



COMMONWEALTH OF PENNSYLVANIA

ANNUAL

**COMPREHENSIVE
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2025

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania

Annual Comprehensive Financial Report For the Fiscal Year Ended June 30, 2025

Josh Shapiro, Governor



**Prepared By:
Office of the Budget**

***Zachary Reber
Secretary***

***John Kaschak, CPA
Deputy Secretary for Comptroller Operations***

This document is available on the Office of the Budget homepage at:
<https://www.pa.gov/en/agencies/budget>
Click on Publications & Reports for access to the current and previous reports.

**Commonwealth of Pennsylvania
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025**

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Title Page	1
Table of Contents	2
Letter of Transmittal	5
Commonwealth of Pennsylvania Organization Chart	10
Office of the Budget-Office of Comptroller Operations Organization Chart	11
Principal Leadership	12
Certificate of Achievement	13
FINANCIAL SECTION	
REPORT OF INDEPENDENT AUDITORS	16
MANAGEMENT’S DISCUSSION AND ANALYSIS	21
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	50
Statement of Activities	52
Fund Financial Statements:	
Balance Sheet-Governmental Funds	54
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position	56
Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	58
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds to the Statement of Activities	59
Statement of Net Position-Proprietary Funds	60
Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Funds	62
Statement of Cash Flows-Proprietary Funds	64
Statement of Fiduciary Net Position-Fiduciary Funds	66
Statement of Changes in Fiduciary Net Position-Fiduciary Funds	67
Statement of Net Position-Discretely Presented Component Units	68
Statement of Activities-Discretely Presented Component Units	70
Notes to the Financial Statements	71
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Pension Amounts-Commonwealth’s Proportionate Share of the Net Pension Liability	202
Schedule of Pension Amounts-Commonwealth’s Schedule of Contributions	203
Schedule of OPEB Amounts-Changes in the Net OPEB Liability and Related Ratios	204
Schedule of OPEB Amounts-Contributions and Investment Returns	206
Schedule of OPEB Amounts-Changes in the Total OPEB Liability and Related Ratios	207
Budgetary Comparison Schedule-Budgeted Major Funds-General Fund	209
Budgetary Comparison Schedule-Budgeted Major Funds-Special Revenue Fund-Motor License	210
Notes to the Required Supplementary Information	211
COMBINING FINANCIAL STATEMENTS (including Nonmajor Budgetary Comparison Schedules):	
Governmental Funds-Combining Financial Statements:	
Combining Balance Sheet-Nonmajor Governmental Funds	216
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-Nonmajor Governmental Funds	217

Special Revenue Funds-Combining Financial Statements (including Nonmajor Budgetary Comparison Schedules):	
Special Revenue Funds-Description-Nonmajor Funds	220
Combining Balance Sheet-Nonmajor Governmental Funds-Special Revenue Funds	221
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds-Special Revenue Funds	222
Budgetary Comparison Schedule-Budgeted Nonmajor Funds-Special Revenue Fund- Banking	223
Budgetary Comparison Schedule-Budgeted Nonmajor Funds-Special Revenue Fund- Milk Marketing	224
Budgetary Comparison Schedule-Budgeted Nonmajor Funds-Special Revenue Fund- Workmen’s Compensation Administration	225
Debt Service Funds-Combining Financial Statements:	
Debt Service Funds-Description-Nonmajor Funds	228
Combining Balance Sheet-Nonmajor Governmental Funds-Debt Service Funds	229
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds-Debt Service Funds	230
Capital Projects Funds-Combining Financial Statements:	
Capital Projects Funds-Description-Nonmajor Funds	232
Combining Balance Sheet-Nonmajor Governmental Funds-Capital Projects Funds	233
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances- Nonmajor Governmental Funds-Capital Projects Funds	234
Proprietary Funds-Combining Financial Statements-Enterprise Funds:	
Enterprise Funds-Description-Nonmajor Funds	236
Combining Statement of Net Position-Nonmajor Proprietary Funds-Enterprise Funds	238
Combining Statement of Revenues, Expenses, and Changes in Net Position- Nonmajor Proprietary Funds-Enterprise Funds	240
Combining Statement of Cash Flows-Nonmajor Proprietary Funds-Enterprise Funds	242
Proprietary Funds-Combining Financial Statements-Internal Service Funds:	
Internal Service Funds-Description	246
Combining Statement of Net Position-Nonmajor Proprietary Funds-Internal Service Funds	247
Combining Statement of Revenues, Expenses, and Changes in Net Position- Nonmajor Proprietary Funds-Internal Service Funds	248
Combining Statement of Cash Flows-Nonmajor Proprietary Funds-Internal Service Funds	249
Fiduciary Funds-Combining Financial Statements-Pension (and Other Employee Benefit) Trust Funds:	
Pension (and Other Employee Benefit) Trust Funds-Description	252
Combining Statement of Fiduciary Net Position-Pension (and Other Employee Benefit) Trust Funds	254
Combining Statement of Changes in Fiduciary Net Position- Pension (and Other Employee Benefit) Trust Funds	256
Fiduciary Funds-Combining Financial Statements-Custodial Funds:	
Custodial Funds-Description	258
Combining Statement of Fiduciary Net Position-Custodial Funds	259
Combining Statement of Changes in Fiduciary Net Position-Custodial Funds	260
Discretely Presented Component Units:	
Nonmajor Discretely Presented Component Units-Description	262
Combining Statement of Net Position-Nonmajor Discretely Presented Component Units	264
Combining Statement of Activities-Nonmajor Discretely Presented Component Units	266

STATISTICAL SECTION

Statistical Section Table of Contents	268
Table 1-Net Position by Component	270
Table 2-Changes in Net Position	272
Table 3-Governmental Fund Type Fund Balances	274
Table 4-Revenues by Source and Expenditures by Function-All Governmental Fund Types	275
Table 5-Personal Income Tax-Personal Income by Industry	276
Table 6-Personal Income Tax-Personal Income Tax Filers and Liability by Income Level	277
Table 7-Sales Tax-Estimated Taxable Sales by Industry Classification of the Vendor	278
Table 8-Sales Tax-Sales Tax Remittances by Major Industry Classification	279
Table 9-Corporate Tax-Corporate Net Income Tax	280
Table 10-Outstanding Debt and Outstanding Debt Ratios	281
Table 11-Ratios of General Obligation Bonded Debt Outstanding	282
Table 12-Computation of Legal Debt Margin	283
Table 13-Employment by Nonfarm Related Industry	284
Table 14-Population and Per Capita Personal Income	285
Table 15-Employment Information	285
Table 16-Commonwealth Employees by Function and Agency	286
Table 17-Operating Indicators by Function and Agency	288
Table 18-Capital Asset Information by Function and Agency	290

Appendix

Legend of Abbreviations	292
-------------------------------	-----



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

ZACHARY REBER
SECRETARY
GOVERNOR'S OFFICE OF THE BUDGET

December 18, 2025

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

We are pleased to present this Annual Comprehensive Financial Report (ACFR) of the Commonwealth of Pennsylvania (Commonwealth) as of and for the fiscal year ended June 30, 2025. 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, 2025 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 at the beginning of the Financial Section of this ACFR. 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, 2025 Basic Financial Statements, provides an overview of the Commonwealth's financial position and activities thus helping readers understand the Basic Financial Statements. This section immediately follows the auditors' opinion. In addition to the MD&A and Basic Financial Statements, this ACFR 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 13.1 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.

The 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, 2025, 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, 2025. It accounts for all revenues and other receipts that are not required by law to be accounted for or deposited in special funds, and it accounts for a significant portion of Commonwealth expenditures. Tax revenues, principally personal and corporate net income and sales and use taxes, constitute approximately 96.9% 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, budgetary compliance, and the legal level of budgetary control are included and discussed in more detail in the 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 the amounts appropriated. Budgetary control is exercised by specific line-item appropriations. The Budgetary Comparison Schedule, included as RSI, provides the original budget, final budget, and actual budgetary results for the fiscal year ended June 30, 2025.

**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>
2025	\$ 4,156	\$ (2,550)
2024 (revised)	6,706	(1,454)
2023 (revised)	8,160	2,614
2022 (revised)	5,546	5,542
2021 (revised)	4	2,719

For the fiscal year ended June 30, 2025, General Fund expenditures exceeded revenues by \$3,666. The budgetary basis results for the fiscal year ended June 30, 2025 include revenue collections totaling \$98,312, less appropriation authorizations totaling \$101,978, plus other net financing sources totaling \$1,116 that includes prior year lapses. Included in the \$101,978 appropriation authorizations are \$148 of state supplemental appropriations and \$454 of federal supplemental appropriations authorized for the fiscal year ended June 30, 2025 (amounts in millions).

ECONOMIC CONDITION

Pennsylvania’s economy reflects a mix of opportunities and challenges shaped by its diverse industries, strategic location, shifting demographics, and evolving governmental policies. The real Gross State Product (GSP) is expected to grow at an average annual rate of 1.5 percent through 2029. Personal income is expected to rise by 4.4 percent annually over the same period.

Pennsylvania’s payrolls grew steadily in early 2024, with June seeing a 1.6 percent year-over-year increase, outpacing the national average. The health care and social services sector drove much of this growth, supported by gains in ambulatory care, social services, and nursing facilities. Leisure and hospitality also posted strong job increases, while public-sector payrolls remain below pre-pandemic levels. Construction employment held steady despite high costs and interest rates. Federal investments in infrastructure and industrial projects provided crucial support for the sector. The professional and technical services industry, led by advancements in AI, automation, and biosciences, is a key growth sector, with Pittsburgh emerging as an innovation hub fueled by the state’s numerous high-quality research universities.

In the first half of 2024, Pennsylvania’s labor force grew by nearly 100,000 jobs, a 1.5 percent increase compared to the previous year. This expansion supported job growth across various sectors, keeping unemployment steady in the mid-3 percent range. Unemployment is expected to rise in the coming years. Long-term issues such as an aging workforce, slower population growth, retirements, and limited migration pose challenges. Rural counties continue to face population declines.

Home prices in Pennsylvania have risen in recent years due to limited inventory, but the pace of growth is slowing. In early 2024, the Federal Housing Finance Agency reported a 7.9 percent year-over-year increase in home prices, down from 8.1 percent in late 2023. Single-family home construction remains subdued, but multifamily developments and senior housing projects continue to grow.

Pennsylvania remains the nation’s second-largest natural gas producer, primarily from the Marcellus Shale. However, growth in this sector has slowed, driven by a modest decline in natural gas production from previous years, as well as plateauing pipeline capacity and challenges in expanding infrastructure. Coal production, while still significant, continues to decline as demand wanes and energy policies shift. Nuclear energy also plays a vital role in the state’s energy mix.

ECONOMIC CONDITION(continued)

In 2023, Pennsylvania's exports hit a record \$52.9 billion, led by chemicals, electronics, and machinery. Canada and Mexico remain the state's top trading partners. The strong export performance reflects Pennsylvania's robust manufacturing and high-tech industries, which continue to attract global demand.

Pennsylvania's central location and access to major ports drive its transportation and warehousing sectors. The state's proximity to major population centers, along with strong infrastructure and connectivity, supports a booming logistics industry. E-commerce growth has further boosted demand for warehousing and delivery services, especially in areas like Allentown.

LONG-TERM FINANCIAL PLANNING

During fiscal year 2024-25, the Commonwealth continued its commitment to leading the nation in economic competitiveness, innovation, and job creation by investing in key priorities that deliver real, tangible solutions to the people of Pennsylvania. This budget prioritizes access to higher education and affordable housing, increases public safety by funding additional state police cadet classes, and doubles resources for volunteer and career fire and emergency medical service companies. In addition, this budget dedicates resources towards gun violence prevention efforts, provides access to mental health resources, promotes agriculture innovation, invests in public transit and infrastructure, and protects our environment.

Act 54 of 2024 (Fiscal Code) provided for the reallocation of unexpended, uncommitted, and unencumbered funds (as of December 30, 2024), that were received under the American Rescue Plan Act of 2021 and appropriated from the COVID-19 Response Restricted Account, to be utilized by the Department of Corrections. Act 54 also established the Enterprise and Technology Restricted Account which will be utilized for the overhaul of the Commonwealth's Accounting System.

As the Commonwealth plans for the 2026-27 fiscal year, agencies continue to prioritize sound budget planning. All state agencies continue to think critically about the services they provide, pursuing additional efficiencies without compromising the Commonwealth's core responsibilities to residents.

To mitigate spending growth, the Commonwealth continues to monitor all agency expenditures and accountability of program effectiveness. Hiring and spending are restricted to only those areas that 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 2026-27 Executive Budget request, which will be available on February 3, 2026 via the Office of the Budget's website (<https://www.pa.gov/agencies/budget/publications-and-reports/commonwealth-budget>).

CERTIFICATE OF ACHIEVEMENT

The ACFR 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 ACFR as of and for the fiscal year ended June 30, 2024. This represents the thirty-ninth consecutive year the Commonwealth of Pennsylvania has received this award.

To merit a certificate of achievement, a government unit must publish an easily readable and efficiently organized ACFR that 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 ACFR of the Commonwealth of Pennsylvania as of and for the fiscal year ended June 30, 2025 conforms to the GFOA's award criteria.

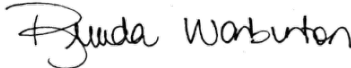
ACKNOWLEDGMENTS

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,



Zachary Reber
Secretary
Office of the Budget

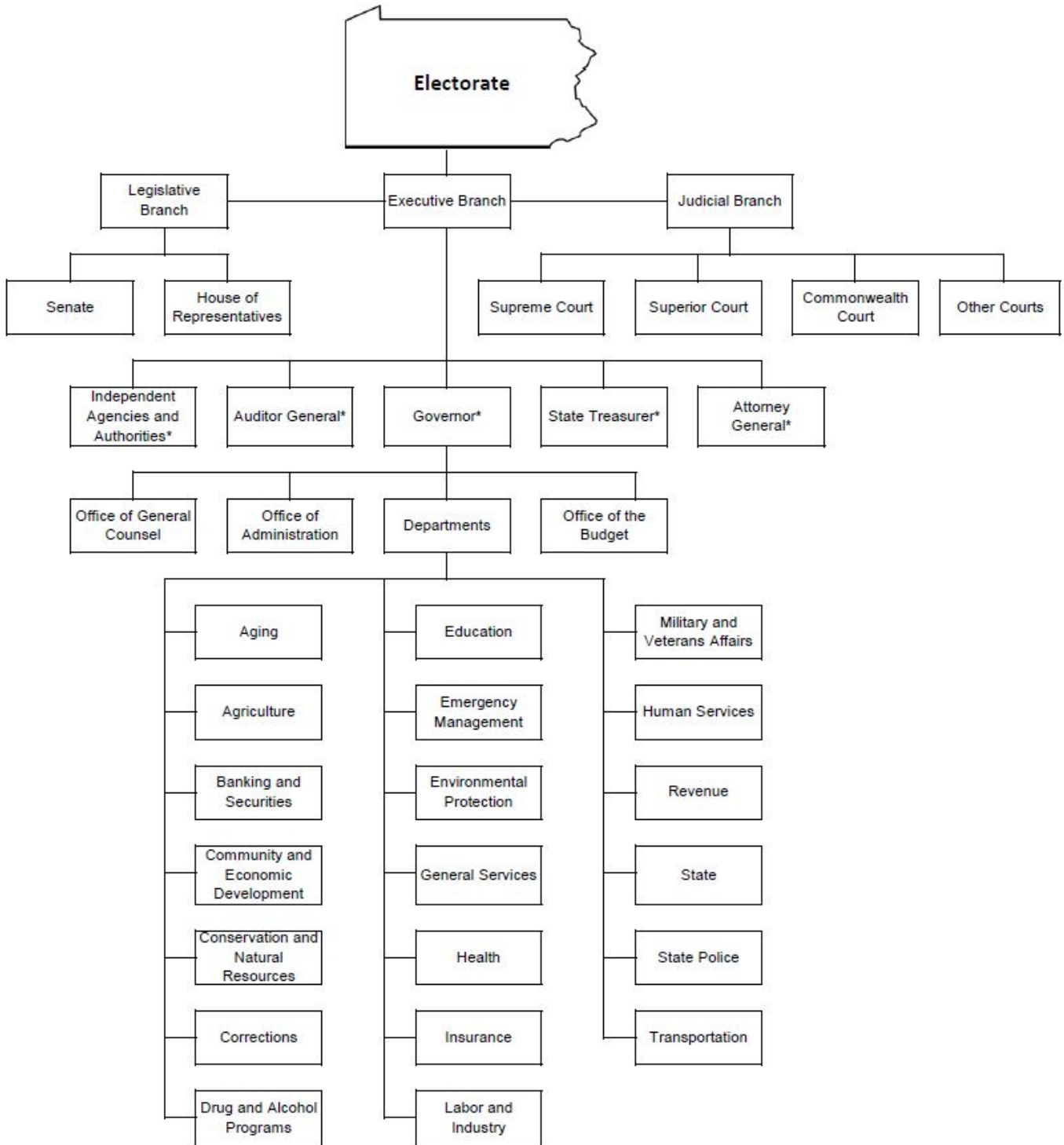


Brenda Warburton
Executive Deputy Secretary
Office of the Budget



John Kaschak, CPA
Deputy Secretary for
Comptroller Operations
Office of the Budget

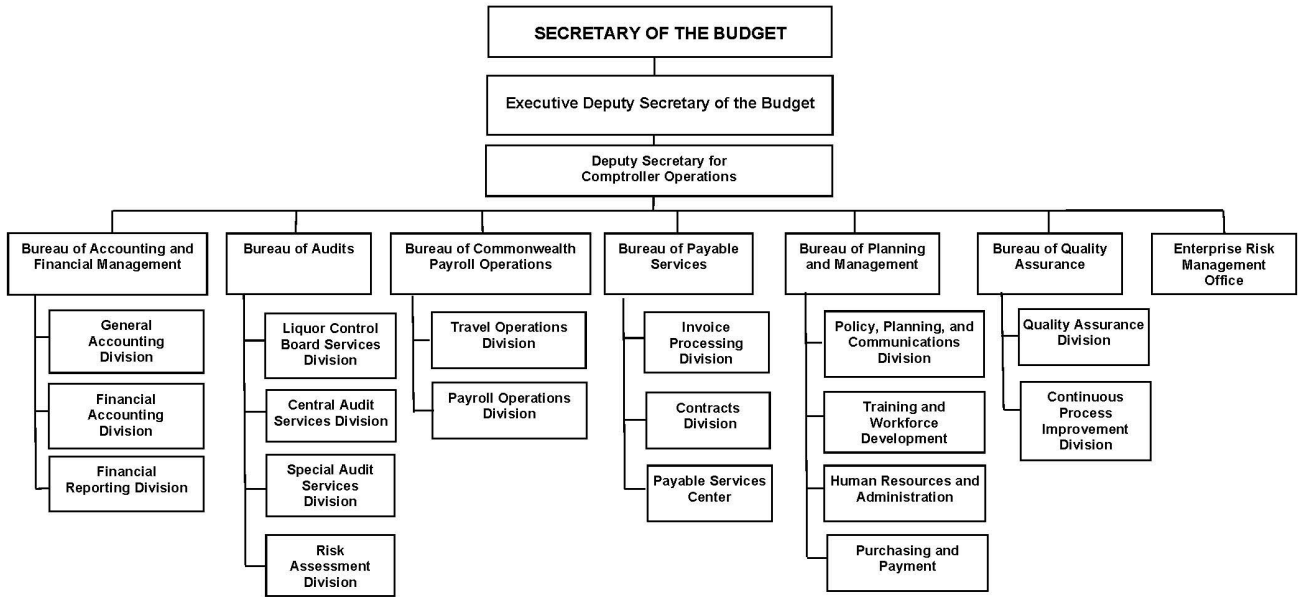
**COMMONWEALTH OF PENNSYLVANIA
ORGANIZATION CHART
June 30, 2025**



*Independently Elected

**OFFICE OF THE BUDGET
OFFICE OF COMPTROLLER OPERATIONS
ORGANIZATION CHART
June 30, 2025**

Office of Comptroller Operations Organizational Chart



Principal Leadership

Commonwealth Elected and Selected Appointed Officials as of June 30, 2025

Josh Shapiro, Governor

Austin Davis, Lieutenant Governor

Stacy Garrity, Treasurer

Timothy DeFoor, Auditor General

David W. Sunday, Jr., Attorney General

Zachary Reber, Secretary of the Budget

Neil Weaver, Secretary of Administration

Kim L. Ward, President pro Tempore, Senate

Joanna E. McClinton, Speaker of the House

Debra Todd, Chief Justice State Supreme Court



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Commonwealth of Pennsylvania

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Financial Section



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



CliftonLarsonAllen LLP
 CLAconnect.com

INDEPENDENT AUDITORS' REPORT

The Honorable Joshua D. Shapiro, Governor
 Commonwealth of Pennsylvania
 Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

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, as of June 30, 2025, 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.

We did not jointly audit the financial statements of certain funds and component units of the Commonwealth, which represent the indicated percent of assets and deferred outflows of resources and revenues or additions as presented in the table below. Those statements were audited by other auditors, including CliftonLarsonAllen LLP and the Commonwealth of Pennsylvania's Department of the Auditor General acting separately, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for those funds and component units, are based solely on the report of other auditors.

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Business-Type Activities	Tuition Payment Fund; State Stores Fund; Commonwealth Financing Authority; Philadelphia Regional Port Authority	57%	31%
Major Proprietary Fund	Tuition Payment Fund	100%	100%
Major Proprietary Fund	State Stores Fund	100%	100%
Major Proprietary Fund	Commonwealth Financing Authority	100%	100%

Opinion Unit	Entity	Percent of Opinion Unit's Total	
		Assets / Deferred Outflow of Resources	Revenues / Additions
Aggregate Discretely Presented Component Units	Pennsylvania Turnpike Commission; Pennsylvania Housing Finance Agency; Pennsylvania Higher Education Assistance Agency; Pennsylvania Infrastructure Investment Authority; State System of Higher Education; State Public School Building Authority; Philadelphia Shipyard Development Corporation; Port of Pittsburgh Commission; Pennsylvania Convention Center Authority; Thaddeus Stevens College of Technology; Pennsylvania Higher Educational Facilities Authority, Pennsylvania Health Insurance Exchange Authority	98%	99%
Aggregate Remaining Fund Information	Philadelphia Regional Port Authority; State Employees' Retirement System; Deferred Compensation Fund; Public School Employees' Retirement System; Tuition Account Investment Program; INVEST Program	89%	67%

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commonwealth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the State System of Higher Education, State Employees' Retirement System, the Deferred Compensation Fund, the Public School Employees' Retirement System, the Pennsylvania Higher Education Assistance Agency, the Pennsylvania Higher Educational Facilities Authority, the State Public School Building Authority, the Port of Pittsburgh Commission, the Pennsylvania Turnpike Commission, and the Philadelphia Regional Port Authority were not audited in accordance with the *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commonwealth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 21 – 46, and the schedules of pension and OPEB amounts, the budgetary comparison schedules, as listed in the table of contents and notes to the required supplementary information on pages 201 – 213, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to 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 GAAS, 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 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 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 presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied 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 GAAS by us and other auditors. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

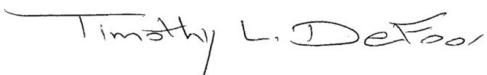
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

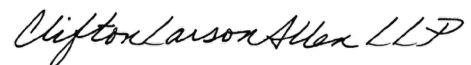
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, on our consideration of the Commonwealth’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth’s internal control over financial reporting and compliance.



Harrisburg, Pennsylvania
December 18, 2025



Baltimore, Maryland
December 18, 2025

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Management's Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) of the Commonwealth of Pennsylvania’s (Commonwealth’s) Annual Comprehensive Financial Report (ACFR) 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, 2025 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.

Table of Contents

Section A: Understanding Government Financial Stmts 22
Section B: Commonwealth’s Overall Financial Activity 24
Section C: Condensed Financial Information 26
Section D: Individual Fund Analysis 32
Section E: Budget Analysis Overview 43
Section F: Capital Asset and Long-term Debt Activity 44
Section G: Currently Known Facts 46

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 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)
Scope of Report and Fund Types	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"> • General Fund • Special Revenue Funds • Debt Service Funds • Capital Projects Funds Generally used to account for tax-supported activities	<ul style="list-style-type: none"> • Enterprise Fund • Internal Service Funds 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"> • Custodial Funds • Pension Trust Funds • Investment Trust Funds • Private-purpose Trust Funds Activities held in a trustee or custodial capacity for others and which therefore cannot be used to support the government’s own programs
Required Financial Statements	Statement (Stmt) of Net Position (1) Stmt of Activities (2)			<ul style="list-style-type: none"> • Balance Sheet (3) • Stmt of Revenues, Expenditures and Changes in Fund Balances (4) 	<ul style="list-style-type: none"> • Stmt of Net Position (1) • Stmt of Revenues, Expenses, and Changes in Net Position (8) • Stmt of Cash Flows (5) 	<ul style="list-style-type: none"> • Stmt of Fiduciary Net Position (6) • Stmt of Changes in Fiduciary Net Position (7)
Measurement Focus and Basis of Accounting	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 functions 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 the 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 ACFR.

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 ACFR.

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 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, which supports the Unemployment Compensation program; the Department of Transportation, which supports infrastructure development; the Department of Health, which supports an effective public health system; and the Department of Education, which funds 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, Lieutenant Governor, 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 high-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 from 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, provide assistance to veterans, 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 referendums, and certain disaster relief programs. Most long-term financing for 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 the enforcement of the Liquor Code.

Economic development and other expenses reported include a variety of economic development programs, including activities of the Philadelphia Regional Port Authority.

Section C: Condensed Financial Information

Government-wide Statement of Net Position as of June 30, 2025 and 2024

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Assets:						
Cash and investments	\$ 35,438	\$ 36,901	\$ 9,585	\$ 8,813	\$ 45,023	\$ 45,714
Capital assets (net)	47,864	46,049	1,323	1,244	49,187	47,293
All other assets	13,206	13,712	2,017	2,081	15,223	15,793
Total assets	96,508	96,662	12,925	12,138	109,433	108,800
Total deferred outflows	6,687	8,429	357	295	7,044	8,724
Liabilities:						
Accounts payable	8,724	7,334	1,068	1,094	9,792	8,428
All other current liabilities	7,093	8,948	1,436	1,606	8,529	10,554
Bonds payable, noncurrent	10,584	10,224	3,852	4,011	14,436	14,235
All other long-term liabilities	36,088	37,076	4,042	4,015	40,130	41,091
Total liabilities	62,489	63,582	10,398	10,726	72,887	74,308
Total deferred inflows	7,430	8,163	415	446	7,845	8,609
Net position:						
Net investment in capital assets	40,565	38,957	1,068	989	41,633	39,946
Restricted	7,861	7,040	3,984	3,398	11,845	10,438
Unrestricted	(15,150)	(12,651)	(2,583)	(3,126)	(17,733)	(15,777)
Total net position	\$ 33,276	\$ 33,346	\$ 2,469	\$ 1,261	\$ 35,745	\$ 34,607

Statement of Net Position Variance Analysis Year-Over-Year
(A discussion of significant activities)

Cash and investments net decrease:

- Governmental Activities total cash and investments decreased by \$1,463. The temporary investment pool experienced a decrease of \$3,534 as money was converted to cash to pay current year expenses and shifted to the long-term investment pool as long-term investments once again experienced a higher than projected rate of return due to favorable market conditions. The \$2,049 increase in long-term investments was the result of increased gains from investments and helped offset the decrease in temporary investments.
- Business-Type Activities total cash and investments increased by \$772, primarily due to the CFA experiencing a \$483 increase in cash due to transfers from the Local Share program and the Department of Community and Economic Development (DCED). The Unemployment Compensation Fund saw a \$403 increase as the amount of claimant payments rose in

2024. This was partially offset by the \$320 decrease in the State Lottery Fund. The decrease can be attributed to operating expenses far exceeding operating income as the lottery saw a noticeable decrease in revenues due to stiffer competition from on-line gaming.

Capital assets net increase:

- The \$1,815 increase in Governmental Activities' capital assets was due to noticeable increases in essentially every asset class, with the largest increase of \$1,819 occurring in highway infrastructure. There were approximately 205 highways and roadways and 241 resurfacing projects completed. This resulted in increases of \$986 and \$830, respectively, in each of these categories. Bridge infrastructure increased \$882 as a result of approximately 396 bridge-related projects completed. There are also 616 projects currently under construction that have not yet been

capitalized. These increases were partially offset by the accumulated depreciation for assets of \$2,744.

- The \$79 increase in Business-Type Activities' capital assets is mainly due to \$79 increase in Philadelphia Regional Port Authority's construction in progress attributed to development of a temperature controlled warehouse. The Liquor Control Board's right-to-use assets (leases) also saw a \$62 increase due to store lease renewals and the State Lottery experienced a \$24 increase as the remaining gaming machines were placed into service. 5,355 gaming machines were placed in service in the prior fiscal year leading to a significant increase in accumulated depreciation of \$129, which offset a large portion of the increases stated above.

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

All other assets net decrease:

- Governmental Activities decreased by \$506 overall. A decrease of \$845 is attributed to the amount of payments owed to the Pennsylvania Department of Education (PDE) from the Federal Government for COVID expenditures that did not occur this year because the COVID grants associated with the Elementary and Secondary School Emergency Relief (ESSER) and Governor's Emergency Education Relief (GEER) programs expired in the fall of 2024. This decrease is partially offset by the \$411 increase in taxes receivable for the Department of Revenue. There were increases of \$197, \$96, and \$89 in Personal Income, Corporate Income, and Sales and Use taxes, respectively.
- Business-Type Activities decreased \$64, driven mainly by the \$69 decrease in investment sales proceeds in the Tuition Account Guaranteed Savings Program Fund. Additionally, there was a \$27 decrease in other receivables directly correlated to repayments to Pennsylvania's Unemployment Compensation Fund. A \$24 increase in inventory at the Liquor Control Board which was attributed to increases in purchasing costs and slower than expected sales offset a portion of the increases. Also, there was a \$24 increase in unemployment assessments receivable as a result of a decrease in the number of delinquent employer accounts and a decrease in contributions attributed to a reduction in taxable wages.

Deferred outflows of resources net decrease:

The overall decrease of \$1,680 is caused by the pension and other postemployment benefit (OPEB) plan investment gains (see the other long-term liability increase). The majority of the decrease this year is attributable to the Pennsylvania State Employees' Retirement System's (SERS) investments significantly over performing actuarially determined projections for 2024. Additionally, the decrease is related to the changes in

assumptions and the change in the difference between expected and actual experience, due to the recognition of prior years' deferred outflows. The Commonwealth's deferred outflows are allocated to funds based on their proportionate share of contributions, which may end up resulting in governmental activities showing a decrease versus an increase in business-type activities.

- Governmental Activities decreased by \$1,742.
- Business-Type Activities increased by \$62.

Accounts Payable net increase:

- Governmental Activities increased by \$1,390. The increase was directly related to activity within the Department of Human Services (DHS) and the timing of Low Income Home Energy Assistance Program (LIHEAP) and medical assistance (MA) capitation payments.
- Business-Type Activities decreased by \$26. This overall decrease is directly related to the Property Tax Rent Rebate (PTRR) program, which expanded in the prior year, resulting in a significant increase in the number of new claims. Additionally, the Department of Revenue encouraged participants to file early. This decrease is also related to the UC benefits payable and staff's continuing efforts to pay claims more timely.

