful at reducing the PHFA’s exposure to arbitrage liability, this refunding resulted in an economic loss equal to \$5,166 and a reduction of future debt service payments equal to \$7,626.

**SSHE**

In September 2018, \$36,200 of the net proceeds from the Series AV-1 tax-exempt revenue bonds were used to current refund Series AG and a portion of Series AI bonds. The refunding resulted in an accounting gain of approximately \$144 and was performed to reduce debt service by approximately \$2,700, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$2,400.

**Other Postemployment Benefits (OPEB)**

Each DPCU with employees participates in the Commonwealth’s Retired Employees Health Program (REHP) except for the PTC and the PHFA, which have both established and sponsor their own, separate OPEB plans. The SSHE 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 DPCUs implemented GASB 75, Accounting and Financial Reporting for Postemployment Retirement Benefits Other Than Pensions. The net OPEB liability is reported for the PTC (May 31, 2019), PHFA, PHEAA, PENNVEST and SSHE at June 30, 2019 as follows:

<b>As of and for the fiscal year ended June 30, 2019</b>	<b>PTC (May 31, 2019)</b>	<b>PHFA</b>	<b>PHEAA</b>	<b>PENNVEST</b>	<b>SSHE</b>
Net OPEB liability .....	\$ 12,934	\$ 89,840	\$ 274,286	\$ 5,644	\$ 1,976,649
OPEB expense .....	\$ 10,600	\$ 6,306	\$ (4,107)	\$ 321	\$ 18,419

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

**Net Pension Liability and Pension Expense**

The PTC, PHEAA, PENNVEST and SSHE all have employees that are members of the Pennsylvania State Employees Retirement System (SERS). The SSHE is also a member of the Public School Employees Retirement System (PSERS). For the fiscal year ended June 30, 2019 (May 31, 2019 for the PTC), these entities reported a net pension liability, proportionate share percentage and pension expense as follows:

**SERS**

Fiscal year ended June 30, 2019	PTC (May 31, 2019)	PHEAA	PENNVEST	SSHE
Net pension liability .....	\$ 385,821	\$ 438,740	\$ 7,573	\$ 1,020,123
Proportionate share percentage .....	1.85%	2.11%	0.04%	4.90%
Pension (expense) income.....	\$ (58,800)	\$ (62,699)	\$ 61	\$ (145,114)

**PSERS**

Fiscal year ended June 30, 2019	SSHE
Net pension liability .....	\$ 88,137
Proportionate share percentage .....	0.18%
Pension expense .....	\$ 19,646

The PHFA’s full time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2019, the PHFA reported a net pension liability of \$32,148 and a pension expense of \$6,669.

**Commitments and Contingencies**

**PTC**

The PTC Commitment to the PG: In July 2007, Act 44 was signed into law and, among other things, provides funding for roads, bridges and transit throughout the Commonwealth. Under Act 44, the PTC and the Pennsylvania Department of Transportation (PennDOT) established a 50-year Lease and Funding Agreement (Agreement). Act 44 and the Agreement require the PTC to make scheduled quarterly payments to the PennDOT. Subsequently, in April 2014, the PTC and PennDOT executed Amendment Number One to the aforementioned Lease and Funding Agreement in accordance with Act 89 of November 2013. In accordance with Act 89 and the Amended Funding Agreement, the PTC’s aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 remains at \$450,000 and at 2023 through the term of the Amended Funding Agreement, the PTC’s aggregate annual payment to PennDOT is \$50,000, which must be paid from current revenues. Through June 30, 2019 the PTC has paid PennDOT \$6,550,000; the **Motor License Fund** received \$2,250,000 and the Public Transportation Trust Fund received \$4,300,000.

Due to the significance of the quarterly payments under Act 44, the PTC currently does not have excess cash from operations to finance these required payments due to PennDOT. Therefore, the PTC plans to continue to increase toll rates annually and to issue debt for the foreseeable future to finance the majority of these payments. Act 44 authorizes the PTC to issue special revenue bonds up to an aggregate principal amount of \$5,000,000. No more than \$600,000 in aggregate principal amount of such special revenue bonds, exclusive of original issue discount, may be issued in any calendar year. No such bonds may be issued unless the amended funding agreement is in effect, and no such bonds may be outstanding beyond the stated term of the amended funding agreement at the time of issuance. Special revenue refunding bonds (as defined in § 9511.2 of Act 44) shall not be deemed to count against the total or annual maximum issuance volume under Act 44. Pursuant to Act 89, special revenue bonds may not be issued by the PTC to fund any portion of its annual payment obligation commencing July 1, 2014, as all of such annual payment obligation is to be deposited in the Public Transportation Trust Fund after such date, although special revenue refunding bonds could be issued. The outstanding principal related to these special revenue bonds was \$984,651 at May 31, 2019.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Deferred Outflows and Inflows of Resources

The following table discloses the deferred outflows of resources and deferred inflows of resources at June 30, 2019 (May 31, 2019 for the PTC):

Deferred Outflows of Resources	PTC	PHFA	PHEAA	PENNVEST	SSHE
Hedge derivatives .....	\$ 126,520	\$ 1,961	\$ —	\$ —	\$ —
Pensions					
Difference between expected and actual experience .....	5,790	4,892	6,584	114	16,018
Net difference between projected and actual investment earnings ....	37,538	6,981	42,687	737	99,684
Changes in proportions .....	3,960	—	12,760	216	16,135
Changes in assumptions .....	10,279	4,083	11,689	202	28,822
Difference between employer contributions and proportionate share of total contributions .....	592	—	1,939	13	348
Contributions after the measurement date .....	18,533	2,050	22,684	377	63,742
OPEB					
Difference between expected and actual experience .....	—	—	—	—	24
Net difference between projected and actual investment earnings ....	—	—	—	—	6
Changes in proportions .....	—	—	—	—	35,216
Changes in assumptions .....	—	13,308	—	—	60
Contributions after the measurement date .....	46,056	1,747	3,723	209	63,141
Deferred loss on bond refundings .....	371,837	1,776	1,967	—	7,297
<b>Total .....</b>	<b>\$ 621,105</b>	<b>\$ 36,798</b>	<b>\$ 104,033</b>	<b>\$ 1,868</b>	<b>\$ 330,493</b>
<b>Deferred Inflows of Resources</b>					
Deferred gain on bond refundings .....	\$ 5,845	\$ —	\$ 14,472	\$ —	\$ 661
Deferred gain on sales leaseback .....	—	—	64	—	—
Split-interest agreements .....	—	—	—	—	10
Pensions					
Difference between expected and actual experience .....	4,181	347	4,754	82	12,418
Changes in proportions .....	16,919	—	47,276	53	8,999
Changes in assumptions .....	—	1,230	—	—	—
Difference between employer contributions and proportionate share of total contributions .....	431	—	332	7	5,449
OPEB					
Difference between expected and actual experience .....	2,240	20,444	84,007	1,729	348,112
Net difference between projected and actual investment earnings ....	8,975	—	419	9	1,006
Changes in proportions .....	—	—	423	164	34
Changes in assumptions .....	—	4,012	36,057	742	191,758
Service concession arrangements .....	115,266	—	—	—	—
<b>Total .....</b>	<b>\$ 153,857</b>	<b>\$ 26,033</b>	<b>\$ 187,804</b>	<b>\$ 2,786</b>	<b>\$ 568,447</b>

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)****Subsequent Events****PTC**

On June 4, 2019, the PTC issued \$139,815 2019 Second Series Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2038. The 2019 Second Series Variable Rate Senior Revenue Bonds were issued to finance the current refunding of a portion of the PTC's outstanding 2013 Series B Senior Revenue Bonds, the current refunding of a portion of the PTC's 2014 Series B-1 Senior Revenue Bonds and for paying the costs of issuing the 2019 Second Series Senior Revenue Bonds.

On June 27, 2019, the PTC issued \$722,970 2019 Series A Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2049. The 2019 Series A Subordinate Revenue Bonds were issued primarily to provide funds, together with an equity contribution by the PTC, to finance a portion of the costs of making payments to PennDOT in accordance with Act 44 and Act 89 and paying the costs of issuing the 2019 Series A Subordinate Revenue Bonds.

On June 27, 2019 and July 2, 2019, the PTC fully terminated its Mainline LIBOR/CMS basis swaps with Bank of New York Mellon, JPMorgan Chase Bank, Merrill Lynch CS and PNC Bank in exchange for receiving termination payments totaling \$2,400. The notional amounts at the time of termination were as follows:

Bank of New York Mellon - \$75,500  
JPMorgan Chase Bank - \$60,400  
Merrill Lynch CS - \$60,400  
PNC Bank - \$60,400

On June 28, 2019, the PTC made a \$450,000 payment to PennDOT in accordance with Amendment No. 2 to the Lease and Funding agreement with PennDOT. This amount was recorded as a current liability at May 31, 2019.

On July 30, 2019, the PTC made its quarterly payment to PennDOT in accordance with Act 44 and Act 89 in the amount of \$112,500.

On August 13, 2019, the Third Circuit affirmed the decision of the District Court dismissing the Trucking Plaintiffs' complaint. The Third Circuit found: Because Congress has permitted state authorities, such as Defendants, to use tolls for non-Turnpike purposes, the collection and use of the tolls do not implicate the Commerce Clause. Moreover, because Plaintiffs have not alleged that their right to travel to, from and within Pennsylvania has been deterred, their right to travel has not been infringed. On August 27, 2019, the Trucking Plaintiffs filed a petition for rehearing and suggestion for rehearing by all judges on the Third Circuit.

On August 15, 2019, the PTC issued \$341,325 2019 Series A Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2049. The 2019 Series A Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the PTC's Ten-Year Capital Plan, including but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and paying the costs of issuing the 2019 Series A Senior Revenue Bonds.

On September 24, 2019 the PTC issued \$179,815 2019 Senior Forward Delivery Bonds at a fixed rate, maturing on December 1, 2025. Interest will be paid each June and December 1. The 2019 Bonds were issued for the purpose of financing the current refunding of the PTC's outstanding Turnpike Revenue Bonds, Series B of 2009 maturing on and after December 1, 2020 and a portion of the costs of issuing the 2019 Bonds.

On October 7, 2019, the PTC approved the issuance of the PTC's senior indenture bonds or notes each in one or more series or sub-series, fixed rate, multi-modal or variable rate, taxable and/or tax-exempt, in an aggregate initial principal amount not to exceed \$500,000 (based on par), to finance the costs of financing the costs of various capital expenditures for the Pennsylvania Turnpike system set forth in the PTC's current Ten Year Capital Plan. The authorized senior indenture bonds have not been issued to date.

On October 7, 2019, the PTC approved the issuance of the PTC's senior indenture bonds or notes each in one or more series or sub-series, fixed rate, multi-modal or variable rate, taxable and/or tax-exempt, in an aggregate initial principal amount not to exceed \$500,000 (based on par), to finance the costs to refund certain series of Pennsylvania Turnpike bonds. The authorized senior indenture refunding bonds have not been issued to date.

**NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**

On October 7, 2019, the PTC approved the issuance of the PTC's subordinate indenture bonds or notes, including subordinate revenue bonds, bond anticipation notes and special revenue bonds, each in one or more series or sub-series, fixed rate, multi-modal or variable rate, taxable and /or tax-exempt, in an aggregate initial principal amount not to exceed \$800,000 (based on par), to finance the cost of currently or advance refunding all or a portion of any previously issued subordinate indenture bonds or special revenue bonds.

On October 30, 2019, the PTC made its quarterly payment to PennDOT in accordance with Act 44 and Act 89 in the amount of \$112,500.

On November 6, 2019, the PTC issued, as a direct placement with DVRC, \$52,000 2019 EB5 Tranche No. 3 at a fixed rate with maturity date of November 5, 2024. The PTC is borrowing this money to fund a portion of the costs of certain capital projects included in the PTC's current Ten-Year Capital Plan and for paying the costs of issuing the 2019 EB-5 Loan.

On November 6, 2019, the PTC issued \$86,730 2019 Subordinate Revenue Refunding Bonds, First Series (Federally Taxable) at a variable rate maturing on December 1, 2042. Interest paid monthly. The 2019 Bonds were issued to finance the costs of advance refunding a portion of the PTC's outstanding Series 2010 C-1, Series 2011 B, Series 2012 A and Series 2012 B bonds and for paying the costs of issuing the 2019 bonds.

On November 6, 2019, the PTC issued \$151,130 2019 Motor License Fund Enhanced Turnpike Subordinate Special Revenue Refunding Bonds, First Series (Federally Taxable) at a variable rate maturing on December 1, 2043. Interest paid monthly. The 2019 Special Revenue Bonds were issued to provide funds to finance the costs of advance refunding the PTC's outstanding Special Revenue Bonds Series 2010 B-1, Series 2011 B, Series 2012 A, Series 2012 B and Series 2013 A Bonds.

On November 18, 2019, the PTC modified its existing swap with RBC on the First Series of 2017 Subordinate Bonds to lower the fixed payer rate paid by the PTC beginning on June 1, 2022, and providing for an optional termination date at the PTC's option on June 1, 2029.

**PHFA**

On September 12, 2019, the PHFA Board authorized the issuance of Single Family Mortgage Revenue bonds Series 131 and 132 in an amount not to exceed \$350,000 for each series. Proceeds are expected to include a portion for refunding certain Single Family Mortgage Revenue Bonds of the PHFA issued previously and a portion for purchasing new single family mortgage loans.

On September 26, 2019, the PHFA sold single family mortgage revenue bonds Series 2019-130 totaling \$174,925. Proceeds included a portion used for refunding certain single family mortgage revenue bonds previously issued by the PHFA equal to \$52,000; the remainder was used to purchase new single family mortgage loans.

**SSHE**

In September 2019, PHEFA issued Series AW tax-exempt revenue bonds in the amount of \$84,980. The net proceeds from the Series AW revenue bonds were used to finance replacement of HVAC equipment at Bloomsburg University and to reimburse the acquisition of parking garages at West Chester University, as well as to current refund portions of Series AJ and Series AK revenue bonds. The refunding was performed to reduce debt service by approximately \$14,000 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,500. In connection with the bond issuance, the SSHE entered into a loan agreement with PHEFA under which the SSHE pledged its full faith and credit for repayment of bonds.



**NOTE 17 - SUBSEQUENT EVENTS****Bond Redemption**

In July 2019, the Department of Labor & Industry, through the Pennsylvania Economic Development Financing Authority, called a total of \$138,115 Series 2012 B Unemployment Compensation Revenue Bonds for early redemption at face value. The bonds carried an interest rate of 5%. The amounts and their respective maturity dates were July 1, 2020 and January 1, 2021.

**Short-Term Debt**

On October 11, 2019, the Commonwealth initiated a Short-Term Investment Agreement (Investment Agreement) between the Treasury Department's Short-Term Investments Pool (STIP) and the Office of the Budget for \$500,000 and an expiration date of November 1, 2019. The Investment Agreement is structured as a revolving line of credit, which imposes a market-based rate of return, for the exclusive purpose of providing revenue for the general purposes of the Commonwealth and such other expenses payable from the **General Fund**. The Investment Agreement will provide the benefit, consistent with the public interest, of an alternate means of financing short-term revenue shortfalls and avoids unnecessary costs and fees otherwise associated with traditional short-term bond financing. An advance related to the Investment Agreement in the amount of \$400,000 was made to the **General Fund** on October 31, 2019. On November 1, 2019, Amendment No. 1 to the Investment Agreement was executed, increasing the line of credit to \$1,500,000 and extending the expiration date of the Investment Agreement. On November 7, 2019 \$300,000 of principal was repaid. Additionally, per the Investment Agreement, interest calculated in the amount of \$87 was repaid along with the principal. A second advance was made to the **General Fund** on November 15, 2019 in the amount of \$650,000. On November 21, 2019, \$750,000 of principal was repaid, along with interest calculated in the amount of \$249. A final advance related to the Investment Agreement in the amount of \$450,000 was made on November 27, 2019. Principal in the amount of \$300,000, along with interest calculated in the amount of \$110, was repaid on December 6, 2019. The Investment Agreement will expire April 21, 2020.

**Budget Stabilization Surplus Transfer**

In accordance with Act 20 of 2019, the Secretary of the Budget certified a surplus in the **General Fund** for 2018-2019 fiscal year. A transfer to the Budget Stabilization Reserve Fund in the amount of \$316,872 occurred on September 27, 2019.

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Required Supplementary Information

**Commonwealth of Pennsylvania**  
**Schedule of Pension Amounts**  
Commonwealth's Proportionate Share of the Net Pension Liability  
for the Last Ten Fiscal Years Ended June 30 <sup>(1)</sup>

(Amounts in thousands)	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016 (2)</u>	<u>2015</u>
<b><u>SERS as of 12/31</u></b>					
Commonwealth's portion of the net pension liability .....	82.57%	82.48%	82.44%	83.05%	82.94%
Commonwealth's proportionate share of the net pension liability .....	\$ 17,199,452	\$ 14,261,464	\$ 15,879,154	\$ 15,097,007	\$ 12,318,240
Commonwealth's covered payroll .....	\$ 5,021,603	\$ 4,859,626	\$ 4,801,482	\$ 4,883,069	\$ 4,668,334
Commonwealth's proportionate share of the net pension liability as a percentage of its covered payroll .....	342.51%	293.47%	330.71%	309.17%	263.87%
Plan fiduciary net position as a percentage of the total pension liability..	56.40%	63.00%	57.80%	58.90%	64.80%
<b><u>PSERS as of 6/30</u></b>					
<b>Non-employer contributing entity</b>					
Commonwealth's proportionate share of the net pension liability .....	\$ 290,094	\$ 290,651	\$ 291,791	\$ 251,536	\$ 223,083

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

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only five years are presented in the above schedule.

(2) Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 18th Investigation of Actuarial Experience study for the period 2011 – 2015 was released in March 2016 and can be viewed at [www.sers.pa.gov](http://www.sers.pa.gov). The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was an increase to the net pension liability.

**Commonwealth of Pennsylvania**  
**Schedule of Pension Amounts**  
Commonwealth's Schedule of Contributions  
for the Last Ten Fiscal Years Ended June 30 <sup>(1)</sup>

(Amounts in thousands)	<u>2019 (2)</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>SERS as of 6/30</b>					
Contractually required contribution .....	\$ 1,701,333	\$ 1,669,819	\$ 1,473,131	\$ 1,222,732	\$ 1,005,654
Contributions in relation to the contractually required contribution .	(1,706,602)	(1,664,550)	(1,473,131)	(1,222,732)	(1,005,654)
Contribution deficiency (excess) (3) .....	(5,269)	5,269	—	—	—
Commonwealth's covered payroll .....	\$ 5,096,774	\$ 4,922,164	\$ 4,831,379	\$ 4,682,957	\$ 4,678,587
Contributions as a percentage of its covered payroll .....	33.48%	33.82%	30.49%	26.11%	21.49%
<b>PSERS as of 6/30</b>					
<b>Non-employer</b>					
Contributions to the plan .....	\$ 27,681	\$ 25,763	\$ 22,510	\$ 18,732	\$ 14,994

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

(1) The Commonwealth adopted GASB 68 on a prospective basis for the fiscal year ended June 30, 2015; therefore, only five years are presented in the above schedule.

(2) Contributions to the PSERS plan as of June 30, 2019 are based on an accrued estimate, and are revised annually to the Commonwealth's proportionate share of contributions reported by the PSERS.

(3) Contribution deficiency was fully satisfied in December 2018.

**Commonwealth of Pennsylvania**  
**Schedule of OPEB Amounts**  
**Changes in the Net OPEB Liability and Related Ratios**  
Retired Employees Health Program (REHP)  
Retired Pennsylvania State Police Program (RPSPP)  
For the Last Ten Fiscal Years Ended June 30, <sup>(1)</sup>

(Amounts in thousands)

<b>REHP</b>			
As of and for the fiscal year ended June 30	<b>2019 (2)</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost .....	\$ 398,501	\$ 527,110	\$ 617,953
Interest .....	586,939	736,947	633,617
Differences between expected and actual experience .....	(5,082,545)	(5,445,495)	—
Changes of assumptions .....	403,428	(576,855)	(2,228,187)
Benefit payments .....	(550,144)	(611,081)	(649,705)
Contributions - retiree .....	49,179	48,585	52,198
<b>Net change in total OPEB liability</b> .....	<b>(4,194,642)</b>	<b>(5,320,789)</b>	<b>(1,574,124)</b>
<b>Total OPEB liability - beginning</b> .....	<b>15,015,975</b>	<b>20,336,764</b>	<b>21,910,888</b>
<b>Total OPEB liability - ending (a)</b> .....	<b>\$ 10,821,333</b>	<b>\$ 15,015,975</b>	<b>\$ 20,336,764</b>
<b>Plan fiduciary net position</b>			
Contributions - employer .....	\$ 558,876	\$ 591,796	\$ 653,720
Contributions - retiree .....	49,179	48,585	52,198
Net investment income .....	21,283	27,351	31,833
Benefit payments .....	(550,144)	(611,081)	(649,705)
Administrative expense .....	(5,562)	(5,232)	(6,213)
<b>Net change in plan fiduciary net position</b> .....	<b>73,632</b>	<b>51,419</b>	<b>81,833</b>
<b>Plan fiduciary net position - beginning</b> .....	<b>333,848</b>	<b>282,429</b>	<b>200,596</b>
<b>Plan fiduciary net position - ending (b)</b> .....	<b>\$ 407,480</b>	<b>\$ 333,848</b>	<b>\$ 282,429</b>
<b>Net OPEB liability (a) - (b)</b> .....	<b>\$ 10,413,853</b>	<b>\$ 14,682,127</b>	<b>\$ 20,054,335</b>
<b>Plan fiduciary net position as a % of total OPEB liability</b> .....	<b>3.77%</b>	<b>2.22%</b>	<b>1.39%</b>
<b>Covered-employee payroll</b> .....	<b>\$ 3,992,729</b>	<b>\$ 3,911,464</b>	<b>\$ 3,902,336</b>
<b>Total/Net OPEB liability as a % of covered-employee payroll</b> .....	<b>260.82%</b>	<b>375.36%</b>	<b>513.91%</b>
<b>RPSPP</b>			
As of and for the fiscal year ended June 30	<b>2019 (2)</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB liability</b>			
Service cost .....	\$ 145,817	\$ 161,103	\$ 193,336
Interest .....	234,405	225,601	196,049
Differences between expected and actual experience .....	(728,659)	(202,655)	—
Changes of assumptions .....	296,435	(272,746)	(803,662)
Benefit payments .....	(143,323)	(140,440)	(123,595)
Contributions - retiree .....	1,072	1,077	1,143
<b>Net change in total OPEB liability</b> .....	<b>(194,253)</b>	<b>(228,060)</b>	<b>(536,729)</b>
<b>Total OPEB liability - beginning</b> .....	<b>5,981,598</b>	<b>6,209,658</b>	<b>6,746,387</b>
<b>Total OPEB liability - ending (a)</b> .....	<b>\$ 5,787,345</b>	<b>\$ 5,981,598</b>	<b>\$ 6,209,658</b>
<b>Plan fiduciary net position</b>			
Contributions - employer .....	\$ 142,292	\$ 133,813	\$ 122,870
Contributions - retiree .....	1,072	1,077	1,143
Net investment income .....	4,854	8,714	11,133
Benefit payments .....	(143,323)	(140,440)	(123,595)
Administrative expense .....	(510)	(473)	(417)
<b>Net change in plan fiduciary net position</b> .....	<b>4,385</b>	<b>2,691</b>	<b>11,134</b>
<b>Plan fiduciary net position - beginning</b> .....	<b>96,357</b>	<b>93,666</b>	<b>82,532</b>
<b>Plan fiduciary net position - ending (b)</b> .....	<b>\$ 100,742</b>	<b>\$ 96,357</b>	<b>\$ 93,666</b>
<b>Net OPEB liability (a) - (b)</b> .....	<b>\$ 5,686,603</b>	<b>\$ 5,885,241</b>	<b>\$ 6,115,992</b>
<b>Plan fiduciary net position as a % of total OPEB liability</b> .....	<b>1.74%</b>	<b>1.61%</b>	<b>1.51%</b>
<b>Covered-employee payroll</b> .....	<b>\$ 408,648</b>	<b>\$ 387,245</b>	<b>\$ 386,602</b>
<b>Total/Net OPEB liability as a % of covered-employee payroll</b> .....	<b>1,391.57%</b>	<b>1,519.77%</b>	<b>1,581.99%</b>

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

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore only three years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2019, the discount rate applied for the development of the net OPEB liability was 3.50%. The discount rate is based on the 20-year Bond Buyer GO Index. The investment rate of return used was 5.0% and the inflation rate was 2.6%.

**Commonwealth of Pennsylvania**  
**Schedule of OPEB Amounts**  
**Contributions and Investment Returns**  
Retired Employees Health Program (REHP)  
Retired Pennsylvania State Police Program (RPSPP)  
For the Last Ten Fiscal Years Ended June 30, <sup>(1)</sup>

(Amounts in thousands)

**Schedule of Contributions**

	2019	2018	2017
<b>REHP</b>			
Contractually required contribution (2) .....	\$ 588,273	\$ 493,288	\$ 734,378
Contributions in relation to the contractually required contribution .....	(558,876)	(591,796)	(653,720)
Contribution deficiency (excess) .....	\$ 29,397	\$ (98,508)	\$ 80,658
Covered-employee payroll .....	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Contributions as a % of covered-employee payroll .....	14.00%	15.13%	16.75%
<b>RPSPP</b>			
Contractually required contribution (2) .....	\$ 144,786	\$ 131,499	\$ 132,201
Contributions in relation to the contractually required contribution .....	(142,292)	(133,813)	(122,870)
Contribution deficiency (excess) .....	\$ 2,494	\$ (2,314)	\$ 9,331
Covered-employee payroll .....	\$ 408,648	\$ 387,245	\$ 386,602
Contributions as a % of covered-employee payroll .....	34.82%	34.56%	31.78%
<b>Premium Assistance Plan</b>			
<b>Non-employer contributing entity</b>			
Contributions to the plan .....	\$ 701	\$ 677	
Commonwealth's proportionate share of the net OPEB liability .....	\$ 12,599	\$ 11,990	

**Investment Returns**

<b>Annual weighted rate of return, net of investment expense (3)</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>REHP</b> .....	4.69%	13.27%	13.27%
<b>RPSPP</b> .....	4.69%	13.27%	13.27%

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

(1) The Commonwealth adopted GASB 74 on a prospective basis for the fiscal year ended June 30, 2017; therefore, only three years are presented in the above schedule for REHP and RPSPP. The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only two years are presented in the above schedule for the Premium Assistance Plan.

(2) Contribution requirements for the REHP and RPSPP are determined annually by the Commonwealth based on projected cash flow requirements and a projected contribution toward pre-funding future cash outlays.

(3) The weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

Commonwealth of Pennsylvania

Schedule of OPEB Amounts

Changes in the Total OPEB Liability and Related Ratios

For the Last Ten Fiscal Years Ended June 30, <sup>(1)</sup>

(Amounts in thousands)

	2019		
	Judiciary	House	Senate
<b>Total OPEB liability</b>			
Service cost .....	\$ 23,134	\$ 30,547	\$ 4,260
Interest .....	27,007	20,434	13,576
Differences between expected and actual experience .....	—	(84,654)	—
Changes of assumptions .....	36,007	5,688	—
Benefit payments .....	(22,491)	(19,880)	(8,967)
<b>Net changes in total OPEB liability</b> .....	\$ 63,657	\$ (47,865)	\$ 8,869
<b>Total OPEB liability - beginning</b> .....	685,857	633,057	392,365
<b>Total OPEB liability - ending</b> .....	\$ 749,514	\$ 585,192	\$ 401,234
<b>Covered-employee payroll</b> .....	\$ 207,871	\$ 92,188	\$ 48,530
<b>Total/Net OPEB liability as a % of covered-employee payroll</b> ....	360.57%	634.78%	826.78%

	2018		
	Judiciary	House	Senate
<b>Total OPEB liability</b>			
Service cost .....	\$ 22,279	\$ 32,884	\$ 4,116
Interest .....	25,155	16,804	13,284
Changes of assumptions .....	—	(50,056)	—
Benefit payments .....	(23,152)	(18,692)	(9,142)
<b>Net changes in total OPEB liability</b> .....	\$ 24,282	\$ (19,060)	\$ 8,258
<b>Total OPEB liability - beginning</b> .....	661,575	652,117	384,107
<b>Total OPEB liability - ending</b> .....	\$ 685,857	\$ 633,057	\$ 392,365
<b>Covered-employee payroll</b> .....	\$ 205,458	\$ 92,898	\$ 48,530
<b>Total/Net OPEB liability as a % of covered-employee payroll</b> ....	333.82%	681.45%	808.50%

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

(1) The Commonwealth adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only two years are presented in the above schedule for Judiciary, House, and Senate. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Judiciary, House, or Senate OPEB plans and assets have not been accumulated to fund OPEB.