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

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

- Governmental Activities decrease of \$1,855 is mainly attributable to a decrease of \$1,743 in due to political subdivisions. PDE saw a decrease of approximately \$1,864 related to the ESSER and GEER programs as COVID grants expired in the fall of 2024. Unearned revenue also decreased \$282 due the recognition of COVID monies. These decreases were partially offset by an increase in tax refunds payable of \$246, driven by a rise in the number of refunds and higher interest rates being applied to those refunds. Further information is provided in the individual fund analysis in Section D.
- Business-Type Activities decrease of \$170 can be attributed primarily to a decrease of \$74 in internal balances and \$44 in due to other governments mainly for UC benefit refunds. This was partially offset by the increase in securities lending obligations of \$22. Additional information on the decrease in internal funds can be found in Note 5 of the financial statements.

Bonds payable, noncurrent net increase:

- Governmental Activities noncurrent bonds payable increased \$360 as a result of normal debt service activity during the fiscal year, including a bond issuance and retirement of general obligation bonds.
- Business-Type Activities decreased \$159 as a result of normal debt service activity and bond refunding 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 liabilities, OPEB liabilities, and other long-term liabilities.) The total decrease of \$961 is largely due to gains in the pension and OPEB plans. The OPEB liabilities decreased by \$1,036 as a result of the increased discount rate from 5.65% to 6.09%, and an experience gain caused by a less than expected increase in per capita claims costs due to favorable claims and rebates experience. The SERS net pension liability decreased \$813, driven by increased employer and employee contributions and SERS investment earnings once again significantly over performed actuarially determined projections during 2024. (See notes 9 and 10 for more information.)

- Total Governmental Activities decreased \$988 resulting from the OPEB decrease of \$1,092 and the pension decrease of \$854. The Commonwealth's other financing obligations experienced an increase of \$491 resulting from the Pennsylvania Economic Development Financing Authority issuing PA Site Bonds used for economic improvement projects of a region. Other liabilities also experienced an increase of \$266.
- Total Business-Type Activities increased \$27, primarily resulting from a \$47 increase in tuition benefits payable and increases in OPEB and Pension liabilities of \$56 and \$41, respectively. A \$121 decrease in State Worker's Insurance Fund's insurance loss liability offset most of the increases.

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

Deferred inflows of resources net decrease:

The total decrease of \$764 is related to the Retired Employee Health Plan and is primarily due to a difference between expected and actual experience and the current year changes in assumptions as a result of an increase in the discount rate from 5.65% to 6.09%.

- Governmental Activities deferred inflows of resources decreased by \$733.
- Business-Type Activities deferred inflows of resources decreased by \$31.

Net position is one way of measuring the health of the Commonwealth's finances. The Primary Government's net position increased by \$1,138 over the prior year. This includes a \$70 decrease in the Governmental Activities net position largely due to the rise in expenses that the Department of Human Services experienced over the prior year for the reasons noted below in the Statement of Activities. Additionally, there were notable increases in capital assets. The Commonwealth also received additional funding through the Infrastructure Investment and Jobs Act, leading to an increase in infrastructure assets, specifically in highways and bridges.

The \$1,208 increase in net position related to Business-Type Activities can be directly attributed to the increased inflow of funds as a result of transfers to the Commonwealth Financing Authority and a noticeable increase in the operating income of Unemployment Compensation Fund.

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

Statement of Activities for the Fiscal Years Ended June 30, 2025 and 2024

(Amounts in millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues						
Charges for sales and services	\$ 10,040	\$ 9,439	\$ 9,884	\$ 10,157	\$ 19,924	\$ 19,596
Operating grants and contributions	45,906	46,182	505	558	46,411	46,740
Capital grants and contributions	103	40	64	11	167	51
Total program revenues	56,049	55,661	10,453	10,726	66,502	66,387
General revenues: taxes and investment earnings	52,651	51,631	—	—	52,651	51,631
Total revenues	108,700	107,292	10,453	10,726	119,153	118,018
Expenses:						
Governmental Activities						
Direction and supportive services	1,896	1,892	—	—	1,896	1,892
Protection of persons and property	9,394	8,147	—	—	9,394	8,147
Public education	22,110	24,140	—	—	22,110	24,140
Health and human services	63,252	56,748	—	—	63,252	56,748
Economic development	2,118	1,808	—	—	2,118	1,808
Transportation	7,934	7,197	—	—	7,934	7,197
Recreation and cultural enrichment	917	811	—	—	917	811
Interest	341	340	—	—	341	340
Business-Type Activities						
State lottery	—	—	4,625	4,885	4,625	4,885
State workers' insurance	—	—	18	130	18	130
Tuition payment	—	—	302	287	302	287
Unemployment compensation	—	—	2,114	1,980	2,114	1,980
Commonwealth financing	—	—	451	383	451	383
Liquor control	—	—	2,448	2,353	2,448	2,353
Economic development and other	—	—	95	101	95	101
Total expenses	107,962	101,083	10,053	10,119	118,015	111,202
Excess before transfers	738	6,209	400	607	1,138	6,816
Transfers	(808)	(472)	808	472	—	—
Increase (decrease) in net position	(70)	5,737	1,208	1,079	1,138	6,816
Net position-beginning	33,346	27,609	1,261	182	34,607	27,791
Net position-ending	\$ 33,276	\$ 33,346	\$ 2,469	\$ 1,261	\$ 35,745	\$ 34,607

**Statement of Activities Variance Analysis Year-Over-Year
(A discussion of significant activities)**

Revenues**Charges for sales and services** net increase:

- Governmental Activities increased by \$601. Human Services experienced a \$396 increase mainly driven by the continued growth in The Community HealthChoices program as the Commonwealth's population continues to age. Medicaid rates also increased due to higher acuity of individuals enrolled in the program. Treasury's revenue increased by \$71 as the number of unclaimed property deposits significantly increased as a result of the implementation of the the Money Match program. These increases were partially offset by the decrease in opioid settlement payments that were received in the current fiscal year.
- Charges for sales and services of business-type activities include, among others, lottery sales, wine and spirit sales, and unemployment compensation revenues. The decrease of \$273 is directly related to the decrease in State Lottery sales of \$486. Lottery's decline in sales was most notable in the areas of online games and instant games. The UC Fund saw an increase in revenues of approximately \$197 as employer contributions increased as a result of a rate increase.

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

Operating grants and contributions net decrease:

- Governmental Activities decreased by \$276. As COVID programs expired in the fall of 2024, overall, the amount of federal COVID funding that was recognized as revenue decreased significantly from the prior year. The Department of Education experienced a decrease of \$3,922 mainly attributable to the amount of federal COVID funding that was received related to the ESSER and GEER programs as state education agencies submitted their final expenses prior to the programs expiring in the fall of 2024. This was partially offset by the Department of Human Services (DHS), which saw an overall increase in funding of \$2,920. This significant increase was the result of an increase in the Medicaid payment (capitation) rates paid to managed care organizations and an increase in the quality care assessment rates to hospitals. The PA Emergency Management Agency's (PEMA) funding increased \$339 as the Commonwealth experienced more disaster-related weather events during the fiscal year.
- Business-Type Activities decreased by \$53. The decrease is directly related to the \$54 decrease in the State Workers' Insurance Fund's investment earnings.

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

Taxes and investment earnings net increase of \$1,020 in Governmental Activities can be attributed to increases in personal income taxes (PIT) of \$866, sales and use taxes (SUT) of \$486, and gaming taxes of \$301. A decrease in corporation taxes of \$375 partially offset these gains as the corporate tax rate continues to decrease. The corporate tax rate decreased from 8.49% in 2024 to 7.99% in 2025. Non-withholding revenues on personal income increased along with higher capital gains from investments. The increase in SUT was the result of an overall increase in user consumption in both the retail and non-retail stores, as well as restaurant sales.

Expenses: Governmental Activities

Protection of persons and property expenses increased by \$1,247. PEMA experienced an increase of \$380 as COVID funding increased from the prior year. Additionally, tropical storm Debby resulted in an an Emergency Proclamation from the Governor due to widespread flooding and power outages. The Department of Corrections saw an increase of \$191, mainly attributable to the agency's 5% negotiated contractual raise effective 7/1/2024 for union staff along with a change in proportional share of OPEB expenses. The Departments of Environmental Protection, Revenue, and Insurance also saw increases of \$191, \$107, and \$105, respectively.

Public education expenses decreased by \$2,030 overall and was directly related to the state and local education agencies' COVID expenses for the ESSER and GEER programs. The COVID funding for these programs expired in the fall of 2024. These were partially offset by increases to new Ready to Learn Block Grants and Basic Education Funding of \$536 and \$284, respectively.

Health and human services expenses increased by \$6,504, mainly due to the continued growth in the Community HealthChoices Program due to an aging population in the Commonwealth and the increase in Medicaid rates due to the higher acuity of those individuals that remain enrolled.

Transportation expenses increased \$737 directly due to a \$572 increase in the Motor License Fund as a result of growth in federal funding from the Infrastructure Investment and Jobs Act. This has lead to an augmented number of capital projects resulting in significant increases in payments to subrecipients for improvements and operations of the Commonwealth's public transportation, consulting and contracting services, and personnel services. Additionally, there was a \$153 increase in Transportation Trust Fund expenditures to assist transit agencies' funding needs.

Expenses: Business-Type Activities

State Lottery program expenses decreased by \$260. Lottery expenses such vendor and retailer commissions are closely tied to sales, which declined significantly as described above for Charges for sales and services. Field prizes decreased \$173.

Refer to the Lottery Fund analysis in Section D for additional detail.

State Worker's Insurance program expenses decreased by \$112, which can be directly attributed to the actuarial analysis adjustment to the loss adjustment expense.

Refer to the State Worker's Insurance Fund analysis in Section D for additional detail.

Unemployment Compensation program expenses increased by \$134 as more payments were made to claimants and refunds of overpayments increased.

Refer to the Unemployment Compensation Fund analysis in Section D for additional detail.

Transfers between the Governmental Activities and Business-Type Activities increased by \$336. The Property Tax Relief Fund's annual transfer to the State Lottery Fund increased \$117 from the prior year. The Gaming Fund's transfers to CFA from the Interactive Gaming and Slot Machine tax and Local Shares revenue increased approximately \$84. DCED made two new \$50 transfers to CFA to support PA Strategic Investments to Enhance Sites (PASITES). One was made to support Multimodal Transportation Funding and the other supports the Small Water and Sewer Program. Additionally, the Capital Facilities Fund's transfer to the Philadelphia Regional Port Authority increased by \$67 for development projects.

Section D: Individual Funds Analysis

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

	2025	2024
Assets:		
Cash and investments	\$ 19,697	\$ 22,574
Receivables, net	7,888	7,526
Due from other funds/governments/advances/other	4,527	5,383
Total assets	\$ 32,112	\$ 35,483
Liabilities:		
Accounts payable and tax refunds payable	\$ 8,690	\$ 6,912
Due to other funds/governments/advances/other	2,740	4,540
Unearned revenue	336	831
Total liabilities	11,766	12,283
Total deferred inflows of resources	4,386	4,288
Fund Balance:		
Total fund balance	15,960	18,912
Total liabilities, deferred inflows of resources and fund balance	\$ 32,112	\$ 35,483

Cash and investments decreased by \$2,877. This reduction was directly related to a \$3,969 decrease in temporary investments, which was partially offset by a \$1,088 increase in long-term investments. \$737 was once again transferred into the Rainy Day Fund Pool for budget stabilization according to The Fiscal Code. The movement affected both investment classifications, as these Commonwealth funds were held as short-term investments prior to being invested in the Rainy Day Fund Pool. Additionally, temporary and long-term investments are dependent on having cash to invest and market conditions. Notably, expenditures and other financing uses exceeded revenues and other financing sources by \$2,952 for the year. Consequently, there was a need to convert temporary investments to cash to meet payment obligations.

Receivables, net increased by \$362 and was mainly attributable to a \$407 increase in taxes receivable, which was partially offset by a \$32 decrease in investment income receivable. Personal income, corporation, sales and use, and inheritance taxes receivable increased by \$196, \$96, \$89, and \$53 respectively. Taxes receivable fluctuate from year to year; historical data, along with trend analysis, form the primary basis for estimating these receivables. The decrease in investment income receivable strongly correlated to the reduction in temporary investments.

Due from other funds/governments/advances/other decreased by \$856 primarily due to an \$843 decrease in due from the Federal Government. PDE experienced a \$1,709 decrease in Federal receivables, which was largely attributable to COVID-19-related grants to local education agencies. Elementary and Secondary School Emergency

Relief (ESSER) and Governors Emergency Education Relief (GEER) programs were expended in the prior year before the programs expired on September 30, 2024. Conversely, Federal receivables for the Department of Human Services (DHS) increased by \$868, largely due to activity involving Medical Assistance (MA) capitation payments and the timing of those payments.

Accounts payable and tax refunds payable increased by \$1,778 as the result of a \$1,533 increase in accounts payable and a \$245 increase in tax refunds payable. The DHS experienced a \$1,537 increase in accounts payable, primarily due to activity involving MA capitation and LIHEAP payments and the timing of those payments. As tax collections increase, the amount of refunds to be paid also increases. Additionally, applying a higher interest rate for tax refunds, 8% for calendar year 2024 versus 7% for the prior calendar year, was a contributing factor to the increase in tax refunds payable.

Due to other funds/governments/advances/other decreased \$1,800 overall. The decrease was comprised primarily of a \$1,720 decrease for due to political subdivisions. The PDE experienced an \$1,864 decline in due to political subdivisions, which strongly correlated to the decrease in due from the Federal Government for COVID-19 grants to local education agencies. This decrease was partially offset by a \$158 increase in due to political subdivisions for the DHS, which largely pertained to accrued County Child Welfare program expenditures.

Unearned revenue decreased by \$495. In May 2021, the Commonwealth received \$7,291 of federal Coronavirus State Fiscal Recovery Fund (SFR) monies, which were provided under the ARPA. At June 30, 2025, unspent SFR

funds comprised \$216 of unearned revenue, a \$308 decrease from the prior year. Federal grants collected in advance decreased by \$105, which was largely due to the Department of Environmental Protection (DEP) recognizing \$147 federal revenue for Office of Surface Mining Reclamation and Enforcement (OSMRE) grants received in the previous year under the Safeguarding Treatment for the Restoration of Ecosystems from Abandoned Mines (STREAM) Act. Additionally, a new methodology was implemented to reclassify customer payments issued to the Commonwealth that had insufficient funds subsequent to bank deposit. The new process accounted for an \$88 reduction in unearned revenue. These decreases were partially offset by the DEP's receipt of \$29 advance funding from the OSMRE for the Abandoned Mine Land Economic Revitalization (AMLER) program.

Deferred inflows of resources increased by \$98 due to an increase 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 \$257, comprised of \$170, \$86, and \$33 increases in the personal income, corporation, and sales and use tax categories, respectively, offset by a \$32 decrease in inheritance taxes. A \$131 decrease in unavailable revenue for the DHS pertained almost exclusively to federal revenue, while a \$28 decrease for the Department of Drug and Alcohol Programs related to opioid settlements.

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 82% of the total governmental fund type revenues and other financing sources and 83% 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.

	2025	2024
Revenues:		
Taxes, net of refunds		
Personal income	\$ 17,776	\$ 17,020
Sales and use	14,754	14,246
Corporation	6,600	6,995
Inheritance	1,738	1,556
Cigarette	861	971
Realty transfer	595	537
Gaming	369	361
Other	477	493
Total taxes, net of refunds	43,170	42,179
Intergovernmental	42,122	42,316
Charges for sales and services	4,814	4,389
Licenses/fees/investment/other income	2,309	2,409
Total revenues	92,415	91,293
Expenditures:		
Direction and supportive services	1,124	1,105
Protection of persons and property	7,487	6,573
Health and human services	62,898	56,648
Public education	21,089	23,294
Recreation and cultural enrichment	454	463
Economic development	1,075	835
Transportation	60	61
Capital outlay	502	399
Other expenditures	70	69
Total expenditures	94,759	89,447
Revenues over (under) expenditures	(2,344)	1,846
Other financing sources (uses):		
Transfers in	536	519
Transfers out	(1,889)	(1,786)
Leases and installment purchases	245	159
Other financing obligation	500	—
Net other financing uses	(608)	(1,108)
Net change in fund balance	\$ (2,952)	\$ 738

Total taxes, net of refunds, increased by \$991, comprised mostly of \$756 and \$508 increases in personal income and sales and use taxes, respectively, offset by a \$395 decrease in corporation taxes. The increase in personal income tax was attributed to non-withheld revenues, namely a surge in capital gains income, which led to strong final payments for tax year 2024. Wages continued to record solid gains amid a tight labor market. Sales and use tax rose due to year-over-year retail sales growth, which encompassed brick-and-mortar stores, online shopping, dining out, and motor vehicles. The decrease in corporate tax stemmed largely from Act 53 of 2022, which prescribed a gradual reduction of the Commonwealth’s corporate tax rate through 2031. Under Act 53, the corporate tax rate was lowered from 8.99% to 8.49% for calendar year 2024 and further to 7.99% for calendar year 2025.

Intergovernmental revenues decreased by \$194. The PDE experienced the largest decline, of \$3,922. PDE’s decrease in federal revenue primarily pertained to year-over-year changes in COVID-19-related expenditures, as the pandemic-specific programs winded down. Conversely, federal revenues for the DHS rose by \$3,125, which largely correlated to higher medical assistance capitation and Community HealthChoices program expenditures. Other Commonwealth agencies experienced much smaller fluctuations in federal revenue.

Charges for sales and services increased by \$425 mainly due to the enactment of Act 15 of 2023 (Act 15), which amended the Human Services Code. Act 15 prescribed increases to the statewide quality care assessments charged to covered hospitals. Under Act 15, covered hospitals were assessed 4.36% of net inpatient revenue

and 2.2% of net outpatient revenue effective July 1, 2024. In the prior year, the rates were 3.54% and 1.78%, respectively. The assessments increased by 23.16% and 23.6% for the year, compared to the corresponding 6.63% and 2.89% increases for the prior year.

Licenses/fees/investment/other income decreased by \$100. This decrease predominantly pertains to investment income, which decreased \$178 over the prior year mostly due to the conversion of Commonwealth Investment Program (CIP) temporary investments to cash to meet obligations. A \$51 decrease in licenses and fees revenue primarily related to the settlement agreement between the Commonwealth and the Monsanto Company in which the Department of Environmental Protection and the Department of Conservation and Natural Resources received \$46 and \$15, respectively, from the settlement in the prior year. These decreases were partially offset by a \$129 increase in other revenue, which largely stemmed from unclaimed property and opioid settlement revenue recognition during the year.

Health and human services accounted for approximately 66% of total General Fund expenditures for the year. The increase of \$6,250 largely pertained to the following factors: growth in the Community HealthChoices program as the Commonwealth population continues to age, Medicaid unwinding caused rates to increase due to higher acuity of the individuals that remained enrolled in the program, and a 7% increase for Intellectual Disabilities and Autism (ID/A) services that was included in the enacted budget.

Public education accounts for approximately 22% of total General Fund expenditures. The decrease of \$2,205 primarily related to the PDE expending COVID-19 pandemic ESSER and GEER funding in the prior year in advance of the program expirations, offset by a rise in appropriated public education expenditures in conjunction with the enacted budget, appropriated expenditures rose \$1,493; the Ready to Learn Block Grant, including the Adequacy and Tax Equity supplements, accounted for approximately 36% of this increase.

Protection of persons and property expenditures increased by \$914. The Pennsylvania Emergency Management Agency (PEMA) experienced the largest increase in expenditures. The \$341 increase largely pertained to a rise in COVID-19 pandemic-funded project reimbursements and close outs. A new disaster, Tropical Storm Debby, also contributed to PEMA's higher expenditures. Additionally, expenditures rose by \$177 and \$105 for the Pennsylvania State Police and Department of Revenue, respectively.

Economic development expenditures increased by \$240; \$227 pertained to increased costs for the Department of Community and Economic Development (DCED), predominantly for non-federal grants. As most of DCED's grants have project periods of at least three years, year-over-year fluctuations occur because the grants can be expensed at any time during the project period.

Transfers out increased by \$103. Act 54 of 2024 (Act 54), which amended the Fiscal Code, established a Pennsylvania Strategic Investments to Enhance Sites (PA SITES) Program to provide grant and loan funding to develop competitive sites for businesses to relocate or expand within the Commonwealth. Under the PA SITES Program, \$100 was transferred to the Commonwealth Financing Authority (CFA) to administer the Multimodal Transportation Funding and PA Small Water and Sewer programs. Act 54 also prescribed an \$81 transfer of monies appropriated to the Department of Transportation for transportation and multimodal improvement projects to the Public Transportation Trust Fund, a special revenue fund. Transfers to debt service funds decreased by \$49, which correlated to the \$52 transfer of available monies in the Pennsylvania Infrastructure Investment Authority (PENNVEST) Redemption Fund to the Capital Debt Fund. The transfer between the two debt service funds pertained to refunded PENNVEST bonds; the refunding bonds' debt service is paid from the Capital Debt Fund.

Other financing obligation proceeds increased by \$500 due to Act 54. The Commonwealth received \$500 from a Pennsylvania Economic Development Financing Authority (PEDFA), a component unit, bond issuance to fund the new PA SITES program, as prescribed by Act 54.

Motor License Fund
Condensed, comparative, financial information (amounts in millions)

Description	2025	2024
Cash and investments	\$ 3,280	\$ 3,103
Other assets	797	760
Total assets	\$ 4,077	\$ 3,863
Accounts payable	\$ 881	\$ 844
Other liabilities	225	286
Total liabilities	1,106	1,130
Total fund balance	2,971	2,733
Total liabilities and fund balance	\$ 4,077	\$ 3,863
Tax revenues	\$ 3,535	\$ 3,628
Licenses and fees	1,344	1,304
Intergovernmental	2,608	2,522
Other revenues	316	264
Total revenues	7,803	7,718
Direction and supportive services	39	39
Protection of persons and property	589	675
Transportation	3,419	3,202
Capital outlay	3,427	3,269
Other expenditures	9	6
Total expenditures	7,483	7,191
Net other financing uses	(82)	(119)
Net change in fund balance	\$ 238	\$ 408

Fund Description: The Motor License Fund (MLF) receives revenues from various taxes, fees, federal aid, and aid from other political entities. The MLF 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 Pennsylvania State Police (PSP) highway patrol operations and pays subsidies to local subdivisions for the construction and maintenance of roads.

Cash and investments increased by \$177. Long-term investments increased by \$339, primarily driven by higher balances and strong earnings in the Treasury long-term investment pool. Favorable market conditions contributed to this substantial growth in returns. Cash increased by \$27, reflecting higher Driver Vehicle Service fees as authorized under Act 89. Conversely temporary investments decreased by \$189, due to an excess of funds in the Treasury temporary investment pool, reallocated to the long-term investment pool to optimize returns.

Tax revenues decreased by \$93 primarily due to reductions in the gasoline and diesel tax rates of 5.75% and 5.61%, respectively. In addition, the continued growth in the adoption of hybrid and electric vehicles, along with improved fuel efficiency in internal combustion engine vehicles, contributed to lower collections of taxes on liquid fuels.

Licenses and fees increased by \$40 primarily due to higher collections of Real ID fees and Operator's License fees. The

Department of Transportation issued approximately 159% more Real IDs in the current fiscal year compared to the prior fiscal year, reflecting a significant increase in demand. The increase in demand was primarily driven by the May 2025 federal deadline requiring Real ID for air travel and access to federal facilities. Additionally, the rise in Operator's Licenses was driven mainly by inflationary rate adjustments and the timing of revenue recognition related to credit card payments.

Intergovernmental increased by \$86 primarily reflecting higher federal funding received through the Infrastructure Investment and Jobs Act (IIJA) from the Federal Highway Administration this fiscal year. The additional funding supported the expansion of federally reimbursed bridge improvements, construction projects, and electric vehicle charging station initiatives which led to an overall increase in revenues from the Federal Government.

Protection of persons and property expenditures decreased by \$86 mainly due to a \$76 reduction in funding from the Motor License Fund to the PSP. This reallocation was done to support additional resources for highway and bridge projects.

Transportation and capital outlay expenditures increased by \$217 and \$158, respectively, due to increases in personnel services, operational costs, grants and subsidies, and fixed asset expenditures. The growth was largely attributable to additional funding under the IIJA, which supported the expansion of highway and bridge projects. The reduced funding to the PSP also contributed.

Unemployment Compensation Fund
Condensed, comparative, financial information (amounts in millions)

Description	2025	2024
Cash and investments	\$ 2,095	\$ 1,692
Unemployment assessments receivable	602	578
Other assets	495	524
Total assets	3,192	2,794
Total deferred outflows of resources	134	26
Accounts payable	72	90
Other liabilities	649	530
Total liabilities	721	620
Total deferred inflows of resources	46	15
Total net position	\$ 2,559	\$ 2,185
Total operating revenues: Sales and services	\$ 2,469	\$ 2,272
Total operating expenses: Cost of sales and services	2,112	1,979
Operating income	357	293
Nonoperating income	22	62
Income before transfers	379	355
Transfers out	(5)	(2)
Increase in net position	\$ 374	\$ 353

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 (UTF). These funds are drawn down to pay unemployment compensation payments to claimants as needed.

Cash and investments increased by \$403 and was driven by increases to the UTF. The UTF balance increased \$558 over the balance from prior fiscal year. That increase was offset by \$105 in additional UTF claimant payments. Claimant payments increased because the total number of weeks compensated and the average weekly benefit amount both increased.

Unemployment assessments receivable increased by \$24 primarily due to a \$3 increase in delinquent employer receivable, an \$8 increase in valuated contributions, and an \$8 increase in unbilled Commonwealth account services. Delinquent employer receivable increased due to a 9% increase in the number of reimbursable employer delinquent accounts. Valuated contributions increased because of an increase in estimated taxable wages. Unbilled Commonwealth account services increased because of a higher fiscal year end amount in Due to Other Funds, increasing the allocation.

Total deferred outflows of resources increased by \$108. This is attributed to a higher allocation of the Other Post-Employment Benefits (OPEB) deferred outflows. OPEB deferred outflows increased due to an increase in payroll expenses, resulting in an increase to the OPEB allocation.

Other liabilities increased by \$119 primarily due to the increases in the OPEB and pension liabilities. These were the direct result of higher allocation percentages applied to the UC Fund.

Total operating revenues: Sales and services increased by \$197. This is largely attributed to a \$101 increase in UC employer contributions because the average UC employer contribution rate increased from 3.42% to 3.48%. Additionally, there was a \$54 increase in accrued UC taxes. This increase is largely driven by increases in estimated contributions due for 2nd quarter 2025. Estimated contributions are expected to increase due to increases in estimated gross wages.

Total operating expenses: Cost of sales and services increased by \$133. This was largely attributed to an \$85 increase in claimant payments and a \$39 increase in overpayment refunds. Claimant payments increased because the total number of weeks compensated and the average weekly benefit amount both increased. Overpayment refunds increased due to a \$39 refund paid to Federal Emergency Management Agency (FEMA) for Lost Wage Assistance program fraudulent claims.

Nonoperating income decreased by \$40, largely attributable to a decrease in COVID-19 UC benefits paid and related grant drawdowns. The benefits paid and drawdowns decreased because COVID-19 pandemic programs were winding down.

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

Description	2024	2023
Cash and short-term investments	\$ 90	\$ 56
Long-term investments	1,138	1,184
Other assets	102	96
Total assets	1,330	1,336
Total deferred outflows of resources	9	10
Securities lending obligations	35	37
Unearned revenue	29	30
Insurance loss liability	1,084	1,223
Other liabilities	78	81
Total liabilities	1,226	1,371
Total deferred inflows of resources	15	20
Total net position (deficit)	\$ 98	\$ (45)
Total operating revenues: Sales and services	\$ 106	\$ 79
Total operating expenses: Cost of sales and services	16	129
Operating income (loss)	90	(50)
Investment earnings	54	108
Investment expense	(1)	(1)
Net nonoperating revenues	53	107
Increase in net position	\$ 143	\$ 57

Fund Description: Established by statute in 1915, the SWIF operates for the purpose of providing workers' compensation insurance to employers, including those refused policies by private insurance firms.

Long-term investments decreased by \$46. The change in long-term investments is directly related to two main factors: the volatility of the financial markets and the number of payments made to liquidate claims. The bond market was weak during 2024.

Insurance loss liability decreased by \$139 primarily due to lower claim counts due to the downturn of business and favorable development in reserves due to actuarial analysis.

Total operating revenues: Sales and services increased by \$27 largely due to the reclassification of certain negative operating expenses to operating revenue.

Total operating expenses: Cost of sales and services decreased \$113. The decrease is primarily due to an \$88 decrease in losses incurred due to a favorable development of reserves due to actuarial analysis. Additionally, loss adjustment expenses (LAE) decreased \$76 due to a favorable development of LAE reserve due to actuarial analysis. These decreases resulted in overall negative operating expenses, which necessitated an adjustment of operating expenses and revenues.

Investment earnings decreased by \$54 due to an \$83 decrease in net asset value (NAV) that was primarily related to bonds. SWIF's long-term investments in bonds are adjusted to fair market value (FMV) at year-end. The cause of these adjustments is directly related to the financial market, which saw more favorable conditions in the bond market in the prior fiscal year.

State Lottery Fund
Condensed, comparative, financial information (amounts in millions)

Description	2025	2024
Cash and short-term investments	\$ 456	\$ 776
Other assets	273	271
Total assets	729	1,047
Total deferred outflows of resources	23	28
Accounts payable	567	555
Other liabilities	160	288
Total liabilities	727	843
Total deferred inflows of resources	21	26
Total net position	\$ 4	\$ 206
Total operating revenues: Sales and services	\$ 4,449	\$ 4,935
Cost of sales and services	4,600	4,863
Other expenses	25	21
Total operating expenses	4,625	4,884
Operating income (loss)	(176)	51
Nonoperating revenues, net	25	40
Income (loss) before transfers	(151)	91
Transfers in	205	88
Transfers out	(256)	(251)
Transfers, net	(51)	(163)
Decrease in net position	\$ (202)	\$ (72)

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.

Cash and short-term investments decreased by \$320 as a direct result of the \$319 decrease in temporary investments. The balance of temporary investments changes daily as funds are moved between various cash accounts. The temporary investment balance fluctuates throughout the year, depending on the timing of cash receipts and payment obligations.

Other liabilities decreased by \$128. Due to other funds decreased \$126 as there was a \$128 accrual of expenses from the General Fund for Community HealthChoices to the State Lottery Fund at June 30, 2024. A similar accrual was unnecessary in the current fiscal year, as similar activities were completed prior to fiscal year end.

Total operating revenues: Sales and services decreased \$486, which is attributable to a decrease in overall lottery sales, specifically in the area of field prizes and scratch-offs which decreased \$173 and \$183, respectfully. The shift in consumer spending continues to result in decreasing sales of scratch-off games, the lottery's most popular product category. Fiscal year ended June 30, 2025 was a below-average year for multi-state games (Powerball and Mega Millions) jackpots, which resulted in category sales more than 25% below the five-year category sales average. The lottery saw an 11.1% decline in sales compared to the prior fiscal year.

Cost of sales and services decreased by \$263. Operating costs remain one of the lowest in the country at 2.23% of traditional ticket sales. Operating expenses have a strong correlation to operating revenues, as the number of payments for field-paid prizes is directly related to lottery sales. Field-paid prizes and commissions saw the most significant decreases, \$173 and \$36, respectfully. Lottery-related costs overall have decreased for goods and services, and these costs vary from year to year based on business needs or sales, game designs, and player behavior.

Transfers in increased by \$117 due to an increase in property tax relief. In 2024, the Property Tax Rent Rebate program underwent its largest expansion in nearly two decades. Changes to income limits, rebate amounts, and deadlines made approximately 175,000 more Pennsylvanians eligible for the program.

Tuition Payment Fund
Condensed, comparative, financial information (amounts in millions)

Description	2025	2024
Cash and short-term investments	\$ 229	\$ 193
Long-term investments	2,464	2,216
Other assets	21	91
Total assets	2,714	2,500
Securities lending obligations	74	45
Tuition benefits payable	1,769	1,725
Other liabilities	34	62
Total liabilities	1,877	1,832
Total net position	\$ 837	\$ 668
Total operating revenues: Sales and services	\$ 215	\$ 209
Total operating expenses: Cost of sales and services	301	286
Operating loss	(86)	(77)
Nonoperating revenues, net	255	204
Increase in net position	\$ 169	\$ 127

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. At June 30, 2025, 34 such institutions were participating. 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 increased by \$214 and are attributable mostly to an increase in investments held compared to the prior year. The portfolio's return (net of fees) was 10.57% as of June 30, 2025, compared to 9.46% as of June 30, 2024. The Fund's returns increased due to positive market fluctuations throughout the year, mostly from the Global Infrastructure sector that rose from 3.61% to 20.40%; International Equities, which increased from 10.61% to 16.99%; and Real Estate which maintained its upward trajectory advancing from 4.70% to 10.50%.

Total liabilities increased by \$45 which is attributable to heightened securities lending obligations, resulting from a rise in lendable securities within the portfolio at the end of the year.

Total operating expenses: Cost of sales and services increased by \$15 primarily due to an increase in tuition benefit expense of \$9. The program usage resulted in 13,971 beneficiaries using 456,020 credits during the fiscal year ended June 30, 2025, compared to 14,623 beneficiaries using 497,383 credits during the fiscal year ended June 30, 2024. Salaries and other administrative expenses also showed a slight increase during the fiscal year compared to the prior fiscal year.

Nonoperating revenues, net increased by \$51 largely due to positive market fluctuations, mostly from the Global Infrastructure, International Equities, and Real Estate sectors.

Net position increased by \$169 from the prior year. At \$837, the plan is currently 143.84% funded as of June 30, 2025, compared to 138.17% funded as of June 30, 2024.

State Stores Fund
Condensed, comparative, financial information (amounts in millions)

Description	2025	2024
Cash and investments	\$ 222	\$ 305
Inventory	242	218
Other assets	297	312
Total assets	761	835
Total deferred outflows of resources	173	214
Accounts payable	368	364
Pension and OPEB liabilities	915	947
Other liabilities	371	359
Total liabilities	1,654	1,670
Total deferred inflows of resources	194	232
Total net position (deficit)	\$ (914)	\$ (853)
Total operating revenues: Sales and services	\$ 2,575	\$ 2,582
Cost of sales and services	2,352	2,262
Other expenses	89	86
Total operating expenses	2,441	2,348
Operating income	134	234
Nonoperating revenues, net	6	11
Income before transfers	140	245
Transfers out	(201)	(190)
Increase (decrease) in net position	\$ (61)	\$ 55

Fund Description: The State Stores Fund serves as the operating fund for the Pennsylvania Liquor Control Board (PLCB). With about 560 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, the PLCB is 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 its liquor law enforcement authority, support the Department of Drug and Alcohol Programs (DDAP), which provides funding to organizations to offer drug and alcohol education; funding to the Department of Agriculture to support grants for Pennsylvania's wine, spirit, and beer boards; and provide additional funding to the General Fund.

Cash and investments decreased by \$83 resulting from a decrease in cash flow from operations and having less funds available for cash deposits and temporary investment purchases. This is evident as short-term investments decreased by \$69 for the fiscal year.

Inventory increased by \$24 largely due to higher purchase costs and slower than expected sales of wine and spirit items due to inflation, as well as changing consumer consumption patterns and preferences.

Total deferred outflows of resources decreased by \$41, of which \$39 pertained to the State Employees' Retirement System's (SERS) pension plan. This decrease was primarily due to the change in the difference between projected and actual investment earnings. SERS' investment gains significantly over-performed actuarially determined

projections during 2024. Additionally, the deferred outflow related to the changes in assumptions decreased, and the deferred outflow related to the difference between expected and actual experience increased, due to recognition of prior year deferred outflows.

Pension and OPEB liabilities decreased by \$32. PLCB's share of the Retired Employees Health Program (REHP) OPEB liability decreased by \$19, which was largely a result of changes in actuarial assumptions that included an increase in the discount rate and updated trend rate assumptions, as well as actual experience being different than expected. The experience loss was primarily caused by less than expected increases in per capita claim costs due to favorable claims and rebates experience. PLCB's share of SERS' net pension liability decreased by \$13, largely as a result of increased investment gains for the plan.

Total deferred inflows of resources decreased by \$38 relative to OPEB. The decrease primarily pertained to the difference between expected and actual experience, the current year changes in assumptions, and the recognition of prior year deferred inflows in the current period, offset by the change in proportion for PLCB among all plan participants.

Cost of sales and services increased by \$90 primarily due to an increase in salaries, wages, other personnel costs, and inventory costs. Inventory costs increased largely due to higher purchase costs of wine and spirits that were caused by inflation.

Commonwealth Financing Authority
Condensed, comparative, financial information (amounts in millions)

Description	2025	2024
Current assets	\$ 2,690	\$ 2,206
Noncurrent assets	239	245
Total assets	2,929	2,451
Total deferred outflows of resources	—	1
Current liabilities	462	518
Noncurrent liabilities	3,852	4,011
Total liabilities	4,314	4,529
Total deferred inflows of resources	9	11
Total net position (deficit)	\$ (1,394)	\$ (2,088)
Operating revenues, net of uncollectibles	\$ 5	\$ 4
Operating expenses	284	209
Operating loss	(279)	(205)
Nonoperating expenses, net	(11)	(64)
Loss before transfers	(290)	(269)
Transfers, net	984	793
Increase in net position	\$ 694	\$ 524

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 its inception, the CFA has issued 22 revenue bonds totaling \$7.6 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.

Current assets increased by \$484 mostly attributable to an increase in cash due to \$216 and \$92 net inflows from Local Share and Public School Facility Improvement Grant Program funds, respectively, receipt of \$100 in funds for the Pennsylvania Strategic Investments to Enhance Sites Program (PA SITES), established by Act 54 of 2024, and investment earnings of \$106.

Total liabilities decreased by \$215 due in part to a decrease in long-term debt, as there were no new bond issuances during the fiscal year and regular amortized principal payments were made on outstanding bonds. Current liabilities are lower by \$56 primarily due to a \$47 decrease in unearned revenue. As of June 30, 2025, the total outstanding debt for CFA stood at \$4,001.

Operating expenses increased by \$75 primarily due to an increase in grant expenses when compared to the prior year. As an authority under which economic stimulus programs are established, grants and transfers to other

governmental entities are essential to achieving its mission.

Nonoperating expenses, net decreased by \$53 and primarily relates to the \$47 decrease in unearned revenue, as State and Local Fiscal Recovery Fund (SLFRF) monies were spent during the year.

Transfers, net include \$984 in transfers in from the primary government, which was comprised of transfers in for debt service purposes as well as transfers to fund programs such as Multimodal Transportation, Act 13, Local Share, and PA SITES. The descriptions of these programs are as follows: The Multimodal Transportation Fund provides grants to encourage economic development and ensure that a safe and reliable system of transportation is available to residents of the Commonwealth. Act 13 provides grants for flood mitigation, orphaned and abandoned well plugging, greenway trails and recreation, watershed restoration and protection, abandoned mine drainage abatement and treatment, baseline water quality, and sewage facility projects. The Local Share provides grants to support and enhance community and economic well-being and mitigate the impact of gaming and related activities. The PA SITES Program provides grant and loan funding to develop competitive sites for businesses to relocate or expand within the Commonwealth.

Net position increased by \$694 primarily due to \$984 transfers in partially offset by \$284 operating expenses. Transfers in increased by \$191, which included \$100 in funds for the new PA SITES Program. The \$80 increase in grants largely accounted for the \$75 increase in operating expenses.

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, 2025, is presented immediately following the Notes to the Financial Statements section of the ACFR. 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 sufficient to fund all 2024-2025 original and supplemental appropriation requests.

The difference in total state program revenues from the original to the final budget was due to a decrease of \$5 in tax revenues, a decrease of \$32 in non-tax revenues, and a decrease of \$265 in refunds, resulting in a net decrease of \$302.

Final Federal revenues and corresponding expenditures were \$504 more than originally budgeted, primarily due to increased funding received in the PA Emergency Management Agency in the amount of \$604, the Department of Corrections in the amount of \$96, the Department of Health in the amount of \$38, Executive Offices in the amount of \$12, and a combined increase in other agencies of the Commonwealth of \$7, which totals an increase of \$757. The Department of Human Services and the Department of Insurance's funding was reduced by \$130 and \$116, respectively, along with the current year federal lapse of \$7 for a net increase of \$504.

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

On an actual budgetary basis, state program revenues were adjusted to actual revenues received by the fiscal year-end. Final budgeted state program revenues sufficiently funded all 2024-2025 original state appropriations. Supplemental appropriations, passed on November 12, 2025 by the General Appropriation Act of 2025, resulted in a \$148 increase in state appropriations and a \$454 decrease in federal appropriations, with supplemental appropriations effective as of the fiscal year ended June 30, 2025.

Actual total state revenues were \$358 more than the final budgeted state revenues due to an increase in tax revenues \$288 and an increase in non-tax \$70 revenues actually received. The \$118 increase in departmental services is mainly attributable to increased receipts in the Supreme Court, offset by increases/decrease in the other agencies, resulting in a net increase of \$477 in state program revenues.

The difference of \$118 in actual state program expenditures under the final budget is the result of the increase 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 the construction of buildings and related improvements is almost entirely provided by the proceeds of general obligation (GO) bonds issued; such proceeds are generally accounted for in capital projects funds in governmental fund financial statements as another 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 and amortization expenses for capital assets are reported to recognize the cost of “using up” capital assets over their estimated useful lives. In other words, depreciation and amortization 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. The 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 ACFR discusses capital assets significant accounting policies.

Note 4 in the notes to the financial statements section of the ACFR provides more information on capital asset activities during the fiscal year ended June 30, 2025.

Long-term Debt Overview – fiscal year ended June 30, 2025

(Amounts in millions)

The constitution of the Commonwealth of Pennsylvania permits the incurrence of debt without the 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 \$84.2 billion as of August 31, 2025, with net debt outstanding after credit for refunded debt of \$10.1 billion for a remaining legal debt margin of \$74.1 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 facility restoration, and certain environmental initiatives; and for special purposes approved by the General Assembly, such as disaster relief.

At June 30, 2025, the Commonwealth had a total General Obligation Bond principal outstanding of \$10.9 billion for the following purposes:

\$	6,476	Capital Facilities Bonds
	4,415	Refunding Bonds
	56	Electorate Approved Debt (various)

During the fiscal year ended June 30, 2025, debt service fund transfers were paid primarily from the General Fund, the Motor License Fund, and the Gaming Fund in the amounts of \$1,123, \$122, and \$50, respectively, to make principal and interest payments to bondholders.

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

Debt Administration – fiscal year ending June 30, 2026

(Amounts in millions)

During the fiscal year ending June 30, 2026, the Office of the Budget currently plans to issue general obligation bonds, excluding refundings, in the amount of \$1,570. This is an increase of \$175 when compared to the actual new money bond issuance of \$1,395 during the fiscal year ended June 30, 2025. The current plan reflects the need to make continued investments in the Commonwealth's capital infrastructure, local capital projects, and mass transportation infrastructure.

Debt principal retirements of \$1,058 are currently planned for the fiscal year ending June 30, 2026. The Commonwealth continues to evaluate refunding opportunities for its outstanding bonds to reduce interest costs.

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 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 does not anticipate issuing a tax anticipation note for the fiscal year ending June 30, 2026. Additionally, 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. The Commonwealth does not anticipate obtaining a line of credit for the fiscal year ending in 2026.

The Commonwealth's planned issuance for the fiscal year ending June 30, 2026 is dependent on the passage of an annual capital budget by the state legislature. The capital budget for the fiscal year ending June 30, 2026 was enacted on November 19, 2025.

There were no debt limitations, restrictions, or commitments during the fiscal year ended June 30, 2025, that may affect the Commonwealth's plans during the fiscal year ending June 30, 2026.

Section G: Currently Known Facts

(Amounts in whole dollars)

Corporate Tax Rate

For tax years beginning January 1, 1995 through December 31, 2022 at tax rate of 9.99% was in effect. In June of 2022, Act 53 was signed into law and reduced the corporate income tax rate. Starting in 2023, the 9.99% corporate tax rate will decrease .5% each year until it reaches 4.99% in calendar year 2031. For calendar year 2025, the corporate tax rate is 7.99% and will be reduced to 7.49% for calendar year 2026.

Working Pennsylvanians Tax Credit (WPTC)

The WPTC is included in Act No. 45, (H.B. 416), which was signed into law along with the passage of the state budget on November 12, 2025, and is available in tax years beginning after December 31, 2024. The credit is a state-level version of the federal Earned Income Tax Credit (EITC), allowing Pennsylvania workers to claim a credit on their state income tax bill equivalent to 10% of their federal EITC. The credit is refundable and based on current income estimates, approximately 940,000 Pennsylvanians, totaling \$193 million, will see a benefit from the credit.

Opioid Settlement Agreements

The Commonwealth, through the PA Office of the Attorney General (AG), has entered into settlement agreements with manufacturer Janssen Pharmaceuticals, Inc., its parent company Johnson & Johnson, distributors McKesson, Cardinal Health, and AmerisourceBergen, as well as consulting group McKinsey. Agreements with Teva, Allergan, CVS, Walgreens, and Walmart have been finalized and an agreement with Purdue Pharma is in the process of being finalized. No receivable for Purdue Pharma was recorded as of June 30, 2025 due to the settlement not being finalized. The settlements state that a significant amount of the settlement funds must be used to remediate the opioid crisis. As of June 30, 2025, the Commonwealth has received approximately \$67 million in opioid settlement funds. The Commonwealth is expected to receive \$185 million over the next 16 years related to finalized agreements. The Commonwealth received \$21.2 million subsequent to June 30, 2025.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Basic Financial Statements

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Government-wide Financial Statements

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2025

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current assets:				
Cash—Note 2, 16	\$ 255,420	\$ 2,624,833	\$ 2,880,253	\$ 2,668,641
Cash with fiscal agents—Note 2	44,615	2,002,799	2,047,414	340
Temporary investments—Note 2, 16	19,819,372	1,108,331	20,927,703	3,991,088
Receivables (net):				
Taxes—Note 3	3,754,456	—	3,754,456	—
Unemployment assessments	—	602,001	602,001	—
Accounts	2,501,492	543,959	3,045,451	297,980
Investment earnings	73,480	24,731	98,211	21,634
Interest on notes and loans	25	19,480	19,505	140,500
Loans—Note 3, 16	12,219	44,034	56,253	725,189
Lease rentals—Note 3	370	14,177	14,547	22,239
Investment sale proceeds	6,521	10,339	16,860	—
Other	163,637	8	163,645	97,632
Due from pension trust funds—Note 5	5,935	—	5,935	—
Due from primary government—Note 5	—	—	—	17,563
Due from component units—Note 5	55,309	—	55,309	1,893
Due from Federal Government	4,367,400	213	4,367,613	30,470
Due from political subdivisions	3,057	5,360	8,417	—
Due from other governments	247	5,558	5,805	806
Inventory	164,844	241,585	406,429	28,436
Prepaid expenses	—	2,808	2,808	60,600
Other assets	3,000	41,089	44,089	38,449
Total current assets	<u>31,231,399</u>	<u>7,291,305</u>	<u>38,522,704</u>	<u>8,143,460</u>
Noncurrent assets:				
Restricted cash—Note 2	—	393	393	45,250
Long-term investments—Note 2, 16	15,318,513	3,849,182	19,167,695	2,873,086
Receivables (net):				
Taxes—Note 3	2,061,005	—	2,061,005	—
Loans—Note 3, 16	17,000	355,443	372,443	11,481,503
Lease rentals—Note 3	2,342	97,844	100,186	126,718
Due from component units—Note 5	14,093	—	14,093	—
Non-depreciable capital assets—Note 4, 16:				
Land	4,056,288	277,803	4,334,091	543,566
Construction in progress	7,474,752	102,988	7,577,740	2,458,099
Depreciable or amortizable capital assets—Note 4, 16:				
Land improvements	1,240,348	180,621	1,420,969	608,463
Buildings and building improvements	10,233,855	604,404	10,838,259	6,140,143
Machinery and equipment	2,571,865	454,208	3,026,073	1,645,530
Turnpike infrastructure	—	—	—	11,201,211
Highway infrastructure	43,065,841	—	43,065,841	—
Bridge infrastructure	21,410,436	—	21,410,436	—
Waterway infrastructure	51,875	—	51,875	—
Infrastructure-other	370,579	—	370,579	—
Library books	—	—	—	70,283
Other capital assets	—	—	—	2
Intangible right-to-use assets	1,925,683	564,873	2,490,556	320,736
Other intangible assets	1,816,134	154,647	1,970,781	73,225
Less: accumulated depreciation and amortization	(46,354,019)	(1,016,690)	(47,370,709)	(11,444,769)
Net depreciable or amortizable capital assets	<u>36,332,597</u>	<u>942,063</u>	<u>37,274,660</u>	<u>8,614,824</u>
Other assets	—	7,920	7,920	1,186,131
Total noncurrent assets	<u>65,276,590</u>	<u>5,633,636</u>	<u>70,910,226</u>	<u>27,329,177</u>
TOTAL ASSETS	<u>96,507,989</u>	<u>12,924,941</u>	<u>109,432,930</u>	<u>35,472,637</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	<u>\$ 6,686,650</u>	<u>\$ 357,012</u>	<u>\$ 7,043,662</u>	<u>\$ 683,491</u>

Commonwealth of Pennsylvania
Statement of Net Position
June 30, 2025

(Amounts in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 8,712,602	\$ 1,047,563	\$ 9,760,165	\$ 654,916
Investment purchases payable	11,056	20,395	31,451	—
Tax refunds payable	1,366,352	—	1,366,352	—
Tuition benefits payable—Note 6	—	307,459	307,459	—
Securities lending obligations	116,216	112,062	228,278	20,254
Internal balances—Note 5	128,794	(128,838)	(44)	—
Due to pension trust funds—Note 5	209,158	4,783	213,941	—
Due to primary government—Note 5	—	—	—	62,071
Due to component units—Note 5	6,780	88	6,868	1,893
Due to political subdivisions	2,291,360	7,591	2,298,951	—
Due to other governments	14,672	430,613	445,285	1
Interest payable	158,118	13,932	172,050	422,564
Unearned revenue	729,865	316,633	1,046,498	201,578
Notes payable—Note 16	—	—	—	231,061
General obligation bonds payable—Note 6	1,025,940	—	1,025,940	—
Bonds payable—Note 16	—	—	—	98,750
Revenue bonds payable—Note 6, 16	—	149,360	149,360	516,849
Self-insurance liabilities—Note 6, 8	112,106	5,325	117,431	10,138
Compensated absence liability—Note 6, 16	148,251	7,034	155,285	27,037
Insurance loss liability—Note 6	—	109,769	109,769	—
Other financing obligations—Note 6	20,815	—	20,815	4,173
Other postemployment benefit liability—Note 10, 16	115,838	382	116,220	45,857
Nonexchange financial guarantees—Note 14	—	15,285	15,285	—
Installment purchase liability—Note 6	3,212	—	3,212	—
Right-to-use liability—Note 6	174,602	68,120	242,722	57,924
Other liabilities—Note 6	473,884	16,730	490,614	417,621
Total current liabilities	15,819,621	2,504,286	18,323,907	2,772,687
Noncurrent liabilities:				
Tuition benefits payable—Note 6	—	1,461,690	1,461,690	—
Due to primary government—Note 5	—	—	—	14,093
Unearned revenue	—	—	—	295
Insurance loss liability—Note 6	—	974,156	974,156	—
Notes payable—Note 16	—	—	—	1,133,813
General obligation bonds payable—Note 6	10,584,097	—	10,584,097	—
Bonds payable—Note 16	—	—	—	2,090,090
Revenue bonds payable—Note 6, 16	—	3,852,132	3,852,132	24,329,405
Other financing obligations—Note 6, 16	916,405	—	916,405	9,376
Compensated absence liability—Note 6, 16	802,542	40,075	842,617	145,997
Self-insurance liabilities—Note 6, 8	962,414	52,854	1,015,268	45,308
Other postemployment benefit liability—Note 10, 16	13,473,543	496,315	13,969,858	1,280,455
Net pension liability—Note 9, 16	16,636,157	828,919	17,465,076	1,448,073
Installment purchase liability—Note 6	3,879	—	3,879	—
Right-to-use liability—Note 6	1,020,610	186,736	1,207,346	64,646
Other liabilities—Note 6	2,270,465	388	2,270,853	449,372
Total noncurrent liabilities	46,670,112	7,893,265	54,563,377	31,010,923
TOTAL LIABILITIES	62,489,733	10,397,551	72,887,284	33,783,610
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10, 16	7,429,668	414,611	7,844,279	1,456,768
NET POSITION—Note 15				
Net investment in capital assets	40,565,561	1,067,998	41,633,559	354,806
Restricted for:				
General government operations	806	—	806	—
Health-related programs	159,751	—	159,751	107,243
Transportation	2,727,961	142,107	2,870,068	—
Capital projects	—	—	—	5,055,570
Debt service	—	—	—	597,486
Unemployment/workers' compensation	1,038,261	2,592,256	3,630,517	—
Environmental and conservation programs	798,513	—	798,513	—
Economic development	6,617	49,382	55,999	136,087
Gaming/horse racing regulation	1,965,197	—	1,965,197	—
Correctional industries and procurement	25,272	—	25,272	—
Emergency support	113,514	141,658	255,172	—
Higher education	—	873,114	873,114	1,119,313
Beneficiaries	819,120	—	819,120	—
Human services	98,170	—	98,170	—
Public protection	106,584	—	106,584	—
Other purposes	—	186,491	186,491	233,992
Unrestricted	(15,150,089)	(2,583,215)	(17,733,304)	(6,688,747)
TOTAL NET POSITION	\$ 33,275,238	\$ 2,469,791	\$ 35,745,029	\$ 915,750

- 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, 2025

(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	
Primary government:								
Governmental activities:								
Direction and supportive services	\$ 1,895,556	\$ 659,473	\$ 140,012	\$ —	\$ (1,096,071)	\$ —	\$ (1,096,071)	\$ —
Protection of persons and property	9,394,452	2,185,338	1,912,392	89,217	(5,207,505)	—	(5,207,505)	—
Public education	22,109,778	8,557	1,921,133	—	(20,180,088)	—	(20,180,088)	—
Health and human services	63,253,714	4,836,775	38,020,956	—	(20,395,983)	—	(20,395,983)	—
Economic development	2,117,997	108,639	673,121	—	(1,336,237)	—	(1,336,237)	—
Transportation	7,934,408	1,858,081	3,053,576	13,637	(3,009,114)	—	(3,009,114)	—
Recreation and cultural enrichment	916,516	383,199	184,971	4	(348,342)	—	(348,342)	—
Interest	340,638	—	—	—	(340,638)	—	(340,638)	—
Total governmental activities	107,963,059	10,040,062	45,906,161	102,858	(51,913,978)	—	(51,913,978)	—
Business-Type activities:								
State lottery	4,625,218	4,449,244	26,323	—	—	(149,651)	(149,651)	—
State workers' insurance	17,667	105,741	54,380	—	—	142,454	142,454	—
Tuition payment	302,096	214,892	256,682	—	—	169,478	169,478	—
Unemployment compensation	2,112,213	2,468,648	21,984	—	—	378,419	378,419	—
Commonwealth financing	451,104	7,255	106,196	47,371	—	(290,282)	(290,282)	—
Liquor control	2,448,041	2,575,080	12,892	—	—	139,931	139,931	—
Economic development and other	95,366	62,645	26,717	16,971	—	10,967	10,967	—
Total business-type activities	10,051,705	9,883,505	505,174	64,342	—	401,316	401,316	—
Total primary government	\$ 118,014,764	\$ 19,923,567	\$ 46,411,335	\$ 167,200	(51,913,978)	401,316	(51,512,662)	—
Component units:								
Total component units	\$ 6,619,351	\$ 3,725,189	\$ 3,649,352	\$ 268,312	\$ —	\$ —	\$ —	\$ 1,023,502
General revenues:								
Taxes:								
					17,956,745	—	17,956,745	—
					16,190,160	—	16,190,160	—
					6,690,503	—	6,690,503	—
					3,597,730	—	3,597,730	—
					2,765,226	—	2,765,226	—
					1,705,703	—	1,705,703	—
					886,105	—	886,105	—
					712,504	—	712,504	—
					1,159,031	—	1,159,031	—
					51,663,707	—	51,663,707	—
					987,588	—	987,588	—
					52,651,295	—	52,651,295	—
					(807,773)	807,773	—	—
					51,843,522	807,773	52,651,295	—
					(70,456)	1,209,089	1,138,633	1,023,502
					33,345,694	1,260,702	34,606,396	(104,111)
					—	—	—	(3,641)
					33,345,694	1,260,702	34,606,396	(107,752)
					\$ 33,275,238	\$ 2,469,791	\$ 35,745,029	\$ 915,750

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



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Fund Financial Statements

Commonwealth of Pennsylvania
Balance Sheet
Governmental Funds
June 30, 2025

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
ASSETS				
Cash—Note 2	\$ 156,712	\$ 55,583	\$ 41,342	\$ 253,637
Cash with fiscal agents—Note 2	38,099	—	6,516	44,615
Temporary investments—Note 2	10,664,259	1,343,679	7,776,388	19,784,326
Long-term investments—Note 2	8,837,582	1,880,024	4,573,876	15,291,482
Receivables (net):				
Taxes—Note 3	5,481,930	298,686	34,845	5,815,461
Accounts	2,210,896	42,077	248,155	2,501,128
Investment earnings	33,956	4,145	35,268	73,369
Interest on notes and loans	25	—	—	25
Loans—Note 3	29,219	—	—	29,219
Investment sale proceeds	—	—	6,521	6,521
Lease Rentals—Note 3	2,521	—	191	2,712
Other	130,400	33,237	—	163,637
Due from other funds—Note 5	568,694	3,452	190,279	762,425
Due from pension trust funds—Note 5	869	21	74	964
Due from component units—Note 5	29,524	77	39,751	69,352
Due from Federal Government	3,918,136	415,002	34,262	4,367,400
Due from political subdivisions	2,168	845	—	3,013
Due from other governments	157	90	—	247
Advances to other funds—Note 5	4,475	—	16,500	20,975
Other assets	3,000	—	—	3,000
TOTAL ASSETS	\$ 32,112,622	\$ 4,076,918	\$ 13,003,968	\$ 49,193,508
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 7,325,602	\$ 877,910	\$ 460,692	\$ 8,664,204
Investment purchases payable	—	—	11,056	11,056
Tax refunds payable	1,363,840	2,512	—	1,366,352
Securities lending obligations	2,256	32,067	81,432	115,755
Due to other funds—Note 5	174,910	66,479	683,856	925,245
Due to component units—Note 5	3,462	182	3,131	6,775
Due to pension trust funds—Note 5	198,152	7,394	3,445	208,991
Due to political subdivisions	1,921,532	75,137	294,685	2,291,354
Due to other governments	10,384	3,331	918	14,633
Unearned revenue—Note 3	336,112	37,165	356,588	729,865
Advances from other funds—Note 5	—	3,989	16,500	20,489
Other liabilities	429,263	—	—	429,263
TOTAL LIABILITIES	11,765,513	1,106,166	1,912,303	14,783,982
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES - Note 3	4,386,179	—	172,911	4,559,090
Fund balances—Note 15:				
Nonspendable	26,252	—	—	26,252
Restricted	146,239	2,970,752	9,479,200	12,596,191
Committed	11,472,830	—	1,450,729	12,923,559
Unassigned (deficit)	4,315,609	—	(11,175)	4,304,434
TOTAL FUND BALANCES	15,960,930	2,970,752	10,918,754	29,850,436
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 32,112,622	\$ 4,076,918	\$ 13,003,968	\$ 49,193,508

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

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position

June 30, 2025

(Amounts in thousands)

The governmental funds balance sheet reports the 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 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 the total governmental funds fund balance and ends with the 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 \$ **29,850,436**

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	\$	4,056,288	
Land improvements		1,240,156	
Buildings and building improvements		10,227,423	
Machinery and equipment		2,354,741	
Infrastructure		64,898,731	
Intangible right-to-use leases		1,610,078	
Other intangible assets		1,816,134	
Construction in progress		7,474,752	
Accumulated depreciation and amortization		<u>(46,117,319)</u>	
Net general capital assets			47,560,984

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 4,556,280

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 (21,310)

Other miscellaneous adjustments that are not reported in the governmental funds balance sheet but are reported in the statement of net position (2)

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 16,437

The statement of net position includes inventories that are not reported in the governmental funds balance sheet because they are not current financial resources 140,152

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. (13,958,602)

Commonwealth of Pennsylvania
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position

June 30, 2025

(Amounts in thousands)

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..... (17,141,238)

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..... 237,920

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	\$	(11,610,037)	
Accrued interest payable		(158,118)	
Lease and installment purchase liabilities		(926,616)	
Compensated absence liability		(947,746)	
Self-insurance liabilities		(1,070,996)	
Other financing obligations		(937,220)	
Other liabilities		<u>(2,315,086)</u>	
			<u>(17,965,819)</u>

Total Net Position—Governmental Activities **\$ 33,275,238**

- 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, 2025

(Amounts in thousands)