**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Major Funds  
 General Fund  
 For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Corporation taxes .....	\$ 4,880,300	\$ 450,000	\$ 5,330,300	\$ 180,497	\$ 5,510,797
Consumption taxes .....	12,416,200	341,800	12,758,000	(4,248)	12,753,752
Other taxes .....	15,920,700	(336,700)	15,584,000	207,755	15,791,755
<b>TOTAL TAX REVENUE</b> .....	<b>33,217,200</b>	<b>455,100</b>	<b>33,672,300</b>	<b>384,004</b>	<b>34,056,304</b>
Nontax revenue .....	757,600	(30,236)	727,364	74,210	801,574
<b>TOTAL REVENUE STATE</b> .....	<b>33,974,800</b>	<b>424,864</b>	<b>34,399,664</b>	<b>458,214</b>	<b>34,857,878</b>
less: Refunds .....	(1,341,000)	35,000	(1,306,000)	—	(1,306,000)
plus: Departmental services .....	5,885,890	—	5,885,890	(142,632)	5,743,258
<b>TOTAL STATE PROGRAMS</b> .....	<b>38,519,690</b>	<b>459,864</b>	<b>38,979,554</b>	<b>315,582</b>	<b>39,295,136</b>
Federal programs .....	28,153,694	371,606	28,525,300	—	28,525,300
<b>TOTAL REVENUES</b> .....	<b>66,673,384</b>	<b>831,470</b>	<b>67,504,854</b>	<b>315,582</b>	<b>67,820,436</b>
<b>EXPENDITURES:</b>					
State programs .....	38,600,881	686,530	39,287,411	(142,632)	39,144,779
Federal programs .....	28,153,694	371,606	28,525,300	—	28,525,300
<b>TOTAL EXPENDITURES</b> .....	<b>66,754,575</b>	<b>1,058,136</b>	<b>67,812,711</b>	<b>(142,632)</b>	<b>67,670,079</b>
<b>REVENUES OVER/(UNDER) EXPENDITURES</b> .....	<b>(81,191)</b>	<b>(226,666)</b>	<b>(307,857)</b>	<b>458,214</b>	<b>150,357</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Prior year lapses .....	—	200,000	200,000	—	200,000
Transfer to Budget Stabilization Reserve Fund .....	—	(3,133)	(3,133)	(313,739)	(316,872)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>—</b>	<b>196,867</b>	<b>196,867</b>	<b>(313,739)</b>	<b>(116,872)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b> .....	<b>(81,191)</b>	<b>(29,799)</b>	<b>(110,990)</b>	<b>144,475</b>	<b>33,485</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2018, REVISED</b> .....	<b>22,362</b>	<b>(55,847)</b>	<b>(33,485)</b>	<b>—</b>	<b>(33,485)</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<b>\$ (58,829)</b>	<b>\$ (85,646)</b>	<b>\$ (144,475)</b>	<b>\$ 144,475</b>	<b>\$ —</b>

\* Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

For Supporting Documentation, please go to [www.budget.pa.gov](http://www.budget.pa.gov)

- 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, 2019

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Liquid fuels taxes .....	\$ 1,831,400	\$ (2,100)	\$ 1,829,300	\$ 7,884	\$ 1,837,184
Motor licenses and fees .....	1,055,900	(67,700)	988,200	4,189	992,389
Other Motor License Fund revenues * .....	19,900	1,100	21,000	(1,322)	19,678
<b>TOTAL REVENUE STATE</b> .....	<b>2,907,200</b>	<b>(68,700)</b>	<b>2,838,500</b>	<b>10,751</b>	<b>2,849,251</b>
plus: Departmental services * .....	86,709	—	86,709	(19,278)	67,431
<b>TOTAL STATE PROGRAMS</b> .....	<b>2,993,909</b>	<b>(68,700)</b>	<b>2,925,209</b>	<b>(8,527)</b>	<b>2,916,682</b>
Federal programs .....	2,084,009	—	2,084,009	(344,116)	1,739,893
<b>TOTAL REVENUES</b> .....	<b>5,077,918</b>	<b>(68,700)</b>	<b>5,009,218</b>	<b>(352,643)</b>	<b>4,656,575</b>
<b>EXPENDITURES:</b>					
State programs .....	3,180,265	—	3,180,265	(46,679)	3,133,586
Federal programs .....	2,084,009	—	2,084,009	(344,116)	1,739,893
<b>TOTAL EXPENDITURES</b> .....	<b>5,264,274</b>	<b>—</b>	<b>5,264,274</b>	<b>(390,795)</b>	<b>4,873,479</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>(186,356)</b>	<b>(68,700)</b>	<b>(255,056)</b>	<b>38,152</b>	<b>(216,904)</b>
<b>OTHER FINANCING SOURCES:</b>					
Current year lapses ** .....	—	10,000	10,000	(10,000)	—
Prior year lapses .....	—	29,300	29,300	145	29,445
<b>TOTAL OTHER FINANCING SOURCES</b> .....	<b>—</b>	<b>39,300</b>	<b>39,300</b>	<b>(9,855)</b>	<b>29,445</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<b>(186,356)</b>	<b>(29,400)</b>	<b>(215,756)</b>	<b>28,297</b>	<b>(187,459)</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2018</b> .....	<b>216,436</b>	<b>—</b>	<b>216,436</b>	<b>—</b>	<b>216,436</b>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<b>\$ 30,080</b>	<b>\$ (29,400)</b>	<b>\$ 680</b>	<b>\$ 28,297</b>	<b>\$ 28,977</b>

\* Act 44 receipts are included in Other **Motor License Fund** Revenues.

\*\* Current year lapse amount in the Actual (Budgetary Basis) column is already netted out of the state expenditure amount.

For Supporting Documentation, please go to [www.budget.pa.gov](http://www.budget.pa.gov)

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

**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 anticipated to be 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: [www.budget.pa.gov](http://www.budget.pa.gov) 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. Actual budgetary federal program revenues are recorded in amounts equal to federal expenditures. Also, estimated encumbrances and unspent appropriation balances are available 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 paid in the subsequent year. Over-estimates of prior year encumbrances and available appropriation balances 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 (Workmen's Compensation Administration, Banking, 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, 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 for the major budgeted funds:

	<u>General Fund</u>			
	<u>General Fund</u>	<u>General Fund</u>	<u>Total</u>	<u>Motor</u>
	<u>(Budgeted)</u>	<u>Components</u>		<u>License</u>
		<u>(Nonbudgeted)</u>		<u>Fund</u>
<b>Budgetary Basis-</b>				
Revenues and other sources over/(under) expenditures and other uses .....	\$ 33,485	\$ —	\$ 33,485	\$ (187,459)
<b>Adjustments:</b>				
<b><u>Basis differences</u></b>				
To adjust revenues, other financing sources and related receivables and unearned revenue .....	(1,802,505)	—	(1,802,505)	2,124,224
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	1,609,279	—	1,609,279	(2,068,581)
<b>Basis difference adjustments</b> .....	<u>(193,226)</u>	<u>—</u>	<u>(193,226)</u>	<u>55,643</u>
<b><u>Perspective differences</u></b>				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues .....	—	795,290	795,290	443
Expenditures .....	—	<u>(613,869)</u>	<u>(613,869)</u>	<u>(549)</u>
<b>Perspective difference adjustments</b> .....	<u>—</u>	<u>181,421</u>	<u>181,421</u>	<u>(106)</u>
<b>Net adjustments</b> .....	<u>(193,226)</u>	<u>181,421</u>	<u>(11,805)</u>	<u>55,537</u>
<b>Modified accrual basis-</b> net change in governmental fund balance .	<u>\$ (159,741)</u>	<u>\$ 181,421</u>	<u>\$ 21,680</u>	<u>\$ (131,922)</u>

The above revenue adjustments include net revenue accruals and unearned revenue, 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 – Legal Level of Budgetary Control**

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 a net \$686.5 of appropriation increases approved for the fiscal year ended June 30, 2019.

A separately available report, the “*Status of Appropriations*” (**General Fund**), demonstrates budgetary expenditure compliance for the **General Fund** for the fiscal year ended June 30, 2019. This report includes a variety of detailed 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**, Workmen's Compensation Administration, Banking Department and Milk Marketing. Both “*Status*” reports are available online at the Office of the Budget internet site: [www.budget.pa.gov](http://www.budget.pa.gov) and click on Publications and Reports and then click on Status of Appropriations. The Governor controls spending by using executive authorizations for special revenue funds not controlled by legislatively adopted budgets.

To assist the user of the budgetary comparison schedule, additional supporting documentation is available at: [www.budget.pa.gov](http://www.budget.pa.gov) by clicking on Publications and Reports at the top of the page and then click on Annual Financial Reports and finally click on ‘**General Fund** Budgetary Comparison Schedule Rationale’ and ‘**Motor License Fund** Budgetary Comparison Schedule Rationale’ at the bottom of the page.

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Combining Financial Statements

Including  
Nonmajor Budgetary Comparison Schedules

**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
June 30, 2019

(Amounts in thousands)

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash .....	\$ 477,853	\$ —	\$ 3	\$ 477,856
Cash with fiscal agents .....	5,622	—	—	5,622
Temporary investments .....	1,936,799	17,290	859,002	2,813,091
Long-term investments .....	1,756,161	—	151,665	1,907,826
Receivables (net):				
Taxes .....	—	—	39,211	39,211
Accounts .....	186,945	—	—	186,945
Investment income .....	6,594	59	1,836	8,489
Investment sale proceeds .....	189	—	—	189
Other .....	64,659	—	—	64,659
Due from other funds .....	422,578	—	19,642	442,220
Due from pension trust funds .....	31	—	—	31
Due from component units .....	5,825	285	—	6,110
Due from Federal Government .....	20,663	—	—	20,663
Advances to other funds .....	181,500	—	—	181,500
<b>TOTAL ASSETS</b> .....	<u>\$ 5,065,419</u>	<u>\$ 17,634</u>	<u>\$ 1,071,359</u>	<u>\$ 6,154,412</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities .....	\$ 406,583	\$ 2,927	\$ 68,709	\$ 478,219
Investment purchases payable .....	843	—	—	843
Securities lending obligations .....	21,710	—	1,003	22,713
Due to other funds .....	260,392	501	24,500	285,393
Due to component units .....	23,672	—	—	23,672
Due to pension trust funds .....	2,270	—	16	2,286
Due to political subdivisions .....	140,200	—	46,510	186,710
Due to other governments .....	483	—	6	489
Unearned revenue .....	67,967	—	—	67,967
Advances from other funds .....	19,500	—	—	19,500
<b>TOTAL LIABILITIES</b> .....	<u>943,620</u>	<u>3,428</u>	<u>140,744</u>	<u>1,087,792</u>
<b>Deferred inflows of resources:</b>				
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>176,512</u>	<u>—</u>	<u>—</u>	<u>176,512</u>
<b>Fund balances:</b>				
Restricted .....	3,851,836	—	—	3,851,836
Committed .....	107,388	14,206	930,615	1,052,209
Unassigned deficit .....	(13,937)	—	—	(13,937)
<b>TOTAL FUND BALANCES</b> .....	<u>3,945,287</u>	<u>14,206</u>	<u>930,615</u>	<u>4,890,108</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> .....	<u>\$ 5,065,419</u>	<u>\$ 17,634</u>	<u>\$ 1,071,359</u>	<u>\$ 6,154,412</u>



**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
<b>REVENUES:</b>				
Taxes .....	\$ 1,931,880	\$ —	\$ 366,208	\$ 2,298,088
Licenses and fees .....	1,449,058	—	—	1,449,058
Intergovernmental .....	838,502	4,234	—	842,736
Charges for sales and services .....	304,039	—	1,212	305,251
Investment income .....	161,085	966	40,023	202,074
Other .....	717,967	13,805	—	731,772
<b>TOTAL REVENUES</b> .....	<b>5,402,531</b>	<b>19,005</b>	<b>407,443</b>	<b>5,828,979</b>
<b>EXPENDITURES:</b>				
Current:				
Direction and supportive services .....	429,391	—	3	429,394
Protection of persons and property .....	765,222	—	798	766,020
Health and human services .....	622,813	—	—	622,813
Public education .....	620,046	—	19,192	639,238
Recreation and cultural enrichment .....	184,341	—	49,725	234,066
Economic development .....	262,646	—	170,030	432,676
Transportation .....	1,203,693	—	397,675	1,601,368
Capital outlay .....	83,015	—	323,598	406,613
Debt service:				
Principal retirement .....	—	807,045	—	807,045
Interest and fiscal charges .....	—	567,256	—	567,256
<b>TOTAL EXPENDITURES</b> .....	<b>4,171,167</b>	<b>1,374,301</b>	<b>961,021</b>	<b>6,506,489</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES</b> .....	<b>1,231,364</b>	<b>(1,355,296)</b>	<b>(553,578)</b>	<b>(677,510)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bonds issued .....	—	886,374	501	886,875
Premium on bonds/refunding bonds .....	—	176,780	—	176,780
Transfers in .....	334,246	1,312,565	7,869	1,654,680
Transfers out .....	(1,025,596)	—	(183,896)	(1,209,492)
Payment to refunded bond escrow agent .....	—	(1,059,811)	—	(1,059,811)
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(691,350)</b>	<b>1,315,908</b>	<b>(175,526)</b>	<b>449,032</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>540,014</b>	<b>(39,388)</b>	<b>(729,104)</b>	<b>(228,478)</b>
<b>FUND BALANCES, July 1, 2018</b> .....	<b>3,405,273</b>	<b>53,594</b>	<b>1,659,719</b>	<b>5,118,586</b>
<b>FUND BALANCES, June 30, 2019</b> .....	<b>\$ 3,945,287</b>	<b>\$ 14,206</b>	<b>\$ 930,615</b>	<b>\$ 4,890,108</b>

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Special Revenue Funds

Including  
Nonmajor Budgetary Comparison Schedules

**SPECIAL REVENUE FUNDS  
DESCRIPTION  
NONMAJOR FUNDS**

Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

**Banking Fund** - to account for the administration of the Department of Banking and Securities 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 and Securities.

**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.

**Workmen's 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.

**Tobacco Settlement Fund** - 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 Settlement Agreement, strategic contribution payments from the Master Settlement Agreement, and earnings from investments. Expenditures from this fund are determined by the annual budget appropriated to each program.

**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 and Act 42 of 2017. Revenue is received from license fees, a percentage of the gross terminal revenue generated by licensed gaming facilities, a percentage of gross interactive gaming revenue generated through simulated slot machines and simulated table games, and assessments from licensees for the administration and enforcement of fantasy contests.

**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 42 individual special revenue funds.

There are a total of 49 individual special revenue funds; the **Motor License Fund** is reported as a Major Fund in the basic financial statements.

**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**Special Revenue Funds**

June 30, 2019

(Amounts in thousands)

	Budgeted Funds								Total	
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other		
<b>ASSETS</b>										
Cash .....	\$ 54	\$ 419	\$ 4	\$ 557	\$ 644	\$ 454,242	\$ 4,945	\$ 16,988	\$ 477,853	
Cash with fiscal agents .....	—	—	—	—	—	—	—	5,622	5,622	
Temporary investments .....	25,135	3,049	77,540	32,416	59,838	89,834	631,135	1,017,852	1,936,799	
Long-term investments .....	16,252	—	—	785,128	—	330,014	—	624,767	1,756,161	
Receivables (net):										
Accounts .....	10,137	—	5	—	176,512	—	—	291	186,945	
Investment income .....	52	5	—	2,920	—	291	1,225	2,101	6,594	
Investment sale proceeds .....	—	—	—	189	—	—	—	—	189	
Other .....	—	—	—	—	—	—	—	64,659	64,659	
Due from other funds .....	—	—	26	—	102,163	201,008	241	119,140	422,578	
Due from pension trust funds .....	—	—	—	—	—	—	—	31	31	
Due from component units .....	—	—	—	—	—	—	5,825	—	5,825	
Due from Federal Government .....	—	—	—	—	6,818	—	—	13,845	20,663	
Advances to other funds .....	—	—	16,500	165,000	—	—	—	—	181,500	
<b>TOTAL ASSETS</b> .....	<b>51,630</b>	<b>3,473</b>	<b>94,075</b>	<b>986,210</b>	<b>345,975</b>	<b>1,075,389</b>	<b>643,371</b>	<b>1,865,296</b>	<b>5,065,419</b>	
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>										
<b>Liabilities:</b>										
Accounts payable and accrued liabilities .....	1,021	76	3,141	5,373	104,226	13,447	33,676	245,623	406,583	
Investment purchases payable .....	—	—	—	843	—	—	—	—	843	
Securities lending obligations .....	107	—	—	15,293	—	2,181	—	4,129	21,710	
Due to other funds .....	21	10	720	136	2,173	57,486	9,415	190,431	260,392	
Due to component units .....	—	—	205	—	—	—	15,000	8,467	23,672	
Due to pension trust funds .....	57	15	156	3	2	17	443	1,577	2,270	
Due to political subdivisions .....	—	—	—	—	1,265	13,395	35,852	89,688	140,200	
Due to other governments .....	13	4	35	1	—	5	47	378	483	
Unearned revenue .....	—	1,404	—	—	—	—	5,234	61,329	67,967	
Advances from other funds .....	—	—	—	—	—	—	—	19,500	19,500	
<b>TOTAL LIABILITIES</b> .....	<b>1,219</b>	<b>1,509</b>	<b>4,257</b>	<b>21,649</b>	<b>107,666</b>	<b>86,531</b>	<b>99,667</b>	<b>621,122</b>	<b>943,620</b>	
<b>Deferred inflows of resources:</b>										
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>176,512</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>176,512</b>	
<b>Fund balances:</b>										
Restricted .....	50,411	1,964	89,818	964,561	—	988,858	543,704	1,212,520	3,851,836	
Committed .....	—	—	—	—	61,797	—	—	45,591	107,388	
Unassigned deficit .....	—	—	—	—	—	—	—	(13,937)	(13,937)	
<b>TOTAL FUND BALANCES</b> .....	<b>50,411</b>	<b>1,964</b>	<b>89,818</b>	<b>964,561</b>	<b>61,797</b>	<b>988,858</b>	<b>543,704</b>	<b>1,244,174</b>	<b>3,945,287</b>	
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b> .....	<b>\$ 51,630</b>	<b>\$ 3,473</b>	<b>\$ 94,075</b>	<b>\$ 986,210</b>	<b>\$ 345,975</b>	<b>\$ 1,075,389</b>	<b>\$ 643,371</b>	<b>\$ 1,865,296</b>	<b>\$ 5,065,419</b>	

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

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
<b>REVENUES:</b>									
Taxes .....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 516,371	\$ 1,332,463	\$ 83,046	\$ 1,931,880
Licenses and fees .....	8,204	2,353	—	68,757	—	333,489	86,378	949,877	1,449,058
Intergovernmental .....	—	—	—	—	181,816	450,000	13,164	193,522	838,502
Charges for sales and services .....	20,853	—	48,807	—	19,497	—	—	214,882	304,039
Investment income .....	1,646	71	—	56,159	5,036	28,151	9,640	60,382	161,085
Other .....	32	—	104	196	700,205	—	—	17,430	717,967
<b>TOTAL REVENUES</b> .....	<b>30,735</b>	<b>2,424</b>	<b>48,911</b>	<b>125,112</b>	<b>906,554</b>	<b>1,328,011</b>	<b>1,441,645</b>	<b>1,519,139</b>	<b>5,402,531</b>
<b>EXPENDITURES:</b>									
Current:									
Direction and supportive services .....	—	—	—	—	—	—	428,785	606	429,391
Protection of persons and property .....	20,314	2,539	—	28,171	—	—	635	713,563	765,222
Health and human services .....	—	—	61,890	—	503,553	—	45	57,325	622,813
Public education .....	—	—	—	—	—	—	619,856	190	620,046
Recreation and cultural enrichment .....	—	—	—	—	—	—	10,277	174,064	184,341
Economic development .....	—	—	222	—	3,000	—	36,650	222,774	262,646
Transportation .....	—	—	—	—	—	1,161,237	—	42,456	1,203,693
Capital outlay .....	—	—	—	—	—	11,255	—	71,760	83,015
<b>TOTAL EXPENDITURES</b> .....	<b>20,314</b>	<b>2,539</b>	<b>62,112</b>	<b>28,171</b>	<b>506,553</b>	<b>1,172,492</b>	<b>1,096,248</b>	<b>1,282,738</b>	<b>4,171,167</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>									
<b>OVER (UNDER) EXPENDITURES</b> .....	<b>10,421</b>	<b>(115)</b>	<b>(13,201)</b>	<b>96,941</b>	<b>400,001</b>	<b>155,519</b>	<b>345,397</b>	<b>236,401</b>	<b>1,231,364</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfers in .....	—	—	2,023	—	—	118,205	87	213,931	334,246
Transfers out .....	—	—	—	—	(359,469)	(30,000)	(334,323)	(301,804)	(1,025,596)
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>—</b>	<b>—</b>	<b>2,023</b>	<b>—</b>	<b>(359,469)</b>	<b>88,205</b>	<b>(334,236)</b>	<b>(87,873)</b>	<b>(691,350)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>10,421</b>	<b>(115)</b>	<b>(11,178)</b>	<b>96,941</b>	<b>40,532</b>	<b>243,724</b>	<b>11,161</b>	<b>148,528</b>	<b>540,014</b>
<b>FUND BALANCES, JULY 1, 2018</b> .....	<b>39,990</b>	<b>2,079</b>	<b>100,996</b>	<b>867,620</b>	<b>21,265</b>	<b>745,134</b>	<b>532,543</b>	<b>1,095,646</b>	<b>3,405,273</b>
<b>FUND BALANCES, JUNE 30, 2019</b> .....	<b>\$ 50,411</b>	<b>\$ 1,964</b>	<b>\$ 89,818</b>	<b>\$ 964,561</b>	<b>\$ 61,797</b>	<b>\$ 988,858</b>	<b>\$ 543,704</b>	<b>\$ 1,244,174</b>	<b>\$ 3,945,287</b>

**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Nonmajor Funds  
 Special Revenue Fund-Banking  
 For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Licenses and fees .....	\$ 28,996	\$ (1,506)	\$ 27,490	\$ 1,766	\$ 29,256
Fines, penalties and interest .....	450	(50)	400	539	939
Investment income .....	683	176	859	135	994
<b>TOTAL REVENUES</b> .....	<u>30,129</u>	<u>(1,380)</u>	<u>28,749</u>	<u>2,440</u>	<u>31,189</u>
<b>EXPENDITURES:</b>					
State Programs .....	26,463	—	26,463	—	26,463
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<u>3,666</u>	<u>(1,380)</u>	<u>2,286</u>	<u>2,440</u>	<u>4,726</u>
<b>OTHER FINANCING SOURCES:</b>					
Prior year lapses .....	—	2	2	—	2
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<u>3,666</u>	<u>(1,378)</u>	<u>2,288</u>	<u>2,440</u>	<u>4,728</u>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2018</b> .....	10,253	—	10,253	—	10,253
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<u>\$ 13,919</u>	<u>\$ (1,378)</u>	<u>\$ 12,541</u>	<u>\$ 2,440</u>	<u>\$ 14,981</u>

**Budgetary Compliance**

A separately available budgetary report, the "Status of Appropriations" (Special Funds), demonstrates budgetary expenditure compliance for the Banking Department for the fiscal year ended June 30, 2019 and is available at the following web address:  
<http://www.budget.pa.gov> (At the website, click on Publications & Reports, then June 2019.)

Traceability to the " Status of Appropriations " Column Totals <u>Total State Programs-Actual (Budgetary Basis) Expenditures</u>	Special Funds "Status of Appropriations" Report Page Reference	
Appropriations (Column A) .....	232	\$ 26,463
plus Actual Augmentations (Column C) .....	232	—
less Lapses (Column D) .....	232	—
<b>TOTAL STATE PROGRAMS Actual (Budgetary Basis) Expenditures</b> .....		<u>\$ 26,463</u>

**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):

<b>Budgetary basis</b> — revenues and other sources under expenditures (from Actual column above) .....	<u>\$ 4,728</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue .....	(456)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	<u>6,149</u>
Net adjustments .....	<u>5,693</u>
<b>Modified accrual basis</b> — net change in governmental fund balance .....	<u>\$ 10,421</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 201 to 203 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, 2019

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Licenses and fees .....	\$ 2,431	\$ (9)	\$ 2,422	\$ (72)	\$ 2,350
Fines, penalties and interest .....	10	(2)	8	(5)	3
Investment income .....	42	35	77	(5)	72
<b>TOTAL REVENUES</b> .....	<u>2,483</u>	<u>24</u>	<u>2,507</u>	<u>(82)</u>	<u>2,425</u>
<b>EXPENDITURES:</b>					
State programs .....	2,840	—	2,840	—	2,840
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<u>(357)</u>	<u>24</u>	<u>(333)</u>	<u>(82)</u>	<u>(415)</u>
<b>OTHER FINANCING SOURCES:</b>					
Prior year lapses .....	—	300	300	—	300
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<u>(357)</u>	<u>324</u>	<u>(33)</u>	<u>(82)</u>	<u>(115)</u>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2018</b> .....	1,772	—	1,772	—	1,772
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<u>\$ 1,415</u>	<u>\$ 324</u>	<u>\$ 1,739</u>	<u>\$ (82)</u>	<u>\$ 1,657</u>

A separately available report, the "Status of Appropriations" (Special Funds), demonstrates budgetary expenditure compliance for the Milk Marketing Fund for the fiscal year ended June 30, 2019 and is available at the following web address:  
<http://www.budget.pa.gov> (At the website, click on Publications & Reports, then June 2019.)

*Total Actual (Budgetary Basis) Expenditures of \$2,840 are traceable from page 238, Column A 'Appropriations' in June 30, 2019 "Status of the Appropriations" (Special Funds).*

**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):

<b>Budgetary basis</b> — revenues and other sources over expenditures (from Actual column above) .....	\$ (115)
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue .....	(301)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	<u>301</u>
Net adjustments .....	<u>—</u>
<b>Modified accrual basis</b> — net change in governmental fund balance .....	<u>\$ (115)</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 201 to 203 are an integral part of this schedule. -



**Commonwealth of Pennsylvania**  
**Budgetary Comparison Schedule**  
 Budgeted Nonmajor Funds  
 Special Revenue Fund-Workmen's Compensation Administration  
 For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Original Budget	Difference	Final Budget	Difference	Actual (Budgetary Basis)
<b>REVENUES:</b>					
State Programs:					
Taxes, net of refunds .....	\$ 71,318	\$ (8,633)	\$ 62,685	\$ (10,176)	\$ 52,509
Fines, penalties and interest .....	25	—	25	(24)	1
Departmental Services .....	300	—	300	17	317
Miscellaneous .....	50	—	50	24	74
<b>TOTAL REVENUES</b> .....	<u>71,693</u>	<u>(8,633)</u>	<u>63,060</u>	<u>(10,159)</u>	<u>52,901</u>
<b>EXPENDITURES:</b>					
State programs .....	71,515	—	71,515	17	71,532
<b>REVENUES OVER (UNDER) EXPENDITURES</b> .....	<u>178</u>	<u>(8,633)</u>	<u>(8,455)</u>	<u>(10,176)</u>	<u>(18,631)</u>
<b>OTHER FINANCING SOURCES:</b>					
Prior year lapses .....	—	1	1	—	1
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</b> .....	<u>178</u>	<u>(8,632)</u>	<u>(8,454)</u>	<u>(10,176)</u>	<u>(18,630)</u>
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2018</b> .....	67,235	—	67,235	—	67,235
<b>FUND BALANCE</b>					
<b>(BUDGETARY BASIS), JUNE 30, 2019</b> .....	<u>\$ 67,413</u>	<u>\$ (8,632)</u>	<u>\$ 58,781</u>	<u>\$ (10,176)</u>	<u>\$ 48,605</u>

**Budgetary Compliance**

A separately available budgetary report, the "Status of Appropriations" (Special Funds), demonstrates budgetary expenditure compliance for the Workmen's Compensation Administration Fund for the fiscal year ended June 30, 2019 and is available at the following web address:  
<http://www.budget.pa.gov> (At the website, click on Publications & Reports, then June 30, 2019.)

Traceability to the "Status of Appropriations" Column Totals	<i>Special Funds "Status of Appropriations"</i> Report Page Reference	
<b>Total State Programs-Actual (Budgetary Basis) Expenditures</b>		
Appropriations (Column A) .....	320	\$ 71,215
plus Actual Augmentations (Column C) .....	320	317
less Lapses (Column D) .....	320	—
<b>TOTAL STATE PROGRAMS Actual (Budgetary Basis) Expenditures</b>		<u>\$ 71,532</u>

**Reconciliation of Budgetary to GAAP Basis Amounts**

The Commonwealth adopts a formal annual budget for the Workmen's 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):

<b>Budgetary basis</b> — revenues and other sources under expenditures (from Actual column above) .....	<u>\$ (18,630)</u>
<b>Adjustments:</b>	
To adjust revenues, other financing sources and related receivables and deferred revenue .....	(1,967)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities .....	<u>9,419</u>
Net adjustments .....	<u>7,452</u>
<b>Modified accrual basis</b> — net change in governmental fund balance .....	<u>\$ (11,178)</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 201 to 203 are an integral part of this schedule. -

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Debt Service Funds

**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.

***Pennsylvania Infrastructure Investment Authority 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 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.

***Growing Greener Bond Sinking Fund*** - payments for principal and interest for the Growing Greener Bond Fund are made from this Fund. Funding consists of transfers from the Environmental Stewardship Fund.

***Water and Sewer Systems Assistance Bond Sinking Fund*** - payments to redeem or pay interest on bonds issued for the Water and Sewer Systems Assistance Fund are made from this Fund. Funding is requested annually by the Governor and appropriated by the General Assembly.

***Water Supply and Wastewater Treatment Sinking Fund*** - monies in this fund are used to redeem or pay interest on bonds issued for the Water Supply and Wastewater Treatment Fund. Funding consists of monies appropriated annually by the General Assembly.

***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 14 individual debt service funds.

There are a total of 19 individual debt service funds; all are reported as nonmajor funds.

**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
Debt Service Funds

June 30, 2019

(Amounts in thousands)

	<b>Pennsylvania Infrastructure Investment Authority Redemption</b>	<b>Capital Debt</b>	<b>Growing Greener Bond Sinking</b>	<b>Water and Sewer Systems Assistance Bond Sinking</b>	<b>Water Supply and Wastewater Treatment Sinking</b>	<b>Other</b>	<b>Total</b>
<b>ASSETS</b>							
Temporary investments .....	\$ 13,491	\$ 3,643	\$ 5	\$ 2	\$ —	\$ 149	\$ 17,290
Receivables (net):							
Investment income .....	33	26	—	—	—	—	59
Due from component units .....	285	—	—	—	—	—	285
<b>TOTAL ASSETS</b> .....	<b>13,809</b>	<b>3,669</b>	<b>5</b>	<b>2</b>	<b>—</b>	<b>149</b>	<b>17,634</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities .....	—	2,927	—	—	—	—	2,927
Due to other funds .....	—	501	—	—	—	—	501
<b>TOTAL LIABILITIES</b> .....	<b>—</b>	<b>3,428</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,428</b>
<b>Fund balances:</b>							
Committed .....	13,809	241	5	2	—	149	14,206
<b>TOTAL FUND BALANCES</b> .....	<b>13,809</b>	<b>241</b>	<b>5</b>	<b>2</b>	<b>—</b>	<b>149</b>	<b>14,206</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 13,809</b>	<b>\$ 3,669</b>	<b>\$ 5</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 149</b>	<b>\$ 17,634</b>

**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, 2019

(Amounts in thousands)

	<b>Pennsylvania Infrastructure Investment Authority Redemption</b>	<b>Capital Debt</b>	<b>Growing Greener Bond Sinking</b>	<b>Water and Sewer Systems Assistance Bond Sinking</b>	<b>Water Supply and Wastewater Treatment Sinking</b>	<b>Other</b>	<b>Total</b>
<b>REVENUES:</b>							
Intergovernmental .....	\$ —	\$ 4,234	\$ —	\$ —	\$ —	\$ —	\$ 4,234
Investment income .....	308	642	8	5	—	3	966
Other .....	13,805	—	—	—	—	—	13,805
<b>TOTAL REVENUES</b> .....	<b>14,113</b>	<b>4,876</b>	<b>8</b>	<b>5</b>	<b>—</b>	<b>3</b>	<b>19,005</b>
<b>EXPENDITURES:</b>							
Debt service:							
Principal retirement .....	5,070	775,770	13,865	9,230	3,110	—	807,045
Interest and fiscal charges .....	3,057	542,141	7,845	12,222	1,991	—	567,256
<b>TOTAL EXPENDITURES</b> .....	<b>8,127</b>	<b>1,317,911</b>	<b>21,710</b>	<b>21,452</b>	<b>5,101</b>	<b>—</b>	<b>1,374,301</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>5,986</b>	<b>(1,313,035)</b>	<b>(21,702)</b>	<b>(21,447)</b>	<b>(5,101)</b>	<b>3</b>	<b>(1,355,296)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Refunding bonds issued .....	—	886,374	—	—	—	—	886,374
Premium on refunding bonds .....	—	176,780	—	—	—	—	176,780
Transfers in .....	—	1,264,852	21,706	20,906	5,101	—	1,312,565
Payment to refunded bond escrow agent .....	—	(1,059,811)	—	—	—	—	(1,059,811)
<b>NET OTHER FINANCING SOURCES</b> .....	<b>—</b>	<b>1,268,195</b>	<b>21,706</b>	<b>20,906</b>	<b>5,101</b>	<b>—</b>	<b>1,315,908</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>5,986</b>	<b>(44,840)</b>	<b>4</b>	<b>(541)</b>	<b>—</b>	<b>3</b>	<b>(39,388)</b>
<b>FUND BALANCES, JULY 1, 2018</b> .....	<b>7,823</b>	<b>45,081</b>	<b>1</b>	<b>543</b>	<b>—</b>	<b>146</b>	<b>53,594</b>
<b>FUND BALANCES, JUNE 30, 2019</b> .....	<b>\$ 13,809</b>	<b>\$ 241</b>	<b>\$ 5</b>	<b>\$ 2</b>	<b>\$ —</b>	<b>\$ 149</b>	<b>\$ 14,206</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Capital Projects Funds

**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. Projects fall within six broad categories: public improvements, public Improvement-original furniture and equipment, transportation assistance, redevelopment assistance, flood control and highway projects. Such projects include those of the primary government and also grants to non-primary government recipients.

**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.

**Growing Greener Bond Fund** - to account for the proceeds of bonds issued. The money will be used to finance various environmental projects such as watershed protection, mine drainage remediation, advanced energy, flood protection, brownfields remediation, state parks and forests facilities, open space conservation, farmland preservation and various capital improvement projects including county environmental initiatives.

**Water Supply and Wastewater Treatment Fund** - funding for this program is generated from the \$250 million bond issue approved by the electorate in April of 2004. Funds are allocated to the **Commonwealth Financing Authority** and the Pennsylvania Infrastructure Investment Authority (PENNVEST) to be used for grants and loans for new and existing water supply and wastewater system projects in the Commonwealth.

**Public Transportation Assistance Fund** - This fund was established to help provide for the capital asset maintenance and other transportation needs of the Commonwealth's transit entities. Act 44 of 2007 revised the purpose of this fund by transferring programs to the new Public Transportation Trust Fund.

**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. The fund is not displayed separately, as there was no activity in this fund as of June 30, 2019. There remain bonds authorized but not issued for the fund.

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



**Commonwealth of Pennsylvania**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
Capital Projects Funds  
June 30, 2019

(Amounts in thousands)

	<b>Capital Facilities</b>	<b>Keystone Recreation, Park and Conservation</b>	<b>Growing Greener Bond</b>	<b>Water Supply and Wastewater Treatment</b>	<b>Public Transportation Assistance</b>	<b>Total</b>
<b>ASSETS</b>						
Cash .....	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 3
Temporary investments .....	758,896	52,873	9,814	27,415	10,004	859,002
Long-term investments .....	—	151,665	—	—	—	151,665
Receivables (net):						
Taxes .....	—	—	—	—	39,211	39,211
Investment income .....	1,622	106	24	55	29	1,836
Due from other funds .....	631	9,318	—	—	9,693	19,642
<b>TOTAL ASSETS</b> .....	<b>761,149</b>	<b>213,962</b>	<b>9,838</b>	<b>27,470</b>	<b>58,940</b>	<b>1,071,359</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities .....	62,384	5,999	191	135	—	68,709
Securities lending obligations .....	—	1,003	—	—	—	1,003
Due to other funds .....	23,315	1,185	—	—	—	24,500
Due to pension trust funds .....	—	16	—	—	—	16
Due to political subdivisions .....	36,552	766	155	97	8,940	46,510
Due to other governments .....	—	6	—	—	—	6
<b>TOTAL LIABILITIES</b> .....	<b>122,251</b>	<b>8,975</b>	<b>346</b>	<b>232</b>	<b>8,940</b>	<b>140,744</b>
<b>Fund balances:</b>						
Committed .....	638,898	204,987	9,492	27,238	50,000	930,615
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 761,149</b>	<b>\$ 213,962</b>	<b>\$ 9,838</b>	<b>\$ 27,470</b>	<b>\$ 58,940</b>	<b>\$ 1,071,359</b>

**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, 2019

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
<b>REVENUES:</b>						
Taxes .....	\$ —	\$ 98,335	\$ —	\$ —	\$ 267,873	\$ 366,208
Charges for sales and services .....	1,212	—	—	—	—	1,212
Investment income .....	27,399	10,960	410	660	594	40,023
<b>TOTAL REVENUES</b> .....	<b>28,611</b>	<b>109,295</b>	<b>410</b>	<b>660</b>	<b>268,467</b>	<b>407,443</b>
<b>EXPENDITURES:</b>						
Current:						
Direction and supportive services .....	—	—	3	—	—	3
Protection of persons and property .....	—	—	798	—	—	798
Public education .....	—	19,092	100	—	—	19,192
Recreation and cultural enrichment .....	—	49,386	339	—	—	49,725
Economic development .....	167,617	—	1,555	858	—	170,030
Transportation .....	154,030	—	—	—	243,645	397,675
Capital outlay .....	314,305	7,770	1,523	—	—	323,598
<b>TOTAL EXPENDITURES</b> .....	<b>635,952</b>	<b>76,248</b>	<b>4,318</b>	<b>858</b>	<b>243,645</b>	<b>961,021</b>
<b>EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES</b> .....	<b>(607,341)</b>	<b>33,047</b>	<b>(3,908)</b>	<b>(198)</b>	<b>24,822</b>	<b>(553,578)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Refunding bonds issued .....	501	—	—	—	—	501
Transfers in .....	7,869	—	—	—	—	7,869
Transfers out .....	(146,062)	(9,512)	(6,024)	—	(22,298)	(183,896)
<b>NET OTHER FINANCING SOURCES (USES)</b> .....	<b>(137,692)</b>	<b>(9,512)</b>	<b>(6,024)</b>	<b>—</b>	<b>(22,298)</b>	<b>(175,526)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>(745,033)</b>	<b>23,535</b>	<b>(9,932)</b>	<b>(198)</b>	<b>2,524</b>	<b>(729,104)</b>
<b>FUND BALANCES, JULY 1, 2018</b> .....	<b>1,383,931</b>	<b>181,452</b>	<b>19,424</b>	<b>27,436</b>	<b>47,476</b>	<b>1,659,719</b>
<b>FUND BALANCES, JUNE 30, 2019</b> .....	<b>\$ 638,898</b>	<b>\$ 204,987</b>	<b>\$ 9,492</b>	<b>\$ 27,238</b>	<b>\$ 50,000</b>	<b>\$ 930,615</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Enterprise Funds

**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.

**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.

**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 (PIB)** - to account for and provide low-interest loans to, or enter into leases with, qualified borrowers to finance the costs of transportation projects within Pennsylvania. Acts 165 and 7A of 2004 expanded this program to include financing of rail freight infrastructure. Eligible borrowers include local governments, transportation authorities, economic development agencies, not-for-profit organizations, and private corporations. The interest rate on PIB loans is fixed at one-half the prime lending rate with terms up to 10 years.

**Rehabilitation Center Fund** - to account for the activities of the Hiram G. Andrews Rehabilitation Center (Center) which offers rehabilitative, educational, vocational, life management, and counseling services, resulting in employment and independence for persons with disabilities. The Center is funded from fees for services rendered.

**Philadelphia Regional Port Authority (PRPA)** - The PRPA (a blended component unit) 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 funding from the Primary Government. The PRPA also issues revenue bonds to finance its activities.

**Other** - to account for enterprise operations including activities associated with low interest loans to manufacturers, financial and technical assistance to minority business enterprises, 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 16 individual enterprise funds. The following funds are reported as Major Funds in the basic financial statements: **Unemployment Compensation Fund, State Workers' Insurance Fund, State Lottery Fund, State Stores Fund, Tuition Payment Fund** and the **Commonwealth Financing Authority** (a blended component unit).

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**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**Enterprise Funds**

June 30, 2019

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>ASSETS</b>							
Current assets:							
Cash .....	\$ 232	\$ 199	\$ 477	\$ 97	\$ 59,800	\$ 7	\$ 60,812
Cash with fiscal agents .....	—	—	—	1	—	—	1
Temporary investments .....	23,804	24,129	2,999	4,937	10,247	17,568	83,684
Receivables (net):							
Accounts .....	200	—	—	103	—	14	317
Investment income .....	49	47	5	11	—	36	148
Interest on loans .....	119	—	558	—	—	35	712
Loans .....	11,075	—	12,330	—	—	345	23,750
Lease rentals .....	—	—	—	—	1,243	—	1,243
Other .....	—	—	—	—	3	—	3
Due from other funds .....	—	—	5,705	1,692	23,407	1,128	31,932
Due from Federal Government .....	—	—	—	69	—	1	70
Due from other governments .....	—	—	—	—	59	—	59
Advances to other funds .....	—	—	22,295	—	—	—	22,295
Inventory .....	—	—	—	—	—	4	4
Prepaid expenses .....	—	—	—	—	600	—	600
Other assets .....	—	—	—	—	1,470	—	1,470
Total current assets .....	35,479	24,375	44,369	6,910	96,829	19,138	227,100
Noncurrent assets:							
Restricted cash .....	—	—	—	—	4,599	—	4,599
Long-term investments .....	37,502	126,112	39,250	—	—	—	202,864
Receivables:							
Loans .....	63,394	—	57,833	—	—	4,359	125,586
Non-depreciable capital assets:							
Land .....	—	—	—	—	229,953	—	229,953
Construction in progress .....	—	—	—	—	57,208	—	57,208
Depreciable or amortizable capital assets:							
Land improvements .....	—	—	—	—	108,970	—	108,970
Buildings and building improvements .....	—	—	—	34,135	423,650	—	457,785
Machinery and equipment .....	—	174	—	3,682	74,830	1,847	80,533
Less: accumulated depreciation and amortization.....	—	(98)	—	(28,869)	(257,096)	(1,785)	(287,848)
Net depreciable or amortizable capital assets .....	—	76	—	8,948	350,354	62	359,440
Other assets .....	—	—	—	—	9,100	—	9,100
Total noncurrent assets .....	100,896	126,188	97,083	8,948	651,214	4,421	988,750
<b>TOTAL ASSETS</b> .....	<b>136,375</b>	<b>150,563</b>	<b>141,452</b>	<b>15,858</b>	<b>748,043</b>	<b>23,559</b>	<b>1,215,850</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>\$ —</b>	<b>\$ 2,248</b>	<b>\$ —</b>	<b>\$ 6,739</b>	<b>\$ 4,354</b>	<b>\$ 1,218</b>	<b>\$ 14,559</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**Enterprise Funds**

June 30, 2019

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued liabilities .....	\$ 1,370	\$ 358	\$ —	\$ 1,202	\$ 50,644	\$ 528	\$ 54,102
Securities lending obligations .....	248	834	259	—	—	—	1,341
Due to other funds .....	—	12	—	334	10	29	385
Due to pension trust funds .....	—	7	—	51	26	7	91
Due to political subdivisions .....	—	—	—	22	—	—	22
Due to other governments .....	—	2	—	12	367	1	382
Interest payable .....	—	—	—	—	146	—	146
Unearned revenue .....	63	402	33	—	23,366	—	23,864
Revenue bonds payable .....	—	—	—	—	4,470	—	4,470
Self-insurance liabilities .....	—	12	—	76	35	16	139
Compensated absences .....	—	88	—	211	145	34	478
Other postemployment benefit liability .....	—	74	—	470	200	46	790
Other liabilities .....	—	—	—	—	1,083	—	1,083
<b>Total current liabilities .....</b>	<b>1,681</b>	<b>1,789</b>	<b>292</b>	<b>2,378</b>	<b>80,492</b>	<b>661</b>	<b>87,293</b>
Noncurrent liabilities:							
Insurance loss liability .....	—	398	—	—	—	—	398
Revenue bond payable .....	—	—	—	—	4,528	—	4,528
Compensated absences .....	—	377	—	902	620	145	2,044
Self-insurance liabilities .....	—	111	—	715	331	158	1,315
Other postemployment benefit liability .....	—	4,914	—	31,075	9,223	3,067	48,279
Net pension liability .....	—	5,268	—	27,750	11,410	3,083	47,511
Other liabilities .....	—	—	—	—	1,405	—	1,405
<b>Total noncurrent liabilities .....</b>	<b>—</b>	<b>11,068</b>	<b>—</b>	<b>60,442</b>	<b>27,517</b>	<b>6,453</b>	<b>105,480</b>
<b>TOTAL LIABILITIES .....</b>	<b>1,681</b>	<b>12,857</b>	<b>292</b>	<b>62,820</b>	<b>108,009</b>	<b>7,114</b>	<b>192,773</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
<b>TOTAL DEFERRED INFLOWS OF RESOURCES .....</b>	<b>—</b>	<b>2,330</b>	<b>—</b>	<b>15,618</b>	<b>9,207</b>	<b>1,448</b>	<b>28,603</b>
<b>NET POSITION</b>							
Net investment in capital assets .....	—	76	—	8,948	636,470	62	645,556
Restricted for:							
Transportation .....	—	—	141,160	—	—	—	141,160
Capital projects .....	—	—	—	—	166	—	166
Debt service .....	—	—	—	—	4,273	—	4,273
Economic development .....	—	—	—	—	—	6,073	6,073
Emergency support .....	134,694	—	—	—	—	—	134,694
Other purposes .....	—	137,548	—	—	8	10,080	147,636
Unrestricted .....	—	—	—	(64,789)	(5,736)	—	(70,525)
<b>TOTAL NET POSITION .....</b>	<b>\$ 134,694</b>	<b>\$ 137,624</b>	<b>\$ 141,160</b>	<b>\$ (55,841)</b>	<b>\$ 635,181</b>	<b>\$ 16,215</b>	<b>\$ 1,009,033</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**Enterprise Funds**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>OPERATING REVENUES:</b>							
Sales and services .....	\$ —	\$ 9,048	\$ 19	\$ 191	\$ 15,992	\$ 2,180	\$ 27,430
Interest on loans .....	1,419	—	1,285	—	—	143	2,847
Other .....	—	—	—	—	35	253	288
<b>OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS .....</b>							
	<b>1,419</b>	<b>9,048</b>	<b>1,304</b>	<b>191</b>	<b>16,027</b>	<b>2,576</b>	<b>30,565</b>
Provision for uncollectible accounts .....	83	—	156	—	—	48	287
<b>NET OPERATING REVENUES .....</b>							
	<b>1,502</b>	<b>9,048</b>	<b>1,460</b>	<b>191</b>	<b>16,027</b>	<b>2,624</b>	<b>30,852</b>
<b>OPERATING EXPENSES:</b>							
Cost of sales and services .....	248	4,768	345	784	35,233	2,356	43,734
Depreciation .....	—	10	—	692	23,291	11	24,004
Other .....	—	—	—	—	5,352	—	5,352
<b>TOTAL OPERATING EXPENSES .....</b>							
	<b>248</b>	<b>4,778</b>	<b>345</b>	<b>1,476</b>	<b>63,876</b>	<b>2,367</b>	<b>73,090</b>
<b>OPERATING INCOME (LOSS) .....</b>							
	<b>1,254</b>	<b>4,270</b>	<b>1,115</b>	<b>(1,285)</b>	<b>(47,849)</b>	<b>257</b>	<b>(42,238)</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>							
Investment income .....	3,063	8,736	3,113	123	288	434	15,757
Grants and other revenues .....	—	—	—	1,272	55	363	1,690
Other expenses .....	—	—	—	—	(3,514)	—	(3,514)
<b>TOTAL NONOPERATING REVENUES (EXPENSES) .....</b>							
	<b>3,063</b>	<b>8,736</b>	<b>3,113</b>	<b>1,395</b>	<b>(3,171)</b>	<b>797</b>	<b>13,933</b>
<b>INCOME (LOSS) BEFORE TRANSFERS .....</b>							
	<b>4,317</b>	<b>13,006</b>	<b>4,228</b>	<b>110</b>	<b>(51,020)</b>	<b>1,054</b>	<b>(28,305)</b>
<b>TRANSFERS AND CONTRIBUTIONS:</b>							
Capital contributions .....	—	—	—	—	3,803	—	3,803
Transfers in .....	—	—	—	—	132,063	—	132,063
<b>TRANSFERS AND CONTRIBUTIONS, NET .....</b>							
	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>135,866</b>	<b>—</b>	<b>135,866</b>
<b>CHANGE IN NET POSITION .....</b>							
	<b>4,317</b>	<b>13,006</b>	<b>4,228</b>	<b>110</b>	<b>84,846</b>	<b>1,054</b>	<b>107,561</b>
<b>TOTAL NET POSITION, JULY 1, 2018 .....</b>							
	<b>130,377</b>	<b>124,618</b>	<b>136,932</b>	<b>(55,951)</b>	<b>550,335</b>	<b>15,161</b>	<b>901,472</b>
<b>TOTAL NET POSITION, JUNE 30, 2019 .....</b>							
	<b>\$ 134,694</b>	<b>\$ 137,624</b>	<b>\$ 141,160</b>	<b>\$ (55,841)</b>	<b>\$ 635,181</b>	<b>\$ 16,215</b>	<b>\$ 1,009,033</b>



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**Commonwealth of Pennsylvania**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Enterprise Funds**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Receipts from customers and participants .....	\$ —	\$ —	\$ —	\$ 113	\$ 16,181	\$ 1,063	\$ 17,357
Receipts from borrowers for fees and loan repayments .....	12,837	—	7,017	—	—	(876)	18,978
Receipt of premiums .....	—	6,657	—	—	—	—	6,657
Payments to borrowers .....	(15,053)	—	(6,440)	—	—	—	(21,493)
Payments for vendors, employees and other costs .....	(248)	(3,829)	(345)	(4,278)	(13,033)	(2,432)	(24,165)
Other receipts .....	—	—	—	—	—	249	249
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>(2,464)</b>	<b>2,828</b>	<b>232</b>	<b>(4,165)</b>	<b>3,148</b>	<b>(1,996)</b>	<b>(2,417)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>							
Net advances from (to) other funds .....	—	—	(22,295)	—	—	—	(22,295)
Grants and other revenues .....	—	—	—	1,204	55	363	1,622
Other payments for non-capital financing uses .....	—	—	—	—	(2,167)	—	(2,167)
<b>NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES .....</b>	<b>—</b>	<b>—</b>	<b>(22,295)</b>	<b>1,204</b>	<b>(2,112)</b>	<b>363</b>	<b>(22,840)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>							
Acquisition and construction of capital assets .....	—	(27)	—	(206)	(75,384)	(27)	(75,644)
Principal payments on other capital debt .....	—	—	—	—	(4,065)	—	(4,065)
Interest payments on other capital debt .....	—	—	—	—	(540)	—	(540)
Transfers in .....	—	—	—	—	114,518	—	114,518
Other receipts for capital and related financing activities .....	—	—	—	—	4,580	—	4,580
Other payments for capital and related financing uses .....	—	—	—	—	(8,863)	—	(8,863)
<b>NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>—</b>	<b>(27)</b>	<b>—</b>	<b>(206)</b>	<b>30,246</b>	<b>(27)</b>	<b>29,986</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Purchase of investments .....	(11,806)	(9,805)	(14,401)	(15,423)	(6,972)	(4,773)	(63,180)
Sales and maturities of investments .....	12,775	3,338	33,460	18,472	436	5,975	74,456
Investment income .....	1,532	3,589	2,951	128	288	432	8,920
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES .....</b>	<b>2,501</b>	<b>(2,878)</b>	<b>22,010</b>	<b>3,177</b>	<b>(6,248)</b>	<b>1,634</b>	<b>20,196</b>
<b>NET INCREASE (DECREASE) IN CASH .....</b>	<b>37</b>	<b>(77)</b>	<b>(53)</b>	<b>10</b>	<b>25,034</b>	<b>(26)</b>	<b>24,925</b>
<b>CASH AT JULY 1, 2018 .....</b>	<b>195</b>	<b>276</b>	<b>530</b>	<b>88</b>	<b>39,365</b>	<b>33</b>	<b>40,487</b>
<b>CASH AT JUNE 30, 2019 (including \$4,599 in restricted assets) .....</b>	<b>\$ 232</b>	<b>\$ 199</b>	<b>\$ 477</b>	<b>\$ 98</b>	<b>\$ 64,399</b>	<b>\$ 7</b>	<b>\$ 65,412</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Enterprise Funds**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>							
Operating income (loss)	\$ 1,254	\$ 4,270	\$ 1,115	\$ (1,285)	\$ (47,849)	\$ 257	\$ (42,238)
Depreciation and amortization of capital assets	—	10	—	692	23,291	11	24,004
Amortization of other assets	—	—	—	—	5,352	—	5,352
Provision for uncollectible accounts	(83)	—	(156)	—	—	(48)	(287)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:							
Accounts receivable	(200)	—	—	(78)	—	(4)	(282)
Interest on loans receivable	(11)	—	8	—	—	(14)	(17)
Loans receivable	(4,584)	—	5,077	—	—	(1,010)	(517)
Lease rental receivable	—	—	—	—	(247)	—	(247)
Due from other funds	—	—	(5,705)	(1,692)	—	(1,112)	(8,509)
Other current and noncurrent assets	—	—	—	—	(986)	—	(986)
Deferred outflows	—	(1,519)	—	(1,909)	(1,435)	(731)	(5,594)
Accounts payable and accrued liabilities	1,170	145	(103)	(120)	(665)	(136)	291
Due to other funds	—	(15)	—	266	—	(88)	163
Due to pension trust funds	—	(1)	—	(10)	—	—	(11)
Due to component units	—	(23)	—	—	—	—	(23)
Due to political subdivisions	—	—	—	(6)	—	—	(6)
Due to other governments	—	—	—	(3)	—	—	(3)
Unearned revenue	(10)	(2,391)	(4)	—	22,744	—	20,339
Self-insurance liabilities	—	(40)	—	(179)	(39)	28	(230)
Compensated absences	—	22	—	(78)	(48)	(35)	(139)
Insurance loss liability	—	(98)	—	—	—	—	(98)
Other postemployment benefit liability	—	(693)	—	(12,731)	(3,122)	(624)	(17,170)
Net pension liability	—	1,644	—	3,370	1,316	603	6,933
Other current and noncurrent liabilities	—	—	—	—	887	—	887
Deferred inflows	—	1,517	—	9,598	3,949	907	15,971
<b>Total Adjustments</b>	<b>(3,718)</b>	<b>(1,442)</b>	<b>(883)</b>	<b>(2,880)</b>	<b>50,997</b>	<b>(2,253)</b>	<b>39,821</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ (2,464)</b>	<b>\$ 2,828</b>	<b>\$ 232</b>	<b>\$ (4,165)</b>	<b>\$ 3,148</b>	<b>\$ (1,996)</b>	<b>\$ (2,417)</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>							
Increase in fair value of investments during the fiscal year	\$ 1,527	\$ 5,136	\$ 189	\$ —	\$ —	\$ —	\$ 6,852
Increase (decrease) in investment income receivable	4	11	(27)	(5)	—	2	(15)
Decrease in investments from changes in securities lending obligations	(20)	(68)	(73)	—	—	—	(161)
Disposals of capital assets	—	—	—	—	(4,119)	—	(4,119)
Amortization of bond premium/discount (net)	—	—	—	—	(264)	—	(264)
Internal activity elimination for capital financing activities	—	—	—	—	(4,513)	—	(4,513)