	General Fund	Motor License Fund	Nonmajor Funds	Total
REVENUES:				
Taxes, net of refunds	\$ 43,170,272	\$ 3,535,358	\$ 4,701,107	\$ 51,406,737
Licenses and fees	708,274	1,344,635	1,500,227	3,553,136
Intergovernmental	42,122,117	2,607,565	569,371	45,299,053
Charges for sales and services	4,814,096	118,522	670,251	5,602,869
Investment earnings	986,709	193,385	681,535	1,861,629
Interest on notes and loans	345	—	6	351
Other	613,004	3,718	254,233	870,955
TOTAL REVENUES	92,414,817	7,803,183	8,376,730	108,594,730
EXPENDITURES:				
Current:				
Direction and supportive services	1,123,698	39,060	682,633	1,845,391
Protection of persons and property	7,486,600	589,125	1,319,263	9,394,988
Health and human services	62,897,654	—	673,159	63,570,813
Public education	21,089,370	—	956,242	22,045,612
Recreation and cultural enrichment	454,339	8,532	412,153	875,024
Economic development	1,074,518	—	1,047,533	2,122,051
Transportation	60,301	3,418,847	2,244,562	5,723,710
Capital outlay	502,318	3,427,056	761,577	4,690,951
Debt service:				
Principal retirement	19,595	—	920,881	940,476
Interest and fiscal charges	49,862	775	452,107	502,744
TOTAL EXPENDITURES	94,758,255	7,483,395	9,470,110	111,711,760
EXCESS/(DEFICIENCY) OF REVENUES				
OVER/(UNDER) EXPENDITURES	(2,343,438)	319,788	(1,093,380)	(3,117,030)
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,395,000	1,395,000
Refunding bonds issued	—	—	1,396,365	1,396,365
Premium on bonds/refunding bonds	—	—	240,720	240,720
Other financing obligation proceeds	500,000	—	—	500,000
Transfers in—Note 5	535,836	16,016	1,863,245	2,415,097
Transfers out—Note 5	(1,889,072)	(138,889)	(1,194,909)	(3,222,870)
Payment to refunded bond escrow agent	—	—	(1,499,472)	(1,499,472)
Right-to-use and installment purchases	244,929	41,089	7,234	293,252
NET OTHER FINANCING SOURCES (USES)	(608,307)	(81,784)	2,208,183	1,518,092
NET CHANGE IN FUND BALANCES	(2,951,745)	238,004	1,114,803	(1,598,938)
FUND BALANCES, JULY 1, 2024	18,912,675	2,732,748	9,803,951	31,449,374
FUND BALANCES, JUNE 30, 2025	\$ 15,960,930	\$ 2,970,752	\$ 10,918,754	\$ 29,850,436

- 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, 2025

(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, 2025. 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..... \$ **(1,598,938)**

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	\$ 4,690,951	
Depreciation expense and losses on retirement or sale of assets	(2,818,212)	
Lease, installment purchase and related payments	196,385	
Net excess of capital asset additions/installment purchase payments over depreciation expense		2,069,124

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

General obligation bonds including a premium of \$135,204	\$ (1,530,204)	
Refunding bonds including a premium of \$105,516	(1,501,881)	
Other financing obligations	(500,000)	
Lease and installment purchase financing	(293,252)	
Total bond proceeds and lease and installment purchase financing		(3,825,337)

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 this amount consisted of retirement of bond principal:

Bond principal retirement	\$ 940,476	
Payments to refunded bond escrow agent	1,499,472	
Total bond principal retirement		2,439,948

Internal service funds charge the costs of certain goods and services to individual funds. The net gain of the internal service funds is reported as part of governmental activities expenses..... 12,659

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..... 96,713

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..... 735,375

Net change in governmental net position in the statement of activities..... \$ **(70,456)**

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

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds
June 30, 2025

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2024)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
ASSETS									
Current assets:									
Cash—Note 2	\$ 65,244	\$ 3,167	\$ 171	\$ 13,324	\$ 51,401	\$ 2,463,228	\$ 28,298	\$ 2,624,833	\$ 1,787
Cash with fiscal agents	2,002,798	—	—	—	—	—	1	2,002,799	—
Temporary investments—Note 2	25,606	86,559	455,711	216,118	171,318	—	153,019	1,108,331	35,046
Receivables (net):									
Unemployment assessments	602,001	—	—	—	—	—	—	602,001	—
Accounts	447,067	30,437	63,275	—	932	—	2,248	543,959	365
Investment earnings	138	10,870	1,658	10,974	694	—	397	24,731	111
Interest on loans	17,763	—	—	—	—	961	756	19,480	—
Loans—Note 3	—	—	—	—	—	21,870	22,164	44,034	—
Lease rental—Note 3	—	—	—	—	—	—	14,177	14,177	—
Investment sale proceeds	—	—	—	10,339	—	—	—	10,339	—
Other	—	—	—	8	—	—	—	8	—
Due from other funds—Note 5	5,947	—	12	1	33	204,058	6,970	217,021	37,588
Due from pension trust funds—Note 5	—	—	—	—	—	—	—	—	4,971
Due from component units—Note 5	—	—	—	—	—	—	—	—	50
Due from Federal Government	211	—	—	—	—	—	2	213	—
Due from political subdivisions	5,360	—	—	—	—	—	—	5,360	44
Due from other governments	5,511	—	—	—	—	—	47	5,558	—
Advances to other funds—Note 5	—	—	—	—	—	—	1,814	1,814	—
Inventory	—	—	—	—	241,581	—	4	241,585	24,692
Prepaid expenses	—	—	—	—	1,697	—	1,111	2,808	—
Other assets	—	9,840	31,249	—	—	—	—	41,089	—
Total current assets	3,177,646	140,873	552,076	250,764	467,656	2,690,117	231,008	7,510,140	104,654
Noncurrent assets:									
Restricted cash	—	—	—	—	—	—	393	393	—
Long-term investments—Note 2	—	1,138,325	4	2,463,980	—	—	246,873	3,849,182	27,030
Receivables (net):									
Loans—Note 3	—	—	—	—	—	239,315	116,128	355,443	—
Lease rentals—Note 3	—	—	—	—	—	—	97,844	97,844	—
Non-depreciable capital assets—Note 4:									
Land	—	—	—	—	—	—	277,803	277,803	—
Construction in progress	—	—	—	—	—	—	102,988	102,988	—
Depreciable or amortizable capital assets—Note 4:									
Land improvements	—	—	—	—	—	—	180,621	180,621	192
Buildings and building improvements	115	—	—	—	2,512	—	601,777	604,404	6,432
Machinery and equipment	355	—	317,362	—	49,114	—	87,377	454,208	217,124
Intangible right-to-use assets	2,673	654	9,436	—	552,110	—	—	564,873	315,605
Other intangible assets	18,072	58,546	—	—	78,029	—	—	154,647	—
Less: accumulated depreciation and amortization	(7,689)	(8,429)	(149,368)	—	(388,676)	—	(462,528)	(1,016,690)	(236,700)
Net depreciable or amortizable capital assets	13,526	50,771	177,430	—	293,089	—	407,247	942,063	302,653
Other assets	—	—	—	—	—	—	7,920	7,920	—
Total noncurrent assets	13,526	1,189,096	177,434	2,463,980	293,089	239,315	1,257,196	5,633,636	329,683
TOTAL ASSETS	3,191,172	1,329,969	729,510	2,714,744	760,745	2,929,432	1,488,204	13,143,776	434,337
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3, 6, 9, 10	\$ 134,699	\$ 8,716	\$ 23,648	\$ —	\$ 173,377	\$ 355	\$ 16,217	\$ 357,012	\$ 22,848

Commonwealth of Pennsylvania
Statement of Net Position
Proprietary Funds
June 30, 2025

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2024)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
LIABILITIES									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 71,865	\$ 3,884	\$ 567,131	\$ 14,397	\$ 368,384	\$ 67	\$ 21,835	\$ 1,047,563	\$ 48,404
Investment purchases payable	—	—	—	20,395	—	—	—	20,395	—
Tuition benefits payable—Note 6	—	—	—	307,459	—	—	—	307,459	—
Securities lending obligations	—	34,436	—	73,415	—	—	4,211	112,062	461
Due to other funds—Note 5	29,782	—	32,711	—	23,686	1,235	94	87,508	4,047
Due to pension trust funds—Note 5	12	—	239	—	4,313	—	219	4,783	167
Due to component units—Note 5	—	—	—	—	39	—	49	88	5
Due to political subdivisions	2	—	7,518	—	—	—	71	7,591	4
Due to other governments	428,364	—	970	—	1,243	—	36	430,613	38
Interest payable	—	—	—	—	—	13,932	—	13,932	—
Unearned revenue	—	29,357	2,165	—	—	282,541	2,570	316,633	—
Revenue bonds payable—Note 6	—	—	—	—	—	149,360	—	149,360	—
Self-insurance liabilities—Note 8	238	39	100	—	4,842	—	106	5,325	322
Compensated absences—Note 6	—	363	598	—	5,622	—	451	7,034	457
Insurance loss liability—Note 6	—	109,769	—	—	—	—	—	109,769	—
Advances from other funds—Note 5	—	2,489	—	—	—	—	—	2,489	—
Other postemployment benefit liability—Note 10	—	—	—	—	163	—	219	382	—
Nonexchange financial guarantees—Note 14	—	—	—	—	—	15,285	—	15,285	—
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	366
Right-to-use liability—Note 6	—	125	829	—	67,166	—	—	68,120	9,758
Other liabilities	—	16,730	—	—	—	—	—	16,730	—
Total current liabilities	530,263	197,192	612,261	415,666	475,458	462,420	29,861	2,723,121	64,029
Noncurrent liabilities:									
Tuition benefits payable—Note 6	—	—	—	1,461,690	—	—	—	1,461,690	—
Insurance loss liability—Note 6	—	973,662	—	—	—	—	494	974,156	—
Revenue bonds payable—Note 6	—	—	—	—	—	3,852,132	—	3,852,132	—
Compensated absences—Note 6	—	2,058	3,389	221	31,855	—	2,552	40,075	2,590
Self-insurance liabilities—Note 8	2,363	383	995	—	48,064	—	1,049	52,854	3,202
Other postemployment benefit liability—Note 10	81,616	16,888	38,603	—	338,838	—	20,370	496,315	25,714
Net pension liability—Note 9	106,609	35,144	69,326	—	576,140	—	41,700	828,919	55,132
Installment purchase liability—Note 6	—	—	—	—	—	—	—	—	277
Right-to-use liability—Note 6	—	124	2,348	—	184,264	—	—	186,736	265,286
Other liabilities	—	—	—	—	—	—	388	388	—
Total noncurrent liabilities	190,588	1,028,259	114,661	1,461,911	1,179,161	3,852,132	66,553	7,893,265	352,201
TOTAL LIABILITIES	720,851	1,225,451	726,922	1,877,577	1,654,619	4,314,552	96,414	10,616,386	416,230
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3, 6, 9, 10	46,623	15,327	22,082	—	193,571	9,493	127,515	414,611	24,518
NET POSITION—Note 15									
Net investment in capital assets	13,526	50,522	174,253	—	41,659	—	788,038	1,067,998	26,966
Restricted for:									
Transportation	—	—	—	—	—	—	142,107	142,107	—
Unemployment/workers' compensation	2,544,871	47,385	—	—	—	—	—	2,592,256	—
Economic development	—	—	—	—	—	—	49,382	49,382	—
Correctional industries and procurement	—	—	—	—	—	—	—	—	25,272
Emergency support	—	—	—	—	—	—	141,658	141,658	—
Higher education	—	—	—	873,114	—	—	—	873,114	—
Other purposes	—	—	—	—	—	—	186,491	186,491	—
Unrestricted	—	—	(170,099)	(35,947)	(955,727)	(1,394,258)	(27,184)	(2,583,215)	(35,801)
TOTAL NET POSITION (DEFICIT)	\$ 2,558,397	\$ 97,907	\$ 4,154	\$ 837,167	\$ (914,068)	\$ (1,394,258)	\$ 1,280,492	\$ 2,469,791	\$ 16,437

- 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, 2025

(Amounts in thousands)

	Enterprise Funds								
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2024)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	Internal Service Funds
OPERATING REVENUES:									
Sales and services—Note 3	\$ 2,468,647	\$ 73,419	\$ 4,449,243	\$ 214,892	\$ 2,574,996	\$ 869	\$ 53,912	\$ 9,835,978	\$ 144,620
Interest on loans	—	—	—	—	—	4,870	3,104	7,974	—
Other	—	32,322	1	—	—	1,516	279	34,118	—
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS	2,468,647	105,741	4,449,244	214,892	2,574,996	7,255	57,295	9,878,070	144,620
Provision for uncollectible accounts	—	—	—	—	—	(2,793)	(120)	(2,913)	—
NET OPERATING REVENUES	2,468,647	105,741	4,449,244	214,892	2,574,996	4,462	57,175	9,875,157	144,620
OPERATING EXPENSES:									
Cost of sales and services	2,109,071	10,786	4,600,258	300,819	2,351,882	284,221	50,285	9,707,322	94,934
Depreciation and amortization	3,142	5,657	24,882	—	89,429	—	35,982	159,092	35,638
Other	—	—	—	—	—	—	6,425	6,425	—
TOTAL OPERATING EXPENSES	2,112,213	16,443	4,625,140	300,819	2,441,311	284,221	92,692	9,872,839	130,572
OPERATING INCOME (LOSS)	356,434	89,298	(175,896)	(85,927)	133,685	(279,759)	(35,517)	2,318	14,048
NONOPERATING REVENUES (EXPENSES):									
Investment earnings	21,774	54,380	22,940	256,682	12,892	106,196	26,350	501,214	3,565
Interest expense	—	(7)	(78)	—	(6,145)	(164,090)	—	(170,320)	(4,942)
Investment expense	—	(1,217)	—	(1,277)	—	—	—	(2,494)	—
Grants and other revenues	211	—	3,383	—	84	—	5,717	9,395	—
Capital grants and contributions	—	—	—	—	—	47,371	—	47,371	—
Other expenses	—	—	—	—	(585)	—	(2,554)	(3,139)	(12)
NONOPERATING REVENUES (EXPENSES), NET	21,985	53,156	26,245	255,405	6,246	(10,523)	29,513	382,027	(1,389)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	378,419	142,454	(149,651)	169,478	139,931	(290,282)	(6,004)	384,345	12,659
TRANSFERS AND CONTRIBUTIONS:									
Capital contributions	—	—	—	—	—	—	16,971	16,971	—
Transfers in—Note 5	—	—	204,515	—	—	984,402	81,076	1,269,993	—
Transfers out—Note 5	(5,000)	—	(255,907)	—	(201,068)	(245)	—	(462,220)	—
TRANSFERS AND CONTRIBUTIONS, NET	(5,000)	—	(51,392)	—	(201,068)	984,157	98,047	824,744	—
INCREASE/(DECREASE) IN NET POSITION	373,419	142,454	(201,043)	169,478	(61,137)	693,875	92,043	1,209,089	12,659
TOTAL NET POSITION (DEFICIT), JULY 1, 2024	2,184,978	(44,547)	205,197	667,689	(852,931)	(2,088,133)	1,188,449	1,260,702	3,778
TOTAL NET POSITION (DEFICIT), JUNE 30, 2025	\$ 2,558,397	\$ 97,907	\$ 4,154	\$ 837,167	\$ (914,068)	\$ (1,394,258)	\$ 1,280,492	\$ 2,469,791	\$ 16,437

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

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2024)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:									
Receipts from employers	\$ 2,368,224	\$ 67,339	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,435,563	\$ —
Receipts from customers and participants	—	—	4,444,679	214,892	2,575,682	—	51,465	7,286,718	155,629
Receipts from borrowers for fees and loan repayments	—	—	—	—	—	29,998	29,111	59,109	—
Receipt of premiums	—	—	—	—	—	—	4,755	4,755	—
Payments to programs for the elderly	—	—	(908,672)	—	—	—	—	(908,672)	—
Payments to prize winners	—	—	(3,002,328)	—	—	—	—	(3,002,328)	—
Payments to participants	—	—	—	(247,421)	—	—	—	(247,421)	—
Payments to claimants	(1,977,109)	(79,978)	—	—	—	—	—	(2,057,087)	—
Payments to borrowers	—	—	—	—	—	(23,993)	(25,341)	(49,334)	—
Payments for vendors, employees and other costs	—	(78,226)	(811,545)	(3,171)	(2,388,936)	(6,326)	(62,969)	(3,351,173)	(123,720)
Payments of grants and loan guarantees	—	—	—	—	—	(278,424)	—	(278,424)	—
Other receipts	—	32,322	1	—	—	—	34	32,357	389
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	391,115	(58,543)	(277,865)	(35,700)	186,746	(278,745)	(2,945)	(75,937)	32,298
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:									
Net advances from (to) other funds	—	87	—	—	—	—	362	449	—
Principal payments on other non-capital debt	—	—	—	—	—	(157,015)	—	(157,015)	—
Interest payments on other non-capital debt	—	—	—	—	—	(174,994)	—	(174,994)	—
Transfers in	—	—	204,515	—	—	987,775	1	1,192,291	—
Transfers out	(5,000)	—	(255,907)	—	(198,364)	(245)	—	(459,516)	—
Grants and other revenues	463	—	2,404	—	—	—	647	3,514	—
Bond issuance costs	—	—	—	—	—	—	(1,783)	(1,783)	—
Right-to-use lease interest	—	—	—	—	—	—	5,529	5,529	—
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	(4,537)	87	(48,988)	—	(198,364)	655,521	4,756	408,475	—
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:									
Acquisition and construction of capital assets	(6,057)	(1,925)	(16,640)	—	(7,466)	—	(122,049)	(154,137)	(17,848)
Proceeds from disposal of capital assets	—	—	—	—	—	—	—	—	5,119
Principal paid on capital financing	(888)	(132)	(944)	—	(68,998)	—	—	(70,962)	(9,540)
Interest paid on capital financing	—	(7)	(78)	—	(6,145)	—	—	(6,230)	(4,942)
Transfers in	—	—	—	—	—	—	102,983	102,983	—
Capital contributions	—	—	—	—	—	—	16,971	16,971	—
Maintenance payments	—	—	—	—	—	—	(5,011)	(5,011)	—
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(6,945)	(2,064)	(17,662)	—	(82,609)	—	(7,106)	(116,386)	(27,211)
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of investments	(17,675)	(1,146,854)	(1,633,926)	(1,420,505)	(1,664,848)	—	(85,453)	(5,969,261)	(248,838)
Sales and maturities of investments	57,242	1,164,303	1,953,302	1,396,508	1,733,535	—	72,034	6,376,924	241,348
Investment earnings	21,917	45,525	24,549	65,588	12,198	106,196	15,317	291,290	2,256
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	61,484	62,974	343,925	41,591	80,885	106,196	1,898	698,953	(5,234)
NET INCREASE (DECREASE) IN CASH	441,117	2,454	(590)	5,891	(13,342)	482,972	(3,397)	915,105	(147)
CASH AT JULY 1, 2024	1,626,925	713	761	7,433	64,743	1,980,256	32,089	3,712,920	1,934
CASH AT JUNE 30, 2025 (including \$393 in restricted assets)	\$ 2,068,042	\$ 3,167	\$ 171	\$ 13,324	\$ 51,401	\$ 2,463,228	\$ 28,692	\$ 4,628,025	\$ 1,787

Commonwealth of Pennsylvania
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Enterprise Funds								Internal Service Funds
	Unemployment Compensation Fund	State Workers' Insurance Fund (Dec. 31, 2024)	State Lottery Fund	Tuition Payment Fund	State Stores Fund	Commonwealth Financing Authority	Nonmajor Funds	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES									
Operating income (loss)	\$ 356,434	\$ 89,298	\$ (175,896)	\$ (85,927)	\$ 133,685	\$ (279,759)	\$ (35,517)	\$ 2,318	\$ 14,048
Depreciation and amortization of capital assets	3,142	5,657	24,882	—	89,429	—	35,982	159,092	35,638
Amortization of other assets	—	—	—	—	—	—	6,425	6,425	—
Provision for uncollectible accounts	—	—	—	—	—	(2,793)	120	(2,673)	—
Other adjustments	—	—	—	—	—	—	—	—	(5,119)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:									
Unemployment assessments receivable	(23,526)	—	—	—	—	—	—	(23,526)	—
Accounts receivable	37,965	(6,502)	(6,847)	—	611	—	43	25,270	77
Interest on loans receivable	(3,155)	—	—	—	—	221	91	(2,843)	—
Loans receivable	—	—	—	—	—	4,085	553	4,638	—
Lease rental receivable	—	—	—	—	—	—	1,976	1,976	—
Other receivables	—	—	—	8	—	—	—	8	—
Due from other funds	(4,065)	—	256	(4)	13	—	(1,869)	(5,669)	(5,020)
Due from pension trust funds	—	—	—	—	—	—	—	—	250
Due from component units	—	—	—	—	—	—	—	—	81
Due from political subdivisions	(858)	—	—	—	—	—	—	(858)	106
Due from other governments	2,824	—	—	—	—	—	(4)	2,820	—
Inventory	—	—	—	—	(23,248)	—	—	(23,248)	(3,846)
Prepaid expenses	—	—	—	—	526	—	—	526	—
Other current and noncurrent assets	—	(204)	(2,331)	—	—	—	5	(2,530)	—
Deferred outflows	(109,608)	898	4,410	—	40,726	—	1,049	(62,525)	7,984
Accounts payable and accrued liabilities	(18,617)	(4,672)	12,186	6,532	3,921	26	(6,662)	(7,286)	2,780
Tuition benefits payable	—	—	—	43,658	—	—	—	43,658	—
Due to other funds	28,178	—	(126,546)	—	5,041	375	8	(92,944)	(1,264)
Due to pension trust funds	2	—	37	—	408	—	14	461	24
Due to component units	—	—	—	—	16	—	49	65	2
Due to political subdivisions	2	—	611	—	—	—	17	630	(1)
Due to other governments	(44,724)	—	89	—	108	—	3	(44,524)	7
Unearned revenue	—	(272)	(52)	—	—	—	38	(286)	—
Self-insurance liabilities	169	(58)	(192)	—	4,200	—	185	4,304	326
Compensated absences	—	116	100	33	1,782	—	112	2,143	(149)
Insurance loss liability	—	(139,258)	—	—	—	—	328	(138,930)	—
Other postemployment benefit liability	75,694	63	(1,059)	—	(19,369)	—	633	55,962	(8,566)
Nonexchange financial guarantees	—	—	—	—	—	(900)	—	(900)	—
Net pension liability	59,804	(1,498)	(3,334)	—	(12,895)	—	(1,603)	40,474	(5,760)
Other current and noncurrent liabilities	—	2,381	—	—	—	—	21	2,402	—
Deferred inflows	31,454	(4,492)	(4,179)	—	(38,208)	—	(4,942)	(20,367)	700
Total Adjustments	34,681	(147,841)	(101,969)	50,227	53,061	1,014	32,572	(78,255)	18,250
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ 391,115	\$ (58,543)	\$ (277,865)	\$ (35,700)	\$ 186,746	\$ (278,745)	\$ (2,945)	\$ (75,937)	\$ 32,298
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:									
Increase (decrease) in fair value of investments during the fiscal year	\$ —	\$ 3,722	\$ —	\$ 137,383	\$ —	\$ —	\$ 12,024	\$ 153,129	\$ 1,317
Increase (decrease) in investment receivables	(144)	(1,069)	(1,609)	(610)	694	—	(61)	(2,799)	(7)
Increase in investment payables	—	390	—	4,121	(6)	—	—	4,505	—
Increase (decrease) in investments from changes in securities lending obligations	—	(2,691)	—	28,051	—	—	(3,166)	22,194	(347)
Disposals of capital assets	—	—	—	—	(20,733)	—	(3,054)	(23,787)	(5,677)
Right-to-use asset acquisitions	—	67	—	—	66,206	—	—	66,273	—
Right-to-use asset terminations	—	—	—	—	(8,586)	—	—	(8,586)	—
Amortization of bond premium/discount and deferred refunding loss (net)	—	—	—	—	—	(10,253)	—	(10,253)	—
Transfers from other funds (accruals)	—	—	—	—	—	3,373	99,175	102,548	—
Transfers to other funds (accruals)	—	—	—	—	(6,003)	—	—	(6,003)	—

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, 2025

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2024
ASSETS			
Cash—Note 2	\$ 291,108	\$ 27,812	\$ 828
Cash with fiscal agents	—	11,922	—
Temporary investments—Note 2	934,208	129,657	1,302,921
Long-term investments—Note 2	1,500,001	6,656,577	—
Short-term funds—Note 2	8,060,544	—	—
Corporate obligations—Note 2	2,703,684	—	—
Collective trust funds—Note 2	16,198,685	—	—
Real estate—Note 2	11,657,759	—	—
Alternative—Note 2	24,438,754	—	—
Securities lending collateral—Note 2	135,433	—	—
Asset-backed securities—Note 2	1,419,000	—	—
Domestic equities—Note 2	32,909,966	—	—
International equities—Note 2	10,863,006	—	—
International public debt securities—Note 2	286,764	—	—
Mortgage-backed securities—Note 2	979,404	—	—
Private placements—Note 2	80,105	—	—
U.S. Treasury obligations—Note 2	16,484,531	—	—
U.S. government agency debt securities—Note 2	27,587	—	—
Receivables (net):			
Taxes—Note 3	—	84,093	—
Accounts	—	747,573	—
Investment earnings	442,643	2,955	—
Interest on notes and loans	—	—	2,035
Pension contributions	1,893,433	—	—
Investment sale proceeds	1,275,358	—	33,964
Other	69,331	—	—
Due from other funds—Note 5	23,349	—	—
Due from pension trust funds—Note 5	4,575	—	—
Due from component units—Note 5	1,314	—	—
Due from political subdivisions	6,662	—	—
Due from other governments	33,714	—	—
Depreciable or amortizable capital assets:			
Machinery and equipment	13,459	—	—
Intangible right-to-use assets	82,589	—	—
Other intangible assets	45,264	—	—
Less: accumulated depreciation and amortization	(90,767)	—	—
Net depreciable or amortizable capital assets	50,545	—	—
Other assets	24,840	99,897	—
TOTAL ASSETS	132,796,303	7,760,486	1,339,748
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 3	30,872	—	—
LIABILITIES			
Accounts payable and accrued liabilities	226,291	35,273	124
Investment purchases payable	1,562,433	33,353	34,792
Securities lending obligations	1,069,641	754	—
Due to other funds—Note 5	123	—	—
Due to pension trust funds—Note 5	5,107	—	—
Due to political subdivisions	—	159,378	—
Interest payable	—	—	5,100
Other postemployment benefit liability—Note 10	51,893	—	—
Net pension liability—Note 9	87,628	—	—
Right-to-use liability—Note 6,14	47,909	—	—
Other liabilities	911,438	4,909	—
TOTAL LIABILITIES	3,962,463	233,667	40,016
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 3	23,805	—	—
NET POSITION			
Restricted for:			
Pension benefits	122,141,641	—	—
Postemployment healthcare benefits	1,806,376	—	—
Employee salary deferrals	4,892,890	—	—
INVEST Program participants	—	—	1,299,732
Tuition Account Investment Program participants	—	6,243,834	—
Beneficiaries	—	1,282,985	—
TOTAL NET POSITION	\$ 128,840,907	\$ 7,526,819	\$ 1,299,732

- 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, 2025

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust Funds	Custodial Funds	
		Custodial Funds	External Investment Pool INVEST Program for Local Governments Dec. 31, 2024
ADDITIONS:			
Contributions:			
Pension:			
Employer	\$ 8,750,885	\$ —	\$ —
Employee	2,396,988	—	—
Transfer in from other plans	115,992	—	—
Total contributions	<u>11,263,865</u>	<u>—</u>	<u>—</u>
Investment earnings:			
Net increase (decrease) in fair value of investments	9,614,065	463,545	—
Interest income	1,199,097	214,462	79,026
Dividend income	802,203	—	—
Rental and other income	633,247	—	—
Total investment activity earnings	<u>12,248,612</u>	<u>678,007</u>	<u>79,026</u>
Less investment expenses:			
Investment activity expense	(564,998)	(584)	(1,653)
Net investment earnings	<u>11,683,614</u>	<u>677,423</u>	<u>77,373</u>
Securities lending activities:			
Income	2,252	—	—
Expenses	(225)	—	—
Total securities lending income	<u>2,027</u>	<u>—</u>	<u>—</u>
Total net investment earnings	<u>11,685,641</u>	<u>677,423</u>	<u>77,373</u>
Share transactions (at net asset value of \$1.00 per share):			
Shares issued in lieu of cash distributions	—	—	68,701
Shares purchased/redeemed (net)	—	200,159	(197,901)
Net increase in net position from share transactions	<u>—</u>	<u>200,159</u>	<u>(129,200)</u>
Tax collections for other governments	—	1,509,310	—
Member resources	—	114,888	—
Other additions	—	35,581	—
TOTAL ADDITIONS	<u>22,949,506</u>	<u>2,537,361</u>	<u>(51,827)</u>
DEDUCTIONS:			
Benefit payments	13,123,673	—	—
Refunds of contributions	68,353	—	—
Transfers to other plans	274,961	—	—
Administrative expenses	159,723	38,596	—
Payments of taxes to other governments	—	1,512,187	—
Distributions to participants	18,908	—	77,374
Member/claimant distributions	—	601,322	—
Other expenses	5,956	17,440	—
TOTAL DEDUCTIONS	<u>13,651,574</u>	<u>2,169,545</u>	<u>77,374</u>
CHANGE IN FIDUCIARY NET POSITION:			
Pension benefits	8,677,965	—	—
Postemployment healthcare benefits	211,978	—	—
Employee salary deferrals	407,989	—	—
INVEST program participants	—	—	(129,201)
Tuition Account Investment Program participants	—	842,890	—
Beneficiaries	—	(475,074)	—
TOTAL CHANGE IN FIDUCIARY NET POSITION	<u>9,297,932</u>	<u>367,816</u>	<u>(129,201)</u>
NET POSITION, JULY 1, 2024	<u>119,542,975</u>	<u>7,159,003</u>	<u>1,428,933</u>
TOTAL NET POSITION, JUNE 30, 2025	<u>\$ 128,840,907</u>	<u>\$ 7,526,819</u>	<u>\$ 1,299,732</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, 2025

(Amounts in thousands)	Pennsylvania Turnpike Commission (May 31, 2025)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
ASSETS							
Current assets:							
Cash—Note 16	\$ 1,305,439	\$ 776,323	\$ 9,359	\$ 358,286	\$ 177,537	\$ 41,697	\$ 2,668,641
Cash with fiscal agents	—	—	—	—	—	340	340
Temporary investments—Note 16	803,424	16,028	1,005,292	1,426,633	304,191	435,520	3,991,088
Receivables (net):							
Accounts	179,552	—	6,633	692	99,040	12,063	297,980
Investment earnings	14,009	2,965	2,366	2,104	—	190	21,634
Interest on notes and loans	—	28,963	104,047	5,718	—	1,772	140,500
Loans—Note 16	—	163,813	299,439	228,771	261	32,905	725,189
Lease rentals	1,887	—	—	—	20,120	232	22,239
Other	—	43,055	—	—	53,175	1,402	97,632
Due from primary government—Note 5	10,695	—	5	3,069	3,794	—	17,563
Due from component units—Note 5	—	1,134	—	759	—	—	1,893
Due from Federal Government	—	—	16,120	5,259	—	9,091	30,470
Due from other governments	806	—	—	—	—	—	806
Inventory	27,261	—	—	—	—	1,175	28,436
Prepaid expenses	—	—	6,360	—	52,820	1,420	60,600
Other assets	—	4,259	24,583	—	9,607	—	38,449
Total current assets	<u>2,343,073</u>	<u>1,036,540</u>	<u>1,474,204</u>	<u>2,031,291</u>	<u>720,545</u>	<u>537,807</u>	<u>8,143,460</u>
Noncurrent assets:							
Restricted cash	—	—	—	—	43,839	1,411	45,250
Long-term investments—Note 16	939,095	335,529	—	—	1,549,055	49,407	2,873,086
Receivables (net):							
Loans—Note 16	—	6,702,024	1,564,967	2,901,948	616	311,948	11,481,503
Lease rentals	46,966	—	—	—	74,369	5,383	126,718
Non-depreciable capital assets—Note 16							
Land	492,466	2,454	8,179	—	33,777	6,690	543,566
Construction in progress	2,374,207	—	—	—	64,112	19,780	2,458,099
Depreciable or amortizable capital assets—Note 16							
Land improvements	227,457	—	—	—	367,646	13,360	608,463
Buildings and building improvements	1,244,617	60,684	73,150	—	3,919,146	842,546	6,140,143
Machinery and equipment	765,855	12,624	35,500	—	578,644	252,907	1,645,530
Turnpike infrastructure	11,201,211	—	—	—	—	—	11,201,211
Library books	—	—	—	—	69,888	395	70,283
Other capital assets	—	—	—	—	—	2	2
Intangible right-to-use assets	22,224	14,524	76,726	—	189,151	18,111	320,736
Other intangible assets	—	—	71,337	—	—	1,888	73,225
Less: accumulated depreciation and amortization	(7,924,644)	(33,878)	(186,109)	—	(2,673,634)	(626,504)	(11,444,769)
Net depreciable or amortizable capital assets	<u>5,536,720</u>	<u>53,954</u>	<u>70,604</u>	<u>—</u>	<u>2,450,841</u>	<u>502,705</u>	<u>8,614,824</u>
Other assets	227,689	80,811	—	—	872,676	4,955	1,186,131
Total noncurrent assets	<u>9,617,143</u>	<u>7,174,772</u>	<u>1,643,750</u>	<u>2,901,948</u>	<u>5,089,285</u>	<u>902,279</u>	<u>27,329,177</u>
TOTAL ASSETS	<u>11,960,216</u>	<u>8,211,312</u>	<u>3,117,954</u>	<u>4,933,239</u>	<u>5,809,830</u>	<u>1,440,086</u>	<u>35,472,637</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES—Note 16	<u>321,490</u>	<u>23,545</u>	<u>54,301</u>	<u>2,327</u>	<u>259,154</u>	<u>22,674</u>	<u>683,491</u>

Commonwealth of Pennsylvania
Statement of Net Position
Discretely Presented Component Units
June 30, 2025

(Amounts in thousands)

	Pennsylvania Turnpike Commission (May 31, 2025)	Pennsylvania Housing Finance Agency	Pennsylvania Higher Education Assistance Agency	Pennsylvania Infrastructure Investment Authority	State System of Higher Education	Nonmajor Discretely Presented Component Units	Total
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	\$ 314,110	\$ 1,656	\$ 77,126	\$ 1,029	\$ 223,655	\$ 37,340	\$ 654,916
Securities lending obligations	—	—	—	19,739	—	515	20,254
Due to primary government—Note 5	5,759	45	1,151	15,334	2,437	37,345	62,071
Due to component units—Note 5	—	759	—	1,134	—	—	1,893
Due to other governments	—	—	—	—	—	1	1
Interest payable	349,864	65,674	4,282	—	2,744	—	422,564
Unearned revenue	133,003	—	17	—	60,329	8,229	201,578
Notes payable—Note 16	—	833	222,040	—	8,188	—	231,061
Bonds Payable—Note 16	—	2,000	—	8,910	87,840	—	98,750
Revenue bonds payable—Note 16	338,919	171,530	6,400	—	—	—	516,849
Self-insurance liabilities	4,092	—	—	—	6,046	—	10,138
Compensated absences	10,467	—	—	140	15,495	935	27,037
Other financing obligations—Note 16	—	—	—	—	—	4,173	4,173
Other postemployment benefit liability—Note 16	—	—	—	—	44,531	1,326	45,857
Lease liability	3,418	886	27,706	—	24,193	1,721	57,924
Other liabilities	—	279,613	24,526	—	113,480	2	417,621
Total current liabilities	1,159,632	522,996	363,248	46,286	588,938	91,587	2,772,687
Noncurrent liabilities:							
Due to primary government—Note 5	—	—	—	14,093	—	—	14,093
Unearned revenue	—	—	—	—	295	—	295
Notes payable—Note 16	—	19,584	918,210	—	195,425	594	1,133,813
Bonds Payable—Note 16	—	23,000	—	—	2,067,090	—	2,090,090
Revenue bonds payable—Note 16	17,299,379	6,218,282	756,675	55,069	—	—	24,329,405
Other financing obligations—Note 16	—	—	—	—	—	9,376	9,376
Compensated absences	8,560	—	15,121	793	118,541	2,982	145,997
Self-insurance liabilities	30,572	—	—	—	14,736	—	45,308
Other postemployment benefit liability—Note 16	—	89,502	119,754	2,889	1,042,486	25,824	1,280,455
Net pension liability—Note 16	283,823	28,146	209,409	8,473	878,739	39,483	1,448,073
Lease liability	4,960	3,433	1,259	—	42,678	12,316	64,646
Other liabilities	21,310	385,001	—	—	42,735	326	449,372
Total noncurrent liabilities	17,648,604	6,766,948	2,020,428	81,317	4,402,725	90,901	31,010,923
TOTAL LIABILITIES	18,808,236	7,289,944	2,383,676	127,603	4,991,663	182,488	33,783,610
TOTAL DEFERRED INFLOWS OF RESOURCES—Note 16	458,150	54,609	174,538	2,340	744,633	22,498	1,456,768
NET POSITION							
Net investment in capital assets	(1,274,378)	27,089	49,818	—	1,038,964	513,313	354,806
Restricted for:							
Health-related programs	—	—	—	—	—	107,243	107,243
Capital projects	183,604	—	—	4,805,623	66,343	—	5,055,570
Debt service	85,251	224,304	287,931	—	—	—	597,486
Economic development	—	—	—	—	—	136,087	136,087
Higher education	—	—	276,292	—	843,021	—	1,119,313
Other purposes	202,693	—	—	—	—	31,299	233,992
Unrestricted	(6,181,850)	638,911	—	—	(1,615,640)	469,832	(6,688,747)
TOTAL NET POSITION (DEFICIT)	\$ (6,984,680)	\$ 890,304	\$ 614,041	\$ 4,805,623	\$ 332,688	\$ 1,257,774	\$ 915,750

- 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, 2025

(Amounts in thousands)

	Pennsylvania					Nonmajor	
	Pennsylvania	Pennsylvania	Higher	Pennsylvania	State System	Discretely	
	Turnpike	Housing	Education	Infrastructure	of Higher	Presented	
	Commission	Finance	Assistance	Investment	Education	Component	
	(May 31, 2025)	Agency	Agency	Authority		Units	Total
Expenses	\$ 1,754,789	\$ 1,271,179	\$ 866,154	\$ 181,085	\$ 2,235,913	\$ 310,231	\$ 6,619,351
Program revenues:							
Charges for goods and services	1,780,012	450,398	243,984	37,663	1,059,044	154,088	3,725,189
Operating grants and contributions	157,068	884,456	653,216	316,099	1,452,765	185,748	3,649,352
Capital grants and contributions	162,660	—	—	52,103	35,710	17,839	268,312
TOTAL PROGRAM REVENUES	2,099,740	1,334,854	897,200	405,865	2,547,519	357,675	7,642,853
Net (expense) revenue	344,951	63,675	31,046	224,780	311,606	47,444	1,023,502
CHANGE IN NET POSITION	344,951	63,675	31,046	224,780	311,606	47,444	1,023,502
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024, previously reported	(7,329,631)	826,629	586,752	4,580,843	20,966	1,210,330	(104,111)
PRIOR PERIOD RESTATEMENTS	—	—	(3,757)	—	116	—	(3,641)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024 (restated)—Note 16	(7,329,631)	826,629	582,995	4,580,843	21,082	1,210,330	(107,752)
TOTAL NET POSITION (DEFICIT), JUNE 30, 2025	\$ (6,984,680)	\$ 890,304	\$ 614,041	\$ 4,805,623	\$ 332,688	\$ 1,257,774	\$ 915,750

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

INDEX TO NOTES

	<u>Page</u>
Note 1 Summary of Significant Accounting Policies.....	72
Note 2 Deposits, Investments and Financial Instruments with Off-Balance Sheet Risk.....	89
Note 3 Receivables, Unearned Revenue and Deferred Resources.....	116
Note 4 Capital Assets.....	121
Note 5 Internal/Interfund Balances and Transfers.....	125
Note 6 Long-Term Obligations - Governmental and Business-Type Activities.....	130
Note 7 Short-Term Debt.....	140
Note 8 Self-Insurance Liabilities.....	141
Note 9 Pension.....	143
Note 10 Other Postemployment Benefits (OPEB).....	151
Note 11 Certain Claims Liabilities.....	167
Note 12 Joint Venture.....	168
Note 13 Tax Abatements.....	169
Note 14 Commitments and Contingencies.....	173
Note 15 Net Position and Fund Balance.....	176
Note 16 Discretely Presented Component Units.....	179

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 Annual Comprehensive Financial Report (ACFR). Also note that all amounts in the ACFR 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, 2025. 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 are 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 the 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 are 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 twenty-one CUs, seventeen of which are reported as DPCUs, two as CU fiduciary funds, and two as blended CUs. The financial information for the DPCUs reported in aggregate in the government-wide financial statements is presented separately in the combining financial statements section of the ACFR. 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 Deputy Secretary, 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 is expected to be repaid entirely or almost entirely with the 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 the 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. Any outstanding debt or future debt issued by PRPA would be expected to be repaid entirely or almost entirely with the 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, a 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

benefit options and a new 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, 2024.

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 a 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 non-employer 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 are such that the 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 Broadband Development Authority (PBDA) - The PBDA was created to provide broadband internet access to unserved and underserved residents, providing for powers and duties of the authority and for grant awards. PBDA will also help manage the funds to support the construction of new towers, lines and broadband equipment. The PG is responsible for appointing a voting majority of the Board. The Secretary of Agriculture, DCED, Education, DGS and Budget will serve as ex-officio members along with four members appointed by the President Pro Tempore of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives and Minority Leader of the House. The PG, through the Department of Community & Economic Development (DCED) will be modifying and approving the Authority's budget which cannot be determined without the Commonwealth's approval. DCED will also provide administrative services and staff including counsel and legal staff to the Authority and Board.

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, 2025.

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 for the PG. The PHFA is fiscally dependent on the PG, as the Governor must approve the issuance of its debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2025, lending institutions and post-secondary schools were involved in the loan program. The PG funds the PHEAA grant program, and 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 wastewater systems. The PENNVEST obtains funds through Commonwealth general obligation bond proceeds (approved by referendum), revenue bonds, the Federal Government, and contributed amounts from Commonwealth funds. Loan repayments finance the PENNVEST debt service costs. The PENNVEST operates closely with the Department of Environmental Protection. The PG appoints all voting board members. 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 or loan payments from the schools. All nine voting members of the SPSBA and the PHEFA governing boards are PG's high-ranking officials, who are ex-officio board members by virtue of their position. The PG's Department of Education approves the SPSBA's projects, which indicates the imposition of will.

Ben Franklin Technology Development Authority (BFTDA) - The BFTDA encourages and coordinates programs and investments that 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 the 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, 2024.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 an overview of the Department of Education. The College presents a financial burden to the PG, as the PG appropriates funds for College operations.

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, 2025, 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 and provides all management and administrative services to the PEDFA, as well as appointing the entire board, it would be misleading to exclude the PEDFA from the ACFR.

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 money into the Commonwealth's **General Fund** and the PEDA may requisition money in the amounts necessary to pay administrative costs, which results in a financial benefit and burden to the PG.

Pennsylvania Health Insurance Exchange Authority (PHIEA) - The PHIEA was created to design and oversee the Pennsylvania Health Insurance Exchange (Exchange) authorized by Act 42 of 2019. The Exchange's purpose is to facilitate the purchase of qualified health insurance policies for Commonwealth residents and will be funded primarily through the assessment of fees from the exchange insurers. The PG appoints all eleven board members, with three members being ex-officio, and may also remove appointed board members at will. In addition to overseeing the exchange, PHIEA provides financial support to the Pennsylvania Insurance Department's reinsurance fund via a portion of the exchange's user fees, which results in a financial benefit to the PG. The PHIEA is reported for its fiscal year ended December 31, 2024.

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

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 in 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 to carry on specific activities or attain 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 the 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.

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 the financial statements of proprietary funds 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), to be recovered with fees and charges; or

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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 earnings. Workers' compensation payments and administration costs are paid from the **SWIF**. The **SWIF** is reported for its fiscal year ended December 31, 2024.

The **Unemployment Compensation (UC) Fund** is comprised of five basic components: the Employer Contribution Fund, the UC Benefit Payment Fund, the Special Administration Fund, the UC Trust Fund, and the Lost Wages Assistance 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 the enforcement of the Liquor Control Law.

The **Tuition Payment Fund** offers a college savings program that allows participants to purchase college credits at 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 earnings. 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**.

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 earnings.

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.

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

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

Trust and custodial funds account for assets held in a trustee capacity or as a custodian for third-party beneficiaries, such as individuals, private organizations, and other governmental units. Funds are classified as pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. With the exception of employee benefit trust funds, fiduciary fund resources may not be derived from Commonwealth revenues and other resources. The Commonwealth reports pension and other employee benefit trust funds and custodial 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, 2024.

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 external investment pool, not held in trust, reported as a custodial 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, 2024. Audited financial statements for the INVEST Program are available through the Chief Accounting Officer.

The Tuition Account Investment Program is a custodial fund that invests amounts on behalf of participants who are saving for college tuition costs. Audited financial statements for this program are available through the Chief Accounting Officer.

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

The Statutory Liquidator Fund, the largest custodial 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 Custodial Accounts, a custodial fund, represents the combined resources held by the Department of Corrections for prison inmates, the Department of Human Services for residents of state health facilities, and the Department of Military and Veteran Affairs for the residents of veteran long-term living facilities.

The Sales and Use Tax Fund, the Allegheny Regional Asset District Sales and Use Tax Fund, the PA Intergovernmental Cooperation Authority Tax Fund, and the Local Cigarette Tax Fund serve to collect and distribute local sales taxes to the appropriate local taxing authority for the convenience of taxpayers. These funds are reported as custodial funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 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, that generates the revenue. Charges for goods or services, most investment earnings, 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. The 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 from 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 earnings, 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 in which 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 they are due. Prepaid items and inventory purchases are reported as current fiscal year expenditures rather than allocating a portion of related costs 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, and custodial funds (fiduciary) 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 earnings and grants are reported as non-operating revenues by all proprietary funds. Fiduciary funds classify revenues and expenses as either additions or deductions to the net position.

Significant Accounting Policies

Pooled Cash: In accordance with the Fiscal Code, the 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 the 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 their acquisition value at the time of the 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 purposes 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 deaccession 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 expenses are 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 are 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 or amortization expenses 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

transferred 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 the usability, function, and condition of reported capital assets. With few exceptions, Commonwealth agencies using capital assets must report impairments promptly.

Right-to-use Arrangements: Right-to-use arrangements are contracts that convey control of the right to use another party’s asset for a period of time. The two types of right-to-use arrangements that the Commonwealth frequently enters into are leases and subscription-based information technology arrangements (SBITAs). The Commonwealth of Pennsylvania routinely engages in lease agreements to meet operational needs or serve the general public. The Commonwealth’s lease contracts generally relate to land, buildings, and associated facilities, such as parking and various machinery and equipment. SBITAs are also entered into to meet operational needs and are generally cloud-based services such as software as a service, platform as a service, and infrastructure as a service. For short-term right-to-use arrangements with a maximum possible term of 12 months or less at commencement, the Commonwealth recognizes periodic revenue (leases only) or expense based on the provisions of the right-to-use contract. For all other contracts where the Commonwealth is the lessee/user, the Commonwealth recognizes a liability and an intangible right-to-use asset based on the present value of future payments over the agreed-upon term of the contract. Right-to-use assets are reported with capital assets, and liabilities are reported as long-term debt in the statement of net position. The right-to-use assets are amortized over the term of the contract, as the Commonwealth is not expected to lease or subscribe to assets beyond the underlying asset’s useful life. On a more limited basis, the Commonwealth also serves as a lessor, providing leases of state-owned land and buildings primarily through the Department of Conservation and Natural Resources and the Philadelphia Regional Port Authority (a blended CU). The financial statements recognize a lease receivable and a deferred inflow of resources, based on the present value of the future lease payments expected to be received during the contracted lease term, and the deferred inflow of resources is amortized evenly over the life of the lease.

The Commonwealth uses its estimated incremental borrowing rate as the discount rate for right-to-use agreements unless the rate the lessor or vendor charges is known. The Commonwealth’s incremental borrowing rate is based on the general obligation bonds’ weighted-average interest rate for a given year. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the contract, the present value is remeasured, and corresponding adjustments are made. Many right-to-use contracts include increases to payments related to the consumer price index (CPI) or similar indices, or usage, and the available index or rate increase is included in the present value at the commencement of the contract or upon remeasurement. Payments based on future performance are not included in the measurement of the liability or lease receivable but recognized as revenue or expense in the period performed. Residual value guarantees (leases only) and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised.

A minimum dollar threshold was established for right-to-use asset reporting:

Lease contracts - all categories.....	\$100
SBITAs - all categories.....	\$1,000

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

Deferred Inflows of Resources: An acquisition of net assets by the government that is applicable to a future reporting period. Deferred inflows of resources have a natural credit balance and, therefore, decrease the 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the length of credited service, from between 4.24% and 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.

Interfund Transactions: The Commonwealth has the following types of transactions: between funds; between 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 or due 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 the fund financial statements and the statement of activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Balances: Amounts due from or due 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 and payables at June 30, 2025 and transfers in and out during the fiscal year ended June 30, 2025 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 Earnings: Investment earnings include 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 earnings to be negative within specific funds. Similarly, realized losses could cause reported overall investment earnings to be negative within specific funds. Certain investment earnings from specific funds' investments are assigned to another fund and reported by the receiving fund if the income is transferred for legal or contractual reasons; otherwise, the investment earnings are 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 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 as a non-employer 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 as pension expenses. 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), the Pennsylvania House of Representatives Postemployment Benefits Plan (House), and the Senate of Pennsylvania Other Postemployment Benefits Plan (Senate). The Commonwealth participates as a governmental non-employer contributing entity in the Public School Employees' Retirement System Health 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 as OPEB expenses. 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 that 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, 2025.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bonds Issued, Premium/Discount on Bonds Issued, and Bond Issuance Costs: In governmental fund financial statements, the face amount of bonds issued and related premiums or discounts are separately reported as other financing sources or 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 the related premium or discount is amortized over the life of the outstanding debt and is reported as an interest expense as part of functional governmental activities expenses. Bond issuance costs are reported as expenses in the period incurred.

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, 2025, a portion of governmental activities net position was restricted based on a Federal Government purpose restriction.

Reclassifications: Certain amounts in the June 30, 2024 financial statements have been reclassified to conform to the June 30, 2025 presentation. These reclassifications had no effect on the net position or the changes thereto.

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 that 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 balances.

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 delegated 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 the total fund balance, such funds report negative amounts in the unassigned category.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New Accounting Pronouncements - Adopted:

The GASB issued Statement No. 101, "Compensated Absences" in June 2022. The primary objective is to establish updated standards of accounting and financial reporting for compensated absences and other salary-related payments. The statement provides guidance related to liability recognition and the measurement of qualifying liabilities.

The GASB issued Statement No. 102, "Certain Risk Disclosures" requiring state and local governments to disclose information regarding certain concentrations or constraints that have occurred or are likely to occur and make a government vulnerable to a substantial impact.

New Accounting Pronouncements - To Be Adopted:

The GASB issued Statement No. 103, "Financial Reporting Model Improvement" in April 2024. The standard introduces new accounting and financial reporting requirements and revises existing requirements that are essential for decision making and evaluating government accountability.

The GASB issued Statement No. 104, "Disclosure of Certain Capital Assets" in September 2024. The standard establishes note disclosure requirements for certain capital assets held for sale.

The new standards must be adopted as follows:

GASB Statement No. 103 Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.

GASB Statement No. 104 Effective July 1, 2025 for financial statements for fiscal year ending June 30, 2026.

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 or 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 standards 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, 998, 993, and 920 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. Pool 993 is the Commonwealth's Rainy Day Fund and is invested to take advantage of the non-immediate need for cash, but in a manner that maintains a high degree of safety and liquidity. Pool 920 was created to manage the monies of the Medical Marijuana Program Fund.

Other Investing Organizations

Certain investing organizations have statutory authority, which is comparable to the Treasury Department's 'prudent person' authority above. The investments of such organizations are accounted for in the following funds: Workmen's Compensation, Workers' Compensation Security Trust, **State Workers Insurance Fund (SWIF)**, **Tuition Payment**, PA 529 Tuition Account Investment Program (also known as Pennsylvania 529 College and Career Savings Program), PA 529 Tuition Account Guaranteed Savings Program (also known as PA 529 Guaranteed Savings Plan), **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, 2024 unless otherwise noted.

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

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, 2024.

Statutory Liquidator Fund

The Statutory Liquidator Fund, a custodial 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 the Statutory Liquidator Fund's 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.
- 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, 2025:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 3,157,693	\$ —	\$ 3,157,693	\$ —
U.S. Treasury obligations	9,990,745	9,990,596	149	—
Mortgage backed securities	1,289,263	—	1,289,263	—
Private placements	831,288	—	831,288	—
State and municipal obligations	18,739	—	18,739	—
Asset-backed securities	44,914	—	44,914	—
U.S. government sponsored enterprises	2,523,714	—	2,523,714	—
Commercial paper	9,310,907	—	9,310,907	—
Sovereign debt	153,410	—	153,410	—
Equity Securities				
Equity	4,574,374	4,375,273	—	199,101
Preferred securities	9,178	2,140	7,038	—
Other				
Certificates of deposits	1,176,994	—	1,176,994	—
Mutual funds	264,496	264,496	—	—
Money market mutual funds	11,337,662	11,337,662	—	—
Total investments by fair value level	\$ 44,683,377	\$ 25,970,167	\$ 18,514,109	\$ 199,101
Investments by Net Asset Value (NAV)				
Real estate alternative managers	151,886			
Fund of funds alternative managers	32,365			
Private equity alternative managers	244,699			
Total investments at NAV	428,950			
Total investments measured at fair value	\$ 45,112,327			

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. 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 and Treasury Pooled investments. For Treasury Pooled investments, the underlying investments for the pools consist of 52% Level 1 securities and 48% Level 2 securities. For 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 Exchange (NYSE) on the reporting date (level 1 inputs). Certificates of deposits (CDs) are classified as Level 2 because they don't trade on active, transparent markets with quoted prices like stocks and bonds. Instead, their valuation relies on observable inputs- such as interest rates, yield curves, or comparable instruments, rather than direct market prices.

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

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

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Real estate alternative managers ⁽¹⁾	\$ 151,886	\$ —	Monthly	n/a, 30-60 days
Fund of funds alternative managers ⁽²⁾	32,365	15,794	Monthly, Quarterly	n/a, 45-90 days
Private equity alternative managers ⁽³⁾	244,699	3,250	n/a	n/a, 60 days
Total investments at NAV	\$ 428,950	\$ 19,044		

(1) Real Estate Managers - This type of investment seeks 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 1 million, Develop, Defined Contributions (DC), the invested funds cannot be withdrawn until the agreement expires.

(2) Fund of Fund Managers - This type of investment 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 pursues 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.

State Employees’ Retirement System (SERS)

SERS measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. The guidelines use a fair value hierarchy that 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.

Most common and preferred stocks, foreign exchange contracts, and the Defined Contribution Plan’s target date funds, commingled public equity funds, commingled fixed income funds, and self-directed brokerage account 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. Most 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 accounts (SMA) in real estate, certain fixed income securities, 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. A majority of the Level 3 investments are real estate investments where the fair value is determined based on appraisals using discounted cash flows, recent comparable sales, and current market conditions. All SMA investments are to be independently appraised not less than once every three years by appraisers who meet specific professional qualifications. The valuation process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

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

Certain derivative instruments in the Defined Benefit Plan, such as foreign exchange contracts, interest rate swaps, credit default swaps, and futures, as well as the self-directed brokerage account in the Defined Contribution Plan, are included in other investments in the fair value tables.

The SERS has the following fair value measurements as of December 31, 2024:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Defined Benefit Plan				
Fixed Income				
Agencies	\$ 27,587	\$ —	\$ 27,587	\$ —
Asset and mortgage backed securities	372,768	—	372,610	158
Corporates	1,266,287	—	1,259,510	6,777
Government	4,457,291	—	4,457,291	—
Sovereign debt	65,496	—	65,496	—
Private placements	80,105	—	79,000	1,105
Equity				
Domestic common and preferred stocks	14,710,030	14,706,198	3,832	—
Foreign common and preferred stocks	830,501	830,501	—	—
Real Estate				
Value add/opportunistic SMA	245,904	—	—	245,904
Other Investments	(129)	—	(129)	—
Total investments by fair value level	\$ 22,055,840	\$ 15,536,699	\$ 6,265,197	\$ 253,944

Investments by Net Asset Value (NAV)

Buyouts private equity	\$ 3,646,280
Growth equity private equity	1,145,273
Legacy private credit	348,529
Legacy private equity	153,183
Special situations private equity	1,788,829
Core/core plus real estate	1,056,863
Value add/opportunistic real estate	759,834
Opportunistic fixed income hedge funds	803,843
Legacy hedge funds	14,015
Commingled public equity funds	3,948,052
Commingled fixed income funds	1,091,584
Total investments at NAV	14,756,285
Total investments measured at fair value	\$ 36,812,125

Investments by Fair Value Level	Total	Level 1
Defined Contribution Plan		
Target date funds	\$ 254,941	\$ 254,941
Commingled public equity funds	27,544	27,544
Commingled fixed income funds	3,695	3,695
Other investments	1,428	1,428
Total investments measured at fair value	\$ 287,608	\$ 287,608

Private equity limited partnerships are valued at the NAV of SERS' ownership interest in the partnership's capital, which approximates fair value. The NAV is determined by the general partners. Private equity limited partnerships produce quarterly capital account statements and are audited at least annually. Since private equity investments in such partnerships are generally illiquid with holding periods lasting three to ten years, the value realized by SERS upon disposition may differ from

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

estimated values reflected in the financial statements. SERS' private equity investments on the Statement of Fiduciary Net Position are categorized into the following strategies in the Defined Benefit Plan Investments Measured at NAV tables:

- Buyouts are investments in established businesses that are undergoing a fundamental change in operations or strategy.
- Special Situations are investments in funds that acquire distressed companies or companies in need of restructuring, funds from the secondary market, and funds providing mezzanine financing.
- Growth Equity consists of private equity investments in late-stage ventures, minority growth equity, and small buyout strategies.
- Legacy Private Equity consists of a consolidation of private equity funds from various sub-asset classes (Buyouts, Special Situations, and Growth Equity) that were not considered part of SERS core investment strategy. These assets are currently being managed by a third-party administrator which provides day-to-day oversight of operations.
- Legacy Private Credit Funds are closed-end (drawdown) limited partnership structures, often with a significant contractual cash flow component, with liquidity events in five to ten years. SERS no longer has an asset allocation targeting this strategy as a stand-alone asset class.

Real estate limited partnerships are valued at the NAV of SERS' ownership percentage in the partnership's capital. Real estate limited partnerships produce quarterly capital account statements and are audited at least annually. The investment managers use third-party appraisals based on discounted cash flows, recent comparable sales, and current market conditions to arrive at NAV. The appraisal process involves significant judgment and estimating; thus, the value upon sale of an asset may differ from its appraised value.

Because the investments in such partnerships are generally illiquid with holding periods lasting seven to ten years, the value realized by SERS upon disposition may differ materially from estimated values reflected in the financial statements. The following portions of SERS' real estate investments are valued at NAV:

- Core/Core Plus are long-term investments in high-quality real estate that generate returns primarily from stable income producing properties. These are open-ended funds.
- Value Add/Opportunistic Funds utilize greater leverage and development strategies relative to core strategies, thereby taking higher risks but demanding 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.

Hedge funds are valued by general partners based on information provided by underlying hedge fund investments, third-party administrators, and brokers. Hedge fund investments are valued using NAV of units held at the end of the period based on the fair value of underlying investments. Hedge funds are valued on a monthly basis and are audited at least annually. Most of the hedge fund investments are being scaled down since they are not part of the current investment strategy. Hedge funds are categorized into the following specific strategies:

- Opportunistic Fixed Income 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.
- Legacy Hedge Funds include hedge funds that SERS is no longer actively investing in. The assets are to be sold in an orderly fashion as market conditions dictate.

The Defined Benefit Plan's commingled public equity funds and commingled fixed income funds are pooled investments in multiple securities, with each fund being valued at NAV on a monthly basis. The NAV is calculated using the closing price of the underlying investments, with the total value of the fund being apportioned to SERS based on units of ownership.

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

The SERS has the following investments measured at the Net Asset Value (NAV) as of December 31, 2024:

<u>Defined Benefit Plan</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemptions Frequency</u>	<u>Redemption Notice Period</u>
Buyouts private equity	\$ 3,646,280	\$ 1,246,664	n/a	n/a
Growth equity private equity	1,145,273	233,431	n/a	n/a
Legacy private credit	348,529	175,263	n/a	n/a
Legacy private equity	153,183	29,199	n/a	n/a
Special situations private equity	1,788,829	852,031	n/a	n/a
Core/core plus real estate	1,056,863	13,016	Quarterly	60 - 90 days
Value add/opportunistic real estate	759,834	337,836	n/a	n/a
Opportunistic fixed income hedge funds	803,843	—	Quarterly	95 days
Legacy hedge funds	14,015	—	see note (1)	see note (1)
Commingled public equity funds	3,948,052	—	Daily	30 days
Commingled fixed income funds	1,091,584	—	Daily	1 day
Total investments at NAV	\$ 14,756,285	\$ 2,887,440		

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

The SERS also has short-term 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 Commonwealth Treasury Department’s (Treasury Department) short-term investment fund (STIF). The SERS portion of STIF is valued at amortized cost. Additionally, there are other short-term investments valued at cost. The value of the SERS Defined Benefit Plan and Defined Contribution Plan portions of the STIF were \$2,200,000 and \$9,300, respectively, as of December 31, 2024.

Deferred Compensation Program (DCP)

The 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.

The Target Date Funds, U.S. bond index fund, core equity funds (U.S. large-cap; U.S. mid/small-cap, global non-U.S. equities), and Self-Directed Brokerage Accounts are valued using prices quoted in active markets for those securities and are categorized as Level 1 of the fair value hierarchy. The total value of the fund is apportioned to the DCP based on units of ownership. Funds are marked to market daily with changes in fair value recognized as part of investment and investment income.

The Stable Value Fund is a multi-manager and multi-insurance wrap set-up and is not valued within the fair value hierarchy. The Stable Value Fund is valued at Net Asset Value (NAV). NAV for the Stable Value Fund represents the consolidated values of the multiple managers that were hired by the fund manager.

The 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, the Short-Term Investment Fund, the Commonwealth Treasury Department’s short-term investment fund (STIF), and a group annuity contract totaling \$133,642 for December 31, 2024. The Short-Term Investment Fund and STIF are valued at amortized cost, with the total value of the fund being apportioned to the DCP based on units of ownership. The group annuity contract, which is no longer offered to participants, is valued at contract value. The

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

contract value for the group annuity contract represents contributions made under the contract plus earnings, less payments made to retirees and terminated participants.