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

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Internal Service Funds

## 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, services and equipment by the Department of General Services for the sale or lease to other Commonwealth departments, boards and 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 departments, boards and commissions 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 Position**  
**Nonmajor Proprietary Funds**  
**Internal Service Funds**

June 30, 2019

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash .....	\$ 1,126	\$ 528	\$ 1,654
Temporary investments .....	3,361	12,765	16,126
Receivables (net):			
Accounts .....	68	442	510
Investment income .....	7	23	30
Due from other funds .....	31,393	4,340	35,733
Due from pension trust funds .....	1,593	3,344	4,937
Due from component units .....	42	6	48
Due from Federal Government .....	—	1	1
Due from political subdivisions .....	—	34	34
Inventory .....	37	14,231	14,268
<b>Total current assets</b> .....	<u>37,627</u>	<u>35,714</u>	<u>73,341</u>
Noncurrent assets:			
Long-term investments .....	—	24,379	24,379
Depreciable capital assets:			
Land improvements .....	192	—	192
Buildings and building improvements .....	—	6,300	6,300
Machinery and equipment .....	84,734	42,111	126,845
Less: accumulated depreciation .....	(57,659)	(26,768)	(84,427)
Net depreciable capital assets .....	<u>27,267</u>	<u>21,643</u>	<u>48,910</u>
<b>Total noncurrent assets</b> .....	<u>27,267</u>	<u>46,022</u>	<u>73,289</u>
<b>TOTAL ASSETS</b> .....	<u>64,894</u>	<u>81,736</u>	<u>146,630</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<u>5,617</u>	<u>10,083</u>	<u>15,700</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities .....	41,028	4,966	45,994
Securities lending obligations .....	—	161	161
Due to other funds .....	1,783	464	2,247
Due to pension trust funds .....	80	174	254
Due to political subdivisions .....	2	4	6
Due to other governments .....	18	36	54
Capital lease/installment purchase obligations .....	808	—	808
Self-insurance liabilities .....	86	352	438
Compensated absences .....	172	383	555
Other postemployment benefit liability .....	338	461	799
<b>Total current liabilities</b> .....	<u>44,315</u>	<u>7,001</u>	<u>51,316</u>
Noncurrent liabilities:			
Installment purchase .....	1,449	—	1,449
Compensated absences .....	735	1,631	2,366
Self-insurance liabilities .....	805	3,309	4,114
Other postemployment benefit liability .....	22,365	30,496	52,861
Net pension liability .....	19,788	43,798	63,586
<b>Total noncurrent liabilities</b> .....	<u>45,142</u>	<u>79,234</u>	<u>124,376</u>
<b>TOTAL LIABILITIES</b> .....	<u>89,457</u>	<u>86,235</u>	<u>175,692</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<u>10,491</u>	<u>15,655</u>	<u>26,146</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets .....	25,010	21,643	46,653
Unrestricted .....	(54,447)	(31,714)	(86,161)
<b>TOTAL NET POSITION</b> .....	<u>\$ (29,437)</u>	<u>\$ (10,071)</u>	<u>\$ (39,508)</u>

**Commonwealth of Pennsylvania**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
Internal Service Funds

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Sales and services .....	\$ 20,189	\$ 79,257	\$ 99,446
Other .....	287	—	287
<b>NET OPERATING REVENUES</b> .....	<u>20,476</u>	<u>79,257</u>	<u>99,733</u>
<b>OPERATING EXPENSES:</b>			
Cost of sales and services .....	12,293	79,663	91,956
Depreciation .....	10,350	2,244	12,594
<b>TOTAL OPERATING EXPENSES</b> .....	<u>22,643</u>	<u>81,907</u>	<u>104,550</u>
<b>OPERATING LOSS</b> .....	<u>(2,167)</u>	<u>(2,650)</u>	<u>(4,817)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income .....	174	1,960	2,134
Interest expense .....	(93)	—	(93)
Other expenses .....	(42)	(416)	(458)
<b>TOTAL NONOPERATING REVENUES (EXPENSES), NET</b> .....	<u>39</u>	<u>1,544</u>	<u>1,583</u>
<b>CHANGE IN NET POSITION</b> .....	<u>(2,128)</u>	<u>(1,106)</u>	<u>(3,234)</u>
<b>TOTAL NET POSITION, JULY 1, 2018</b> .....	<u>(27,309)</u>	<u>(8,965)</u>	<u>(36,274)</u>
<b>TOTAL NET POSITION, JUNE 30, 2019</b> .....	<u>\$ (29,437)</u>	<u>\$ (10,071)</u>	<u>\$ (39,508)</u>



**Commonwealth of Pennsylvania**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Internal Service Funds**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)	Purchasing	Manufacturing	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers .....	\$ 23,828	\$ 77,168	\$ 100,996
Payments for vendors, employees and other costs .....	(24,419)	(75,119)	(99,538)
Other receipts .....	287	—	287
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>(304)</b>	<b>2,049</b>	<b>1,745</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and construction of capital assets .....	(12,303)	(4,827)	(17,130)
Proceeds from disposal of capital assets .....	1,471	—	1,471
Capital lease/installment purchase payments .....	(987)	—	(987)
<b>NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES .....</b>	<b>(11,819)</b>	<b>(4,827)</b>	<b>(16,646)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments .....	(246,741)	(54,813)	(301,554)
Sales and maturities of investments .....	258,938	56,625	315,563
Investment income .....	189	968	1,157
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES .....</b>	<b>12,386</b>	<b>2,780</b>	<b>15,166</b>
<b>NET INCREASE IN CASH .....</b>	<b>263</b>	<b>2</b>	<b>265</b>
<b>CASH AT JULY 1, 2018 .....</b>	<b>863</b>	<b>526</b>	<b>1,389</b>
<b>CASH AT JUNE 30, 2019 .....</b>	<b>\$ 1,126</b>	<b>\$ 528</b>	<b>\$ 1,654</b>

**RECONCILIATION OF OPERATING LOSS TO NET**

<b>CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>			
Operating loss .....	\$ (2,167)	\$ (2,650)	\$ (4,817)
Depreciation and amortization of capital assets .....	10,350	2,244	12,594
Other adjustments .....	(1,471)	—	(1,471)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable .....	(29)	(91)	(120)
Due from other funds .....	5,922	1,297	7,219
Due from pension trust funds .....	(755)	60	(695)
Due from component units .....	(28)	(3)	(31)
Due from political subdivisions .....	—	(3)	(3)
Inventory .....	15	249	264
Deferred outflows .....	(2,374)	(3,598)	(5,972)
Accounts payable and accrued liabilities .....	(10,058)	(230)	(10,288)
Due to other funds .....	(2,528)	110	(2,418)
Due to pension trust funds .....	2	11	13
Due to component units .....	(3)	—	(3)
Due to political subdivisions .....	(1)	1	—
Due to other governments .....	1	(1)	—
Self-insurance liabilities .....	59	427	486
Compensated absences .....	39	(50)	(11)
Other postemployment benefit liability .....	(7,560)	(12,378)	(19,938)
Net pension liability .....	3,848	7,856	11,704
Deferred inflows .....	6,434	8,798	15,232
<b>Total Adjustments .....</b>	<b>1,863</b>	<b>4,699</b>	<b>6,562</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES .....</b>	<b>\$ (304)</b>	<b>\$ 2,049</b>	<b>\$ 1,745</b>

**NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:**

Increase in fair value of investments during the fiscal year .....	\$ —	\$ 992	\$ 992
Decrease in investment income receivable .....	(14)	(1)	(15)
Decrease in investments from changes in securities lending obligations .....	—	(13)	(13)
Capital assets acquired through installment purchases .....	103	—	103
Disposals of capital assets .....	(1,738)	(886)	(2,624)

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

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Pension (and Other Employee Benefit) Trust Funds

## 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 postemployment benefit plans and are held by the Commonwealth in a trustee capacity.

### PENSION TRUST FUNDS

**State Employees' Retirement System (SERS)-Pension** - a defined benefit pension trust fund administered by the SERS that provides retirement, disability, and death benefits to members of the SERS and their beneficiaries.

**State Employees' Retirement System-Defined Contribution** - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the SERS to provide defined contribution retirement benefits to new members of the SERS effective January 1, 2019.

**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 defined benefit pension trust fund administered by the PSERS that provides pension benefits to public school employees in Pennsylvania.

**Public School Employees' Retirement System-Defined Contribution** - a defined contribution pension trust fund established by Act 5 of 2017 and administered by the PSERS to provide defined contribution retirement benefits to new public school employees effective July 1, 2019.

### OTHER EMPLOYEE BENEFIT TRUST FUNDS

**Public School Employees' Retirement System-Postemployment Healthcare** - an employee benefit trust fund administered by the PSERS that provides healthcare, disability, and death benefits to members and their beneficiaries.

**Other Postemployment Benefits (REHP)** - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired employees.

**Other Postemployment Benefits (RPSP)** - an employee benefit trust fund that holds and invests amounts contributed by the Commonwealth of Pennsylvania for the sole purpose of providing postemployment healthcare benefits to retired Pennsylvania State Police.

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**Commonwealth of Pennsylvania**  
**Combining Statement of Fiduciary Net Position**  
Pension (and Other Employee Benefit) Trust Funds

June 30, 2019

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2018)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired	Retired	
		Contribution	Compensation		Contribution	Healthcare	Employees Health Program	Pennsylvania State Police Program	
<b>ASSETS</b>									
Cash .....	\$ —	\$ —	\$ 6,817	\$ 116,267	\$ —	\$ 192,715	\$ 52	\$ 13	\$ 315,864
Temporary investments .....	—	—	47,440	—	—	—	2,383	604	50,427
Long-term investments .....	—	—	103,704	—	—	—	430,522	109,097	643,323
Short-term funds .....	1,144,614	4,460	70,823	5,521,295	10,476	186,987	—	—	6,938,655
Corporate obligations .....	765,602	—	—	2,286,060	—	—	—	—	3,051,662
Collective trust funds .....	521,474	—	1,421,740	14,305,045	—	—	—	—	16,248,259
Real estate .....	1,967,097	—	—	5,484,621	—	—	—	—	7,451,718
Alternative .....	4,821,097	—	—	13,445,135	—	—	—	—	18,266,232
Securities lending collateral .....	163,955	—	—	4,518,372	—	—	—	—	4,682,327
Asset-backed securities .....	673,339	—	—	489,859	—	—	—	—	1,163,198
Domestic equities .....	13,505,544	—	1,481,042	5,374,971	—	—	—	—	20,361,557
International equities .....	1,221,362	—	191,621	4,438,175	—	—	—	—	5,851,158
International public debt securities .....	234,120	—	—	268,591	—	—	—	—	502,711
Mortgage-backed securities .....	—	—	—	3,152	—	—	—	—	3,152
Private placements .....	453,561	—	—	—	—	—	—	—	453,561
U.S. Treasury obligations .....	1,835,363	—	—	5,605,208	—	—	—	—	7,440,571
U.S. government agency debt securities .....	51,666	—	—	—	—	—	—	—	51,666
Receivables (net):									
Investment income .....	62,415	—	246	514,815	19	271	—	—	577,766
Interest on notes and loans .....	—	—	—	—	—	—	635	161	796
Pension contributions .....	—	—	5,392	1,627,042	—	35,616	—	—	1,668,050
Investment sale proceeds .....	58,136	—	—	330,059	—	—	—	—	388,195
Other .....	2,205	—	93	2,102	—	27,276	—	—	31,676
Due from other funds .....	12,700	—	—	7,214	—	182	—	—	20,096
Due from pension trust funds .....	2,611	—	—	265	—	—	—	—	2,876
Due from component units .....	55,642	—	—	—	—	—	—	—	55,642
Due from political subdivisions .....	41,206	—	—	—	—	—	—	—	41,206
Due from other governments .....	—	—	—	—	—	25,613	—	—	25,613
Depreciable or amortizable capital assets:									
Machinery and equipment .....	—	—	—	13,025	—	—	—	—	13,025
Intangible assets .....	—	—	—	42,835	—	—	—	—	42,835
Less: accumulated depreciation and amortization .....	—	—	—	(34,515)	—	—	—	—	(34,515)
Net depreciable or amortizable capital assets .....	—	—	—	21,345	—	—	—	—	21,345
<b>TOTAL ASSETS</b> .....	<b>27,593,709</b>	<b>4,460</b>	<b>3,328,918</b>	<b>64,359,593</b>	<b>10,495</b>	<b>468,660</b>	<b>433,592</b>	<b>109,875</b>	<b>96,309,302</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> .....	<b>\$ 646</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 24,919</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 25,565</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Fiduciary Net Position**  
Pension (and Other Employee Benefit) Trust Funds  
June 30, 2019

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2018)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired	Retired	
		Contribution	Compensation		Contribution	Healthcare	Employees Health Program	Pennsylvania State Police Program	
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities .....	\$ 48,988	\$ 291	\$ 1,614	\$ 95,398	\$ 1,535	\$ 3,672	\$ 23,728	\$ 8,529	\$ 183,755
Investment purchases payable .....	398,069	—	—	289,484	—	2,462	—	—	690,015
Securities lending obligations .....	163,955	—	—	4,518,372	—	—	2,383	604	4,685,314
Due to other funds .....	—	—	9	1,017	—	—	—	—	1,026
Due to pension trust funds .....	—	—	232	714	4	—	—	—	950
Other postemployment benefit liability .....	31,221	—	—	56,419	—	—	—	—	87,640
Net pension liability .....	—	—	—	78,175	—	—	—	—	78,175
Other liabilities .....	—	—	—	584,960	—	70,149	—	—	655,109
<b>TOTAL LIABILITIES</b> .....	<b>642,233</b>	<b>291</b>	<b>1,855</b>	<b>5,624,539</b>	<b>1,539</b>	<b>76,283</b>	<b>26,111</b>	<b>9,133</b>	<b>6,381,984</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> .....	<b>15,132</b>	<b>—</b>	<b>—</b>	<b>26,089</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>41,221</b>
<b>NET POSITION</b>									
Restricted and held in trust for:									
Pension benefits .....	26,936,990	4,169	—	58,733,884	8,956	—	—	—	85,683,999
Postemployment healthcare benefits .....	—	—	—	—	—	392,377	407,481	100,742	900,600
Employee salary deferrals .....	—	—	3,327,063	—	—	—	—	—	3,327,063
<b>TOTAL NET POSITION</b> .....	<b>\$ 26,936,990</b>	<b>\$ 4,169</b>	<b>\$ 3,327,063</b>	<b>\$ 58,733,884</b>	<b>\$ 8,956</b>	<b>\$ 392,377</b>	<b>\$ 407,481</b>	<b>\$ 100,742</b>	<b>\$ 89,911,662</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Net Position**  
Pension (and Other Employee Benefit) Trust Funds  
For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2018)			Public School Employees' Retirement System			Other Postemployment Benefits		
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	Total
		Contribution	Compensation		Contribution	Healthcare			
<b>ADDITIONS:</b>									
Contributions:									
Pension:									
Employer .....	\$ 2,048,594	\$ —	\$ —	\$ 4,487,520	\$ —	\$ 175,208	\$ 508,876	\$ 141,292	\$ 7,361,490
Employee .....	393,925	—	145,662	1,064,043	—	376,449	—	—	1,980,079
Transfer in from other plans .....	—	4,901	62,034	—	5,200	—	50,000	1,000	123,135
Total contributions .....	<u>2,442,519</u>	<u>4,901</u>	<u>207,696</u>	<u>5,551,563</u>	<u>5,200</u>	<u>551,657</u>	<u>558,876</u>	<u>142,292</u>	<u>9,464,704</u>
Investment income:									
Net increase/(decrease) in									
fair value of investments .....	(1,733,999)	—	(125,981)	2,829,899	—	434	11,570	2,639	984,562
Interest income .....	142,918	—	12,950	613,457	273	5,589	676	154	776,017
Dividend income .....	203,533	—	—	322,865	—	—	9,505	2,168	538,071
Rental and other income .....	75,004	—	—	298,004	—	—	82	18	373,108
Total investment activity income .....	<u>(1,312,544)</u>	<u>—</u>	<u>(113,031)</u>	<u>4,064,225</u>	<u>273</u>	<u>6,023</u>	<u>21,833</u>	<u>4,979</u>	<u>2,671,758</u>
Less: investment expenses									
Investment activity expense .....	(133,146)	—	(1,167)	(449,768)	—	(56)	—	—	(584,137)
Net investment earnings .....	<u>(1,445,690)</u>	<u>—</u>	<u>(114,198)</u>	<u>3,614,457</u>	<u>273</u>	<u>5,967</u>	<u>21,833</u>	<u>4,979</u>	<u>2,087,621</u>
Securities lending activities:									
Income .....	3,771	—	7	116,564	—	—	—	—	120,342
Expenses .....	(372)	—	—	(102,311)	—	—	—	—	(102,683)
Total securities lending income .....	<u>3,399</u>	<u>—</u>	<u>7</u>	<u>14,253</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>17,659</u>
Total net investment income .....	<u>(1,442,291)</u>	<u>—</u>	<u>(114,191)</u>	<u>3,628,710</u>	<u>273</u>	<u>5,967</u>	<u>21,833</u>	<u>4,979</u>	<u>2,105,280</u>
<b>TOTAL ADDITIONS</b> .....	<u>1,000,228</u>	<u>4,901</u>	<u>93,505</u>	<u>9,180,273</u>	<u>5,473</u>	<u>557,624</u>	<u>580,709</u>	<u>147,271</u>	<u>11,569,984</u>
<b>DEDUCTIONS:</b>									
Benefit payments .....	3,375,394	—	107,447	6,734,145	—	476,072	500,965	142,251	11,336,274
Refunds of contributions .....	19,242	—	—	27,027	—	—	—	—	46,269
Transfers to other plans .....	—	—	149,417	—	—	—	—	—	149,417
Administrative expenses .....	25,950	732	476	48,931	3,276	47,429	6,111	635	133,540
Other expenses .....	—	—	4,432	—	—	—	—	—	4,432
<b>TOTAL DEDUCTIONS</b> .....	<u>3,420,586</u>	<u>732</u>	<u>261,772</u>	<u>6,810,103</u>	<u>3,276</u>	<u>523,501</u>	<u>507,076</u>	<u>142,886</u>	<u>11,669,932</u>
<b>CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:</b>									
Pension benefits .....	(2,420,358)	4,169	—	2,370,170	2,197	—	—	—	(43,822)
Postemployment healthcare benefits .....	—	—	—	—	—	34,123	73,633	4,385	112,141
Employee salary deferrals .....	—	—	(168,267)	—	—	—	—	—	(168,267)
<b>TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST..</b>	<u>(2,420,358)</u>	<u>4,169</u>	<u>(168,267)</u>	<u>2,370,170</u>	<u>2,197</u>	<u>34,123</u>	<u>73,633</u>	<u>4,385</u>	<u>(99,948)</u>
<b>NET POSITION, JULY 1, 2018 (restated)</b> .....	<u>29,357,348</u>	<u>—</u>	<u>3,495,330</u>	<u>56,363,714</u>	<u>6,759</u>	<u>358,254</u>	<u>333,848</u>	<u>96,357</u>	<u>90,011,610</u>
<b>NET POSITION, JUNE 30, 2019</b> .....	<u>\$ 26,936,990</u>	<u>\$ 4,169</u>	<u>\$ 3,327,063</u>	<u>\$ 58,733,884</u>	<u>\$ 8,956</u>	<u>\$ 392,377</u>	<u>\$ 407,481</u>	<u>\$ 100,742</u>	<u>\$ 89,911,662</u>





Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Private-Purpose Trust Funds

## PRIVATE-PURPOSE TRUST FUNDS DESCRIPTION

Private-purpose trust funds are used to report assets held in a trustee capacity where the principal and income benefit individuals, private organizations or other governments.

***Tuition Account Investment Program*** - provides for the advanced purchase of tuition credits for beneficiaries who will attend institutions of higher learning. Contributors enter into a Tuition Account Program Investment contract that authorizes the Treasury to invest funds to pay for future tuition expenses.

***Monetary Penalty Endowments Trust*** - accounts for monetary penalties assessed to higher education institutions. Fund expenditures are made by the Pennsylvania Commission on Crime and Delinquency to support abuse treatment and prevention programs within the Commonwealth.

There are two private-purpose trust funds.

**Commonwealth of Pennsylvania**  
**Combining Statement of Fiduciary Net Position**  
Private Purpose Trust Funds

June 30, 2019

(Amounts in thousands)

	Tuition Account Investment Program	Monetary Penalty Endowments Trust	Total
<b>ASSETS</b>			
Cash .....	\$ 4,326	\$ —	\$ 4,326
Temporary investments .....	—	1,057	1,057
Long-term investments .....	3,067,257	50,182	3,117,439
Receivables (net):			
Accounts .....	115	—	115
Investment income .....	—	2	2
<b>TOTAL ASSETS</b> .....	<b>3,071,698</b>	<b>51,241</b>	<b>3,122,939</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities .....	1,391	272	1,663
Investment purchases payable .....	389	—	389
Securities lending obligations .....	—	332	332
Due to political subdivisions .....	—	180	180
<b>TOTAL LIABILITIES</b> .....	<b>1,780</b>	<b>784</b>	<b>2,564</b>
<b>NET POSITION</b>			
Restricted and held in trust for:			
Tuition Account Investment Program participants .....	3,069,918	—	3,069,918
Other .....	—	50,457	50,457
<b>TOTAL NET POSITION</b> .....	<b>\$ 3,069,918</b>	<b>\$ 50,457</b>	<b>\$ 3,120,375</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Net Position**  
Private Purpose Trust Funds

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Tuition Account Investment Program	Monetary Penalty Endowments Trust	Total
<b>ADDITIONS:</b>			
Investment income:			
Net increase in			
fair value of investments .....	\$ 99,725	\$ —	\$ 99,725
Interest income .....	91,888	3,315	95,203
Total investment activity income .....	191,613	3,315	194,928
Share transactions (at net asset value			
of \$1.00 per share):			
Shares purchased/redeemed (net) .....	153,411	—	153,411
Net increase in net assets from share transactions .....	153,411	—	153,411
<b>TOTAL ADDITIONS</b> .....	<b>345,024</b>	<b>3,315</b>	<b>348,339</b>
<b>DEDUCTIONS:</b>			
Administrative expenses .....	5,760	—	5,760
Other expenses .....	—	2,267	2,267
<b>TOTAL DEDUCTIONS</b> .....	<b>5,760</b>	<b>2,267</b>	<b>8,027</b>
<b>CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:</b>			
Tuition Account Investment Program participants .....	339,264	—	339,264
Other .....	—	1,048	1,048
<b>TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST</b> .....	<b>339,264</b>	<b>1,048</b>	<b>340,312</b>
<b>NET POSITION, JULY 1, 2018</b> .....	<b>2,730,654</b>	<b>49,409</b>	<b>2,780,063</b>
<b>NET POSITION, JUNE 30, 2019</b> .....	<b>\$ 3,069,918</b>	<b>\$ 50,457</b>	<b>\$ 3,120,375</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Agency Funds

## AGENCY FUNDS DESCRIPTION

Agency funds account for assets held by the Commonwealth as an agent for individuals, private organizations, or other governmental units.

**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.

**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 2% 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 2% 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 10 individual agency funds.

There are a total of 17 individual agency funds.

**Commonwealth of Pennsylvania**  
**Combining Statement of Fiduciary Assets and Liabilities**  
Agency Funds  
June 30, 2019

(Amounts in thousands)

	Statutory Liquidator	Medical Care Availability and 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	Total Agency Funds
<b>ASSETS</b>									
Cash .....	\$ —	\$ 683	\$ 123	\$ 3,113	\$ —	\$ —	\$ 11,587	\$ 608	\$ 16,114
Cash with fiscal agents .....	6,845	—	—	—	—	—	—	—	6,845
Temporary investments .....	155,754	94,952	17,679	19,789	324,450	74,469	28,599	45,196	760,888
Long-term investments .....	859,575	—	—	295,996	—	—	—	—	1,155,571
Receivables (net):									
Taxes .....	—	—	33,626	—	—	—	—	79,255	112,881
Accounts .....	4,972	—	52	17,788	11,815	4,756	4,931	272	44,586
Investment income .....	4,526	190	22	890	661	—	—	67	6,356
Investment sale proceeds .....	—	—	—	102	—	—	—	—	102
Advances to other funds .....	—	—	—	67,500	—	—	—	—	67,500
Other assets .....	419,422	—	—	—	—	—	915	—	420,337
<b>TOTAL ASSETS</b> .....	<b>1,451,094</b>	<b>95,825</b>	<b>51,502</b>	<b>405,178</b>	<b>336,926</b>	<b>79,225</b>	<b>46,032</b>	<b>125,398</b>	<b>2,591,180</b>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities .....	—	95,818	183	17,642	12,413	4,709	16,236	283	147,284
Investment purchases payable .....	11,676	—	—	571	—	—	—	—	12,247
Securities lending obligations .....	—	—	—	8,701	—	—	—	—	8,701
Due to political subdivisions .....	—	—	51,319	—	324,513	74,516	—	120,650	570,998
Due to other governments .....	—	7	—	1	—	—	—	—	8
Other liabilities .....	1,439,418	—	—	378,263	—	—	29,796	4,465	1,851,942
<b>TOTAL LIABILITIES</b> .....	<b>\$ 1,451,094</b>	<b>\$ 95,825</b>	<b>\$ 51,502</b>	<b>\$ 405,178</b>	<b>\$ 336,926</b>	<b>\$ 79,225</b>	<b>\$ 46,032</b>	<b>\$ 125,398</b>	<b>\$ 2,591,180</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Balance			Balance
	July 1, 2018	Additions	Deductions	June 30, 2019
<b>STATUTORY LIQUIDATOR FUND</b>				
<b>ASSETS</b>				
Cash with fiscal agents .....	\$ 16,932	\$ 59,492	\$ 69,579	\$ 6,845
Temporary investments .....	148,130	11,407	3,783	155,754
Long-term investments .....	2,228,124	4,347,486	5,716,035	859,575
Receivables (net):				
Accounts .....	4,916	889	833	4,972
Investment income .....	8,471	24,906	28,851	4,526
Investment sale proceeds .....	1	8,072	8,073	—
Other assets .....	3,907,864	21,502	3,509,944	419,422
<b>TOTAL ASSETS</b> .....	<b>6,314,438</b>	<b>4,473,754</b>	<b>9,337,098</b>	<b>1,451,094</b>
<b>LIABILITIES</b>				
Investment purchases payable .....	16,233	—	4,557	11,676
Securities lending obligations .....	614	—	614	—
Other liabilities .....	6,297,591	4,473,753	9,331,926	1,439,418
<b>TOTAL LIABILITIES</b> .....	<b>\$ 6,314,438</b>	<b>\$ 4,473,753</b>	<b>\$ 9,337,097</b>	<b>\$ 1,451,094</b>
<b>MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 176	\$ 809,360	\$ 808,853	\$ 683
Temporary investments .....	118,047	189,729	212,824	94,952
Receivables (net):				
Accounts .....	—	5	5	—
Investment income .....	205	190	205	190
<b>TOTAL ASSETS</b> .....	<b>118,428</b>	<b>999,284</b>	<b>1,021,887</b>	<b>95,825</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	102,119	843,499	849,800	95,818
Due to other funds .....	—	129	129	—
Due to other governments .....	7	8	8	7
Other liabilities .....	16,302	26,973	43,275	—
<b>TOTAL LIABILITIES</b> .....	<b>\$ 118,428</b>	<b>\$ 870,609</b>	<b>\$ 893,212</b>	<b>\$ 95,825</b>

(continued)