The DCP has the following fair value measurements as of December 31, 2024:

Investments by Fair Value Level	Level 1
Self directed brokerage accounts	\$ 195,773
Commingled investment funds	
Target date funds	908,630
U.S. large company stock index fund	1,697,505
U.S. small/mid company index fund	488,721
U.S. bond index fund	243,464
Global non-U.S. stock index fund	273,760
Total investments by fair value level	<u>\$ 3,807,853</u>
Investments by Net Asset Value (NAV)	
Stable value fund	\$ 953,915
Total investments measured at fair value	<u>\$ 4,761,768</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 volatility, 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, 2025, the PSERS had the following recurring fair value measurements:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Short-term				
PSERS Short-Term Investment Fund	\$ 4,636,633	\$ 2,751,937	\$ 1,884,696	\$ —
Other domestic short-term	854,688	815,439	39,249	—
International short-term	34,542	18,674	15,868	—
Fixed income				
Domestic asset-backed and mortgage backed securities	2,025,636	—	2,025,636	—
U.S. government and agency obligations	12,027,240	12,017,782	9,458	—
Domestic corporate and taxable municipal bonds	1,437,397	100	1,437,297	—
International fixed income	221,268	—	221,268	—
Common and preferred stock				
Domestic equity	18,200,065	18,200,065	—	—
International equity	10,032,505	10,032,505	—	—
Directly owned real estate	1,596,836	—	—	1,596,836
Total investments by fair value level	\$ 51,066,810	\$ 43,836,502	\$ 5,633,472	\$ 1,596,836
Investments by Net Asset Value (NAV)				
Collective trust funds - fixed income	2,639,255			
Collective trust funds - equity	2,586,948			
Collective trust funds - other	539,727			
Equity real estate	4,401,758			
Private infrastructure	3,596,564			
Private equity alternative investments	10,437,736			
Private credit alternative investments	6,101,066			
Total investments at NAV	30,303,054			
Total investments measured at fair value	\$ 81,369,864			
Investment derivative instruments				
Futures	79,572	79,572		
Total return type swaps	51,702	51,702		
Foreign exchange contracts	(1,553)	(1,553)		
Total investment derivative instruments	\$ 129,721	\$ 129,721		

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 that are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

For Collective trust fund investments (CTF), management, in consultation with investment advisors, has determined the fair value based upon the reported share value of the respective fund. The reported share value of the fund is based upon each respective fund’s administrator statement.

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

Private equity, equity real estate, private credit, private infrastructure, and absolute return are generally organized as limited partnerships. The fair value of investments that are organized as limited partnerships and have no readily available daily fair value has been determined by using the net asset value per share (or its equivalent) of PSERS' ownership interest in partners' capital. These net asset values are based on the individual investor's June 30, 2025 capital account balance reported at fair value by the general partner of the respective limited partnership, or the most recently available reporting period, adjusted for subsequent contributions, distributions, management fees, changes in the value of foreign currency, and published market prices for certain securities.

The limited partnerships' annual financial statements, which include estimates of fair values, are audited by independent certified public accounting firms. It is possible that these estimates could change in the near term, or upon the sale of the assets, resulting in valuations that could differ from the June 30, 2025, reported net asset value.

Directly-owned real estate investments are valued based upon the June 30th financial statements completed by the asset manager. The directly-owned real estate investments are appraised annually by an independent third-party appraiser as of calendar year-end.

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

The valuation method for investments measured at the NAV per share (or its equivalent) as of June 30, 2025 is presented in the following table:

	Fair Value	Unfunded Commitments	Redemptions Frequency	Redemption Notice Period
Collective trust funds - fixed income ⁽¹⁾	\$ 2,639,255	\$ —	see note (1)	see note (1)
Collective trust funds - common and preferred stock ⁽¹⁾	2,586,948	—	see note (1)	see note (1)
Collective trust funds ⁽¹⁾	539,727	—	see note (1)	see note (1)
Equity real estate ⁽²⁾	4,401,758	2,215,405	see note (2)	see note (2)
Infrastructure ⁽⁵⁾	3,596,564	2,164,421	see note (5)	see note (5)
Private equity alternative investments ⁽³⁾	10,437,736	3,032,806	see note (3)	see note (3)
Private credit alternative investments ⁽⁴⁾	6,101,066	3,832,534	see note (4)	see note (4)
Total investments at NAV	\$ 30,303,054	\$ 11,245,166		

(1) CTF consists primarily of domestic and international institutional funds. The fair value of CTF is based on the reported share value of the respective fund by the fund administrator. CTF are managed by 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. The redemption frequency for these assets ranges from monthly to quarterly to annual.

(2) Equity real estate generally consists of real estate limited partnerships. These investments are across multiple asset types, such as industrial, multi-family, office, retail, hotels, agriculture (permanent crops), and other real estate-related assets. Equity real estate investments utilize core, value-added, and opportunistic strategies. Core real estate strategies are expected to deliver a significant percentage of their return from income and should demonstrate lower volatility than opportunistic and value-added strategies due to lower leverage, higher levels of occupancy, and asset location in primary markets. Value-added real estate strategies typically have near-term leasing, repositioning, and/or renovation risk. Value-added strategies are expected to have modest initial operating revenues with potential for substantial income growth and will likely encounter greater volatility than core strategies but lower volatility than opportunistic strategies. Opportunistic real estate strategies typically have significant development, lease-up, financial restructuring, and/or liquidity risk with little or no initial operating income. Opportunistic real estate strategies typically utilize higher levels of leverage, are expected to achieve most of their return from future capital gains, and are likely to encounter greater volatility than core and value-added strategies. The fair value of the equity real estate investments has 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

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

received as: 1) cash flows from operations, or 2) return of capital from dispositions. It is expected that the underlying assets of the equity real estate investments will be liquidated over the next seven to twelve years.

(3) Private equity includes limited partnerships that invest in private companies and utilize buyout, growth equity, and venture capital strategies. Buyout funds acquire shares of a private company in an attempt to gain a controlling interest. Venture capital funds invest in young, relatively small, rapidly growing companies, typically in either the health care or information technology sectors. Growth equity funds are in between venture capital and buyouts in that they tend to have positive revenue growth and earnings at times but don't have the leverage that is typical of a buyout investment. The fair value of the investments in this type has 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 investments in private equity 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 three to ten years in a typical private equity fund.

(4) Private credit includes limited partnerships and open-ended funds that invest in all types of credit, which are not traditional investment-grade government or corporate debt. Private credit strategies include direct lending, mezzanine lending, distressed and special situations, specialty finance, structured credit, real estate credit, and real assets credit. Direct lending is focused on providing senior secured loans to middle-market businesses. Mezzanine is primarily focused on providing subordinated debt capital to private businesses. Distressed and special situations are focused on issuing loans to companies undergoing financial or operational challenges or purchasing publicly listed, stressed securities. Specialty finance is a set of niche lending strategies that provide financing to consumers, small businesses, and other borrowers. Structured credit is a set of strategies that target investments in securitized debt obligations, such as collateralized loan obligations and collateralized debt obligations. Real estate credit is focused on commercial real estate collateral or residential mortgage origination. Real asset credit is focused on providing debt capital to companies operating within the real asset space, with loans typically secured by real assets. The fair value of the investments in this type has 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 three to five years.

(5) Private infrastructure investments generally consist of limited partnership vehicles that invest in private companies and assets that provide essential services to the economy, including regulated assets, contracted energy assets, and transportation assets with high barriers to entry and stable and predictable long-term cash flows. Regulated assets generally include electricity transmission and distribution facilities, gas distribution systems, pipelines, water distribution, and wastewater collection and processing facilities. Contracted energy assets generally include renewable and conventional generation, pipelines, and storage. Transportation assets generally include toll roads, bridges and tunnels, airports, seaports, parking facilities, and rail lines. The fair value of the private infrastructure investments has been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from each infrastructure investment 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 infrastructure investments will be liquidated over the next seven to twelve years.

The Premium Assistance investment assets have the following recurring fair value measurements as of June 30, 2025:

- PSERS Short-Term Investment Fund of \$105,976 consists of Level 1 values of \$62,896 and Level 2 values of \$43,080.

The Health Options Program (HOP) investment assets have the following recurring fair value measurements as of June 30, 2025:

- PSERS Short-Term Investment Fund of \$104,473 consists of Level 1 values of \$62,005 and Level 2 values of \$42,468.
- Other domestic short-term investments of \$290,650 consist of Level 1 values.

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

The Defined Contribution Plan investment assets have the following recurring fair value measurement at June 30, 2025:

- PSERS Short-Term Investment Fund of \$2,993 consist of Level 1 values of \$1,776 and Level 2 values of \$1,217.
- Other domestic short-term investments of \$14,388 consists of Level 1 values.
- DC Collective trust fund investments (DC-CTF) of \$540,944 are valued at NAV. They consist primarily of domestic and international institutional funds. The fair value of DC-CTF is based on the reported share value of the respective fund. DC-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. The redemption frequency for these assets ranges from monthly to quarterly to annual.

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, 2025:

Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Debt Securities				
Corporate obligations	\$ 80,540	\$ —	\$ 80,540	\$ —
U.S. Treasury obligations	170,753	170,753	—	—
Private placements	4,170	—	4,170	—
U.S. government agencies	18,359	18,359	—	—
U.S. government sponsored enterprises	72,515	72,515	—	—
Commercial paper	4,986	4,986	—	—
Alternative investments	13,010	—	13,010	—
Other Securities				
Annuity	225	—	—	225
Treasury group investment ⁽¹⁾	6,851	—	6,851	—
Money market mutual funds	14,305	14,305	—	—
Total investments by fair value level	\$ 385,714	\$ 280,918	\$ 104,571	\$ 225

(1) The amount is 100% invested in the Treasury Group Consolidated Cash Pool, which is made up of 52% Level 1 and 48% 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. Debt securities classified as Level 3 are valued by a loan pricing matrix. If vendor pricing is not available, the price defaults to cost.

Other securities classified in Level 1 of the fair value hierarchy consist of mutual funds. For 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 Exchange (NYSE) on the reporting date. Other securities classified in Level 2 of the fair value hierarchy consist of Treasury-pooled investments. The underlying investments for the pools consist of 30% Level 1 securities and 70% Level 2 securities.

Deposit Risks

At June 30, 2025, the Commonwealth had no bank balances that were subject to custodial risk because they were uninsured and uncollateralized. The Statutory Liquidator Fund had deposits of \$10,317 that 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 \$290,650 at June 30, 2025 and are under the custody of its bank, which has an A-rating by Standard & Poor's (S&P) and an A1 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 \$2,002,798, and within the governmental activities cash with fiscal agent, the **General Fund** and the Game Fund reported \$38,099 and \$6,516, respectively. The **Unemployment Compensation Fund's** cash with fiscal agents 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 and bank accounts for Pennsylvania's judicial courts. The Game Fund cash with fiscal agent represents escrow accounts held for the purposes of land acquisition. The Statutory Liquidator, a custodial fund, also reported \$11,922 in cash with fiscal agent.

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

Restricted cash consists of funds held for the payment of debt service interest and principal payments by the Philadelphia Regional Port Authority (PRPA), a blended non-major component unit, all of which are collateralized. At June 30, 2025, the PRPA reported carrying amounts of restricted cash and cash equivalents of \$393.

Investment Risks

Risk Management Policies: The Treasury Department, which is responsible for the CIP, PA 529 Investment Plan, PA 529 Guaranteed Savings Plan, 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, 2025, the Treasury Department and other investing organizations, excluding the Statutory Liquidator, Tuition Account Investment Program, the SERS, DCP, and the PSERS, reported a total of \$47,977,363 in investments. Cash equivalents amounting to \$1,687,181, 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 \$46,290,182; of this amount, excluding equities and alternative investments (\$4,574,374 and \$428,950, respectively), fixed income investments disclosed amount to \$41,286,858.

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	\$ 428,950
Asset-backed securities	44,914
Certificates of deposit	1,176,994
Commercial paper	9,310,907
Corporate obligations	3,157,693
Equity	4,574,374
Money market mutual funds	11,337,662
Mortgage-backed securities	1,289,263
Mutual funds	264,496
Preferred securities	9,178
Private placements	831,288
Securities lending collateral pool	1,177,855
Sovereign debt obligations	153,410
State and municipal obligations	18,739
U.S. government sponsored enterprises	2,523,714
U.S. Treasury obligations	9,990,745
Total investments	46,290,182
Cash equivalents	1,687,181
Total investments and cash equivalents	\$ 47,977,363

In addition, at June 30, 2025, all reported investments of the Tuition Account Investment Program, amounting to \$6,241,788, consist entirely of mutual funds, \$6,187,775, and money market mutual funds, \$54,013.

A reconciliation of Treasury Investments by Type to total Investments reported by the Primary Government are as follows:

Amounts Disclosed in Note 2 Treasury Investments by Type	\$ 47,977,363
Treasury Investments for Funds/Entities that are not part of Primary Government Investments	
Fiduciary funds - pension (and other employee benefit) trust funds	(4,093,628)
Fiduciary funds - custodial funds	(1,440,165)
Discretely presented component units	(2,348,452)
Related organizations	(27,209)
Joint ventures	(21,318)
Other organizations not reported in the ACFR	(20,601)
External Investments included in Primary Government Investments but not in Note 2	
General Fund	2,670
State Workers' Insurance Fund (SWIF)	1,400
Tuition Account Guaranteed Savings Program Fund	1,546
Philadelphia Regional Port Authority (PRPA)	35,094
Treasury Investments Reported as of 12/31/24 by the Primary Government but Reported as of 6/30/25 in Note 2	
State Workers' Insurance Fund (SWIF)	23,370
Other Differences	
Appreciation	1,494
Receivables	261,793
Payables	(255,453)
Foreign Currency Adjustments	(126)
Other Adjustments	(2,380)
Total Investments Reported by Primary Government in Government-Wide Statement of Net Position	\$ 40,095,398

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

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event a counterparty fails to uphold its agreement to a transaction with either the Treasury Department, the other investing organizations, or the pension trust funds, they would not be able to recover the value of investment or collateral securities in the possession of an outside party. In accordance with a contractual relationship between the Treasury Department and its custodial agents, substantially all investments, where securities are used as evidence of the investment, are held by the custodians in book entry form in the name of the Commonwealth or the custodian. Similarly, investments of other investing organizations and 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, 2025, \$2,463,228 in 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, 2025, \$640,246 of bank investment contracts that are not insured by the FDIC or otherwise covered by collateral or supplementary insurance. Also, at June 30, 2025, only the Statutory Liquidator Fund, a custodial fund, owned investment securities subject to custodial credit risk in the amount of \$346,336. 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
Corporate obligations.....	80,540
Private placements.....	4,170
U.S. government agencies.....	18,359
U.S. Treasury obligations.....	170,753
U.S. government sponsored enterprises.....	72,514
Total	\$ 346,336

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 5% limit on the concentration of investments in any one fixed income issuer within the CIP, PA 529 Investment Plan, PA 529 Guaranteed Savings Plan, 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 that 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, 2025:

Issuer Name	Amount	% of Treasury and Other Investing Organizations Portfolio
U.S. Treasury.....	\$ 10,020,830	22.0%

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

Issuer Name	Amount	% of Statutory Liquidators Portfolio
Federal home loan bank securities.....	\$ 47,518	11.4%

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 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 prevent purchasing below investment grade (Baa/BBB/BBB).

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

At June 30, 2025, \$41,286,858 of total Treasury and other investing organization investments of \$47,977,363 are fixed income investments, susceptible to credit quality rating; the remainder is primarily equities \$4,574,374, alternative investments \$428,950, cash equivalents, and various deposit accounts of \$1,687,181. Of the Treasury amount susceptible to credit quality rating, \$30,726,051 is rated; ratings are not available for \$10,560,807 of fixed income investments.

Moody's Investors Service	Amount
P-1	\$ 5,886,677
Aaa	2,735,997
Aa	39,317
A	313,526
Baa	401,842
Ba	220,244
B	98,259
Caa	3,760
Moody's Investors Service subtotal	9,699,622
Standard and Poor's	
A-1	4,352,448
AAA	178,834
AA	13,749,476
A	1,140,787
BBB	1,356,688
BB	173,846
B	68,494
CCC	5,856
Standard and Poor's subtotal	21,026,429
Rated subtotal	30,726,051
Unrated subtotal	10,560,807
Total fixed income investments	\$ 41,286,858

At June 30, 2025, 1.86% (\$570,459) of rated fixed-income Treasury investments of \$30,726,051 are rated below investment grade. Approximately 25.58% (\$10,560,807) of the fixed-income portfolio in Treasury and other investing organizations is 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, 2025. 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.

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' Defined Contribution Plan is exposed to credit risk through investment in the Commonwealth Treasury Department’s STIF, which is not rated. The plan had \$9,300 in STIF as of December 31, 2024. The plan also has indirect exposure to credit risk through the commingled fixed income funds, which had a cumulative balance of \$3,700 as of December 31, 2024. These funds hold investment-grade securities. The SERS' Defined Benefit Plan fixed income securities (at December 31, 2024), which are exposed to credit risk, are rated as follows:

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

<u>Moody's Investors Service ¹</u>	<u>Amount</u>
Aaa	\$ 97,994
Aa	456,483
A	498,380
Baa	708,641
Ba and below	73,590
Unrated ²	1,099,710
Short-term investments	2,164,529
Total	\$ 5,099,327

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, 2025:

<u>Standard and Poor's Equivalent ¹</u>	<u>Amount</u>
AAA	\$ 1,341,833
AA	1,836,436
A	1,202,804
BBB	955,773
BB and below	383,370
Unrated ²	3,428,262
U.S. government guaranteed ³	15,246,611
Total	\$ 24,395,089

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 having a rating of A in this table.
2. 'Unrated' securities include \$2,639,255 in collective trust funds and \$0 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, 2025, which are exposed to credit risk, are rated as follows:

Moody's Investors Service	Amount
Aaa	\$ 25,408
Aa	171,592
A	31,489
Baa	33,791
P-1	94,568
Moody's Investors Service subtotal	356,848
Standard and Poor's	
A	13,188
A-1	5,993
BBB	16,716
Standard and Poor's subtotal	35,897
Rated subtotal	392,745
Unrated subtotal	23,192
Total fixed income investments	\$ 415,937

The \$415,937 exceeds the total of investments reported in the Statutory Liquidator Statement of Fiduciary Net Position, 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 longer the duration, the greater the changes in fair value when interest rates change. Treasury measures interest rate risk using weighted-average 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.

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

At June 30, 2025, Treasury and other investing organizations' fixed income portfolio, excluding the Statutory Liquidator Fund and Tuition Account Investment Program, had the following weighted average durations (in years) by investment type:

Investment Type	Amount of Securities with Duration	Weighted-Average Duration	Amount of Securities with no Duration	Total
Asset-backed securities	\$ 44,914	1.809	\$ —	\$ 44,914
Certificates of deposit	721,994	0.206	455,000	1,176,994
Commercial paper	8,985,946	0.089	324,961	9,310,907
Corporate obligations	2,932,172	4.712	225,521	3,157,693
Money market	11,335,662	0.080	2,000	11,337,662
Mortgage-backed securities	1,289,028	5.592	235	1,289,263
Mutual funds	—	—	264,496	264,496
Preferred securities	7,038	3.984	2,140	9,178
Private placements	826,877	2.218	4,411	831,288
Securities lending collateral pool	1,177,855	0.083	—	1,177,855
Sovereign debt obligations	148,610	3.643	4,800	153,410
State and municipal obligations	18,739	9.171	—	18,739
U.S. government sponsored enterprises	2,520,714	0.193	3,000	2,523,714
U.S. Treasury obligations	9,990,745	2.110	—	9,990,745
Total	\$ 40,000,294		\$ 1,286,564	\$ 41,286,858

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

Investment Type	No Maturity Date	Matures in less than 1 Year	Matures in 1 to 5 Years	Matures in 21 to 30 Years	Total
Alternative investments	\$ —	\$ 4,317	\$ 8,693	\$ —	\$ 13,010
Annuity	225	—	—	—	225
Cash & equivalents	20,871	—	—	—	20,871
Commonwealth investment program	6,851	—	—	—	6,851
Corporate obligations	—	17,651	62,889	—	80,540
Commercial paper	—	4,986	—	—	4,986
Money markets	23,657	—	—	—	23,657
Private placements	—	1,412	2,758	—	4,170
U.S. Government Agencies	—	—	—	18,359	18,359
U.S. government sponsored enterprises	—	—	72,515	—	72,515
U.S. Treasury obligations	—	121,346	49,407	—	170,753
Total	\$ 51,604	\$ 149,712	\$ 196,262	\$ 18,359	\$ 415,937

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

	Amount	Average Duration	Average Effective Maturity
Vanguard Total Bond Market II Index Fund Institutional Shares	\$ 1,101,162	5.9 years	8.2 years
Vanguard Total Bond Market Index Fund Institutional Shares	53,082	7.0 years	8.7 years
Vanguard Short-Term Inflation-Protected Securities Index Fund Institutional Shares	84,216	2.4 years	2.5 years
Vanguard Total International Bond Index Fund Institutional Shares	467,016	5.9 years	8.2 years
Vanguard Federal Money Market Fund	54,013	N/A	32 days

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

Based on specific investment objectives, 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:

SERS' Defined Benefit Plan Investment Type	Amount	Option-Adjusted Duration
Asset and mortgage-backed securities	\$ 372,768	5.20
Commingled investments funds	1,091,584	5.60
Corporate obligations	1,266,287	6.30
Sovereign debt obligations	65,496	6.20
Short-term investments	2,164,529	0.10
U.S. Treasury obligations	4,457,291	5.90
U.S. government sponsored enterprises	27,587	3.70
U.S. private placements	80,105	3.60
Total	\$ 9,525,647	

The SERS' Defined Contribution Plan is exposed to interest rate risk through investment in the Commonwealth Treasury Department's STIF, which had a duration of approximately one month at December 31, 2024. The plan had \$9,300 in STIF as of December 31, 2024. The plan also has indirect exposure to interest rate risk through commingled fixed income funds, which have an average duration of approximately 5.9 years at December 31, 2024. The cumulative balance of these funds was \$3,700 as of December 31, 2024.

DCP Investment Type	Amount	Option-Adjusted Duration
Commingled investment funds	\$ 243,464	5.90
Treasury investment pool	133,094	0.10
Total	\$ 376,558	

PSERS Investment Type	Amount	Option-Adjusted Duration
Domestic asset-backed and mortgage-backed securities	\$ 2,025,636	4.00
U.S. government and agency obligations	12,027,239	12.20
Domestic corporate and taxable municipal bonds	1,437,397	1.50
International fixed income	221,268	4.10
Collective trust funds	2,639,255	11.60
PSERS Short-Term Investment Fund	4,850,075	0.10
Other Short-term assets	1,194,219	0.10
Total	\$ 24,395,089	

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, 2025.

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	\$ 65,377	\$ —	\$ 65,377
Canadian dollar	117,115	—	117,115
Danish krone	16,191	—	16,191
Euro currency unit	275,506	2,140	277,646
Hong Kong dollar	16,803	—	16,803
Israeli shekel	4,035	—	4,035
Japanese yen	162,450	—	162,450
New Zealand dollar	6,726	—	6,726
Norwegian krone	4,499	—	4,499
Pound sterling	114,488	—	114,488
Singapore dollar	9,531	—	9,531
Swedish krona	21,416	—	21,416
Swiss franc	71,123	—	71,123
Thailand baht	17	—	17
Total	\$ 885,277	\$ 2,140	\$ 887,417

Within the Tuition Account Investment Program, equities of \$1,558,993 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' Defined Contribution Plan has indirect foreign currency exposure through its holdings in target-date funds. The SERS' Defined Benefit Plan has indirect foreign currency exposure through its holdings in commingled public equity and commingled fixed income funds. The risks at December 31, 2024 are as follows:

Foreign Currency	Short-Term Investments ¹	Common & Preferred Stocks	Other Investments	Real Estate	Private Equity	Total
European euro	\$ 5,095	\$ 116,076	\$ 73	\$ 268,435	\$ 643,831	\$ 1,033,510
Swedish krona	(35)	10,393	462	—	77,982	88,802
British pound sterling ..	43	51,454	—	—	—	51,497
Japanese yen	50	45,141	—	—	—	45,191
Swiss franc	1,205	28,773	(38)	—	—	29,940
Canadian dollar	—	31,375	—	—	—	31,375
Danish krone	489	27,418	(75)	—	—	27,832
South Korean won	—	7,147	—	—	—	7,147
Hong Kong dollar	—	20,643	—	—	—	20,643
Australian dollar	—	17,743	—	—	—	17,743
Mexican peso	—	4,166	—	—	—	4,166
Norwegian krone	2	4,627	—	—	—	4,629
Chilean peso	—	1,733	—	—	—	1,733
Indonesian rupiah	—	1,415	—	—	—	1,415
Israeli shekel	—	1,234	—	—	—	1,234
Other currencies	3	—	—	—	—	3
Total	\$ 6,852	\$ 369,338	\$ 422	\$ 268,435	\$ 721,813	\$ 1,366,860

1. Includes receivables and payables as of December 31, 2024 for securities sold and purchased.

In 2024, the DCP had indirect foreign currency exposure within commingled investments through the following investment options:

- Target Date Funds are diversified across global asset classes, with allocations changing over the funds' investment horizon. The funds include varying degrees of international equity and fixed income as part of their allocations.
- The Global Non-U.S. Stock Index Fund tracks the performance of the MSCI All Country World Index (ACWI) ex-U.S. index, which is made up of non-U.S. stocks from 22 developed markets as of 2024.

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:

Foreign Currency	Equities	Fixed income	Alternative Investments and Real Estate	Short-term ¹	Currency Hedge	Total
Japanese yen	\$ 1,464,182	\$ 12,228	\$ 87,889	\$ 11,886	\$ (17,186)	\$ 1,558,999
British pound sterling	1,139,037	—	295,439	2,230	(1,396)	1,435,310
Euro	2,478,129	62,975	1,279,059	35,010	(81,511)	3,773,662
Taiwan new dollar	213,068	—	—	686	(609)	213,145
Indian rupee	251,999	—	—	1,046	—	253,045
Canadian dollar	1,160,684	—	—	1,458	(6)	1,162,136
Swiss franc	467,606	—	—	9,649	—	477,255
Hong Kong dollar	298,208	—	—	410	(165)	298,453
Australian dollar	674,790	—	—	57	(12)	674,835
Other currencies	1,023,369	97,081	—	21,218	728	1,142,396
Total	\$ 9,171,072	\$ 172,284	\$ 1,662,387	\$ 83,650	\$ (100,157)	\$ 10,989,236

1. Includes investment receivables and payables.

Securities Lending Program

The Treasury Department provides a securities lending program in which the various investments under its custody 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 that are not denominated in U.S. dollars or whose primary trading market is located outside the U.S., the fair value of the 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 the 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 the lending agreement requirements. The lending agent cannot pledge or sell collateral securities received unless the borrower defaults. Accordingly, neither collateral securities received from borrowers nor the related obligations to borrowers are reported.

To the extent that collateral received consists of cash, the lending agent invests the cash in accordance with reinvestment guidelines approved by the Treasury Department. At June 30, 2025, 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 does 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, 2025, 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, 2025, 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	Agency Discount Notes	Exchange Traded
State Employees' Retirement System	\$ 686,942	\$ 195,153	\$ 5,686	\$ 59,878	\$ 426,225	\$ —	\$ —
Underground Storage Tank Indemnification Fund ...	16,448	6,333	332	5,126	—	—	4,657
Workers' Compensation Security Trust Fund	15,402	2,798	249	7,645	—	—	4,710
State Workers' Insurance Fund	33,533	6,989	319	26,225	—	—	—
Other Postemployment Benefits Investment Pool...	914,228	759,042	—	133,981	21,205	—	—
Commonwealth Investment Program	108,664	27,026	9,279	44,852	27,507	—	—
Tuition Payment Fund	71,371	8,456	1,836	32,686	28,393	—	—

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.

The PSERS minimizes its credit risk exposure by requiring borrowers to provide collateralization in excess of 100% of the fair value of the securities loaned. Under the securities lending program, the lending agent provides indemnification to the System 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 System if investment of cash collateral results in an investment loss. There were no losses during the fiscal year ended June 30, 2025 resulting from a default by 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, 2025.

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 the earnings from the cash collateral provided by the borrower less a fee paid to the third-party agent minus a negotiated rebate of a portion of the earnings on the cash collateral. The weighted-average maturity of the investments in the pool was one day at June 30, 2025. During the fiscal year ended June 30, 2025, 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 System. In the event of a default, the lending agent may use the collateral to replace the loaned securities. As of June 30, 2025, the fair value of loaned securities was \$0.

Derivative Instruments and Other Similar Investments

State Employees' Retirement System (SERS)

Within narrowly prescribed guidelines, the SERS Defined Benefit Plan and Defined Contribution Plan permit investment managers to directly enter into certain derivative and structured financial instruments primarily to hedge risk and reduce the volatility of their portfolios. 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; forward-settling mortgage instruments for liquidity as well as to gain mortgage exposure; and swaps to more efficiently gain investment exposure in the equity and credit markets.

The SERS indirectly holds derivatives and financial instruments through commingled fund structures in the Defined Benefit Plan and the Defined Contribution Plan. At a fund level, these managers hold foreign exchange contracts, futures contracts, and certain swap contracts. These funds invest in instruments directly and indirectly to gain foreign exchange exposure and to manage interest rate risk by altering the average life of the portfolio. Derivative instruments are viewed within the context of the fund's total portfolio and are consistent with the funds' overall strategy.

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

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.

The SERS invests in mortgage-backed securities (MBS) in the form of specified pools to maximize yields. These securities are sensitive to prepayments of mortgages, which may result from a drop in interest rates. The system also uses MBS forwards, which are forward-settling mortgage instruments that are used for liquidity as well as a low-cost, efficient way to gain mortgage exposure. The MBS forwards are subject to credit risk in the event of nonperformance by counterparties. The fair value of MBS forwards is \$322,000 as of December 31, 2024. These investments are included in fixed income in the Statement of Fiduciary Net Position.

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 the 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 against currency fluctuations. To reduce the risk of counterparty nonperformance, investment managers generally enter into these contracts with institutions regarded as meeting high standards of creditworthiness. The unrealized gain/loss on contracts is included in the net position and represents the fair value of the contracts on December 31. At December 31, 2024, the SERS Defined Benefit had contracts to purchase and sell by major foreign currencies, as follows:

Foreign Currency	Purchases	Unrealized Gain/ (Loss)	Sales	Unrealized Gain/ (Loss)
European euro	73	—	—	—
Swedish krona	462	—	—	—
Danish krone	—	—	75	—
Swiss franc	—	—	38	—
Total	\$ 535	\$ —	\$ 113	\$ —

Swap agreements provide for periodic payments between parties based on the change in value of underlying assets, indexes, rates, and creditworthiness. The SERS' managers use contracts with multiple counterparties as well as collateral posting requirements to manage their 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' direct exposure to swap agreements was not significant at December 31, 2024.

Futures are standardized contracts traded on an exchange. Contract details include the price and quantity of a specific asset to be transacted by either the buyer or the seller on a set date. Futures are subject to certain risks, which include liquidity, interest rate, market, and credit risks. Futures are used by SERS' managers to gain desired exposures or hedge certain risks within the portfolio. SERS' managers do not use futures for the purpose of speculation. The SERS did not have exposure to futures at December 31, 2024.

Public School Employees' Retirement System (PSERS)

The PSERS enters into a variety of financial contracts, which include options and futures. The System 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 the selection of executing brokers and the 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 derivative

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

instruments indicate the extent of the System’s involvement in the various types and uses of derivative financial instruments, 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 derivative instruments.

The following table summarizes the aggregate notional or contractual amounts for the PSERS’ derivative financial instruments at June 30, 2025:

<u>Type of Derivative Instrument</u>	<u>Notional Value</u>
Futures contracts - long	\$ 1,227,928
Futures contracts - short	717
Foreign exchange forward and spot contracts, gross	113,754
Swaps - total return type	4,110,457

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, 2025 represent a restriction on the amount of assets available as of fiscal year-end for other purposes.

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, investment managers generally enter into these contracts with institutions regarded as meeting high standards of credit worthiness. The contracts primarily include forwards. The \$113,754 of foreign currency contracts outstanding at June 30, 2025 consist of “buy” contracts, which represent the U.S. dollar equivalents of commitments to purchase foreign currencies of \$6,860; and “sell” contracts, which represent the U.S. dollar equivalents of commitments to sell foreign currencies of \$106,894. The unrealized gain on contracts of \$(1,553) at June 30, 2025 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, 2025, the PSERS entered into total return type swaps. Under the total return type swap arrangements, the System receives the net return of certain 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 \$51,702 at June 30, 2025 represents the fair value of the contracts. The contracts have varying maturity dates, ranging from July 31, 2025 to June 30, 2026.

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, 2025, is \$1,224,360.

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, 2025 consisted of the following:

	Statement of Net Position		
	Governmental Activities		
	Current	Noncurrent	Total
Sales and use	\$ 1,200,975	\$ 371,902	\$ 1,572,877
Personal income	922,533	846,887	1,769,420
Corporation	554,433	621,943	1,176,376
Liquid fuels	298,686	—	298,686
Inheritance	687,727	220,273	908,000
Cigarette	46,243	—	46,243
Other	43,859	—	43,859
Total	<u>\$ 3,754,456</u>	<u>\$ 2,061,005</u>	<u>\$ 5,815,461</u>

Taxes receivable reported on the governmental funds balance sheet and the statement of fiduciary net position at June 30, 2025 consisted of the following:

	Balance Sheet-Governmental Funds						Statement		
	General Fund				Motor License Fund	Nonmajor Governmental Funds	of Fiduciary		
	Expected to be Collected:						Collected by	Collected by	Net Position
	From				August 31, 2025	August 31, 2025			Fiduciary
	By	through	After	Total					Funds
	August 31, 2025	June 30, 2026	June 30, 2026		August 31, 2025	August 31, 2025	August 31, 2025		
Sales and use	\$ 1,006,513	\$ 194,462	\$ 371,902	\$ 1,572,877	\$ —	\$ —	\$ 41,573		
Personal income	483,051	439,482	846,887	1,769,420	—	—	—		
Corporation	124,919	429,514	621,943	1,176,376	—	—	—		
Liquid fuels	—	—	—	—	298,686	—	—		
Inheritance	303,619	384,108	220,273	908,000	—	—	—		
Cigarette	46,243	—	—	46,243	—	—	42,520		
Other	9,014	—	—	9,014	—	34,845	—		
Total	<u>\$ 1,973,359</u>	<u>\$ 1,447,566</u>	<u>\$ 2,061,005</u>	<u>\$ 5,481,930</u>	<u>\$ 298,686</u>	<u>\$ 34,845</u>	<u>\$ 84,093</u>		

On the governmental funds balance sheet, the **General Fund** taxes receivable of \$3,508,571 expected to be collected after August 31, 2025 are reported as deferred inflows of resources. The total amount of taxes receivable reported on the governmental funds balance sheet, \$3,754,456 (\$3,420,925 reported in the **General Fund**, \$298,686 reported in the **Motor License Fund**, and \$34,845 reported in nonmajor governmental funds), expected to be collected from July 1, 2025 through June 30, 2026 is also reported as current taxes receivable in governmental activities on the statement of net position. The remaining **General Fund** taxes receivable for the \$2,061,005 reported on the governmental funds balance sheet expected to be collected after June 30, 2026 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, 2025 consisted of the following:

	Governmental Activities		Business-Type Activities	
	General Fund		Commonwealth	Nonmajor
			Financing Authority	Enterprise Funds
Economic development loans	\$ 17,112	\$	308,039	\$ 63,172
Volunteer fire, ambulance and rescue company loans	—		—	80,433
Environmental program loans	2,473		—	—
School district loans	12,007		—	—
Other notes and loans	110		—	—
	31,702		308,039	143,605
Less: allowance for uncollectible amounts	(2,483)		(46,854)	(5,313)
Loans receivable, net	\$ 29,219	\$	261,185	\$ 138,292

The **General Fund** reported \$17,000 in loans due after June 30, 2026; the **Commonwealth Financing Authority** (a blended component unit) reported \$239,315 in loans due after June 30, 2026; and nonmajor enterprise funds reported \$116,128 in loans due after June 30, 2026.

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 \$3,498 in uncollectible amounts.

Lease Receivables:

	Governmental Activities		Business-Type Activities		Total
	Current	Noncurrent	Current	Noncurrent	
Leases receivable:					
Land	\$ 333	\$ 1,649	\$ 134	\$ 3,171	\$ 5,287
Buildings and building improvements	37	693	13,590	93,339	107,659
Equipment	—	—	453	1,334	1,787
Total	\$ 370	\$ 2,342	\$ 14,177	\$ 97,844	\$ 114,733

Governmental activities lease receivables are held primarily by the **General Fund**, and business-type activities lease receivables are held by the Philadelphia Regional Port Authority.

For the fiscal year ended June 30, 2025, the statement of activities includes lease revenue and interest of \$463 and \$53, respectively, for governmental activities and \$17,476 and \$5,070 for business-type activities. There was no additional revenue for variable and other payments not included in the measurement of the lease receivable.

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 that have not yet been earned as revenue as of June 30, 2025:

	General Fund	Motor License Fund	Nonmajor Funds	Total Governmental Funds
Unearned revenue	\$ 336,112	\$ 37,165	\$ 356,588	\$ 729,865

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 as of June 30, 2025. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2025:

	Total Governmental Activities	Total Business-Type Activities
Deferred Outflows of Resources		
Refundings of debt	\$ 10,767	\$ 355
Asset retirement obligations	237,920	—
Pension related:		
Contributions subsequent to measurement date	1,017,813	49,052
Differences between expected and actual experience	742,170	37,570
Net difference between projected and actual earnings on plan investments	485,066	24,336
Changes of assumptions	288,394	14,599
Changes in proportion	382,448	19,077
Differences between employer contributions and proportionate share	27,657	1,426
Other postemployment benefits related:		
Contributions subsequent to measurement date	629,161	29,607
Differences between expected and actual experience	433,074	15,076
Net difference between projected and actual earnings on plan investments	12	—
Changes of assumptions	820,342	15,969
Changes in proportion	1,611,826	149,651
Differences between employer contributions and proportionate share	—	294
Total deferred outflows of resources	\$ 6,686,650	\$ 357,012
Deferred Inflows of Resources		
Refundings of debt	\$ 32,077	\$ 9,493
Leases right-to-use	2,810	109,779
Pension related:		
Differences between expected and actual experience	22,396	924
Net difference between projected and actual earnings on plan investments	—	(21)
Changes in proportion	259,393	13,355
Differences between employer contributions and proportionate share	30,620	1,543
Other postemployment benefits related:		
Differences between expected and actual experience	2,029,666	116,018
Net difference between projected and actual earnings on plan investments	40,706	2,671
Changes of assumptions	3,370,198	127,618
Changes in proportion	1,641,802	31,130
Differences between employer contributions and proportionate share	—	2,101
Total deferred inflows of resources	\$ 7,429,668	\$ 414,611

On the balance sheet for governmental funds, the **General Fund**, the **Motor License Fund**, and several nonmajor special revenue funds reported deferred inflows of resources related to future reporting periods. The following chart provides, per receivable, the unavailable revenue expected to be collected after August 31, 2025, as well as the portion of the lease receivable expected payments related to future periods:

	General Fund	Nonmajor Funds	Total Governmental Funds
Deferred Inflows of Resources			
Unavailable revenue:			
<u>Expected to be collected after August 31, 2025:</u>			
Taxes receivable	\$ 3,508,571	\$ —	\$ 3,508,571
Accounts receivable	863,583	172,712	1,036,295
Due from Federal Government	11,414	—	11,414
Total unavailable revenue	4,383,568	172,712	4,556,280
Leases right-to-use	2,611	199	2,810
Total deferred inflows of resources	\$ 4,386,179	\$ 172,911	\$ 4,559,090

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 as of June 30, 2025. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2025:

	State				Commonwealth	Nonmajor	Total	Internal
	Unemployment	Workers'	State	State	Financing	Funds	Proprietary	Service
	Compensation	Insurance	Lottery	Stores	Authority		Funds	Funds
<u>Deferred Outflows of Resources</u>	Fund	Fund	Fund					
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 355	\$ —	\$ 355	\$ —
Pension related:								
Contributions subsequent to measurement date	6,404	—	4,165	35,941	—	2,542	49,052	3,312
Differences between expected and actual experience	4,832	1,593	3,142	26,113	—	1,890	37,570	2,499
Net difference between projected and actual earnings on plan investments ..	3,130	1,032	2,035	16,915	—	1,224	24,336	1,619
Changes of assumptions	1,878	619	1,221	10,147	—	734	14,599	971
Changes in proportion	2,433	802	1,582	13,146	—	1,114	19,077	1,258
Differences between employer contributions and proportionate share ..	180	59	117	973	—	97	1,426	93
Other postemployment benefits related:								
Contributions subsequent to measurement date	2,954	1,146	2,552	21,623	—	1,332	29,607	1,709
Differences between expected and actual experience	2,551	528	1,207	10,584	—	206	15,076	804
Changes of assumptions	2,442	505	1,155	11,250	—	617	15,969	770
Changes in proportion	107,895	2,432	6,472	26,685	—	6,167	149,651	9,813
Differences between employer contributions and proportionate share ..	—	—	—	—	—	294	294	—
Total deferred outflows of resources ..	\$ 134,699	\$ 8,716	\$ 23,648	\$ 173,377	\$ 355	\$ 16,217	\$ 357,012	\$ 22,848
<u>Deferred Inflows of Resources</u>								
Refundings of debt	\$ —	\$ —	\$ —	\$ —	\$ 9,493	\$ —	\$ 9,493	\$ —
Leases right-to-use	—	—	—	—	—	109,779	109,779	—
Pension related:								
Differences between expected and actual experience	119	39	77	643	—	46	924	62
Net difference between projected and actual earnings on plan investments ..	—	—	—	—	—	(21)	(21)	—
Changes in proportion	1,685	555	1,096	9,105	—	914	13,355	871
Differences between employer contributions and proportionate share ..	199	66	130	1,077	—	71	1,543	103
Other postemployment benefits related:								
Differences between expected and actual experience	19,623	4,060	9,281	78,103	—	4,951	116,018	6,182
Net differences between projected and actual earnings on plan investments	458	95	216	1,807	—	95	2,671	145
Changes of assumptions	21,062	4,358	9,963	86,921	—	5,314	127,618	6,636
Changes in proportion	3,477	6,154	1,319	15,915	—	4,265	31,130	10,519
Differences between employer contributions and proportionate share ..	—	—	—	—	—	2,101	2,101	—
Total deferred inflows of resources	\$ 46,623	\$ 15,327	\$ 22,082	\$ 193,571	\$ 9,493	\$ 127,515	\$ 414,611	\$ 24,518

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 as of June 30, 2025. The following chart provides detail about the reported deferred outflows of resources and the deferred inflows of resources, respectively, at June 30, 2025:

<u>Deferred Outflows of Resources</u>	<u>Pension (and Other Employee Benefit) Trust Funds</u>	
Pension related:		
Contributions subsequent to measurement date	\$	5,547
Differences between expected and actual experience		3,972
Net difference between projected and actual earnings on plan investments		2,573
Changes of assumptions		1,543
Changes in proportion		1,797
Differences between employer contributions and proportionate share		145
Other postemployment benefits related:		
Contributions subsequent to measurement date		1,893
Differences between expected and actual experience		1,013
Net difference between projected and actual earnings Changes of assumptions		970
Changes in proportion		11,419
Total deferred outflows of resources	\$	30,872
 <u>Deferred Inflows of Resources</u>		
Pension related:		
Differences between expected and actual experience	\$	98
Changes in proportion		174
Differences between employer contributions and proportionate share		102
Other postemployment benefits related:		
Differences between expected and actual experience		7,788
Net difference between projected and actual earnings on plan investments		182
Changes of assumptions		8,360
Differences between employer contributions and proportionate share		7,101
Total deferred inflows of resources	\$	23,805

NOTE 4 - CAPITAL ASSETS

Changes in governmental activities capital assets for the fiscal year ended June 30, 2025 are as follows:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Non-depreciable capital assets:				
Land	\$ 759,996	\$ 40,300	\$ 44	\$ 800,252
Highway right-of-way	3,075,175	180,861	—	3,256,036
General construction in progress	903,790	688,687	290,140	1,302,337
Transportation construction in progress	5,844,160	3,310,018	2,981,763	6,172,415
Subtotal	<u>10,583,121</u>	<u>4,219,866</u>	<u>3,271,947</u>	<u>11,531,040</u>
Depreciable and amortizable capital assets:				
Land improvements	1,225,125	17,439	2,216	1,240,348
Buildings and building improvements	9,956,745	284,489	7,379	10,233,855
Machinery and equipment	2,358,029	249,015	35,179	2,571,865
Highway infrastructure	41,247,254	1,818,587	—	43,065,841
Bridge infrastructure	20,528,214	882,222	—	21,410,436
Waterway infrastructure	49,111	2,764	—	51,875
Infrastructure-other	357,328	13,251	—	370,579
Software	1,620,094	206,856	11,016	1,815,934
Other intangibles	200	—	—	200
Subtotal	<u>77,342,100</u>	<u>3,474,623</u>	<u>55,790</u>	<u>80,760,933</u>
Less accumulated depreciation and amortization for:				
Land improvements	642,065	33,782	2,216	673,631
Buildings and building improvements	4,542,539	225,692	7,341	4,760,890
Machinery and equipment	1,718,596	138,859	34,599	1,822,856
Highway infrastructure	27,546,664	1,602,823	—	29,149,487
Bridge infrastructure	7,709,591	555,709	—	8,265,300
Waterway infrastructure	10,054	1,015	—	11,069
Infrastructure-other	185,406	18,657	—	204,063
Software	642,810	85,618	11,016	717,412
Other intangibles	200	—	—	200
Subtotal	<u>42,997,925</u>	<u>2,662,155</u>	<u>55,172</u>	<u>45,604,908</u>
Total depreciable and amortizable capital assets, net	<u>34,344,175</u>	<u>812,468</u>	<u>618</u>	<u>35,156,025</u>
Total governmental activities capital assets, net	<u>\$ 44,927,296</u>	<u>\$ 5,032,334</u>	<u>\$ 3,272,565</u>	<u>\$ 46,687,065</u>

The decreases in construction in progress represent increases in all capital asset classes, including non-depreciable assets such as land and highway right-of-way. For the fiscal year ending June 30, 2025, the amount of the decreases to construction in progress that resulted in increases to land and highway right-of-way totaled \$184,244.

NOTE 4 - CAPITAL ASSETS (continued)

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Intangible right-to-use assets:				
Leases:				
Land	\$ 20,672	\$ 1,382	\$ 487	\$ 21,567
Buildings and building improvements	1,580,848	211,041	76,822	1,715,067
Machinery and equipment	23,490	3,913	1,949	25,454
Lease asset subtotal	<u>1,625,010</u>	<u>216,336</u>	<u>79,258</u>	<u>1,762,088</u>
Subscription-based information technology arrangements	109,499	71,337	17,241	163,595
Right-to-use asset subtotal	<u>1,734,509</u>	<u>287,673</u>	<u>96,499</u>	<u>1,925,683</u>
Less accumulated amortization for:				
Leases:				
Land	4,357	1,200	487	5,070
Buildings and building improvements	538,254	143,495	39,035	642,714
Machinery and equipment	14,186	4,897	1,949	17,134
Right-to-use asset subtotal	<u>556,797</u>	<u>149,592</u>	<u>41,471</u>	<u>664,918</u>
Subscription-based information technology arrangements	55,594	42,103	13,504	84,193
Right-to-use asset subtotal	<u>612,391</u>	<u>191,695</u>	<u>54,975</u>	<u>749,111</u>
Total governmental activities right-to-use assets, net	<u>\$ 1,122,118</u>	<u>\$ 95,978</u>	<u>\$ 41,524</u>	<u>\$ 1,176,572</u>

Depreciation and amortization expense, by function, related to governmental activities capital assets for the fiscal year ended June 30, 2025 is as follows:

	Capital Assets	Right-To-Use Assets	Total
Direction and supportive services	\$ 77,506	\$ 65,996	\$ 143,502
Protection of persons and property	157,384	81,031	238,415
Public education	63,320	229	63,549
Health and human services	46,176	33,528	79,704
Economic development	4,553	—	4,553
Transportation	2,268,979	9,541	2,278,520
Recreation and cultural enrichment	44,237	1,370	45,607
Total depreciation and amortization expense	<u>\$ 2,662,155</u>	<u>\$ 191,695</u>	<u>\$ 2,853,850</u>

NOTE 4 - CAPITAL ASSETS (continued)

Changes in business-type activities capital assets for the fiscal year ended June 30, 2025 are as follows:

	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Non-depreciable capital assets:				
Land	\$ 244,050	\$ 34,077	\$ 324	\$ 277,803
General construction in progress	24,014	102,428	23,454	102,988
Subtotal	<u>268,064</u>	<u>136,505</u>	<u>23,778</u>	<u>380,791</u>
Depreciable and amortizable capital assets:				
Land improvements	175,585	5,036	—	180,621
Buildings and building improvements	604,214	9,088	8,898	604,404
Machinery and equipment	430,235	29,912	5,939	454,208
Software	151,035	11,831	8,219	154,647
Subtotal	<u>1,361,069</u>	<u>55,867</u>	<u>23,056</u>	<u>1,393,880</u>
Less accumulated depreciation and amortization for:				
Land improvements	62,134	8,819	—	70,953
Buildings and building improvements	328,648	24,454	8,724	344,378
Machinery and equipment	196,388	31,898	5,035	223,251
Software	41,919	21,856	8,219	55,556
Subtotal	<u>629,089</u>	<u>87,027</u>	<u>21,978</u>	<u>694,138</u>
Total depreciable and amortizable capital assets, net	<u>731,980</u>	<u>(31,160)</u>	<u>1,078</u>	<u>699,742</u>
Total business-type activities capital assets, net	<u>\$ 1,000,044</u>	<u>\$ 105,345</u>	<u>\$ 24,856</u>	<u>\$ 1,080,533</u>
	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Intangible right-to-use assets:				
Leases:				
Land				0
Buildings and building improvements	\$ 479,992	\$ 67,128	\$ 8,586	\$ 538,534
Machinery and equipment	644	—	—	644
Lease asset subtotal	<u>480,636</u>	<u>67,128</u>	<u>8,586</u>	<u>539,178</u>
Subscription-based information technology arrangements	22,620	3,805	730	25,695
Right-to-use asset subtotal	<u>503,256</u>	<u>70,933</u>	<u>9,316</u>	<u>564,873</u>
Less accumulated amortization for:				
Leases:				
Buildings and building improvements	\$ 245,229	\$ 64,779	\$ 7,969	\$ 302,039
Machinery and equipment	329	150	—	479
Right-to-use asset subtotal	<u>245,558</u>	<u>64,929</u>	<u>7,969</u>	<u>302,518</u>
Subscription-based information technology arrangements	13,628	7,136	730	20,034
Right-to-use asset subtotal	<u>259,186</u>	<u>72,065</u>	<u>8,699</u>	<u>322,552</u>
Total business-type activities right-to-use assets, net	<u>\$ 244,070</u>	<u>\$ (1,132)</u>	<u>\$ 617</u>	<u>\$ 242,321</u>

NOTE 4 - CAPITAL ASSETS (continued)

Construction in progress included in governmental activities capital assets at June 30, 2025 includes project information as follows:

	Project Authorization	Amounts Expended at June 30, 2025	Authorization Available
General Construction in Progress:			
Capitol Complex	\$ 303,157	\$ 70,483	\$ 232,674
Department of Corrections Institutions	149,807	70,285	79,522
Educational Institutions	922,619	296,395	626,224
Environmental Protection	52,312	37,328	14,984
State Parks and Forests	281,750	128,324	153,426
Veterans Homes and Military Armories	273,149	129,616	143,533
Department of Human Services Institutions	212,230	131,998	80,232
Transportation Facilities	485,657	233,134	252,523
Historical and Museum Commission Facilities	48,340	7,649	40,691
State Police Facilities	519,862	185,953	333,909
Agriculture Facilities	36,682	9,447	27,235
Department of Labor and Industry	529	442	87
Other	367,909	1,283	366,626
Total general Construction in Progress	3,654,003	1,302,337	2,351,666
Highway and Bridge Construction in Progress:	10,177,338	6,172,415	4,004,923
Total Construction in Progress	<u>\$ 13,831,341</u>	<u>\$ 7,474,752</u>	<u>\$ 6,356,589</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, 2025 the remaining amount of governmental activities capital assets related to the initial June 30, 1986 valuation amounted to \$1,419,103. 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 \$128,794/\$(128,838) for governmental activities/business-type activities differ by \$44 because the **State Workers' Insurance Fund**, an enterprise fund, reports for its fiscal year ended December 31, 2024.

Fund Financial Statements

Interfund Balances

The composition of governmental and proprietary fund interfund balances reported as of June 30, 2025 is as follows, with major fund titles in bold. Aggregate nonmajor governmental funds receivables from other funds and from component units, respectively, amount to \$190,353 and \$39,751; aggregate nonmajor enterprise funds receivables from other funds amount to \$6,970; aggregate internal service funds receivables from other funds and from component units, respectively, amount to \$42,559 and \$50:

Fund Type/Fund <u>Primary Government</u>	Due From		Due To	
	Other Funds	Component Units	Other Funds	Component Units
General Fund	\$ 569,563	\$ 29,524	\$ 373,062	\$ 3,462
<u>Special Revenue:</u>				
Motor License Fund	3,473	77	73,873	182
Banking Fund	2	—	154	—
Milk Marketing Fund	—	—	39	—
Workmen's Compensation Administration Fund	—	—	531	—
Workers' Compensation Security Fund	—	—	2	—
Tobacco Settlement Fund	69	—	399,822	—
Public Transportation Trust Fund	118,418	—	8,905	—
Gaming Fund	4,664	37,331	112,805	—
Environmental Stewardship Fund	1,869	—	4,425	3,069
Marcellus Shale Fund	—	—	18,743	—
Multimodal Transportation Fund	8,880	—	94,804	—
Underground Storage Tank Indemnification Fund	—	—	3,194	—
Other Funds	31,917	—	34,122	62
Special Revenue subtotal	169,292	37,408	751,419	3,313
<u>Debt Service:</u>				
PA Infrastructure Investment Authority Redemption Fund	—	70	—	—
Debt Service subtotal	—	70	—	—
<u>Capital Projects:</u>				
Capital Facilities Fund	100	2,350	9,472	—
Keystone Recreation, Park and Conservation Fund	11,401	—	283	—
Public Transportation Assistance Fund	13,033	—	—	—
Capital Projects subtotal	24,534	2,350	9,755	—
<u>Enterprise:</u>				
Unemployment Compensation Fund	5,947	—	29,794	—
State Lottery Fund	12	—	32,950	—
Tuition Payment Fund	1	—	—	—
State Stores Fund	33	—	27,999	39
Commonwealth Financing Authority	204,058	—	1,235	—
Rehabilitation Center Fund	1,899	—	182	—
Philadelphia Regional Port Authority	5,060	—	69	—
Other Funds	11	—	62	49
Enterprise subtotal	217,021	—	92,291	88

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
<u>Internal Service:</u>				
Purchasing Fund	\$ 34,162	\$ 50	\$ 3,563	\$ 5
Manufacturing Fund	8,397	—	651	—
Internal Service subtotal	<u>42,559</u>	<u>50</u>	<u>4,214</u>	<u>5</u>
<u>Fiduciary - Pension Trust:</u>				
State Employees' Retirement System	13,635	1,314	—	—
Public School Employees' Retirement System	14,289	—	4,380	—
Public School Employees' Retirement System - DC	—	—	850	—
Fiduciary - Pension Trust subtotal	<u>27,924</u>	<u>1,314</u>	<u>5,230</u>	<u>—</u>
Total primary government	<u>\$ 1,050,893</u>	<u>\$ 70,716</u>	<u>\$ 1,235,971</u>	<u>\$ 6,868</u>

Discretely Presented Component Units	Due From		Due To	
	Primary Government	Component Units	Primary Government	Component Units
Pennsylvania Turnpike Commission	\$ 10,695	\$ —	\$ 5,759	\$ —
Pennsylvania Housing Finance Agency	—	1,134	45	759
Pennsylvania Higher Education Assistance Agency	5	—	1,151	—
Pennsylvania Infrastructure Investment Authority	3,069	759	29,427	1,134
State System of Higher Education	3,794	—	2,437	—
Pennsylvania Industrial Development Authority	—	—	4	—
Pennsylvania Convention Center Authority	—	—	37,331	—
Other component units	—	—	10	—
Total component units	<u>\$ 17,563</u>	<u>\$ 1,893</u>	<u>\$ 76,164</u>	<u>\$ 1,893</u>

The amount of total reported interfund receivables of \$1,141,065 does not agree with the total reported interfund payables of \$1,320,896 at June 30, 2025 due to different fiscal year ends and reporting differences for certain funds included in the fund financial statements at June 30, 2025. The amount reported for the Pennsylvania Turnpike Commission, a discretely presented component unit, is reported at its fiscal year ended May 31, 2025; the amounts reported as interfund balances for the State Employees' Retirement System and Deferred Compensation Fund, pension trust funds, the **State Workers' Insurance Fund**, an enterprise fund, and the Pennsylvania Health Insurance Exchange Authority, a discretely presented component unit, are reported at their fiscal years ended December 31, 2024. The following presents a reconciliation of interfund balances reported on June 30, 2025, and those amounts that would have been reported if all funds were reported at the same fiscal year-end.

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

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due from other funds	\$ 762,425	\$ 254,609	\$ 23,349	\$ —	\$ 1,040,383
Due from pension trust funds	964	4,971	4,575	—	10,510
Due from component units	69,352	50	1,314	1,893	72,609
Due from primary government	—	—	—	17,563	17,563
Total	<u>\$ 832,741</u>	<u>\$ 259,630</u>	<u>\$ 29,238</u>	<u>\$ 19,456</u>	<u>\$ 1,141,065</u>

Reported Interfund Receivables \$ 1,141,065

State Employees' Retirement System increase in receivables from January 1, 2025 through June 30, 2025	51,016
Pennsylvania Turnpike Commission decrease in receivables from June 1, 2025 through June 30, 2025	(10,695)
State Workers' Insurance Fund increase in receivables from January 1, 2025 through June 30, 2025	38
Interfund receivables reported as taxes receivable and accounts receivable by fiduciary funds	81,555
Payroll accrual at June 30, 2025 - receivables attributable to State Employees' Retirement System	58,389

Reconciled Interfund Receivables \$ 1,321,368

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Component Units	Total
Due to other funds	\$ 925,245	\$ 91,555	\$ 123	\$ —	\$ 1,016,923
Due to pension trust funds	208,991	4,950	5,107	—	219,048
Due to component units	6,775	93	—	1,893	8,761
Due to primary government	—	—	—	76,164	76,164
Total	<u>\$ 1,141,011</u>	<u>\$ 96,598</u>	<u>\$ 5,230</u>	<u>\$ 78,057</u>	<u>\$ 1,320,896</u>

Reported Interfund Payables \$ 1,320,896

State Employees' Retirement System increase in payables from January 1, 2025 through June 30, 2025	166
Pennsylvania Health Exchange Insurance Authority increase in payables from January 1, 2025 through June 30, 2025	38
Pennsylvania Turnpike Commission decrease in payables from June 1, 2025 through June 30, 2025	(5,682)
State Workers' Insurance Fund increase in payables from January 1, 2025 through June 30, 2025	267
Interfund payables reported as accounts payable by fiduciary funds	5,683

Reconciled Interfund Payables \$ 1,321,368

Advances - Fund Financial Statements

On June 30, 2025, the **General Fund** reported advances to other funds of \$4,475. Specifically, this amount has been advanced as follows: \$2,300 to the **State Workers' Insurance Fund (SWIF)**, an enterprise fund; and \$2,175 to the **Motor License Fund**. These amounts have been reported by the respective owing funds as advances from other funds, except for the **SWIF**, which reported an advance of \$2,489 at its fiscal year ended December 31, 2024.

Other advances reported as of June 30, 2025 included:

- The Workmen's Compensation Administration Fund to the Uninsured Employers Guaranty Fund (both special revenue funds) in the amount of \$16,500;
- The Pennsylvania Infrastructure Bank Fund, an enterprise fund, to the **Motor License Fund** in the amount of \$1,814, to be repaid by June 2030.

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

Transfers

A summary of transfers reported for the fiscal year ended June 30, 2025 is as follows, with major fund titles in bold. Aggregate nonmajor governmental fund transfers from other funds amounted to \$1,863,245 during the fiscal year ended June 30, 2025; aggregate nonmajor governmental fund transfers to other funds amounted to \$1,194,909. Aggregate nonmajor proprietary fund transfers from other funds amounted to \$81,076.