**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
Agency Funds (continued)

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)	Balance			Balance
	July 1, 2018	Additions	Deductions	
<b>ALLEGHENY REGIONAL ASSET DISTRICT</b>				
<b>SALES AND USE TAX FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 110	\$ 708,763	\$ 708,750	\$ 123
Temporary investments .....	16,626	209,402	208,349	17,679
Receivables (net):				
Taxes .....	18,476	33,628	18,478	33,626
Accounts .....	1	56	5	52
Investment income .....	19	22	19	22
<b>TOTAL ASSETS</b> .....	<b>35,232</b>	<b>951,871</b>	<b>935,601</b>	<b>51,502</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	183	548	548	183
Due to political subdivisions .....	35,049	33,959	17,689	51,319
<b>TOTAL LIABILITIES</b> .....	<b>\$ 35,232</b>	<b>\$ 34,507</b>	<b>\$ 18,237</b>	<b>\$ 51,502</b>
<b>UNDERGROUND STORAGE TANK</b>				
<b>INDEMNIFICATION FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 2,039	\$ 402,129	\$ 401,055	\$ 3,113
Temporary investments .....	42,569	358,897	381,677	19,789
Long-term investments .....	260,756	249,155	213,915	295,996
Receivables (net):				
Accounts .....	16,161	17,794	16,167	17,788
Investment income .....	935	890	935	890
Interest on notes and loans .....	—	1,825	1,825	—
Investment sale proceeds .....	—	102	—	102
Advances to other funds .....	67,500	—	—	67,500
<b>TOTAL ASSETS</b> .....	<b>389,960</b>	<b>1,030,792</b>	<b>1,015,574</b>	<b>405,178</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	18,730	148,890	149,978	17,642
Investment purchases payable .....	162	571	162	571
Securities lending obligations .....	27,361	36,062	54,722	8,701
Due to other funds .....	—	588	588	—
Due to political subdivisions .....	—	203	203	—
Due to other governments .....	1	5	5	1
Other liabilities .....	343,706	34,659	102	378,263
<b>TOTAL LIABILITIES</b> .....	<b>\$ 389,960</b>	<b>\$ 220,978</b>	<b>\$ 205,760</b>	<b>\$ 405,178</b>

(continued)

**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds (continued)**

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Balance			Balance
	July 1, 2018	Additions	Deductions	June 30, 2019
<b>MUNICIPAL PENSION AID FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ 29	\$ 1,355,754	\$ 1,355,783	\$ —
Temporary investments .....	305,390	347,059	327,999	324,450
Receivables (net):				
Taxes .....	—	5	5	—
Accounts .....	89	11,904	178	11,815
Investment income .....	552	661	552	661
<b>TOTAL ASSETS</b> .....	<b>306,060</b>	<b>1,715,383</b>	<b>1,684,517</b>	<b>336,926</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	10,963	644,998	643,548	12,413
Due to political subdivisions .....	295,097	626,899	597,483	324,513
<b>TOTAL LIABILITIES</b> .....	<b>\$ 306,060</b>	<b>\$ 1,271,897</b>	<b>\$ 1,241,031</b>	<b>\$ 336,926</b>
<b>FIRE INSURANCE TAX FUND</b>				
<b>ASSETS</b>				
Cash .....	\$ —	\$ 300,195	\$ 300,195	\$ —
Temporary investments .....	77,883	74,713	78,127	74,469
Receivables (net):				
Accounts .....	—	4,756	—	4,756
<b>TOTAL ASSETS</b> .....	<b>77,883</b>	<b>379,664</b>	<b>378,322</b>	<b>79,225</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	9,565	129,983	134,839	4,709
Due to political subdivisions .....	68,318	61,330	55,132	74,516
Due to other governments .....	—	1	1	—
<b>TOTAL LIABILITIES</b> .....	<b>\$ 77,883</b>	<b>\$ 191,314</b>	<b>\$ 189,972</b>	<b>\$ 79,225</b>
<b>AGENCY CUSTODIAL ACCOUNTS</b>				
<b>ASSETS</b>				
Cash .....	\$ 12,049	\$ 457	\$ 919	\$ 11,587
Temporary investments .....	25,580	3,452	433	28,599
Receivables (net):				
Accounts .....	6,147	28	1,244	4,931
Other assets .....	945	18	48	915
<b>TOTAL ASSETS</b> .....	<b>44,721</b>	<b>3,955</b>	<b>2,644</b>	<b>46,032</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	15,303	936	3	16,236
Other liabilities .....	29,418	1,482	1,104	29,796
<b>TOTAL LIABILITIES</b> .....	<b>\$ 44,721</b>	<b>\$ 2,418</b>	<b>\$ 1,107</b>	<b>\$ 46,032</b>

(continued)

**Commonwealth of Pennsylvania**  
**Combining Statement of Changes in Fiduciary Assets and Liabilities**

Agency Funds (continued)

For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
<b>OTHER FUNDS</b>				
<b>ASSETS</b>				
Cash .....	\$ 705	\$ 3,646,141	\$ 3,646,238	\$ 608
Temporary investments .....	47,522	941,318	943,644	45,196
Receivables (net):				
Taxes .....	46,955	81,546	49,246	79,255
Accounts .....	265	5,729	5,722	272
Investment income .....	67	66	66	67
<b>TOTAL ASSETS</b> .....	<b>95,514</b>	<b>4,674,800</b>	<b>4,644,916</b>	<b>125,398</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	201	76,375	76,293	283
Due to political subdivisions .....	90,943	102,100	72,393	120,650
Other liabilities .....	4,370	95	—	4,465
<b>TOTAL LIABILITIES</b> .....	<b>\$ 95,514</b>	<b>\$ 178,570</b>	<b>\$ 148,686</b>	<b>\$ 125,398</b>
<b>TOTAL — AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash .....	\$ 15,108	\$ 7,222,799	\$ 7,221,793	\$ 16,114
Cash with fiscal agents .....	16,932	59,492	69,579	6,845
Temporary investments .....	781,747	2,135,977	2,156,836	760,888
Long-term investments .....	2,488,880	4,596,641	5,929,950	1,155,571
Receivables (net):				
Taxes .....	65,431	115,179	67,729	112,881
Accounts .....	27,579	41,161	24,154	44,586
Investment income .....	10,249	26,735	30,628	6,356
Interest on notes and loans .....	—	1,825	1,825	—
Investment sale proceeds .....	1	8,174	8,073	102
Advances to other funds .....	67,500	—	—	67,500
Other assets .....	3,908,809	21,520	3,509,992	420,337
<b>TOTAL ASSETS</b> .....	<b>7,382,236</b>	<b>14,229,503</b>	<b>19,020,559</b>	<b>2,591,180</b>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	157,064	1,845,229	1,855,009	147,284
Investment purchases payable .....	16,395	571	4,719	12,247
Securities lending obligations .....	27,975	36,062	55,336	8,701
Due to other funds .....	—	717	717	—
Due to political subdivisions .....	489,407	824,491	742,900	570,998
Due to other governments .....	8	14	14	8
Other liabilities .....	6,691,387	4,536,962	9,376,407	1,851,942
<b>TOTAL LIABILITIES</b> .....	<b>\$ 7,382,236</b>	<b>\$ 7,244,046</b>	<b>\$ 12,035,102</b>	<b>\$ 2,591,180</b>

(concluded)

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Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Discretely Presented Component Units

**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** - 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** - assists the primary government (PG) and other governmental entities in financing a shipbuilding facility at the former Philadelphia Naval Shipyard. The Philadelphia Shipyard Development Corporation has a December 31, 2018 fiscal year end.

**Ben Franklin Technology Development Authority** - promotes economic development through interaction of technology development, modernization and training programs. Industrial resource centers and technology centers, established through the Ben Franklin Technology Development Authority increase Pennsylvania business competitiveness.

**Pennsylvania Higher Educational Facilities Authority** - 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.

**Port of Pittsburgh Commission** - promotes economic development throughout waterways in southwestern Pennsylvania by constructing and/or financing transportation and recreation facilities.

**Pennsylvania Industrial Development Authority** - 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.

**Pennsylvania Convention Center Authority** - operates the Pennsylvania Convention Center located in the City of Philadelphia.

**Thaddeus Stevens College of Technology (College)** - is a two-year technical college that prepares students for skilled employment in a diverse, ever-changing workforce. The College offers a two-year degree or nine-month certificate, in 22 different programs of study. The Commonwealth appropriates monies for College operations.

**Pennsylvania Energy Development Authority (PEDA)** - finances clean, advanced energy projects in Pennsylvania. Pennsylvania projects that could potentially qualify for funding from the PEDA include solar energy, wind, low-impact hydropower, geothermal, biomass, landfill gas, fuel cells, IGCC, waste coal, coal-mine methane, and demand management measures. The PEDA presently can award grants, loans, and loan guarantees.

There are a total of 15 discretely presented component units (DPCU). The **Pennsylvania Turnpike Commission, Pennsylvania Housing Finance Agency, Pennsylvania Higher Education Assistance Agency, Pennsylvania Infrastructure Investment Authority, and State System of Higher Education** are reported as major DPCU's. The Pennsylvania Economic Development Financing Authority is not reported because the only activities for this component unit involve conduit debt.

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**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
 Nonmajor Discretely Presented Component Units  
 June 30, 2019

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (December 31, 2018)	Ben Franklin Technology Development Authority	Pennsylvania Higher Educational Facilities Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Total
<b>ASSETS</b>										
Current assets:										
Cash .....	\$ —	\$ 362	\$ —	\$ —	\$ —	\$ 176	\$ 20,278	\$ 3,064	\$ —	\$ 23,880
Temporary investments .....	9,879	—	33,314	—	2,353	274,028	34,659	4,569	347	359,149
Receivables (net):										
Accounts .....	—	—	—	15	5	35	5,932	61	—	6,048
Investment income .....	108	—	67	—	—	—	—	—	1	176
Interest on notes and loans .....	20	—	—	—	—	1,026	—	—	—	1,046
Loans .....	1,977	—	—	—	—	46,820	—	—	—	48,797
Other .....	14	—	—	—	—	—	—	341	—	355
Due from primary government .....	—	—	—	—	250	—	—	1,375	—	1,625
Due from Federal Government .....	—	—	—	—	211	—	—	—	—	211
Inventory .....	—	—	—	—	—	—	—	923	—	923
Prepaid and deferred expenses .....	—	15	—	—	—	—	2,461	60	—	2,536
Total current assets .....	<u>11,998</u>	<u>377</u>	<u>33,381</u>	<u>15</u>	<u>2,819</u>	<u>322,085</u>	<u>63,330</u>	<u>10,393</u>	<u>348</u>	<u>444,746</u>
Noncurrent assets:										
Restricted cash .....	—	—	—	—	—	—	—	37	—	37
Long-term investments .....	16,507	—	—	—	—	—	—	4,235	4,139	24,881
Receivables (net):										
Loans .....	3,766	—	19,795	—	—	246,009	—	—	—	269,570
Non-depreciable capital assets:										
Land .....	—	161	—	—	—	—	994	—	—	1,155
Construction in progress .....	44	—	—	—	—	—	10,475	39	—	10,558
Depreciable or amortizable capital assets:										
Land improvements .....	—	—	—	—	—	—	—	3,576	—	3,576
Buildings and building improvements .....	—	—	—	—	—	—	785,822	4,410	—	790,232
Machinery and equipment .....	375	—	—	—	59	—	181,598	8,143	—	190,175
Library books .....	—	—	—	—	—	—	—	375	—	375
Other capital assets .....	—	1	—	—	—	—	—	—	—	1
Less: accumulated depreciation and amortization .....	(334)	—	—	—	(24)	—	(398,474)	(7,412)	—	(406,244)
Net depreciable or amortizable capital assets .....	<u>41</u>	<u>1</u>	<u>—</u>	<u>—</u>	<u>35</u>	<u>—</u>	<u>568,946</u>	<u>9,092</u>	<u>—</u>	<u>578,115</u>
Other assets .....	—	—	—	—	—	402	3,777	555	—	4,734
Total noncurrent assets .....	<u>20,358</u>	<u>162</u>	<u>19,795</u>	<u>—</u>	<u>35</u>	<u>246,411</u>	<u>584,192</u>	<u>13,958</u>	<u>4,139</u>	<u>889,050</u>
<b>TOTAL ASSETS</b> .....	<u>32,356</u>	<u>539</u>	<u>53,176</u>	<u>15</u>	<u>2,854</u>	<u>568,496</u>	<u>647,522</u>	<u>24,351</u>	<u>4,487</u>	<u>1,333,796</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b> .....	\$ 623	\$ —	\$ 161	\$ —	\$ 217	\$ 7,210	\$ 1,396	\$ 13,819	\$ 69	\$ 23,495



**Commonwealth of Pennsylvania**  
**Combining Statement of Net Position**  
 Nonmajor Discretely Presented Component Units  
 June 30, 2019

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (December 31, 2018)	Ben Franklin Technology Development Authority	Pennsylvania Higher Educational Facilities Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Total
<b>LIABILITIES</b>										
Current liabilities:										
Accounts payable and accrued liabilities.....	\$ 66	\$ —	\$ 885	\$ 15	\$ 290	\$ 921	\$ 8,361	\$ 2,231	\$ 8	\$ 12,777
Securities lending obligations .....	—	—	—	—	—	241	—	—	27	268
Due to primary government .....	—	—	15	—	2	5	5,825	—	—	5,847
Due to other governments .....	—	—	1	—	—	1	—	—	—	2
Interest payable .....	—	—	—	—	—	2,529	—	—	—	2,529
Unearned revenue .....	—	—	—	—	—	—	2,015	120	—	2,135
Revenue bonds payable .....	—	—	—	—	—	22,855	—	—	—	22,855
Capital lease/installment purchase obligations.....	—	—	—	—	—	—	—	76	—	76
Compensated absences .....	58	—	—	—	—	—	—	520	—	578
Other financing obligations .....	—	—	—	—	—	—	—	155	—	155
Other postemployment benefit liability .....	—	—	6	—	—	18	267	—	2	293
Other liabilities .....	5	—	—	—	—	—	—	—	—	5
Total current liabilities .....	129	—	907	15	292	26,570	16,468	3,102	37	47,520
Noncurrent liabilities:										
Revenue bond payable .....	—	—	—	—	—	111,873	—	—	—	111,873
Capital lease/installment purchase obligations.....	—	—	—	—	—	—	—	39	—	39
Other financing obligations .....	—	—	—	—	—	—	—	2,666	—	2,666
Compensated absences .....	163	—	—	—	91	—	—	2,527	—	2,781
Other postemployment benefit liability .....	1,740	—	409	—	350	1,204	4,743	32,551	151	41,148
Net pension liability .....	2,220	—	675	—	818	1,030	4,228	22,827	172	31,970
Other liabilities .....	20	—	—	—	—	—	—	91	—	111
Total noncurrent liabilities .....	4,143	—	1,084	—	1,259	114,107	8,971	60,701	323	190,588
<b>TOTAL LIABILITIES</b> .....	<b>4,272</b>	<b>—</b>	<b>1,991</b>	<b>15</b>	<b>1,551</b>	<b>140,677</b>	<b>25,439</b>	<b>63,803</b>	<b>360</b>	<b>238,108</b>
<b>DEFERRED INFLOWS OF RESOURCES</b> .....	<b>1,541</b>	<b>—</b>	<b>587</b>	<b>—</b>	<b>398</b>	<b>571</b>	<b>1,313</b>	<b>14,768</b>	<b>71</b>	<b>19,249</b>
<b>NET POSITION</b>										
Net investment in capital assets .....	85	162	—	—	35	—	580,415	6,194	—	586,891
Restricted for:										
Debt service .....	—	—	—	—	—	53,393	—	—	—	53,393
Economic development .....	—	377	50,759	—	1,087	—	41,751	—	4,125	98,099
Other purposes .....	27,081	—	—	—	—	—	—	—	—	27,081
Unrestricted .....	—	—	—	—	—	381,065	—	(46,595)	—	334,470
<b>TOTAL NET POSITION</b> .....	<b>\$ 27,166</b>	<b>\$ 539</b>	<b>\$ 50,759</b>	<b>\$ —</b>	<b>\$ 1,122</b>	<b>\$ 434,458</b>	<b>\$ 622,166</b>	<b>\$ (40,401)</b>	<b>\$ 4,125</b>	<b>\$ 1,099,934</b>

**Commonwealth of Pennsylvania**  
**Combining Statement of Activities**  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2019

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (December 31, 2018)	Ben Franklin Technology Development Authority	Pennsylvania Higher Educational Facilities Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Total
Expenses .....	\$ 1,238	\$ 260	\$ 29,049	\$ 1,039	\$ 1,037	\$ 8,036	\$ 94,786	\$ 33,571	\$ 74	\$ 169,090
Program revenues:										
Charges for goods and services .....	1,214	—	1,833	1,039	858	10,609	20,876	11,354	—	47,783
Operating grants and contributions .....	488	7	15,468	—	1,334	7,984	42,721	18,663	279	86,944
Capital grants and contributions .....	—	—	—	—	—	—	18,500	1,760	—	20,260
<b>TOTAL PROGRAM REVENUES .....</b>	<b>1,702</b>	<b>7</b>	<b>17,301</b>	<b>1,039</b>	<b>2,192</b>	<b>18,593</b>	<b>82,097</b>	<b>31,777</b>	<b>279</b>	<b>154,987</b>
<b>CHANGE IN NET POSITION .....</b>	<b>464</b>	<b>(253)</b>	<b>(11,748)</b>	<b>—</b>	<b>1,155</b>	<b>10,557</b>	<b>(12,689)</b>	<b>(1,794)</b>	<b>205</b>	<b>(14,103)</b>
<b>TOTAL NET POSITION, JULY 1, 2018 .....</b>	<b>26,702</b>	<b>792</b>	<b>62,507</b>	<b>—</b>	<b>(33)</b>	<b>423,901</b>	<b>634,855</b>	<b>(38,607)</b>	<b>3,920</b>	<b>1,114,037</b>
<b>TOTAL NET POSITION, JUNE 30, 2019 .....</b>	<b>\$ 27,166</b>	<b>\$ 539</b>	<b>\$ 50,759</b>	<b>\$ —</b>	<b>\$ 1,122</b>	<b>\$ 434,458</b>	<b>\$ 622,166</b>	<b>\$ (40,401)</b>	<b>\$ 4,125</b>	<b>\$1,099,934</b>



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Statistical Section

Statistical Section Table of Contents

**Financial Trends**

*These tables illustrate how the Commonwealth's financial position has changed over time by providing information on the Commonwealth's net position, changes in net position, fund balance, and changes in fund balance.*

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**Revenue Capacity**

*These tables contain information on the factors that affect the Commonwealth's ability to generate its own-source revenues. The Commonwealth's largest source of revenues is taxes. Information for the three largest tax types is contained within these tables. Personal income, sales, and corporation taxes account for 71% of all general revenues for the June 30, 2019 fiscal year (as reported in the statement of activities).*

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**Commonwealth of Pennsylvania  
Financial Trends****Table 1  
Net Position by Component  
Last Ten Fiscal Years as of June 30****(Accrual basis of accounting-amounts in thousands)**

	<b>2010</b>	<b>2011</b>	<b>2012 (3)</b>	<b>2013 (3)(5)</b>	<b>2014 (5)(6)</b>	<b>2015 (6)(7)</b>	<b>2016 (8)</b>	<b>2017 (8)(9)</b>	<b>2018 (9)</b>	<b>2019</b>
<b>GOVERNMENTAL ACTIVITIES (1)</b>										
Net investment in capital assets	\$ 24,102,905	\$ 25,352,588	\$ 26,580,581	\$ 27,774,808	\$ 28,344,818	\$ 29,177,938	\$ 30,524,584	\$ 31,540,865	\$ 32,975,535	\$ 34,261,559
Restricted for:										
General government operations (2)(4)	N/A	672,834	—	1,739	—	35	47	75	197	217,571
Health-related programs	1,048,684	61,785	18,977	18,830	16,982	15,412	14,294	13,918	13,133	18,033
Transportation	1,318,358	1,000,129	670,168	352,317	298,733	481,202	599,545	724,063	920,443	1,209,807
Capital projects	11	—	—	—	—	—	—	—	—	—
Debt service	46,853	—	—	—	—	—	—	—	—	—
Unemployment/worker's compensation	301,372	367,006	427,934	499,547	528,908	405,823	468,215	529,416	522,065	655,581
Elderly programs	50,213	—	—	—	—	—	—	—	—	—
Environmental and conservation programs	592,672	331,102	565,891	512,807	551,972	365,837	318,622	370,188	283,430	308,401
Economic development	25,312	—	—	—	—	—	—	6,862	5,619	2,907
Gaming licensing/regulation	771,616	720,578	725,468	709,348	651,467	502,589	426,436	400,131	136,002	141,125
Correctional industries and procurement	49,467	62,868	71,095	52,287	38,976	5,498	6,284	26,422	—	—
Emergency support	58,209	51,926	46,793	52,178	50,535	55,044	65,361	93,002	92,680	110,587
Higher education	7,715	—	—	—	—	—	—	—	—	—
Other purposes	55,616	40,078	35,614	35,626	57,614	24,019	18,528	—	—	—
Unrestricted	<u>(4,881,426)</u>	<u>(4,407,594)</u>	<u>(5,460,053)</u>	<u>(5,685,524)</u>	<u>(7,658,746)</u>	<u>(17,846,863)</u>	<u>(19,407,921)</u>	<u>(21,275,848)</u>	<u>(42,892,246)</u>	<u>(42,926,794)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES NET POSITION</b>	<b>23,547,577</b>	<b>24,253,300</b>	<b>23,682,468</b>	<b>24,323,963</b>	<b>22,881,259</b>	<b>13,186,534</b>	<b>13,033,995</b>	<b>12,429,094</b>	<b>(7,943,142)</b>	<b>(6,001,223)</b>
<b>BUSINESS-TYPE ACTIVITIES (1)</b>										
Net investment in capital assets	74,392	84,065	77,259	465,161	489,357	504,790	528,443	556,456	600,833	707,080
Restricted for:										
Health-related programs	2,837	2,323	1,340	4,456	5,588	—	—	—	—	—
Transportation	110,987	118,938	121,760	126,986	134,364	136,802	139,029	140,676	136,932	141,160
Capital projects	—	—	—	—	—	—	2	149	182	166
Debt service	—	—	—	4,199	4,199	4,199	4,199	4,200	4,224	4,273
Unemployment/worker's compensation	—	—	—	—	—	—	685,191	1,746,563	2,861,392	4,094,675
Economic development (8)	295,502	304,767	309,636	325,269	333,821	5,256	5,102	6,373	13,495	6,073
Emergency support	138,884	144,834	147,747	151,853	156,951	129,459	132,008	127,464	130,377	134,694
Higher Education	—	—	—	29,009	155,638	226,767	218,155	282,773	381,710	465,429
Other purposes	85,177	94,985	98,203	105,929	147,076	116,825	123,408	135,536	133,877	147,636
Unrestricted	<u>(1,916,364)</u>	<u>(2,314,339)</u>	<u>(1,913,601)</u>	<u>(2,412,444)</u>	<u>(1,961,503)</u>	<u>(1,632,295)</u>	<u>(1,395,385)</u>	<u>(2,274,989)</u>	<u>(5,038,475)</u>	<u>(5,387,051)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION</b>	<b>(1,208,585)</b>	<b>(1,564,427)</b>	<b>(1,157,656)</b>	<b>(1,199,582)</b>	<b>(534,509)</b>	<b>(508,197)</b>	<b>440,152</b>	<b>725,201</b>	<b>(775,453)</b>	<b>314,135</b>
<b>PRIMARY GOVERNMENT (1)</b>										
Net investment in capital assets	24,177,297	25,436,653	26,657,840	28,239,969	28,834,175	29,682,728	31,053,027	32,097,321	33,576,368	34,968,639
Restricted for:										
General government operations (2)(4)	N/A	672,834	—	1,739	—	35	47	75	197	217,571
Health-related programs	1,051,521	64,108	20,317	23,286	22,570	15,412	14,294	13,918	13,133	18,033
Transportation	1,429,345	1,119,067	791,928	479,303	433,097	618,004	738,574	864,739	1,057,375	1,350,967
Capital projects	11	—	—	—	—	—	2	149	182	166
Debt service	46,853	—	—	4,199	4,199	4,199	4,199	4,200	4,224	4,273
Unemployment/worker's compensation	301,372	367,006	427,934	499,547	528,908	405,823	1,153,406	2,275,979	3,383,457	4,750,256
Elderly programs	50,213	—	—	—	—	—	—	—	—	—
Environmental and conservation programs	592,672	331,102	565,891	512,807	551,972	365,837	318,622	370,188	283,430	308,401
Economic development (8)	320,814	304,767	309,636	325,269	333,821	5,256	5,102	13,235	19,114	8,980
Gaming licensing/regulation	771,616	720,578	725,468	709,348	651,467	502,589	426,436	400,131	136,002	141,125
Correctional industries and procurement	49,467	62,868	71,095	52,287	38,976	5,498	6,284	26,422	—	—
Emergency support	197,093	196,760	194,540	204,031	207,486	184,503	197,369	220,466	223,057	245,281
Higher education	7,715	—	—	29,009	155,638	226,767	218,155	282,773	381,710	465,429
Other purposes	140,793	135,063	133,817	141,555	204,690	140,844	141,936	135,536	133,877	147,636
Unrestricted	<u>(6,797,790)</u>	<u>(6,721,933)</u>	<u>(7,373,654)</u>	<u>(8,097,968)</u>	<u>(9,620,249)</u>	<u>(19,479,158)</u>	<u>(20,803,306)</u>	<u>(23,550,837)</u>	<u>(47,930,721)</u>	<u>(48,313,845)</u>
<b>TOTAL PRIMARY GOVERNMENT NET POSITION (1)</b>	<b>\$ 22,338,992</b>	<b>\$ 22,688,873</b>	<b>\$ 22,524,812</b>	<b>\$ 23,124,381</b>	<b>\$ 22,346,750</b>	<b>\$ 12,678,337</b>	<b>\$ 13,474,147</b>	<b>\$ 13,154,295</b>	<b>\$ (8,718,595)</b>	<b>\$ (5,687,088)</b>

## Commonwealth of Pennsylvania

### Financial Trends

#### Table 1

#### Net Position by Component

#### Last Ten Fiscal Years as of June 30

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(Accrual basis of accounting—amounts in thousands)

**Source:** The Commonwealth's Comprehensive Annual Financial Report (CAFR), as presented for the applicable fiscal year. For fiscal years 2010-2012, the information can be found in the statement of net assets. Beginning with the 2013 fiscal year, the information can be found in the statement of net position.

#### Notes:

(1) Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their net position is reported within the business-type activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. The implementation of GASB 63 resulted in the Commonwealth reporting a statement of net position for the 2013 fiscal year, replacing the statement of net assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB 63 had no effect other than changing the title of this table and the net investment in capital assets caption title. The purpose of each reported caption did not change with the implementation. These two standards were not retroactively applied to the previous fiscal years; therefore the amounts shown for the 2010-2012 fiscal years were those reported within the statement of net assets for the applicable fiscal year. For ease of reading this table and the additional notes shown below, net position is interchanged with net assets which were in effect for fiscal years 2010-2012.

(2) For the 2011 fiscal year, the caption "General government operations" was created specifically for any net position restrictions reported within that portion of the General Fund not associated with the 38 former special revenue funds which were reclassified as components of the General Fund. In past fiscal years, this portion, if not reported as a deficit, was reported within various net position restriction categories. These changes have not been retroactively applied to prior fiscal years.

(3) As a result of the implementation of GASB 61 described in Note 1 above, the beginning net position balance for governmental activities and business-type activities was decreased by \$6,165 and \$273,595, respectively, as of July 1, 2012. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2012 plus the change in net position shown in table 2 for the June 30, 2013 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2013. Note B in the notes to the financial statements in the June 30, 2013 CAFR provides additional details on this restatement.

(4) For the 2011 fiscal year, balances in the amount of \$672,834 related to the grant ledgers were reported as restricted. Since the 2012 fiscal year, those balances have been reported as unrestricted/(deficit).

(5) For the 2014 fiscal year, the Commonwealth implemented GASB Statement 65 requiring the deferral of resources. With the implementation of GASB 65, the beginning net position for governmental activities, business-type activities and total primary government net position was restated and decreased by \$31,614, \$34,565, and \$66,179, respectively, as of July 1, 2013. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2013 plus the change in net position shown in Table 2 for the June 30, 2014 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2014. Note B in the notes to the financial statements in the June 30, 2014 CAFR provides additional details on this restatement.

(6) For the 2015 fiscal year, the Commonwealth implemented GASB Statements 68 and 71, which required the reporting of net pension liability, including the associated deferral of resources. With the implementation of GASB 68 and 71, the beginning net position for governmental activities, business-type activities and total primary government net position was restated and decreased by \$10,622,867, \$460,686, and \$11,083,553, respectively, as of July 1, 2014. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2014 plus the change in net position shown in Table 2 for the June 30, 2015 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2015. Note B in the notes to the financial statements in the June 30, 2015 CAFR provides additional details on this restatement.

(7) Through the 2014 fiscal year, the net position of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were included within the economic development restricted net position category. Effective November 1, 2014, their operations were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.

(8) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 CAFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. With this merger, the beginning net position for governmental activities and total primary government both were increased by \$361, as of July 1, 2016. Therefore, the ending net position balance (for governmental activities and total primary government) shown in this table as of June 30, 2016 plus the change in net position shown in Table 2 for the June 30, 2017 fiscal year will differ from the ending net position balance (for governmental activities and total primary government) shown in this table as of June 30, 2017. Note 18 in the notes to the financial statements in the June 30, 2017 CAFR provides additional details on this restatement.

(9) For the 2018 fiscal year, the Commonwealth implemented GASB Statement 75, which established new standards for reporting the liabilities and associated deferral of resources associated with other postemployment benefits provided to employees of state and local governments. With the implementation of GASB 75, the beginning net position for governmental activities, business-type activities and total primary government net position was restated and decreased by \$22,422,768, \$1,012,462, and \$23,435,230, respectively, as of July 1, 2017. Therefore, the ending net position balance (for governmental activities, business-type activities, and total primary government) shown in this table as of June 30, 2017 plus the change in net position shown in Table 2 for the June 30, 2018 fiscal year will differ from the ending net position balance (for governmental activities, business-type activities and total primary government) shown in this table as of June 30, 2018. Note 18 in the notes to the financial statements in the June 30, 2018 CAFR provides additional details on this restatement.

**Commonwealth of Pennsylvania**  
**Financial Trends**  
**Table 2**  
**Changes in Net Position**  
**Last Ten Fiscal Years as of June 30**

(Accrual basis of accounting—amounts in thousands)

	2010	2011	2012	2013	2014 (3)	2015 (4)	2016	2017 (6)	2018 (7)	2019
<b>GOVERNMENTAL ACTIVITIES (1)</b>										
<b>Expenses:</b>										
Direction and supportive services .....	\$ 1,950,908	\$ 2,052,743	\$ 2,243,649	\$ 1,528,057	\$ 1,619,894	\$ 1,415,057	\$ 1,366,741	\$ 1,255,577	\$ 1,580,148	\$ 1,649,677
Protection of persons and property .....	5,682,950	5,384,710	5,541,681	6,010,950	6,216,380	6,659,818	6,750,256	7,011,736	6,839,284	6,997,412
Public education .....	14,520,733	14,864,360	13,394,225	13,885,466	14,205,019	14,451,280	14,914,554	16,426,782	16,516,828	16,978,293
Health and human services .....	28,321,389	30,388,529	30,680,717	30,495,970	31,634,286	33,880,187	36,620,781	41,335,410	40,314,856	43,215,757
Economic development .....	1,580,654	1,598,596	1,537,068	1,032,887	1,005,570	977,910	883,046	1,006,700	930,891	907,959
Transportation .....	4,951,010	4,465,639	4,382,503	4,764,139	5,204,513	5,751,229	5,943,778	6,365,630	6,193,274	6,472,612
Recreation and cultural enrichment .....	559,311	491,082	514,309	519,242	522,662	615,175	607,420	626,244	597,073	591,836
Interest .....	395,305	440,428	475,545	489,401	494,177	266,477	512,324	435,877	520,369	343,572
<b>Total expenses</b> .....	<b>57,962,260</b>	<b>59,686,087</b>	<b>58,769,697</b>	<b>58,726,112</b>	<b>60,902,501</b>	<b>64,017,133</b>	<b>67,598,900</b>	<b>74,463,956</b>	<b>73,492,723</b>	<b>77,157,118</b>
<b>Program revenues:</b>										
Charges for sales and services:										
Direction and supportive services .....	216,188	252,572	277,492	363,296	256,820	975,506	424,384	428,813	351,172	385,580
Protection of persons and property .....	1,331,281	1,034,481	1,302,020	1,380,582	1,348,469	1,350,043	1,539,295	1,571,915	1,895,974	1,940,835
Public education .....	18,201	14,928	4,776	5,926	5,337	5,102	7,647	6,059	7,175	7,370
Health and human services .....	1,134,144	1,597,599	1,658,657	1,641,534	1,726,322	1,819,309	1,999,519	2,994,241	3,165,336	3,920,299
Economic development .....	12,317	11,812	8,205	13,910	6,373	6,695	7,110	6,221	5,582	7,363
Transportation .....	910,721	976,705	970,026	972,417	1,036,790	1,210,668	1,316,284	1,365,419	1,434,982	1,425,810
Recreation and cultural enrichment .....	416,053	181,373	245,405	304,903	338,954	274,966	251,242	258,709	250,493	328,164
Operating grants and contributions .....	25,620,597	26,071,112	22,816,711	22,792,032	22,859,945	24,083,463	26,946,551	30,207,372	29,458,189	31,119,597
Capital grants and contributions .....	57,628	221,195	67,866	91,603	42,261	32,186	62,360	78,145	30,682	217,056
<b>Total program revenues</b> .....	<b>29,717,130</b>	<b>30,361,777</b>	<b>27,351,158</b>	<b>27,566,203</b>	<b>27,621,271</b>	<b>29,757,938</b>	<b>32,554,392</b>	<b>36,916,894</b>	<b>36,599,585</b>	<b>39,352,074</b>
<b>Total governmental activities net program revenues/(expenses).</b>	<b>(28,245,130)</b>	<b>(29,324,310)</b>	<b>(31,418,539)</b>	<b>(31,159,909)</b>	<b>(33,281,230)</b>	<b>(34,259,195)</b>	<b>(35,044,508)</b>	<b>(37,547,062)</b>	<b>(36,893,138)</b>	<b>(37,805,044)</b>
<b>General revenues and other changes in net position:</b>										
<b>General revenues:</b>										
<b>Taxes:</b>										
Personal income .....	9,414,864	9,771,269	10,022,285	10,798,328	10,817,073	11,678,106	12,025,979	12,072,378	12,810,647	13,588,057
Sales and use .....	8,309,905	8,610,603	8,977,379	9,106,779	9,293,356	9,872,467	10,231,892	10,714,383	10,834,227	11,837,831
Corporation .....	4,146,477	4,469,094	4,504,105	4,781,555	4,314,093	5,195,882	4,134,991	4,406,000	4,548,567	5,049,323
Liquid fuels and motor carriers .....	2,045,505	2,092,645	2,096,222	2,058,226	2,349,982	3,017,991	3,303,273	3,583,153	3,846,040	3,830,243
Gaming (2) .....	1,232,829	1,409,388	1,487,729	1,447,796	1,404,277	1,404,195	1,393,508	1,402,207	1,427,502	1,465,402
Inheritance .....	698,980	783,824	803,573	796,007	850,221	976,286	947,699	988,569	1,008,382	1,034,367
Cigarette .....	1,088,405	1,104,355	1,081,587	1,038,605	968,436	954,930	974,267	1,406,189	1,363,371	1,288,162
Realty transfer .....	346,094	328,997	343,015	396,552	439,797	485,275	564,002	564,030	606,555	628,245
Other .....	1,035,935	1,167,804	1,306,395	1,353,566	1,499,745	1,459,063	1,350,437	948,200	624,910	723,702
<b>Total taxes</b> .....	<b>28,318,994</b>	<b>29,737,979</b>	<b>30,622,290</b>	<b>31,777,414</b>	<b>31,936,980</b>	<b>35,044,195</b>	<b>34,926,048</b>	<b>36,085,109</b>	<b>37,070,201</b>	<b>39,445,332</b>
Investment income .....	15,099	52,129	14,979	12,876	36,311	16,072	16,297	22,977	38,758	66,236
<b>Total general revenues</b> .....	<b>28,334,093</b>	<b>29,790,108</b>	<b>30,637,269</b>	<b>31,790,290</b>	<b>31,973,291</b>	<b>35,060,267</b>	<b>34,942,345</b>	<b>36,108,086</b>	<b>37,108,959</b>	<b>39,511,568</b>
Transfers from business-type activities .....	218,721	239,925	210,438	17,275	(103,151)	127,071	(50,376)	833,714	1,834,711	235,395
<b>Net general revenues and transfers</b> .....	<b>28,552,814</b>	<b>30,030,033</b>	<b>30,847,707</b>	<b>31,807,565</b>	<b>31,870,140</b>	<b>35,187,338</b>	<b>34,891,969</b>	<b>36,941,800</b>	<b>38,943,670</b>	<b>39,746,963</b>
<b>Total governmental activities change in net position</b> .....	<b>\$ 307,684</b>	<b>\$ 705,723</b>	<b>\$ (570,832)</b>	<b>\$ 647,656</b>	<b>\$ (1,411,090)</b>	<b>\$ 928,143</b>	<b>\$ (152,539)</b>	<b>\$ (605,262)</b>	<b>\$ 2,050,532</b>	<b>\$ 1,941,919</b>



**Commonwealth of Pennsylvania**  
**Financial Trends**  
**Table 2**  
**Changes in Net Position**  
**Last Ten Fiscal Years as of June 30**

(Accrual basis of accounting—amounts in thousands)

	2010	2011	2012	2013	2014 (3)	2015 (4)	2016	2017 (6)	2018 (7)	2019
<b>BUSINESS-TYPE ACTIVITIES (1)</b>										
<b>Expenses</b>										
State lottery .....	\$ 3,079,381	\$ 3,155,903	\$ 3,429,773	\$ 3,732,233	\$ 3,720,574	\$ 4,078,746	\$ 3,967,703	\$ 3,982,011	\$ 4,089,703	\$ 4,498,658
State workers' insurance .....	338,229	306,318	268,388	365,900	267,991	312,856	286,526	221,245	167,630	132,028
Tuition payment .....	235,876	259,069	236,342	248,592	277,139	226,330	231,082	336,445	255,056	255,230
Unemployment compensation (2) .....	8,741,990	7,460,707	6,031,968	4,498,001	3,189,395	2,235,297	2,322,278	2,088,543	1,911,547	1,785,691
Commonwealth Financing Authority (1) .....	N/A	N/A	N/A	261,428	189,682	162,358	188,604	217,680	253,020	298,466
Liquor control .....	1,478,971	1,504,517	1,569,868	1,618,065	1,683,185	1,800,698	1,855,594	1,947,038	1,965,637	1,988,873
Economic development and other (1) .....	13,706	23,635	16,997	41,199	47,212	57,287	54,089	52,211	55,765	76,317
<b>Total expenses .....</b>	<b>13,888,153</b>	<b>12,710,149</b>	<b>11,553,336</b>	<b>10,765,418</b>	<b>9,375,178</b>	<b>8,873,572</b>	<b>8,905,876</b>	<b>8,845,173</b>	<b>8,698,358</b>	<b>9,035,263</b>
<b>Program revenues</b>										
Charges for sales and services: .....										
State lottery .....	3,052,097	3,206,933	3,476,953	3,671,780	3,786,090	3,810,017	4,135,246	4,002,543	4,213,344	4,587,868
State workers' insurance .....	223,458	173,571	157,579	178,058	207,208	225,660	211,481	184,205	166,029	153,279
Tuition payment .....	157,336	165,157	185,947	182,555	191,766	191,915	192,187	206,893	205,717	208,814
Unemployment compensation (2) .....	2,328,099	2,579,252	3,447,659	3,031,318	2,900,976	3,073,915	3,162,555	3,122,318	2,961,853	2,966,174
Commonwealth Financing Authority (1) .....	N/A	N/A	N/A	10,172	8,463	11,083	9,237	10,497	21,692	15,045
Liquor control .....	1,527,998	1,586,394	1,673,027	1,747,060	1,803,367	1,880,256	1,956,129	2,046,869	2,116,899	2,169,930
Economic development and other (1) .....	22,254	24,449	17,478	25,816	25,305	36,170	26,463	29,211	30,511	32,257
Operating grants and contributions .....	4,970,529	4,858,476	3,211,902	2,166,475	1,048,220	416,322	110,551	361,400	328,832	223,076
Capital grants and contributions .....	—	—	—	1,128	270	232	—	—	—	3,803
<b>Total program revenues .....</b>	<b>12,281,771</b>	<b>12,594,232</b>	<b>12,170,545</b>	<b>11,014,362</b>	<b>9,971,665</b>	<b>9,645,570</b>	<b>9,803,849</b>	<b>9,963,936</b>	<b>10,044,877</b>	<b>10,360,246</b>
<b>Total business-type activities net program revenues/(expenses) .....</b>	<b>(1,606,382)</b>	<b>(115,917)</b>	<b>617,209</b>	<b>248,944</b>	<b>596,487</b>	<b>771,998</b>	<b>897,973</b>	<b>1,118,763</b>	<b>1,346,519</b>	<b>1,324,983</b>
<b>Other changes in net position</b>										
Special item-loss on transfer of operations (5) .....	—	—	—	—	—	(157,930)	—	—	—	—
Transfers to governmental activities .....	(218,721)	(239,925)	(210,438)	(17,275)	103,151	(127,071)	50,376	(833,714)	(1,834,711)	(235,395)
<b>Net special items and transfers .....</b>	<b>(218,721)</b>	<b>(239,925)</b>	<b>(210,438)</b>	<b>(17,275)</b>	<b>103,151</b>	<b>(285,001)</b>	<b>50,376</b>	<b>(833,714)</b>	<b>(1,834,711)</b>	<b>(235,395)</b>
<b>Total business-type activities change in net position .....</b>	<b>(1,825,103)</b>	<b>(355,842)</b>	<b>406,771</b>	<b>231,669</b>	<b>699,638</b>	<b>486,997</b>	<b>948,349</b>	<b>285,049</b>	<b>(488,192)</b>	<b>1,089,588</b>
<b>Total primary government change in net position .....</b>	<b>\$ (1,517,419)</b>	<b>\$ 349,881</b>	<b>\$ (164,061)</b>	<b>\$ 879,325</b>	<b>\$ (711,452)</b>	<b>\$ 1,415,140</b>	<b>\$ 795,810</b>	<b>\$ (320,213)</b>	<b>\$ 1,562,340</b>	<b>\$ 3,031,507</b>

Source: The statement of activities, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

**Notes:**

- Beginning with the 2013 fiscal year, the Commonwealth implemented two new GASB standards which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. The Commonwealth Financing Authority is reported as a major enterprise fund, and is reported under the Commonwealth Financing Authority caption. The Philadelphia Regional Port Authority is reported as a nonmajor enterprise fund, and is reported within the "Economic development and other" caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. The implementation of GASB 63 resulted in the Commonwealth reporting a statement of net position for the 2013 fiscal year, replacing the statement of net assets which had been reported in previous fiscal years. For purposes of this table, the implementation of GASB 63 had no effect other than changing the reference to changes in net position rather than changes in net assets. These two standards were not retroactively applied to the previous fiscal years. For ease of reading this table, change in net position is interchanged with change in net assets which were in effect for fiscal years 2010-2012.
- In the Unemployment Compensation Fund, the June 30, 2010 fiscal year amounts for expenses and program revenues were reduced by \$3,008,615 in order to present a reclassification made in the June 30, 2011 fiscal year. The June 30, 2010 CAFR was not restated to reflect these amounts.
- Beginning with the 2014 fiscal year, the Commonwealth implemented GASB Statement 65. As noted in Table 1, the Commonwealth restated its net position for July 1, 2013. Note B in the notes to the financial statements in the June 30, 2014 CAFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2014 fiscal year, certain assets are now reported as expenses. The changes were not made retroactively.
- Beginning with the 2015 fiscal year, the Commonwealth implemented GASB Statements 68 and 71. As noted in Table 1, the Commonwealth restated its net position for July 1, 2014. Details on the restatement can be found in Note B in the notes to the financial statements in the June 30, 2015 CAFR. The primary effect on this table is that beginning with the 2015 fiscal year, expenses associated with net pension liability and associated deferral of resources are now being reported within this table. The changes were not made retroactively.
- Effective November 1, 2014, the operations of the Small Business First Fund and the Machinery and Equipment Loan Fund (both proprietary funds) were transferred to the Pennsylvania Industrial Development Authority, a discretely presented component unit.
- Beginning with the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 CAFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. As noted in Table 1, the Commonwealth increased its net position for July 1, 2016. Note 18 in the notes to the financial statements in the June 30, 2017 CAFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2017 fiscal year, the activity associated with these operations is being reported within this table.
- Beginning with the 2018 fiscal year, the Commonwealth implemented GASB Statement 75. As noted in Table 1, the Commonwealth restated its net position for July 1, 2017. Note 18 in the notes to the financial statements in the June 30, 2018 CAFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2018 fiscal year, expenses associated with other postemployment benefit liabilities and associated deferral of resources are now being reported within this table. The changes were not made retroactively.

**Commonwealth of Pennsylvania  
Financial Trends**

**Table 3  
Government Fund Type Fund Balances  
Last Ten Fiscal Years as of June 30**

(Modified accrual basis of accounting-amounts in thousands)

	2010	2011	2012 (6)	2013 (6)	2014	2015	2016 (8)	2017 (8)	2018	2019
<b>GENERAL FUND (1)(2)(3)(4)(7)(8)</b>										
Reserved for:										
Encumbrances .....	\$ 806,181	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Advances .....	139,108	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loans receivable .....	9,989	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Budget Stabilization Reserve .....	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other .....	764,206	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved:										
Designated for:										
Other .....	—	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Undesignated .....	(1,434,681)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonspendable .....	N/A	123,156	240,975	223,930	265,403	247,216	284,398	218,343	201,500	183,102
Restricted (5) .....	N/A	756,141	—	76	45	36	45	78	1,378	8,791
Committed .....	N/A	1,063,613	1,276,671	1,334,872	1,119,470	1,289,298	1,486,831	2,321,358	2,737,182	2,820,739
Assigned .....	N/A	—	—	7,132	—	—	—	—	—	—
Unassigned/(deficit) (5) .....	N/A	(321,475)	(258,351)	—	(1,950,956)	(1,262,997)	(1,681,165)	(3,237,347)	(2,126,350)	(2,177,242)
<b>TOTAL GENERAL FUND .....</b>	<b>284,803</b>	<b>1,621,435</b>	<b>1,259,295</b>	<b>1,566,010</b>	<b>(566,038)</b>	<b>273,553</b>	<b>90,109</b>	<b>(697,568)</b>	<b>813,710</b>	<b>835,390</b>
<b>ALL OTHER GOVERNMENTAL FUNDS (1)(2)(3)(4)(7)(8)</b>										
Reserved for:										
Encumbrances .....	2,329,299	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Advances .....	3,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Loans receivable .....	79,315	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other .....	907,005	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved:										
Designated for, reported in:										
Highways .....	768,710	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Special Revenue funds .....	2,218	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt Service funds .....	46,853	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital Projects funds .....	32,879	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unreserved: Undesignated, reported in:										
Special Revenue funds .....	2,421,257	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital Projects funds (deficit) .....	(524,465)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Restricted reported in:										
Special Revenue funds .....	N/A	3,711,994	3,690,354	3,557,116	3,776,739	3,756,605	3,708,867	3,122,650	3,347,768	3,851,836
Committed reported in:										
Special Revenue funds .....	N/A	426,391	402,207	374,074	373,185	116,314	159,035	159,374	66,986	107,388
Debt Service funds .....	N/A	17,040	48,400	37,041	9,221	11,717	23,446	7,240	53,594	14,206
Capital Projects funds .....	N/A	239,180	509,618	282,094	423,670	1,022,565	566,823	1,179,244	1,659,719	930,615
Unassigned reported in:										
Special Revenue funds (deficit) .....	N/A	(2,837)	(2,955)	(3,167)	—	(1,936)	—	(42,077)	(9,481)	(13,937)
Capital Projects funds (deficit) .....	N/A	(20,711)	—	—	—	—	—	—	—	—
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS .....</b>	<b>\$ 6,066,071</b>	<b>\$ 4,371,057</b>	<b>\$ 4,647,624</b>	<b>\$ 4,247,158</b>	<b>\$ 4,582,815</b>	<b>\$ 4,905,265</b>	<b>\$ 4,458,171</b>	<b>\$ 4,426,431</b>	<b>\$ 5,118,586</b>	<b>\$ 4,890,108</b>

**Commonwealth of Pennsylvania**

**Financial Trends**

Table 3

Government Fund Type Fund Balances

Last Ten Fiscal Years as of June 30

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(Modified accrual basis of accounting-amounts in thousands)

**Source:** The balance sheet-governmental funds statement, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

**Notes:**

(1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental fund caption.

(2) The Commonwealth implemented GASB Statement 54 for the 2011 fiscal year. To implement GASB Statement 54, it was necessary to reclass 41 special revenue funds. 38 of these were reclassified as components of the General Fund, and the remaining three were reclassified as capital project funds. This reclassification required the restatement of the General Fund fund balance from the \$284,803 shown in this schedule at the end of the 2010 fiscal year to \$565,223 which was reported at July 1, 2010. Likewise, the fund balance for all other governmental funds was restated from the \$6,066,071 shown at the end of the 2010 fiscal year to \$5,785,651 at July 1, 2010.

(3) In addition to the restatement described in note (2), existing categories were changed from reserved and unreserved fund balances to nonspendable and spendable (restricted, committed, assigned and unassigned) fund balances. Details of the Commonwealth's implementation of GASB Statement 54, including the restatement described in Note (2), are described in Notes A and B of the Commonwealth's June 30, 2011 CAFR.

(4) The changes described in Notes (2) and (3) above were not retroactively applied. Therefore, governmental fund balances for the 2010 fiscal year are reported as reserved and unreserved, with the 38 funds described above included in the fund balances for all other governmental funds, rather than the General Fund.

(5) For the 2011 fiscal year, balances in the amount of \$756,141 related to the grant ledgers were reported as restricted. In subsequent fiscal years, those balances were reported as part of the unassigned/(deficit) category.

(6) As a result of the implementation of GASB 61 described in Note (1) above, the beginning fund balance for the General Fund was restated and decreased by \$6,165 as of July 1, 2012. Therefore, the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2012 plus the change in fund balances shown in Table 4 for the June 30, 2013 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, 2013. Note B in the notes to the financial statements in the June 30, 2013 CAFR provides additional details on this restatement.

(7) The Cigarette Fire Safety & Firefighter Protection Fund was initially created and reported as a component of the General Fund in the June 30, 2013 CAFR. Based on criteria established by GASB Statement 54, it was determined that this fund should have been classified as a special revenue fund. Therefore, this reclassification required the restatement of the General Fund fund balance from the \$1,566,010 shown in this schedule at the end of the 2013 fiscal year to \$1,565,668 which was reported at July 1, 2013. Likewise, the fund balance for all other governmental funds was restated from the \$4,247,158 shown at the end of the 2013 fiscal year to \$4,247,500 at July 1, 2013. Note B in the notes to the financial statements in the June 30, 2014 CAFR provides additional details on this restatement.

(8) For the 2017 fiscal year, the operations of the Pennsylvania eHealth Partnership Authority, reported as a discretely presented component unit in the June 30, 2016 CAFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The activity is reported within the General Fund. With this merger, the beginning fund balance for the General Fund was increased by \$2,048, as of July 1, 2016. In addition, the Veterans' Trust Fund was initially created and reported as a component of the General Fund in the June 30, 2013 CAFR. Based on criteria established by GASB Statement 54, it was determined for the June 30, 2017 CAFR that this fund should have been classified as a special revenue fund. This required the beginning fund balance of the General Fund to be decreased by \$1,960, and the fund balance for all other governmental funds was increased by \$1,960. The net effect of both was an increase in the beginning fund balance of the General Fund from the \$90,109 shown in this schedule at the end of the 2016 fiscal year to \$90,197 which was reported at July 1, 2016. Likewise, the fund balance for all other governmental funds was increased from the \$4,458,171 shown at the end of the 2016 fiscal year to \$4,460,131 at July 1, 2016. Therefore, the combined ending fund balance (for the General Fund and all other governmental fund types) shown in this table as of June 30, 2016 plus the change in fund balances shown in Table 4 for the June 30, 2017 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, 2017. Note 18 in the notes to the financial statements in the June 30, 2018 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  
Last Ten Fiscal Years as of June 30**

(Modified accrual basis of accounting-amounts in thousands)

	2010	2011	2012	2013 (1)	2014	2015	2016	2017	2018	2019
<b>REVENUES BY SOURCE</b>										
Taxes, net of refunds .....	\$ 28,229,235	\$ 30,007,455	\$ 30,775,017	\$ 31,722,661	\$ 31,696,451	\$ 35,049,415	\$ 35,062,564	\$ 35,804,620	\$ 37,166,942	\$ 39,167,899
Licenses and fees .....	1,951,683	1,806,751	2,070,914	2,149,402	2,212,222	2,414,048	2,711,573	2,777,557	3,121,904	3,318,825
Intergovernmental .....	25,256,164	26,029,290	22,804,215	22,683,124	22,543,458	24,083,157	27,130,356	29,734,671	29,257,457	30,975,599
Charges for sales and services .....	1,501,109	1,688,449	1,763,586	1,839,507	1,920,911	2,793,311	2,129,846	3,099,188	3,342,704	3,695,729
Investment income .....	344,936	326,021	116,945	155,845	270,607	93,756	85,338	218,483	169,233	288,839
Other (2) .....	686,069	632,670	709,810	767,463	486,992	441,176	702,830	739,385	630,784	971,589
<b>TOTAL REVENUES</b> .....	<b>57,969,196</b>	<b>60,490,636</b>	<b>58,240,487</b>	<b>59,318,002</b>	<b>59,130,641</b>	<b>64,874,863</b>	<b>67,822,507</b>	<b>72,373,904</b>	<b>73,689,024</b>	<b>78,418,480</b>
<b>EXPENDITURES BY FUNCTION</b>										
Direction and supportive services .....	1,779,748	1,622,374	1,578,240	1,557,306	1,535,593	1,329,707	1,124,931	1,150,808	1,407,098	1,372,559
Protection of persons and property .....	5,359,792	5,307,198	5,089,854	5,668,261	5,753,876	5,936,010	5,884,950	6,208,519	6,276,949	6,593,861
Health and human services .....	28,340,751	30,435,510	30,662,493	30,371,117	31,773,484	33,920,750	36,729,441	40,378,702	40,186,060	43,256,755
Public education .....	14,492,845	14,836,658	13,363,316	13,858,078	14,108,944	14,414,312	14,867,677	16,345,233	16,467,799	16,934,932
Recreation and cultural enrichment .....	506,737	463,501	482,065	474,966	484,137	544,326	536,873	533,125	559,015	563,846
Economic development .....	1,582,097	1,596,548	1,405,895	1,028,828	1,000,607	970,286	858,890	983,358	916,074	926,245
Transportation .....	3,833,745	3,129,306	3,264,969	3,342,421	3,467,088	4,096,439	4,275,308	4,520,863	4,326,573	4,570,221
Capital outlay .....	3,144,349	3,248,174	3,389,801	2,915,982	2,836,086	2,961,404	3,186,397	2,920,195	3,426,519	3,374,576
Debt service:										
Principal retirement .....	626,090	697,510	711,875	769,390	761,345	762,425	757,455	768,551	724,720	815,185
Interest and fiscal charges .....	406,414	477,751	510,783	531,564	554,574	563,326	578,463	582,068	567,924	589,894
<b>TOTAL EXPENDITURES</b> .....	<b>60,072,568</b>	<b>61,814,530</b>	<b>60,459,291</b>	<b>60,517,913</b>	<b>62,275,734</b>	<b>65,498,985</b>	<b>68,800,385</b>	<b>74,391,422</b>	<b>74,858,731</b>	<b>78,998,074</b>
<b>DEFICIENCY OF REVENUES</b>										
<b>UNDER EXPENDITURES</b> .....	<b>(2,103,372)</b>	<b>(1,323,894)</b>	<b>(2,218,804)</b>	<b>(1,199,911)</b>	<b>(3,145,093)</b>	<b>(624,122)</b>	<b>(977,878)</b>	<b>(2,017,518)</b>	<b>(1,169,707)</b>	<b>(579,594)</b>
<b>OTHER FINANCING SOURCES/(USES)</b>										
Bonds issued .....	1,900,401	650,000	1,600,303	950,300	1,295,000	1,460,000	355,000	1,208,725	1,247,000	—
Refunding bonds issued .....	695,945	—	161,272	361,760	289,946	782,425	633,175	605,170	970,030	886,875
Premium on bonds/refunding bonds issued .....	203,601	37,739	259,314	216,416	203,088	318,957	173,671	242,927	252,698	176,780
Discount on bonds issued .....	(2,924)	(4,724)	—	—	—	(1,441)	(780)	(2,286)	(1,430)	—
Other financing agreements .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	201,115	—
Transfers in .....	2,251,986	2,344,796	1,777,033	1,914,421	1,956,242	2,242,290	2,265,296	3,158,742	4,022,068	2,887,453
Transfers out .....	(1,888,368)	(2,062,410)	(1,580,564)	(1,888,173)	(2,059,393)	(2,115,219)	(2,315,672)	(2,325,028)	(2,187,357)	(2,652,058)
Payment to refunded bond escrow agent .....	(795,844)	—	(192,390)	(444,364)	(336,896)	(900,849)	(763,350)	(683,084)	(1,136,887)	(1,059,811)
Capital lease and installment purchase obligations .....	—	111	108,263	1,965	715	—	—	—	749	1,635
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b> .....	<b>2,364,797</b>	<b>965,512</b>	<b>2,133,231</b>	<b>1,112,325</b>	<b>1,348,702</b>	<b>1,786,163</b>	<b>347,340</b>	<b>2,205,166</b>	<b>3,367,986</b>	<b>240,874</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>\$ 261,425</b>	<b>\$ (358,382)</b>	<b>\$ (85,573)</b>	<b>\$ (87,586)</b>	<b>\$ (1,796,391)</b>	<b>\$ 1,162,041</b>	<b>\$ (630,538)</b>	<b>\$ 187,648</b>	<b>\$ 2,198,279</b>	<b>\$ (338,720)</b>
Debt Service as a Percentage of Noncapital Expenditures (3) .....	1.81%	2.01%	2.14%	2.26%	2.21%	2.12%	2.04%	1.89%	1.81%	1.86%

Source: The statement of revenues, expenditures, and changes in fund balances-governmental funds statement, as presented in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the applicable fiscal year.

Notes:

(1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within this table. This change was not retroactively applied to the previous fiscal years.

(2) Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.

(3) Ratio is calculated as principal retirement plus interest and fiscal charges expenditures divided by total expenditures less capital outlay expenditures. 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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)</b>										
<b>Workplace Earnings:</b>										
Farm Earnings .....	\$ 952	\$ 1,342	\$ 1,779	\$ 2,055	\$ 2,305	\$ 2,622	\$ 1,639	\$ 785	\$ 1,531	\$ 991
<b>Nonfarm Earnings:</b>										
<b>Private earnings:</b>										
Forestry, fishing/hunting, agriculture .....	468	598	563	682	699	755	842	842	881	930
Mining .....	2,806	3,277	3,918	4,021	4,477	5,119	3,387	2,187	3,920	4,540
Utilities .....	2,925	2,878	3,193	3,010	3,129	3,207	3,627	3,725	3,732	3,906
Construction .....	18,572	20,663	21,616	21,932	22,731	24,722	26,086	26,621	28,567	30,161
Manufacturing .....	39,476	39,802	41,053	41,946	42,672	43,855	45,343	44,174	46,393	48,479
Wholesale trade .....	17,545	18,023	19,351	19,939	20,343	21,292	21,542	20,900	21,547	21,907
Retail trade .....	21,794	22,657	23,234	23,540	23,777	23,805	24,291	24,414	24,602	25,229
Transportation and warehousing .....	12,867	13,768	15,530	15,803	16,184	17,246	17,246	22,009	23,853	26,474
Broadcasting/publishing/internet technology .....	19,802	19,557	19,073	22,371	24,774	24,137	23,626	27,111	22,234	24,272
Finance and insurance .....	18,274	21,228	23,688	24,599	25,423	26,806	27,382	27,427	28,492	30,130
Real estate and rental and leasing .....	2,173	2,668	3,245	5,550	7,296	7,894	9,076	9,431	9,394	9,719
Professional and technical services .....	34,769	35,375	37,156	38,893	39,543	41,302	43,499	45,044	47,287	49,063
Management of companies and enterprises .....	13,239	13,355	15,120	16,121	17,148	17,433	18,438	18,180	19,183	19,716
Administrative services .....	11,067	11,938	12,853	12,997	13,557	14,135	14,802	14,862	16,038	16,751
Educational services .....	11,455	11,959	12,447	12,952	13,285	13,798	14,391	15,037	15,155	15,778
Health care and social assistance .....	51,067	53,046	54,711	56,093	57,778	59,183	61,768	63,390	65,660	69,240
Arts, entertainment, and recreation .....	3,679	4,104	4,237	4,451	4,558	5,062	5,059	5,633	5,743	5,966
Accommodation and food services .....	8,400	8,779	9,382	10,014	10,411	10,829	11,356	11,803	12,296	12,796
Other services, except public administration .....	12,386	13,196	13,585	14,464	14,381	15,187	16,246	16,497	16,807	17,787
<b>Total private earnings</b> .....	<b>302,764</b>	<b>316,871</b>	<b>333,955</b>	<b>349,378</b>	<b>362,166</b>	<b>375,767</b>	<b>391,767</b>	<b>399,287</b>	<b>411,784</b>	<b>432,844</b>
<b>Government:</b>										
Federal, civilian .....	9,474	9,823	9,827	9,669	9,411	9,619	9,985	10,195	10,521	10,900
Military .....	1,695	1,676	1,547	1,509	1,467	1,394	1,378	1,423	1,402	1,495
State government .....	12,550	12,893	12,916	12,675	13,249	13,421	13,790	13,762	13,951	14,086
Local government .....	31,790	32,944	32,436	31,529	33,501	33,698	34,039	34,152	34,591	35,491
<b>Total government earnings</b> .....	<b>55,509</b>	<b>57,336</b>	<b>56,726</b>	<b>55,382</b>	<b>57,628</b>	<b>58,132</b>	<b>59,192</b>	<b>59,532</b>	<b>60,465</b>	<b>61,972</b>
<b>Total nonfarm earnings</b> .....	<b>358,273</b>	<b>374,207</b>	<b>390,681</b>	<b>404,760</b>	<b>419,794</b>	<b>433,899</b>	<b>450,959</b>	<b>458,819</b>	<b>472,249</b>	<b>494,816</b>
<b>Total workplace earnings</b> .....	<b>359,225</b>	<b>375,549</b>	<b>392,460</b>	<b>406,815</b>	<b>422,099</b>	<b>436,521</b>	<b>452,598</b>	<b>459,604</b>	<b>473,780</b>	<b>495,807</b>
<b>Other earnings/deductions (3)</b> .....	<b>152,393</b>	<b>158,921</b>	<b>170,975</b>	<b>180,707</b>	<b>170,874</b>	<b>182,867</b>	<b>191,521</b>	<b>200,199</b>	<b>205,951</b>	<b>224,266</b>
<b>Total personal income</b> .....	<b>\$ 511,618</b>	<b>\$ 534,470</b>	<b>\$ 563,435</b>	<b>\$ 587,522</b>	<b>\$ 592,973</b>	<b>\$ 619,388</b>	<b>\$ 644,119</b>	<b>\$ 659,803</b>	<b>\$ 679,731</b>	<b>\$ 720,073</b>
<b>Total personal income subject to the direct personal income tax rate (4)(5)</b> .....	<b>\$ 294,893</b>	<b>\$ 310,368</b>	<b>\$ 321,131</b>	<b>\$ 340,162</b>	<b>\$ 340,150</b>	<b>\$ 357,088</b>	<b>\$ 374,294</b>	<b>\$ 372,576</b>	<b>N/A</b>	<b>N/A</b>
<b>Direct personal income tax rate</b> .....	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>	<b>3.07%</b>

**Sources:**  
Personal income by industry is provided by the Bureau of Economic Analysis, US Department of Commerce ([www.bea.gov/index.htm](http://www.bea.gov/index.htm)) through estimates released September 2019.  
Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2016 calendar year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-February 2019 (Fiscal Year 2017-18). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**Notes:**  
(1) Various calendar years differ from the totals shown in the Commonwealth's Comprehensive Annual Financial Report for June 30, 2018. The amounts shown in the prior year were based on estimates released by the Bureau of Economic Analysis, U.S. Department of Commerce in September 2019. These estimates have subsequently been revised (as provided in the September 2019 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 2017 and 2018 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 applicable calendar year.

**Commonwealth of Pennsylvania**  
**Revenue Capacity- Personal Income tax**  
**Table 6**  
**Personal Income Tax Filers and Liability by Income Level**  
**2007 and 2016 Tax Years**

(liability amounts in thousands)

2007 Tax Year (1)(2)(3)					2016 Tax Year (1)(2)(3)				
Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal Income Tax Liability (4)	Percentage of Total (6)	Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal Income Tax Liability (4)	Percentage of Total (6)
\$0	118,721	1.96%	\$ —	0.00%	\$0	237,648	3.80%	\$ —	0.00%
\$1-999	352,977	5.83%	4,289	0.04%	\$1-999	398,086	6.37%	4,230	0.04%
\$1,000-2,999	405,209	6.69%	24,231	0.25%	\$1,000-2,999	356,281	5.70%	21,199	0.19%
\$3,000-4,999	321,631	5.31%	39,106	0.40%	\$3,000-4,999	272,040	4.35%	33,085	0.29%
\$5,000-6,999	264,811	4.37%	48,472	0.50%	\$5,000-6,999	230,298	3.69%	42,212	0.37%
\$7,000-8,999	222,100	3.67%	54,365	0.56%	\$7,000-8,999	197,513	3.16%	48,348	0.42%
\$9,000-10,999	193,598	3.20%	59,299	0.61%	\$9,000-10,999	183,401	2.94%	56,282	0.49%
\$11,000-12,999	176,970	2.92%	65,158	0.67%	\$11,000-12,999	166,782	2.67%	61,370	0.54%
\$13,000-14,999	164,822	2.72%	70,763	0.73%	\$13,000-14,999	157,644	2.52%	67,732	0.59%
\$15,000-16,999	155,213	2.56%	76,192	0.78%	\$15,000-16,999	152,138	2.43%	74,615	0.65%
\$17,000-18,999	149,123	2.46%	82,373	0.85%	\$17,000-18,999	140,324	2.25%	77,497	0.68%
\$19,000-21,999	216,172	3.57%	135,987	1.40%	\$19,000-21,999	201,609	3.23%	126,815	1.11%
\$22,000-24,999	206,537	3.41%	148,943	1.53%	\$22,000-24,999	192,638	3.08%	138,941	1.21%
\$25,000-29,999	318,224	5.25%	268,143	2.75%	\$25,000-29,999	309,801	4.96%	261,280	2.28%
\$30,000-34,999	285,765	4.72%	284,616	2.92%	\$30,000-34,999	284,104	4.55%	282,999	2.47%
\$35,000-39,999	251,102	4.15%	288,642	2.96%	\$35,000-39,999	252,404	4.04%	290,160	2.54%
\$40,000-49,999	415,446	6.86%	571,337	5.86%	\$40,000-49,999	421,385	6.74%	579,394	5.07%
\$50,000-74,999	723,670	11.95%	1,365,504	14.01%	\$50,000-74,999	716,797	11.47%	1,351,248	11.81%
\$75,000-99,999	430,686	7.11%	1,141,817	11.72%	\$75,000-99,999	449,532	7.19%	1,194,804	10.45%
\$100,000-149,999	378,024	6.24%	1,396,560	14.33%	\$100,000-149,999	471,193	7.54%	1,754,487	15.34%
\$150,000 or more	306,710	5.06%	3,618,183	37.13% (5)	\$150,000-249,999	283,057	4.53%	1,630,314	14.25%
				(5)	\$250,000 or more	174,004	2.78%	3,341,083	29.21%
<b>Total (6)</b>	<b>6,057,511</b>	<b>100.00%</b>	<b>\$ 9,743,980</b>	<b>100.00%</b>	<b>Total</b>	<b>6,248,679</b>	<b>100.00%</b>	<b>\$ 11,438,093</b>	<b>100.00%</b>

**Sources:**

For the 2007 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2016 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-February 2019 (Fiscal Year 2017-18). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**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 2007 or 2016 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 2017 and 2018 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2007 and 2016 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. Beginning with the 2004 tax year, the rate increased to 3.07%. This rate has been in effect for all subsequent tax years.

(5) Beginning with the 2009 tax year, the caption "\$150,000 or more" has been split into two captions: "\$150,000-249,999" and "\$250,000 or more". The amounts for the 2007 tax year are reported within the original caption; whereas the amounts reported in the 2016 tax year are reported within the two new captions.

(6) 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)	2009	2010	2011	2012	2013	2014	2015	2016 (3)	2017 (3)	2018 (3)
<b>Estimated Taxable Sales by Industry (1)(2)</b>										
Manufacturing .....	\$ 6,952,853	\$ 6,310,433	\$ 7,182,245	\$ 7,426,068	\$ 7,391,732	\$ 7,555,033	\$ 6,866,437	\$ 6,852,700	\$ 6,788,750	\$ 7,262,917
Public utilities .....	4,832,233	4,750,250	5,002,202	4,680,907	4,492,653	4,761,067	4,624,260	4,565,533	4,583,617	4,647,817
Wholesale trade .....	10,215,170	10,492,100	11,590,333	12,419,575	12,316,835	12,792,633	14,385,888	14,344,567	14,582,100	15,700,450
Building materials .....	8,422,183	8,140,533	8,714,365	8,878,250	9,039,222	9,158,683	9,515,812	9,906,717	10,125,267	10,484,900
General merchandise .....	19,171,045	18,601,350	19,740,610	19,354,965	19,879,167	19,969,650	20,713,098	21,196,000	21,704,150	22,933,933
Food and beverage stores .....	6,197,422	6,416,383	6,437,433	6,440,322	6,580,377	6,575,817	6,605,795	6,901,517	6,836,300	6,862,217
Automotive dealers .....	3,709,158	3,753,567	3,997,238	4,157,458	4,122,673	4,367,833	4,775,440	4,926,033	4,843,200	4,796,450
Furniture and appliances .....	5,572,460	4,931,917	5,336,590	5,376,648	5,285,463	5,176,483	5,836,548	6,105,367	6,210,833	6,377,833
Other retail stores .....	5,598,740	5,580,450	6,095,245	6,408,673	6,447,917	6,414,917	6,228,017	6,459,733	6,849,317	6,808,683
Agriculture and mining .....	685,577	773,133	838,863	930,587	934,048	906,617	1,178,700	972,767	858,350	991,000
Construction .....	2,880,480	2,595,217	2,953,357	3,203,795	3,175,267	3,270,033	3,590,792	4,553,317	4,710,583	4,685,267
Service .....	40,875,482	40,899,250	43,579,387	43,694,423	45,039,627	46,338,883	47,927,008	49,470,517	51,073,967	53,224,817
Transportation, delivery, and warehousing .....	356,542	365,150	371,315	420,053	472,217	490,583	518,767	562,800	525,000	597,467
Government .....	285,217	383,150	411,452	362,387	305,027	342,117	281,192	295,717	305,767	328,633
Unclassified .....	2,036,060	1,363,333	1,254,633	1,042,267	1,132,720	1,194,517	755,647	1,417,100	1,607,417	1,684,550
Motor vehicle .....	15,992,425	16,595,200	17,714,378	19,343,573	19,459,690	20,626,333	22,103,607	22,453,967	22,779,633	23,211,650
Liquor sales .....	1,808,735	1,868,083	1,950,641	2,064,488	2,153,927	2,219,167	2,311,442	2,268,800	2,356,700	2,424,133
<b>Total sales tax estimated base (4)</b> .....	<b>\$ 135,591,782</b>	<b>\$ 133,819,500</b>	<b>\$ 143,170,287</b>	<b>\$ 146,204,439</b>	<b>\$ 148,228,562</b>	<b>\$ 152,160,366</b>	<b>\$ 158,218,450</b>	<b>\$ 163,253,150</b>	<b>\$ 166,740,951</b>	<b>\$ 173,022,717</b>
<b>Total direct sales tax rate</b> .....	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 2018 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-February 2019 (Fiscal Year 2017-18). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. Both of these publications were obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**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. These are presented based on the North American Industry Classification System.  
(3) 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 2019 fiscal year. Therefore, fiscal years 2009 through 2018 are presented as an alternative comparison.  
(4) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania**  
**Revenue Capacity-Sales Tax**  
**Table 8**  
**Sales Tax Remittance by Major Industry Classification**  
**Fiscal Years Ended June 30, 2009 and June 30, 2018**

(Amounts in thousands)

	June 30, 2009 (1)(2)			June 30, 2018 (1)(2)		
<b>Industry (4)</b>	<b>Sales (3) Tax Remittances Liability</b>	<b>Percentage of Total</b>	<b>Industry (4)</b>	<b>Sales (3) Tax Remittances Liability</b>	<b>Percentage of Total</b>	
Manufacturing .....	\$ 417,171	5.13%	Manufacturing .....	\$ 435,775	4.20%	
Public utilities .....	289,934	3.56%	Public utilities .....	278,869	2.69%	
Wholesale trade .....	612,910	7.53%	Wholesale trade .....	942,027	9.07%	
Building materials .....	505,331	6.21%	Building materials .....	629,094	6.06%	
General merchandise .....	1,150,263	14.14%	General merchandise .....	1,376,036	13.25%	
Food and beverage stores .....	371,845	4.57%	Food and beverage stores .....	411,733	3.97%	
Automotive dealers .....	222,550	2.74%	Automotive dealers .....	287,787	2.77%	
Furniture and appliances .....	334,348	4.11%	Furniture and appliances .....	382,670	3.69%	
Other retail stores .....	335,924	4.13%	Other retail stores .....	408,521	3.93%	
Agriculture and mining .....	41,135	0.51%	Agriculture and mining .....	59,460	0.57%	
Construction .....	172,829	2.12%	Construction .....	281,116	2.71%	
Service .....	2,452,529	30.15%	Service .....	3,193,489	30.76%	
Transportation, delivery, and warehousing .....	21,393	0.26%	Transportation, delivery, and warehousing .....	35,848	0.35%	
Government .....	17,113	0.22%	Government .....	19,718	0.19%	
Unclassified .....	122,164	1.50%	Unclassified .....	101,073	0.97%	
Motor vehicle .....	959,545	11.79%	Motor vehicle .....	1,392,699	13.42%	
Liquor sales .....	108,524	1.33%	Liquor sales .....	145,448	1.40%	
<b>Total (5) .....</b>	<b>\$ 8,135,508</b>	<b>100.00%</b>	<b>Total (5) .....</b>	<b>\$ 10,381,363</b>	<b>100.00%</b>	
Sales Tax Licenses (6) .....	232,614		Sales Tax Licenses (6) .....	226,118		

**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 2018 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-February 2019 (Fiscal Year 2017-18). This publication was obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**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 2019 fiscal year. Therefore, fiscal years 2009 and 2018 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. Both years are presented using the North American Industry Classification System (N.A.I.C.S.) Group.
- (5) Totals may not foot due to rounding.
- (6) The Commonwealth does not maintain a list of sales tax filers by the N.A.I.C.S. standard industry grouping, and as noted in Note (1), can not disclose the names of the ten largest sales tax filers. Therefore, the number of sales tax licenses is 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**

	2007	2008	2009	2010	2011	2012	2013	2014 (6)	2015 (6)	2016 (6) (7)
<b>ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)</b>										
Corporate Tax Report Compilation (amounts in thousands) .....	\$ 20,787,641	\$ 19,652,968	\$ 17,631,632	\$ 19,219,761	\$ 18,084,820	\$ 23,948,802	\$ 24,837,562	\$ 27,160,802	\$ 25,454,707	\$ 24,994,085
<b>NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)</b>										
\$0 .....	97,811	79,113	77,698	72,996	85,406	86,259	88,486	92,816	94,228	77,314
\$1-300 .....	8,152	7,492	6,978	7,133	6,959	7,029	6,481	6,199	6,214	6,146
\$301-500 .....	2,235	2,035	1,925	1,980	1,932	1,939	1,750	1,797	1,805	1,756
\$501-1,000 .....	3,375	3,119	2,868	2,950	2,963	3,046	2,852	2,796	2,889	2,714
\$1,001-5,000 .....	8,367	7,742	7,051	7,202	6,964	7,528	7,213	7,417	7,344	7,288
\$5,001-10,000 .....	3,168	2,803	2,490	2,566	2,655	2,829	2,786	2,849	2,860	2,823
\$10,001-25,000 .....	2,894	2,594	2,338	2,440	2,445	2,744	2,713	2,970	2,930	2,889
\$25,001-50,000 .....	1,519	1,424	1,291	1,429	1,387	1,559	1,620	1,781	1,770	1,699
\$50,001-100,000 .....	1,190	1,157	1,020	1,082	1,138	1,228	1,262	1,373	1,380	1,335
\$100,001-250,000 .....	1,050	992	865	956	1,030	1,225	1,207	1,241	1,246	1,283
\$250,001-500,000 .....	499	471	448	448	450	561	538	582	607	576
\$500,001-1,000,000 .....	311	278	279	297	307	379	344	377	355	345
>\$1,000,000 .....	326	304	267	289	273	418	429	462	441	422
<b>Total corporate net income tax filers (4)(5) .....</b>	<b>130,897</b>	<b>109,524</b>	<b>105,518</b>	<b>101,768</b>	<b>113,909</b>	<b>116,744</b>	<b>117,681</b>	<b>122,660</b>	<b>124,069</b>	<b>106,590</b>
<b>Total direct corporate net income tax rate .....</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>	<b>9.99%</b>

**Sources:**  
Information provided by the Pennsylvania Department of Revenue. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for February 2019. This publication was obtained from the Pennsylvania Department of Revenue's website which is located at [www.revenue.pa.gov](http://www.revenue.pa.gov).

**Notes:**  
(1) Pennsylvania is one of only a few states that levy a tax on corporate net income (corporate net income tax - CNIT). 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 2017 and 2018 tax years. Therefore, tax years 2007 through 2016 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 2007 through 2014, the amounts presented are actual. The amounts presented for the 2015 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, 2018 fiscal year, since that amount was an estimate. For the 2015 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2018 CAFR. And for the 2016 tax year, the amounts presented are an estimate.  
(7) The total number of filers in the preliminary estimate for the 2016 tax year decreased by over 17,000 compared to the 2015 tax year. In prior tax years, an entity filing both CSFT and CNIT was considered a C Corporation unless explicitly noted otherwise. For this reason, some non-C corporations that did not completely fill out returns were erroneously considered CNIT filers. With the elimination of the capital stock/foreign franchise tax in the 2016 tax year, these entities stopped filing returns, explaining the drop in the number of C corporations.

**Commonwealth of Pennsylvania**  
**Debt Capacity**  
Table 10  
Outstanding Debt and Outstanding Debt Ratios  
For the Last Ten Fiscal Years Ended June 30

(Expressed in Thousands, Except Debt per Capita)

PRIMARY GOVERNMENT (1)(2)(3)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental activities:</b>										
General obligation bonds .....	\$ 10,498,794	\$ 10,443,190	\$ 11,538,799	\$ 11,821,622	\$ 12,674,929	\$ 12,976,531	\$ 12,517,909	\$ 12,966,490	\$ 13,415,631	\$ 12,490,765
Capital leases/installment purchase obligations .....	31,958	26,907	129,757	125,020	117,961	110,208	103,183	100,054	99,259	96,725
Other financing obligations .....	67,500	67,500	334,230	324,860	315,620	285,740	285,740	285,740	502,390	567,052
<b>Total governmental .....</b>	<b>10,598,252</b>	<b>10,537,597</b>	<b>12,002,786</b>	<b>12,271,502</b>	<b>13,108,510</b>	<b>13,372,479</b>	<b>12,906,832</b>	<b>13,352,284</b>	<b>14,017,280</b>	<b>13,154,542</b>
<b>Business-type activities:</b>										
Demand revenue bonds payable .....	—	—	—	300,000	166,635	9,565	—	—	—	—
Notes payable .....	—	—	—	199	—	—	—	—	—	—
Revenue bonds payable .....	—	—	—	4,635,760	4,381,432	4,182,896	3,681,734	3,893,393	5,319,824	5,086,362
<b>Total business-type .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,935,959</b>	<b>4,548,067</b>	<b>4,192,461</b>	<b>3,681,734</b>	<b>3,893,393</b>	<b>5,319,824</b>	<b>5,086,362</b>
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 10,598,252</b>	<b>\$ 10,537,597</b>	<b>\$ 12,002,786</b>	<b>\$ 17,207,461</b>	<b>\$ 17,656,577</b>	<b>\$ 17,564,940</b>	<b>\$ 16,588,566</b>	<b>\$ 17,245,677</b>	<b>\$ 19,337,104</b>	<b>\$ 18,240,904</b>
<b>Debt as a Percentage of Personal Income (4)(5) .....</b>	<b>2.07%</b>	<b>1.97%</b>	<b>2.13%</b>	<b>2.93%</b>	<b>2.98%</b>	<b>2.84%</b>	<b>2.58%</b>	<b>2.61%</b>	<b>2.84%</b>	<b>2.53%</b>
<b>Amount of Debt per Capita (4)(5) .....</b>	<b>\$ 837</b>	<b>\$ 829</b>	<b>\$ 942</b>	<b>\$ 1,348</b>	<b>\$ 1,382</b>	<b>\$ 1,373</b>	<b>\$ 1,297</b>	<b>\$ 1,349</b>	<b>\$ 1,512</b>	<b>\$ 1,424</b>

**Source:** The Commonwealth's Comprehensive Annual Financial Report (CAFR), as presented for the applicable fiscal year. For fiscal years 2010-2012, the information can be found in the statement of net assets. Beginning with the 2013 fiscal year, the information can be found in the statement of net position.

- Notes:**
- (1) Beginning with the 2013 fiscal year, the Commonwealth implemented GASB 61, which affected this table. With the implementation of GASB 61, two component units (Commonwealth Financing Authority and Philadelphia Regional Port Authority), previously reported as discretely presented component units, are reported as blended component units and are classified as proprietary fund types. Therefore, their outstanding debt is now reported within the business-type activities caption. In addition, the Pennsylvania Energy Development Fund was reclassified as a discretely presented component unit. It had been previously reported as part of the General Fund, and therefore is no longer reported within the governmental activities caption. These changes have not been retroactively applied to prior fiscal years.
  - (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, 2019 can be found in Note 6 for both governmental activities and business-type activities.
  - (4) See Table 14 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 14 (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, 2018 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, 2018 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 11

Ratios of General Obligation Bonded Debt Outstanding

Last Ten Fiscal Years Ended as of June 30

(Amounts in thousands)

Fiscal Year	(1) General Obligation Bonds	(2) Percentage of Actual Tax Revenues	(3) Per Capita
2010	\$ 10,498,794	37.07%	\$ 825
2011	10,443,190	35.12%	820
2012	11,538,799	37.68%	902
2013	11,821,622	37.20%	923
2014	12,674,929	39.69%	991
2015	12,976,531	37.03%	1,014
2016	12,517,909	35.84%	977
2017	12,966,490	35.93%	1,014
2018	13,415,631	36.19%	1,045
2019	12,490,765	31.67%	974

**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 position, and the tax revenues used in the percentage of actual tax revenues can be found in the statement of activities.

**Notes:**

(1) General obligation bonds amounts include the reported current and noncurrent amounts.

(2) The Commonwealth's general obligation bonds are expected to be repaid with general tax revenues. Therefore, the total taxes shown in the governmental activities section of the statement of activities are used in this calculation.

(3) General obligation bond amounts used in the per capita calculation are presented as of the fiscal year end. The population data used in the calculation is shown in Table 14, and is as of July 1 of the applicable fiscal year. As detailed in Table 14, the population data has changed in several calendar years from what was presented in that table in the Commonwealth's Comprehensive Annual Financial Report (CAFR) for the June 30, 2018 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, 2018 CAFR.

**Commonwealth of Pennsylvania**

**Debt Capacity**

Table 12

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Average annual tax revenues deposited in the previous five fiscal years .....	\$ 32,604,981,495	\$ 33,234,462,394	\$ 33,742,407,887	\$ 34,173,780,183	\$ 35,048,322,844	\$ 36,290,613,411	\$ 37,326,634,317	\$ 38,281,016,071	\$ 39,318,865,371	\$ 40,738,613,073
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) .....	57,058,717,616	58,160,309,190	59,049,213,802	59,804,115,320	61,334,564,977	63,508,573,469	65,321,610,054	66,991,778,124	68,808,014,400	71,292,572,878
Less outstanding net debt (non-electorate approved) .....	8,553,447,438	8,520,640,376	9,194,240,832	9,331,058,456	9,960,500,105	10,640,300,242	11,423,804,500	10,590,276,500	10,999,114,101	10,222,540,310
<b>Legal debt margin (B) .....</b>	<b><u>\$ 48,505,270,178</u></b>	<b><u>\$ 49,639,668,814</u></b>	<b><u>\$ 49,854,972,970</u></b>	<b><u>\$ 50,473,056,864</u></b>	<b><u>\$ 51,374,064,872</u></b>	<b><u>\$ 52,868,273,227</u></b>	<b><u>\$ 53,897,805,554</u></b>	<b><u>\$ 56,401,501,624</u></b>	<b><u>\$ 57,808,900,299</u></b>	<b><u>\$ 61,070,032,568</u></b>
<b>Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit .....</b>	14.99%	14.65%	15.57%	15.60%	16.24%	16.75%	17.49%	15.81%	15.99%	14.34%

Source: The Governor's Budget Office

**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 13**  
**Employment by Nonfarm Related Industry**  
**For the Last Ten Calendar Years**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Employment by nonfarm related industry (1)(2)(3):</b>										
<b>Total nonfarm:</b>										
<b>Private earnings:</b>										
<b>Goods producing:</b>										
Natural resources and mining .....	22,300	26,700	33,800	37,100	36,000	37,800	34,000	25,000	26,700	28,600
Construction .....	224,000	215,000	221,600	224,300	223,900	229,000	235,400	239,100	249,000	255,800
Manufacturing .....	574,600	560,600	565,900	568,100	565,500	568,500	568,900	560,700	562,800	569,400
<b>Total goods producing .....</b>	<b>820,900</b>	<b>802,300</b>	<b>821,300</b>	<b>829,500</b>	<b>825,400</b>	<b>835,300</b>	<b>838,300</b>	<b>824,800</b>	<b>838,500</b>	<b>853,800</b>
<b>Service providing:</b>										
Trade .....	1,074,300	1,073,200	1,084,900	1,093,300	1,094,900	1,105,000	1,116,600	1,121,200	1,120,600	1,126,800
Information .....	99,800	93,500	91,300	90,600	88,000	85,600	85,200	84,600	84,500	85,800
Financial Activities .....	318,500	311,000	308,700	309,500	313,300	315,400	316,300	317,300	321,100	325,500
Professional and business services .....	677,500	692,600	719,500	736,100	751,000	764,600	782,600	796,600	801,800	804,500
Education and health services .....	1,113,000	1,127,900	1,144,100	1,156,400	1,163,000	1,180,600	1,192,100	1,218,600	1,245,500	1,274,800
Leisure and hospitality .....	494,300	500,600	511,300	524,200	532,200	537,600	545,300	557,400	566,700	571,600
Other services .....	250,200	250,700	253,400	254,200	252,100	253,200	254,400	259,100	259,400	260,400
<b>Total service providing .....</b>	<b>4,027,600</b>	<b>4,049,500</b>	<b>4,113,200</b>	<b>4,164,300</b>	<b>4,194,500</b>	<b>4,242,000</b>	<b>4,292,500</b>	<b>4,354,800</b>	<b>4,399,600</b>	<b>4,449,400</b>
<b>Total private earnings .....</b>	<b>4,848,500</b>	<b>4,851,800</b>	<b>4,934,500</b>	<b>4,993,800</b>	<b>5,019,900</b>	<b>5,077,300</b>	<b>5,130,800</b>	<b>5,179,600</b>	<b>5,238,100</b>	<b>5,303,200</b>
<b>Government .....</b>	<b>768,200</b>	<b>770,600</b>	<b>751,400</b>	<b>732,300</b>	<b>720,700</b>	<b>711,400</b>	<b>704,700</b>	<b>703,300</b>	<b>703,200</b>	<b>703,000</b>
<b>Total nonfarm .....</b>	<b>5,616,700</b>	<b>5,622,400</b>	<b>5,685,900</b>	<b>5,726,100</b>	<b>5,740,600</b>	<b>5,788,700</b>	<b>5,835,500</b>	<b>5,882,900</b>	<b>5,941,300</b>	<b>6,006,200</b>

Source: Information obtained from the Pennsylvania Department of Labor and Industry-Center for Workforce Information & Analysis website ([www.paworkstats.pa.gov](http://www.paworkstats.pa.gov)).

- 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) Various calendar years may differ from the totals presented in the same table in the June 30, 2018 CAFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.
  - (3) Totals may not foot due to rounding.

**Commonwealth of Pennsylvania**  
**Demographic and Economic**  
**Table 14**  
**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 rate percentage above/(below) U.S.
	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States	Pennsylvania as % of U.S.	Pennsylvania	United States		
									United States	
2009	12,667	306,772	4.13%	\$ 511,618	\$ 12,051,307	4.25%	\$ 40,390	\$ 39,284	2.82%	
2010	12,711	309,326	4.11%	534,470	12,541,995	4.26%	42,047	40,546	3.70%	
2011	12,745	311,580	4.09%	563,435	13,315,478	4.23%	44,210	42,735	3.45%	
2012	12,767	313,874	4.07%	587,522	13,998,383	4.20%	46,019	44,599	3.18%	
2013	12,777	316,058	4.04%	592,973	14,175,503	4.18%	46,411	44,851	3.48%	
2014	12,789	318,386	4.02%	619,388	14,982,715	4.13%	48,431	47,058	2.92%	
2015	12,786	320,743	3.99%	644,119	15,709,242	4.10%	50,378	48,978	2.86%	
2016	12,784	323,071	3.96%	659,803	16,111,636	4.10%	51,614	49,870	3.50%	
2017	12,790	325,147	3.93%	679,731	16,870,106	4.03%	53,144	51,885	2.43%	
2018	12,807	327,167	3.91%	720,073	17,813,035	4.04%	56,225	54,446	3.27%	

**Sources:** Population data is obtained from the 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' mid-year population estimate. 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' mid-year population estimate include revisions to the annual population estimate back to the calendar year of the most recent Census (2010 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, 2018 fiscal year.

(2) Personal income data is provided as of the calendar year. Various calendar years differ from the totals presented in the June 30, 2018 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, 2018 CAFR.

**Commonwealth of Pennsylvania**  
**Demographic and Economic**  
**Table 15**  
**Employment Information**  
**For the Last Ten Calendar Years**

(Expressed in thousands)

Calendar Year	Pennsylvania (1)				United States				Pennsylvania rate percentage above/(below) U.S.
	Civilian Labor Force		Unemployed	Unemployment Rate	Civilian Labor Force		Unemployed	Unemployment Rate	
	Employed	Unemployed			Employed	Unemployed			
2009	6,400	5,885	515	8.0%	154,142	139,877	14,265	9.3%	(13.98)%
2010	6,381	5,841	540	8.5%	153,889	139,064	14,825	9.6%	(11.46)%
2011	6,396	5,889	507	7.9%	153,617	139,869	13,747	8.9%	(11.24)%
2012	6,463	5,957	506	7.8%	154,975	142,469	12,506	8.1%	(3.70)%
2013	6,442	5,968	475	7.4%	155,389	143,929	11,460	7.4%	0.00 %
2014	6,392	6,018	374	5.9%	155,922	146,305	9,617	6.2%	(4.84)%
2015	6,416	6,076	340	5.3%	157,130	148,834	8,296	5.3%	0.00 %
2016	6,450	6,103	347	5.4%	159,187	151,436	7,751	4.9%	10.20 %
2017	6,425	6,111	314	4.9%	160,320	153,337	6,982	4.4%	11.36 %
2018	6,424	6,149	276	4.3%	162,075	155,761	6,314	3.9%	10.26 %

**Sources:** Information was obtained from the Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry website at [www.paworkstats.geosolinc.com](http://www.paworkstats.geosolinc.com).

**Notes:**

(1) Various calendar years may differ from the totals presented in the same table in the June 30, 2018 CAFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

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**Commonwealth of Pennsylvania**  
**Operating Information**

Table 16

Commonwealth Employees by Function and Agency  
For the Last Ten Calendar Years Ended June 30

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Direction and supportive services (1)</b>										
Legislative .....	3,133	2,959	2,844	2,784	2,749	2,716	2,596	2,583	2,564	2,701
Revenue .....	2,058	1,965	1,934	1,883	1,867	1,902	1,869	1,880	1,856	1,651
Executive Offices .....	1,906	1,767	1,715	1,612	1,554	1,496	1,429	1,441	1,460	2,900
General Services .....	1,145	1,115	1,030	993	950	926	863	866	834	835
Auditor General .....	670	606	598	475	475	472	463	469	448	454
Treasurer .....	420	408	396	386	373	353	345	357	373	371
Other .....	274	270	273	268	256	248	239	230	1,549	118
<b>Total direction and supportive services</b> .....	<b>9,606</b>	<b>9,090</b>	<b>8,790</b>	<b>8,401</b>	<b>8,224</b>	<b>8,113</b>	<b>7,804</b>	<b>7,826</b>	<b>9,084</b>	<b>9,030</b>
<b>Protection of persons and property (2)</b>										
Corrections .....	16,232	15,740	15,751	15,398	15,177	15,197	15,340	15,374	15,367	16,693
State Police .....	5,989	6,015	5,978	5,938	6,139	6,344	6,372	6,210	6,079	6,280
Liquor Control Board .....	5,082	4,847	4,952	5,007	5,086	5,093	5,166	5,424	5,358	5,350
Environmental Protection .....	2,590	2,609	2,648	2,616	2,522	2,491	2,412	2,411	2,319	2,305
Judiciary .....	2,197	2,154	2,176	2,150	2,171	2,160	2,179	2,178	2,090	2,072
Transportation .....	1,125	1,129	1,194	1,191	1,188	1,189	1,193	1,174	1,167	1,282
Probation and Parole Board .....	1,114	1,105	1,162	1,199	1,217	1,228	1,267	1,268	1,285	—
Agriculture .....	995	962	919	952	914	921	884	868	843	859
Attorney General .....	897	814	821	810	836	840	836	859	857	934
Military and Veterans Affairs .....	478	450	468	467	486	474	486	500	490	483
State .....	497	486	490	492	489	485	479	492	484	516
Other .....	2,005	1,870	1,923	1,844	1,827	1,782	1,729	1,713	1,692	1,710
<b>Total protection of persons and property</b> .....	<b>39,201</b>	<b>38,181</b>	<b>38,482</b>	<b>38,064</b>	<b>38,052</b>	<b>38,204</b>	<b>38,343</b>	<b>38,471</b>	<b>38,031</b>	<b>38,484</b>
<b>Public education</b>										
Education .....	544	503	521	514	499	488	474	475	438	448
Other .....	15	15	—	—	—	—	—	—	—	—
<b>Total public education</b> .....	<b>559</b>	<b>518</b>	<b>521</b>	<b>514</b>	<b>499</b>	<b>488</b>	<b>474</b>	<b>475</b>	<b>438</b>	<b>448</b>
<b>Health and human services</b>										
Human Services .....	18,300	17,169	16,995	16,504	16,643	16,829	17,164	16,914	16,064	16,013
Labor and Industry .....	4,887	4,632	4,599	4,140	4,037	3,785	3,674	3,108	2,837	2,908
Military and Veterans Affairs .....	2,033	2,049	2,023	1,924	1,961	1,949	1,959	1,923	1,925	1,884
Health .....	1,384	1,364	1,461	1,331	1,281	1,236	1,249	1,282	1,117	1,134
Other .....	193	206	220	252	284	301	290	279	277	263
<b>Total health and human services</b> .....	<b>26,797</b>	<b>25,420</b>	<b>25,298</b>	<b>24,151</b>	<b>24,206</b>	<b>24,100</b>	<b>24,336</b>	<b>23,506</b>	<b>22,220</b>	<b>22,202</b>
<b>Economic development</b>										
Labor and Industry .....	934	912	942	919	897	903	908	910	867	864
Community and Economic Development .....	334	311	302	321	313	307	299	298	283	288
<b>Total economic development</b> .....	<b>1,268</b>	<b>1,223</b>	<b>1,244</b>	<b>1,240</b>	<b>1,210</b>	<b>1,210</b>	<b>1,207</b>	<b>1,208</b>	<b>1,150</b>	<b>1,152</b>



**Commonwealth of Pennsylvania**

**Operating Information**

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Calendar Years Ended June 30

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Transportation</b>										
Transportation .....	10,626	10,486	10,696	10,695	10,609	10,480	10,490	10,522	10,230	10,551
<b>Total transportation</b> .....	<b>10,626</b>	<b>10,486</b>	<b>10,696</b>	<b>10,695</b>	<b>10,609</b>	<b>10,480</b>	<b>10,490</b>	<b>10,522</b>	<b>10,230</b>	<b>10,551</b>
<b>Recreation and cultural enrichment</b>										
Conservation and Natural Resources .....	2,279	2,219	2,335	2,392	2,407	2,425	2,387	2,396	2,278	2,245
Game Commission .....	734	735	774	769	797	781	725	683	705	696
Fish and Boat Commission .....	486	486	481	448	433	416	432	426	409	402
Historical and Museum Commission .....	228	213	231	214	222	218	205	205	201	198
Other .....	56	50	51	43	41	42	41	40	40	43
<b>Total recreation and cultural enrichment</b> .....	<b>3,783</b>	<b>3,703</b>	<b>3,872</b>	<b>3,866</b>	<b>3,900</b>	<b>3,882</b>	<b>3,790</b>	<b>3,750</b>	<b>3,633</b>	<b>3,584</b>
<b>Total Commonwealth Employees</b> .....	<b>91,840</b>	<b>88,621</b>	<b>88,903</b>	<b>86,931</b>	<b>86,700</b>	<b>86,477</b>	<b>86,444</b>	<b>85,758</b>	<b>84,786</b>	<b>85,451</b>

**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:**

- (1) Increase due to a human resources and information technology consolidation in 2018.
- (2) Probation and Parole Board was moved into the Department of Corrections in 2019.

**Commonwealth of Pennsylvania**  
**Operating Information**  
Table 17  
Operating Indicators by Function and Agency  
For the Last Ten Years Ended June 30

	2010	2011	2012	2013	2014	2015	2016	2017	2018 (4)	2019 (4)
<b>Direction and supportive services:</b>										
<b>Executive Offices</b>										
<b>Juvenile Court Judges' Commission</b>										
Juveniles arrested for violent crimes (1) .....	4,552	4,352	3,692	3,610	3,220	2,909	2,824	2,800	3,085	2,637
<b>Protection of Persons and Property:</b>										
<b>Attorney General</b>										
Local drug task force arrests .....	6,585	5,950	6,198	6,781	7,388	8,472	7,008	7,900	6,294	6,500
Consumer complaints concerning business practices investigated and mediated .....	44,582	38,211	37,920	34,382	36,473	26,591	20,736	20,736	22,976	23,000
<b>Corrections</b>										
Inmates .....	51,321	51,638	51,184	51,382	51,118	50,366	49,913	48,510	48,353	47,370
<b>Military and Veterans Affairs</b>										
Pennsylvania National Guard End Strength Ceiling .....	19,253	19,181	19,244	19,301	19,708	19,969	19,699	19,615	18,919	18,919
Personnel receiving training at Fort Indiantown Gap .....	135,072	125,373	122,846	126,427	136,801	126,722	124,264	120,208	163,494	165,143
<b>Revenue</b>										
Taxpayer Services and Information Center calls answered .....	345,675	369,974	406,468	401,739	411,284	498,452	410,392	410,973	392,005	270,254
Households provided property tax or rent assistance (1) .....	579,754	604,130	603,726	598,075	569,135	580,729	567,280	559,025	547,994	531,995
<b>Judiciary</b>										
Caseload (cases filed/reopened/appeals) (1) .....	3,825,045	3,761,142	3,614,627	3,514,214	3,495,265	3,299,021	3,273,085	3,134,994	3,290,613	3,193,530
<b>Public Education:</b>										
<b>Higher Education</b>										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education .....	109,636	112,030	109,738	107,012	104,458	102,322	99,870	97,477	94,243	90,415
Community Colleges .....	106,270	106,164	103,971	97,981	94,051	89,807	86,185	81,941	80,270	80,593
State-Related Universities .....	156,435	157,939	156,517	160,589	161,442	164,075	165,654	170,461	171,295	172,433
Non-State Related Universities and Colleges .....	888	840	809	806	858	842	865	1,040	1,122	1,236
<b>Health and human services:</b>										
<b>Aging and Long-Term Living</b>										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average) .....	309,329	307,585	298,137	288,645	275,390	268,805	256,622	245,231	233,006	228,748
Prescriptions per year .....	10,773,967	10,341,180	10,288,430	9,739,080	9,040,508	8,381,953	7,565,493	6,775,596	6,248,623	5,963,078
<b>Health</b>										
Vital events (births, deaths, fetal deaths) registered (1) .....	268,788	270,194	273,522	272,054	271,697	269,203	272,623	273,888	275,255	275,255
<b>Human Services</b>										
Persons participating in Medical Assistance (monthly average) .....	2,072,461	2,135,477	2,225,011	2,123,710	2,147,889	2,354,542	2,716,782	2,852,697	2,907,652	2,934,635
Persons receiving cash assistance (monthly average) .....	240,650	248,173	248,298	180,235	165,794	160,490	143,765	126,283	111,594	101,438
Community Mental Health Services										
Total persons provided mental health services .....	530,387	649,375	655,577	720,079	696,834	735,002	765,867	781,914	773,250	774,300
Persons receiving Intellectual Disability services .....	53,399	53,455	53,569	53,613	53,648	54,091	54,692	55,199	55,699	57,399

**Commonwealth of Pennsylvania**  
**Operating Information**  
Table 17  
Operating Indicators by Function and Agency  
For the Last Ten Years Ended June 30

	2010	2011	2012	2013	2014	2015	2016	2017	2018 (4)	2019 (4)
<b>Economic Development:</b>										
<b>Labor and Industry</b>										
Total occupational and industrial inspections performed .....	76,136	77,142	87,913	81,718	82,800	74,778	67,600	79,478	78,754	81,334
Vocational Rehabilitation-Eligible participants with active plans .....	43,644	48,652	45,471	52,354	52,000	52,500	41,579	39,771	49,495	49,500
<b>Transportation:</b>										
<b>Transportation</b>										
Miles of State maintained highways (2) .....	39,845	39,793	39,797	39,792	39,760	40,000	40,000	40,000	40,000	40,000
Passengers carried by State-assisted operators (millions annually).....	423	432	441	435	427	430	426	404	397	398
<b>Highway and Bridge Construction/Reconstruction/Maintenance</b>										
Total miles of state maintained highways improved.....	5,712	5,792	5,976	4,956	3,954	5,060	5,291	5,305	6,156	6,141
Bridges rehabilitated/repaired .....	658	442	315	291	220	253	415	556	402	375
Bridges preserved .....	569	345	230	193	209	265	216	248	229	210
<b>Recreation and cultural enrichment:</b>										
<b>Conservation and Natural Resources</b>										
State park attendance (visitor days per calendar year / thousands annually).....	38,400	37,600	37,600	36,400	38,000	37,900	40,500	40,200	38,100	38,100
<b>Fish and Boat Commission</b>										
Fishing licenses sold .....	883,932	810,050	876,233	852,944	859,863	841,419	885,061	879,245	845,162	845,162
<b>Game Commission</b>										
Hunting licenses sold .....	946,497	927,527	931,060	925,000	952,989	943,836	935,767	914,244	885,564	867,853
<b>Historical and Museum Commission</b>										
Records maintained by the State Records Center (3) .....	811,000	239,540	239,772	239,002	257,444	266,853	265,521	237,492	237,370	220,000
Annual visits to commission historical sites and museums (in thousands) .....	1,425	1,283	1,045	1,060	675	614	697	628	591	672

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

**Notes:**

- (1) Amounts are presented as of December 31.
- (2) Beginning with the 2015 fiscal year this figure is a rounded estimate.
- (3) Beginning with the 2011 fiscal year, this amount was revised to reflect the number of boxes maintained. Previous years reflected the actual number of records in thousands.
- (4) For the latest fiscal year, a majority of the indicators presented are estimates. For the immediately previous fiscal year, the amounts that were presented as estimates in the Commonwealth's CAFR for the June 30, 2018 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2018 CAFR.

**Commonwealth of Pennsylvania**  
**Operating Information**  
**Table 18**  
**Capital Asset Information by Function and Agency**  
**For the Last Ten Fiscal Years Ended June 30**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>GOVERNMENTAL ACTIVITIES</b>										
<b>Direction and Supportive Services:</b>										
<b>Department of General Services</b>										
Number of buildings .....	119	116	116	116	115	115	115	115	115	115
Total pieces of machinery and equipment .....	394	139	155	134	141	147	138	144	156	187
Capital and Agency projects in design and/or construction (1) .....	638	725	764	799	767	647	315	258	231	281
Vehicles in fleet .....	15,808	16,353	15,821	14,704	14,542	14,253	14,555	14,674	14,981	15,138
<b>Protection of persons and property:</b>										
<b>Department of Corrections</b>										
State Correctional Institutions (2) .....	27	27	27	26	26	26	26	25	25	25
<b>State Police</b>										
Patrol vehicles .....	2,182	2,182	2,182	2,182	2,182	2,182	2,182	2,197	2,282	2,282
Police stations and/or troop headquarters (2) .....	25	25	25	26	26	26	26	26	26	26
<b>Department of Military and Veterans Affairs</b>										
Number of National Guard readiness centers (3) .....	178	180	171	157	125	121	116	123	122	120
<b>Public education:</b>										
<b>State System of Higher Education (SSHE)-Component Unit</b>										
Number of SSHE universities using Commonwealth owned buildings and land (4).....	14	14	14	14	14	14	14	14	14	14
<b>Health and human services:</b>										
<b>Department of Human Services</b>										
Total number of hospital or treatment center complexes (2) .....	19	17	17	17	17	17	17	16	16	15
<b>Transportation:</b>										
<b>Department of Transportation</b>										
Total pieces of equipment .....	7,707	7,722	7,792	8,128	8,242	8,388	8,559	8,928	9,344	9,481
Total lane miles of highways (state or locally maintained) (5) .....	117,385	117,499	117,588	117,681	117,760	118,000	118,000	118,000	118,000	118,000
<b>Recreational and cultural enrichment:</b>										
<b>Department of Conservation and Natural Resources</b>										
Acres of land in state parks and forests (in millions) .....	2.4	2.4	2.4	2.5	2.5	2.5	2.5	2.5	2.5	2.5
<b>Game Commission</b>										
Acres of game lands (in millions) .....	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5
<b>Fish Commission</b>										
Public boat launches .....	271	271	271	271	271	271	271	271	271	277
Total number of fish hatcheries .....	15	15	15	15	15	15	15	15	15	15
<b>Historical and Museum Commission</b>										
Museums and historic sites .....	40	40	39	39	37	37	34	30	29	28
<b>Economic Development:</b>										
<b>Department of Labor and Industry</b>										
Square footage of rehabilitation centers owned by the Commonwealth .....	444,035	444,035	444,035	469,065	469,065	469,065	469,065	469,065	469,065	469,065

Sources: Governor's Office of the Budget, Comptroller Offices and various agencies.

- Notes:**
- (1) Beginning with the 2016 fiscal year, only projects that are actively being designed and/or constructed are included.
  - (2) 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.).
  - (3) Counts have been updated from 2010 forward to reflect DMVA FTIG assets. Therefore, the amounts shown may differ from what was presented in the June 30, 2018 CAFR.
  - (4) 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 Position. See Note 1 in the Notes to the Financial Statements for a detailed description of this relationship.
  - (5) Beginning with the 2014 fiscal year, the estimated miles have been rounded to the nearest thousand.



Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019

# Appendix

**APPENDIX- Legend of Abbreviations**

The following legend presents descriptions of abbreviations that appear throughout the report:

<b><u>ABBREVIATION</u></b>	<b><u>DESCRIPTION</u></b>
APSCUF	Association of Pennsylvania State College and University Faculties
ARO	Asset Retirement Obligation
BFTDA	Ben Franklin Technology Development Authority
BMP	Best Management Practices
C&R	Compromise and Release
CAFR	Comprehensive Annual Financial Report
CFA	Commonwealth Financing Authority
CFP	Charitable Food Program
CHC	Community HealthChoices
CHIP	Children's Health Insurance Program
CIP	Commonwealth Investment Program
COLA	Cost of Living Adjustments
CMO	Collateralized Mortgage Obligation
CRIZ	City Revitalization Improvement Zone
CTF	Collective Trust Fund
CU	Component Unit
DCED	Department of Community and Economic Development
DCP	Deferred Compensation Program
DEP	Department of Environmental Protection
DGS	Department of General Services
DHS	Department of Human Services
DOH	Department of Health
DOR	Department of Revenue
DOT	Department of Transportation
DPCU	Discretely Presented Component Unit
EAFE	European, Australian, and Far East
EIO	Education Improvement Organization
EITC	Educational Improvement Tax Credit
ETF	Exchange-Traded Funds
EZP	Enterprise Zone Program
GA	General Assistance
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GO	General Obligation
GSE	Government Sponsored Enterprise
GSP	Guaranteed Savings Plan
HOP	Health Options Program
IFPA	Insurance Fraud Prevention Authority
IBNR	Incurred But Not Reported
JCTC	Job Creation Tax Credit
KBRA	Kroll Bond Rating Agency
KIZ	Keystone Innovation Zone Program
KOZ	Keystone Opportunity Zone Program
L&I	Department of Labor and Industry
LCB	Liquor Control Board
LIBOR	London Interbank Offered Rate

**APPENDIX- Legend of Abbreviations**

LOC	Line of Credit
MBS	Mortgage-Backed Securities
Mcare	Medical Care Availability and Reduction of Error Fund
MCM	Mellon Capital Management
MD&A	Management's Discussion and Analysis
MLF	Motor License Fund
MLP	Master Limited Partnership
MOU	Memorandum of Understanding
NAICS	North American Industry Classification System
NAP	Neighborhood Assistance Program
NAV	Net Asset Value
NPL	Net Pension Liability
NPP	Neighborhood Partnership Program
NRSRA	Nationally Recognized Statistical Rating Agencies
NRSRO	Nationally Recognized Statistical Rating Organization
NYSE	New York Stock Exchange
OFT	Oil Company Franchise Tax
OPEB	Other Postemployment Benefits
OSTC	Opportunity Scholarship Tax Credit
PACE	Pharmaceutical Assistance Contract for the Elderly
PCCA	Pennsylvania Convention Center Authority
PEBTF	Pennsylvania Employees Benefit Trust Fund
PEDA	Pennsylvania Energy Development Authority
PEDFA	Pennsylvania Economic Development Financing Authority
PEMA	Pennsylvania Emergency Management Agency
PennDOT	Pennsylvania Department of Transportation
PENNVEST	Pennsylvania Infrastructure Investment Authority
PG	Primary Government
PHEAA	Pennsylvania Higher Education Assistance Agency
PHEFA	Pennsylvania Higher Education Facilities Authority
PHFA	Pennsylvania Housing Finance Agency
PHMC	Pennsylvania Historical and Museum Commission
PIB	Pennsylvania Infrastructure Bank Fund
PIDA	Pennsylvania Industrial Development Authority
PKSO	Pre-Kindergarten Scholarship Organization
PLCB	Pennsylvania Liquor Control Board
PPC	Port of Pittsburgh Commission
PRPA	Pennsylvania Regional Port Authority
PSDC	Philadelphia Shipyard Development Corporation
PSERS	Public School Employees' Retirement System
PTC	Pennsylvania Turnpike Commission
PTRR	Property Tax and Rent Rebate
PURTA	Public Utility Realty Tax Act
REAP	Resource Enhancement and Protection Tax Credit
REHP	Retired Employees' Health Program
REIT	Real Estate Investment Trust
RPSP	Retired Pennsylvania State Police Program
RSI	Required Supplementary Information
S&P	Standard & Poor's
SCC	State Conservation Commission

**APPENDIX- Legend of Abbreviations**

SEA	Sports and Exhibition Authority
SERS	State Employees' Retirement System
SMA	Separately Managed Accounts
SO	Scholarship Organization
SPP	Special Program Priorities
SPSBA	State Public School Building Authority
SSHE	State System of Higher Education
STIF	Short-Term Investment Fund
STIP	Short-Term Investment Pool
SWIF	State Workers' Insurance Fund
TANF	Temporary Assistance for Needy Families
TSCT	Thaddeus Stevens College of Technology
UC	Unemployment Compensation
USTIF	Underground Storage Tank Indemnification Fund