Primary Government	Transfers In	Transfers Out
General Fund	\$ 535,836	\$ 1,889,072
<u>Special Revenue:</u>		
Motor License Fund	16,016	138,889
Workmen's Compensation Administration Fund	2,276	—
Tobacco Settlement Fund	115,336	—
Public Transportation Trust Fund	200,283	—
Gaming Fund	—	713,955
Environmental Stewardship Fund	5,766	20,974
Vocational Rehabilitation Fund	48,718	—
Agricultural Conservation Easement Purchase Fund	10,602	—
State Farm Products Show Fund	5,000	—
Recycling Fund	1,000	200
Oil and Gas Lease Fund	—	74,167
Hazardous Sites Cleanup Fund	17,882	4,000
Marcellus Shale Fund	15,000	67,774
Uninsured Employers Guaranty Fund	243	—
State Racing Fund	12,951	—
Fish and Boat Fund	12,356	15,583
Multimodal Transportation Fund	—	95,696
Other Funds	3,161	7,394
Special Revenue subtotal	<u>466,590</u>	<u>1,138,632</u>
<u>Debt Service:</u>		
Pennsylvania Infrastructure Investment Authority Redemption Fund	—	52,000
Capital Debt Fund	1,347,025	—
Growing Greener Bond Sinking Fund	9,943	—
Water and Sewer Assistance Bond Sinking Fund	2,543	—
Water Supply and Wastewater Treatment Sinking Fund	631	—
Debt Service subtotal	<u>1,360,142</u>	<u>52,000</u>
<u>Capital Projects:</u>		
Capital Facilities Fund	52,529	110,674
Keystone Recreation, Park and Conservation Fund	—	8,616
Public Transportation Assistance Fund	—	23,876
Capital Projects subtotal	<u>52,529</u>	<u>143,166</u>
<u>Enterprise:</u>		
Unemployment Compensation Fund	—	5,000
State Lottery Fund	204,515	255,907
State Stores Fund	—	201,068
Commonwealth Financing Authority	984,402	245
Historical Preservation Fund	1	—
Philadelphia Regional Port Authority	81,075	—
Enterprise subtotal	<u>1,269,993</u>	<u>462,220</u>
Total transfers, fund financial statements	3,685,090	3,685,090
Less: net elimination of governmental fund transfers	(4,492,863)	(4,492,863)
Total transfers, Statement of Activities	<u>\$ (807,773)</u>	<u>\$ (807,773)</u>

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, 2025 (May 31, 2025 for the 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)	\$	903,494
Pennsylvania Higher Education Assistance Agency (grants)		588,768
Pennsylvania Turnpike Commission (capital contributions)		157,854
Pennsylvania Housing Finance Agency (program income and fees)		75,041
Pennsylvania Infrastructure Investment Authority (grants)		27,273

Nonmajor Discretely Presented Component Units

During the fiscal year ended June 30, 2025, the Commonwealth provided financial support to nonmajor component units by appropriations, as follows:

Ben Franklin Technology Development Authority	\$	17,000
Thaddeus Stevens College of Technology		22,476
Port of Pittsburgh Commission		950

Financial Support Provided to the Commonwealth

During its fiscal year ended May 31, 2025, the Pennsylvania Turnpike Commission provided \$50,000 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.

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

Governmental Activities

Long-term obligations of the Commonwealth’s governmental activities at June 30, 2025 and changes therein during the fiscal year ended June 30, 2025 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Bonds Authorized But Unissued	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
GENERAL LONG-TERM OBLIGATIONS								
General Obligation Bonds Payable From								
Tax Revenues:								
Capital Facilities	2015-24	2.00-5.00%	2044	\$ 141,483,965	\$ 6,875,626	\$ 1,395,000	\$ 1,795,105	\$ 6,475,521
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	2018-20	2.00-5.00%	2040	16,000	29,845	—	1,375	28,470
Local Criminal Justice	—	—	—	3,000	—	—	—	—
Water Supply and Wastewater Treatment	2016	3.00-5.00%	2036	—	20,275	—	14,040	6,235
Growing Greener	2015-18	3.20-5.00%	2039	—	76,388	—	54,641	21,747
Persian Gulf Conflict Veterans Compensation	—	—	—	13,000	—	—	—	—
Refunding Bonds	2015-25	0.95-5.00%	2035	—	3,549,480	1,396,365	531,330	4,414,515
Total principal				141,731,673	10,551,614	2,791,365	2,396,491	10,946,488
Unamortized premium on bonds issued				—	610,927	240,720	183,014	668,633
Unamortized discount on bonds issued				—	(6,252)	—	(1,168)	(5,084)
Total general obligation bonds payable				\$ 141,731,673	\$ 11,156,289	\$ 3,032,085	\$ 2,578,337	\$ 11,610,037
Other General Long-Term Obligations								
Payable From Tax and Other Revenues:								
Installment Purchase Liabilities ⁽¹⁾					8,397	7,038	8,344	7,091
Right-to-use Liabilities ⁽¹⁾					1,146,435	287,674	238,897	1,195,212
Self-Insurance---Note 8 ⁽¹⁾					982,490	201,466	109,436	1,074,520
Compensated Absences ⁽¹⁾					918,217	10,034,962	10,002,386	950,793
Other ⁽¹⁾					2,562,670	827,905	646,226	2,744,349
Subtotal					5,618,209	11,359,045	11,005,289	5,971,965
TOTAL GENERAL LONG-TERM OBLIGATIONS					\$ 16,774,498	\$14,391,130	\$ 13,583,626	\$ 17,582,002

Totals may not foot due to rounding.

(1) The reported current liability portion of: Installment Purchase Obligations is \$3,212; Right-to-use Liabilities is \$174,602; Self-Insurance is \$112,106; Compensated Absences is \$148,251; and Other Liabilities is \$473,884.

Total principal "Additions" above, amounting to \$2,791,365, are equal to bonds issued reported in the governmental funds statement of revenues, expenditures, and changes in fund balances for the fiscal year ended June 30, 2025.

The total "Additions" of \$3,032,085 for general obligation bonds payable at June 30, 2025 consist of total bond proceeds of \$2,791,365 for governmental funds (including a premium of \$240,720).

The total "Reductions" of \$2,578,337 for general obligation bonds payable at June 30, 2025 consists of total principal repayments of \$2,396,491 plus \$183,014 of bond premium and \$1,168 of bond discount that were amortized and posted to bond interest expense in the statement of activities. The remaining unamortized premium and discount in the statement of net position at June 30, 2025 are \$668,633 and \$5,084, respectively.

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, and the Pennsylvania Infrastructure Investment Authority Redemption Fund transferred amounts to debt service funds for general obligation bond principal and interest payments. During the fiscal year ended June 30, 2025, these funds transferred \$1,122,826, \$122,199, \$50,000, and \$52,000, respectively, to the Capital Debt Fund. The Capital Debt Fund reported \$1,355,923 (99%) of total Debt Service funds principal and interest expenditures of \$1,369,040. 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 a long-term vendor or other financing. In accordance with 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 the **General Fund**, **Motor License Fund**, special revenue assessments, and/or other governmental fund tax revenues, investment earnings, and/or escheated property are the following at June 30, 2025:

Workers' compensation security trust claims	\$ 276,073
Catastrophic loss benefits claims	67,061
Medical Care Availability & Reduction of Error claims - Note 11	1,223,125
Underground Storage Tank Indemnification claims - Note 11	236,600
Public Utility Realty Tax Act (PURTA) liability	31,306
State Insurance Fund claims	10,919
Restricted receipts liability	2,582
Escheated property liability	426,681
Pollution remediation liability	201,818
Asset retirement obligation	268,184
Total	<u><u>\$ 2,744,349</u></u>

The Workers' Compensation Security Trust Fund provides for the 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 the 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 in which 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, 2025 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 or 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. For the fiscal year ended June 30, 2025, the Commonwealth recognized recovery receivables of \$6,933 from private 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, 2025. 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.

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

Asset retirement obligations reported by the Commonwealth generally involve the removal of buildings, dams, bridges, or abandonment of water obstructions and encroachments. Prior to the discontinuance or abandonment of these structures, the Commonwealth has an obligation to remove all or part of the facilities and take other actions as necessary to protect public safety and the environment in accordance with existing Pennsylvania code regulations. The remaining useful life of Commonwealth capital assets associated with asset retirement obligations ranges 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, 2025. Obligations are funded by the **General Fund**, the Environmental Stewardship Fund, and various capital project funds.

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 \$84,185,530 as of August 31, 2025, with net debt outstanding after credit for refunded debt of \$10,060,252.

The following table presents annual principal and interest payments for long-term debt outstanding as of June 30, 2025:

GENERAL LONG-TERM OBLIGATIONS

<u>For the fiscal year ending June 30,</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031-35</u>	<u>2036-40</u>
Capital Facilities	\$ 661,115	\$ 611,428	\$ 602,027	\$ 592,630	\$ 584,246	\$ 2,806,855	\$ 2,148,634
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	2,544	2,542	2,546	2,546	2,562	13,008	11,084
Local Criminal Justice	—	—	—	—	—	—	—
Water Supply and Wastewater Treatment	632	632	631	629	626	3,226	1,364
Growing Greener	3,015	1,896	1,896	1,893	1,919	9,825	8,161
Persian Gulf Conflict Veterans Compensation	—	—	—	—	—	—	—
Refunding Bonds	829,078	859,753	758,163	654,938	612,744	1,422,539	22,504
Total Principal and Interest	1,496,384	1,476,251	1,365,263	1,252,636	1,202,097	4,255,453	2,191,747
Less: Interest Payments	(470,444)	(418,546)	(369,558)	(320,916)	(279,487)	(895,858)	(339,289)
Total General Obligation Bonds	1,025,940	1,057,705	995,705	931,720	922,610	3,359,595	1,852,458
Other General Long-Term Obligations	912,054	616,505	558,315	503,607	508,118	1,653,506	862,883
TOTAL GENERAL LONG-TERM OBLIGATIONS...	\$ 1,937,994	\$ 1,674,210	\$ 1,554,020	\$ 1,435,327	\$ 1,430,728	\$ 5,013,101	\$ 2,715,341

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

GENERAL LONG-TERM OBLIGATIONS

For the fiscal year ending June 30,	2041-45	2046-50	Thereafter	Total
Capital Facilities	\$ 867,764	\$ —	\$ —	\$ 8,874,699
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	—	—	—	36,832
Local Criminal Justice	—	—	—	—
Water Supply and Wastewater Treatment	—	—	—	7,740
Growing Greener	—	—	—	28,605
Persian Gulf Conflict Veterans Compensation	—	—	—	—
Refunding Bonds	—	—	—	5,159,719
Total Principal and Interest	867,764	—	—	14,107,595
Less: Interest Payments	(67,009)	—	—	(3,161,107)
Total General Obligation Bonds	800,755	—	—	10,946,488
Other General Long-Term Obligations	355,219	1,009	749	5,971,965
TOTAL GENERAL LONG-TERM OBLIGATIONS ...	\$ 1,155,974	\$ 1,009	\$ 749	\$16,918,453

Right-to-use Liabilities

The Commonwealth routinely leases various facilities and equipment and enters into subscription-based information technology arrangements for software instead of purchasing assets. In addition, the Commonwealth routinely acquires certain capital assets using installment purchase arrangements. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2025, the Commonwealth recognized expenses for lease variable payments related to index changes and payments based on performance of \$5,603 and termination penalties of \$7. There were no residual guarantee or termination payments expensed for the fiscal year ended June 30, 2025. The software subscription contracts, at times, include variable payments or termination penalties that are not known or certain to be exercised at the time of the subscription liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2025, the Commonwealth recognized expenses for subscription variable payments related to index changes and payments based on performance of \$825. There were no termination payments expensed for the fiscal year ended June 30, 2025. The following is a schedule by fiscal year of future minimum payments due for leases, installment purchases, and subscription-based information technology arrangements, together with the present value of the net minimum lease and software subscription payments, as of June 30, 2025:

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

Fiscal Year Ending June 30,	Right-to-use Liabilities					
	Installment Purchase Liabilities		Lease Liabilities		Subscription-based Information Technology Arrangements	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 3,212	\$ 292	\$ 142,320	\$ 27,363	\$ 32,281	\$ 1,399
2027	2,868	169	129,297	23,781	17,850	635
2028	646	62	121,755	20,480	6,948	298
2029	365	23	109,831	17,417	2,523	163
2030	—	—	131,943	20,443	2,374	94
2031-35	—	—	244,436	40,045	2,954	99
2036-40	—	—	154,489	18,049	—	—
2041-45	—	—	94,453	3,265	—	—
2046-50	—	—	1,009	207	—	—
Thereafter	—	—	749	44	—	—
Total Right-to-use and Installment Purchase Liabilities	\$ 7,091	\$ 546	\$ 1,130,282	\$ 171,094	\$ 64,930	\$ 2,688

Refunded Debt Information

During the fiscal year ended June 30, 2025, the Commonwealth issued \$237,100 in general obligation bonds, First Refunding Series of 2024, with an average interest cost of 2.9% to advance refund \$248,245 of previously issued general obligation bonds with average interest rates of 4.2%. The net refunding bond proceeds of \$251,679 after payment of underwriting fees and other issuance costs, 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 \$21,776 and to obtain an economic gain of \$18,098.

Also during the fiscal year ended June 30, 2025, the Commonwealth issued \$1,159,265 in general obligation bonds, First Refunding Series A & B of 2025, with an average interest cost of 3.2% to advance refund \$1,227,365 of previously issued general obligation bonds with average interest rates of 4.5%. The net refunding bond proceeds of \$1,247,793 after payment of underwriting fees and other issuance costs, 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 \$71,517 and to obtain an economic gain of \$52,555.

A deferred inflow of resources of \$1,203 and \$9,756 for net refunding gain was reported in the statement of net position for the First Refunding Series of 2024 and First Refunding Series A & B of 2025, respectively. Bond issuance costs of \$638 and \$1,763 were reported in the statement of revenues, expenditures and changes in fund balance, as interest and fiscal charges for the First Refunding Series of 2024 and First Refunding Series A & B of 2025, respectively.

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, 2025, \$1,227,365 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 29 years, with a one time lump-sum net payment of \$200,000 paid to the Commonwealth. This agreement was secured with the 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

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

power. During the fiscal year ended June 30, 2025, the Commonwealth made annual installment payments for the principal and interest totaling \$4,780 and \$8,473, respectively. The other financing obligation at June 30, 2025 consists of \$175,635 in principal and \$7,012 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 by the issuance of Commonwealth certificates of participation totaling \$114,845. The guaranteed energy savings from the improvements were designed to be sufficient to fund future installment payments. 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, 2025, the Commonwealth made annual installment payments for the principal and interest totaling \$7,485 and \$923, respectively. As of June 30, 2025, total principal remaining on the certificates of participation is \$14,175.

The tables for the balances and changes in the certificates of participation balances as of June 30, 2025 and the annual principal and interest payments are as follows:

	Date	Interest Rates	Maturity Dates Through	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
CERTIFICATES OF PARTICIPATION							
Certificates of Participation Payable From Appropriation:							
Series A of 2018	2018	3.63-5.85	2046	\$ 180,415	\$ —	\$ 4,780	\$ 175,635
2010 - Multiple Series	2010	1.15-7.11	2027	21,660	—	7,485	14,175
Total principal				202,075	—	12,265	189,810
Unamortized premium on certificates issued				7,928	—	916	7,012
Total certificates of participation payable				\$ 210,003	\$ —	\$ 13,181	\$ 196,822

CERTIFICATES PAYABLE FROM APPROPRIATION

For the fiscal year ending June 30,	2026	2027	2028	2029	2030	2031-35	2036-40
Certificates of Participation (Principal and Interest)	\$ 20,841	\$ 20,629	\$ 13,255	\$ 13,253	\$ 13,257	\$ 66,278	\$ 66,282
Less: Interest payments	(8,746)	(8,259)	(7,720)	(7,443)	(7,152)	(31,338)	(22,207)
Total Certificates of Participation	\$ 12,095	\$ 12,370	\$ 5,535	\$ 5,810	\$ 6,105	\$ 34,940	\$ 44,075

For the fiscal year ending June 30,	2041-45	2046-50	Total
Certificates of Participation (Principal and Interest)	\$ 66,282	\$ 13,255	\$ 293,332
Less: Interest payments	(10,147)	(510)	(103,522)
Total Certificates of Participation	\$ 56,135	\$ 12,745	\$ 189,810

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 (PCCA bonds). As of June 30, 2025, the total principal remaining on the debt service is \$195,465. Total bond principal and interest payments made during the fiscal year ended June 30, 2025 for the PCCA bonds amounted to zero and \$12,735, respectively. The debt service for the PCCA bonds was financed by \$8,126 from the City (in the form of an annual service fee), \$4,224 from the U.S. Treasury (in the form of a Build America Bonds interest subsidy for Series B of the bonds), and \$385 of Debt Service Reserve fund interest.

In 2021, the Commonwealth entered into a service agreement with a public financing authority, which financially obligated the Commonwealth for debt service principal and interest payments for bonds issued by the public financing authority to provide grant funding for Commonwealth counties to acquire new Voting Apparatus Systems (voting bonds). The other financing obligation at June 30, 2025 consists of \$41,120 in principal and \$3,813 in unamortized premium. Total bond principal

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

and interest payments made during the fiscal year ended June 30, 2025 for the voting bonds amounted to \$7,330 and \$1,917. The debt service for the voting bonds was financed by Commonwealth appropriations.

Additionally, during the fiscal year ended June 30, 2025 the Commonwealth entered into a service agreement with a public financing authority, which financially obligated the Commonwealth for debt service principal and interest payments for bonds issued by the public financing authority to provide \$100,000 to the **Commonwealth Financing Authority (CFA)** to reimburse grants under the Multimodal Transportation Funding Program (MMTF) and under the Pennsylvania Small Water and Sewer Program (PA SWS), and \$400,000 in grants and loans under the Pennsylvania Strategic Investments To Enhance Sites (PA SITES) Program (PA SITES bonds). The other financing obligation at June 30, 2025 consists of \$500,000 in principal. Total bond principal and interest payments made during the fiscal year ended June 30, 2025 for the PA SITES bonds amounted to zero.

Total debt service requirements for the bonds at June 30, 2025 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total Other Financing Obligations</u>
2026	\$ 58,501
2027	58,464
2028	65,019
2029	68,350
2030	68,024
2031-35	302,866
2036-40	282,028
2041-45	178,024
2046-50	177,730
2051-54	141,953
Total principal, interest, and unamortized premium	1,400,959
Less: interest	(660,561)
Less: unamortized premium	(3,813)
Total Principal	\$ 736,585

For the PCCA 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 \$195,000; a total of \$47,340 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 \$27,827; 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 \$317,989 at June 30, 2025. 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 earnings 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, 2025.

For the voting bonds, through June 1, 2030, and the PA SITES Bonds, through June 1, 2054, the Commonwealth will appropriate amounts sufficient to pay all bond principal and interest to be financed by the **General Fund**.

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 \$1,769,149 of the **Tuition Payment Fund**, an enterprise fund, at June 30, 2025 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 5.50%.

Changes in tuition benefits payable are as follows:

Balance at July 1, 2024			Balance at June 30, 2025			Current Due within One Year	Noncurrent Due after One Year
	Additions	Reductions					
\$ 1,725,491	\$ 301,078	\$ 257,420	\$ 1,769,149	\$ 307,459	\$ 1,461,690		

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% on December 31, 2024 and December 31, 2023. 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, 2024 and 2023, the following summary provides information on prior year reported insurance loss liability, incurred claims and payments, and current year reported insurance loss liability.

Year Ended December 31	Prior Year Liability	Incurred Claims		Payments		Current Year Liability
		Current	Prior	Current	Prior	
2024	\$ 1,222,689	\$ 77,260	\$ (108,969)	\$ 26,851	\$ 80,698	\$ 1,083,431
2023	\$ 1,218,838	\$ 95,652	\$ 36,405	\$ 31,886	\$ 96,320	\$ 1,222,689

The current portion of the total **SWIF** insurance loss liability is \$109,769 and the noncurrent portion is \$973,662. Additionally, nonmajor enterprise funds reported a noncurrent insurance loss liability of \$494 at June 30, 2025. Total reported current insurance loss liability amounts to \$109,769 and total noncurrent insurance loss liability amounts to \$974,156 as of June 30, 2025.

Compensated Absences Liability

The reported compensated absences liability for the enterprise funds totaled \$47,109 as of June 30, 2025. Of that amount, the liability is primarily owed by the **State Stores Fund** (\$37,477), the **SWIF** (\$2,421), and the **State Lottery Fund** (\$3,987). The following summary provides aggregated information reported for June 30, 2025 compensated absences liabilities, additions and reductions during the fiscal year ended June 30, 2025 and reported compensated absences liabilities at June 30, 2025:

Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
\$ 44,966	\$ 571,288	\$ 569,145	\$ 47,109

The current portion of the total compensated absences liability for enterprise funds is \$7,034; the noncurrent portion is \$40,075.

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

Right-to-use Liabilities

Certain enterprise funds (including the Philadelphia Regional Port Authority, blended component unit) routinely lease various facilities and equipment, and enters into subscription-based information technology arrangements for software instead of purchasing the assets. The lease contracts, at times, include variable payments, residual value guarantees, or termination penalties that are not known or certain to be exercised at the time of the lease liability valuation. These are recognized as expenses in the period that they occur. For the fiscal year ended June 30, 2025, enterprise funds recognized expenses for lease variable payments related to index changes and payments based on performance of \$1,606. The software subscription contracts, at times, include variable payments or termination penalties that are not known or certain to be exercised at the time of the subscription liability valuation. These are recognized as expenses in the period that they occur. There were no variable payments or termination payments expensed for the fiscal year ended June 30, 2025. The following is a schedule by fiscal year future minimum payments due for leases and subscription-based information technology arrangements, together with the present value of the net minimum lease and software subscription payments as of June 30, 2025:

	Right-to-use Liabilities			
	Lease Liabilities		Subscription-based Information Technology Arrangements	
	Principal	Interest	Principal	Interest
Fiscal Year Ending June 30,				
2026	\$ 61,675	\$ 5,640	\$ 6,445	\$ 76
2027	53,074	4,221	279	28
2028	45,035	2,966	288	19
2029	33,669	1,942	297	9
2030	21,321	1,231	—	—
2031-35	31,451	1,935	—	—
2036-40	1,322	18	—	—
Total Right-to-use Liabilities	\$ 247,547	\$ 17,953	\$ 7,309	\$ 132

The following summary provides aggregated information reported for June 30, 2025 lease liabilities and subscription-based information technology arrangement liabilities; additions and reductions during the fiscal year ended June 30, 2025 and reported lease liabilities and subscription-based information technology arrangement liabilities at June 30, 2025:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
Right-to-use liabilities	\$ 255,588	\$ 73,647	\$ 74,379	\$ 254,856

Revenue Bonds Payable

Revenue bond obligations of the enterprise fund, the Commonwealth Financing Authority, blended component unit at June 30, 2025, and changes during the fiscal year ended June 30, 2025 are as follows:

	Issue Dates	Interest Rates	Maturity Dates Through	Balance			Balance June 30, 2025
				July 1, 2024	Additions	Reductions	
REVENUE BONDS PAYABLE							
Commonwealth Financing Authority	2005-20	0.55-6.40%	2042	\$ 4,063,065	\$ —	\$ 157,015	\$ 3,906,050
Total principal obligations				4,063,065	—	157,015	3,906,050
Less: unamortized bond discount				(2,436)	—	(178)	(2,258)
Add: unamortized bond premium				107,231	—	9,531	97,700
TOTAL REVENUE BONDS PAYABLE				\$ 4,167,860	\$ —	\$ 166,368	\$ 4,001,492

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

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

<u>REVENUE BONDS PAYABLE</u>							
<u>For the fiscal year ending June 30,</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031-35</u>	<u>2036-40</u>
Commonwealth Financing Authority							
Principal and Interest	\$ 316,544	\$ 311,787	\$ 310,224	\$ 326,334	\$ 344,870	\$ 1,837,231	\$ 1,626,922
Less: Interest Payments	(167,184)	(159,702)	(152,484)	(145,349)	(137,230)	(529,301)	(216,487)
TOTAL PRINCIPAL OBLIGATIONS	\$ 149,360	\$ 152,085	\$ 157,740	\$ 180,985	\$ 207,640	\$ 1,307,930	\$ 1,410,435
<u>For the fiscal year ending June 30,</u>	<u>2041-45</u>	<u>Total</u>					
Commonwealth Financing Authority							
Principal and Interest	\$ 355,793	\$ 5,429,705					
Less: Interest Payments	(15,918)	(1,523,655)					
TOTAL PRINCIPAL OBLIGATIONS	\$ 339,875	\$ 3,906,050					

NOTE 7 - SHORT-TERM DEBT

During fiscal year ending June 30, 2025, the Commonwealth did not have any activity or outstanding balances related to tax or bond anticipation notes or other short-term debt.

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 and 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 policy 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, 2025. 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, 2025. No settlements exceeded commercial insurance coverage during any of the past three fiscal years.

At June 30, 2025, none of the \$1,074,520 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** (\$868,459) and the **Motor License Fund** (\$172,369). Business-type activity liabilities are primarily owed by the **Unemployment Compensation Fund** (\$2,601), the **State Lottery Fund** (\$1,095), the **State Workers’ Insurance Fund** (\$422), and the **State Stores Fund** (\$52,906), all enterprise funds. All accrued self-insurance liabilities as of June 30, 2025 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	\$ 85,537	\$ 849,109	\$ 5,325	\$ 52,854
Automobile tort	2,956	6,258	—	—
Employee tort	13,827	78,172	—	—
General tort	896	3,668	—	—
Transportation	8,890	25,207	—	—
Totals	<u>\$ 112,106</u>	<u>\$ 962,414</u>	<u>\$ 5,325</u>	<u>\$ 52,854</u>

NOTE 8 - SELF-INSURANCE LIABILITIES (continued)

The following summary provides aggregated information on self-insurance liabilities as of June 30, 2024; incurred claims and payments during the fiscal year ended June 30, 2025; and reported self-insurance liabilities at June 30, 2025:

	June 30, 2024	Incurred Claims		Payments		June 30, 2025
	Liability	Current	Prior	Current	Prior	Liability
Employee disability	\$ 903,031	\$ 84,904	\$ 99,512	\$ 10,479	\$ 84,143	\$ 992,825
Automobile tort	7,309	3,788	1,699	832	2,750	9,214
Employee tort	92,263	14,317	(6,117)	490	7,974	91,999
General tort	3,746	924	338	28	416	4,564
Transportation	30,016	9,900	3,008	1,011	7,816	34,097
Totals	<u>\$ 1,036,365</u>	<u>\$ 113,833</u>	<u>\$ 98,440</u>	<u>\$ 12,840</u>	<u>\$ 103,099</u>	<u>\$ 1,132,699</u>

The following summary provides aggregated information on self-insurance liabilities as of June 30, 2023; incurred claims and payments during the fiscal year ended June 30, 2024; and reported self-insurance liabilities at June 30, 2024:

	June 30, 2023	Incurred Claims		Payments		June 30, 2024
	Liability	Current	Prior	Current	Prior	Liability
Employee disability	\$ 921,722	\$ 72,638	\$ 7,315	\$ 9,087	\$ 89,557	\$ 903,031
Automobile tort	5,661	3,540	2,182	642	3,432	7,309
Employee tort	82,041	15,682	988	146	6,302	92,263
General tort	3,618	758	94	26	698	3,746
Transportation	23,068	9,504	7,186	1,271	8,471	30,016
Totals	<u>\$ 1,036,110</u>	<u>\$ 102,122</u>	<u>\$ 17,765</u>	<u>\$ 11,172</u>	<u>\$ 108,460</u>	<u>\$ 1,036,365</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 and 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	\$ 17,203,315	\$ 261,761	\$ 17,465,076
Deferred outflows of resources	\$ 3,042,316	\$ 47,292	\$ 3,089,608
Deferred inflows of resources	\$ 323,454	\$ 4,756	\$ 328,210
Net Pension expense	\$ 2,465,861	\$ 25,285	\$ 2,491,146

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, 2024 there were 97 employer state agencies and other organizations participating in the SERS.

Retirement Benefits: Article II of the Pennsylvania Constitution provides the General Assembly with the authority to establish and amend plan benefit provisions. The SERS provides retirement, death, and disability benefits. Most employees who entered SERS membership prior to January 1, 2011, and who retire at age 60 with three years of service, or at any age with 35 years of service, are entitled to a full 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 2010-120 preserved all benefits in place for existing members but mandated a number of benefit reductions for new members effective January 1, 2011, through December 31, 2018. Act 2010-120 created a class of service in which members earn a benefit of 2% of their final average salary instead of the previous 2.5% and vests in 10 years instead of five. The full retirement age is 65 for most employees who entered SERS membership after January 1, 2011, and 55 for members of the General Assembly and certain employees classified in hazardous duty positions. Act 2017-5 changed the benefit structure for most new employees effective January 1, 2019, which created two hybrid benefit options as well as a defined contribution-only option. The two hybrid plan options with a defined benefit plan component that provides a full retirement age of 67 and accrual rates of 1.25% or 1% of the member's final average salary.

Most members of the SERS and all state 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. Each class of benefits is based on a multiple of the base accrual rate of 2%, which is called the multiplier. The multiplier for Class AA is 1.25, which translates into an annual benefit of 2.5% of the member's highest three-year average salary multiplied by years of service and became effective for members on July 1, 2001. The general annual benefit for Class A members is 2% of the member's highest three-year average salary multiplied by years of service. State Police are entitled to a benefit equal to a percentage of their highest annual salary (excluding their year of retirement). The 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 the final average salary for each of the first 10

NOTE 9 - PENSION (continued)

years of service and 3% for subsequent years. Magisterial District Justices are entitled to a benefit of 3% of their final average salary for each year of service. Legislators taking office before December 1, 2010 are Class D-4. The multiplier for Class D-4 is 1.5, which translates into an annual benefit of 3% of the final average salary for each year of service. Act 120 of 2010 created an 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 through December 31, 2018. On or after January 1, 2019, class A-3 is only offered to hazardous duty employees. Employees who enter SERS membership under Act 2010-120 enter as members of the A-3 class with a 45-day window to elect membership in the optional A-4 class. The general annual benefit for Class A-3 members is 2% of the member's highest three-year average salary multiplied by years of service, while the Class A-4 benefit accrual rate is 2.5%. Act 2017-5 created a new A-5 hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees) who first enter SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of the average of the highest five calendar years of the member's salary multiplied by years of service, while the Class A-6 benefit accrual rate is 1%. Those members choosing the straight defined contribution plan do not have a benefit accrual rate and retire with their contributions, employer contributions, if vested, and any investment gains on those contributions.

Contribution Requirements: Commonwealth law establishes the funding policy for all members' contribution rates. The general membership contribution rate for all Class A and Class AA members is 5% and 6.25% of salary, respectively. The general membership contribution rate under Act 2010-120 for A-3 and A-4 members is 6.25% and 9.3% of salary, respectively. The general membership contribution rate under Act 2017-5 for A-5 and A-6 members is 5% and 4% of salary, respectively. The contribution rate for Class D-4 members of the General Assembly is 7.5%. Judges and Magisterial District Judges have the option of electing special membership classes requiring a contribution of 10% and 7.5%, respectively. All defined benefit plan employee contributions are recorded in individually identified accounts that are credited with interest, calculated at 4% per annum, as mandated by statute. Accumulated employee contributions and credited interest vest immediately and are returned to the employee upon termination of service if the employee is not eligible for other benefits or elects to waive their benefits.

Contributions to the SERS defined benefit plan from the Commonwealth, including PRPA (a blended component unit), were \$2,111,615 for the year ended June 30, 2025.

Summary of Significant Accounting Policies: The SERS financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when they are due and the employer has a legal requirement to provide contributions. Benefits, disbursements, and refunds are recognized when due and payable in accordance with the terms of the plan. Investment purchases and sales are recorded on a trade-date basis.

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. Common stocks, preferred stocks, real estate securities, and foreign exchange contracts are generally valued based on published market prices and quotations at the close of business from national security exchanges and securities pricing services. U.S. government securities and corporate and foreign bonds and notes are valued based on matrix pricing. Real estate separate accounts are valued using unobservable estimates and appraisals. Private equity, certain real estate, hedge funds, commingled public equity 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 the NAV.

Investments in short-term funds, including those managed by the Treasury Department, are reported at amortized cost. The securities lending collateral pool, which is a fund operated by the securities lending agent, is also accounted for at amortized cost.

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, 2025, the Commonwealth reported a total net pension liability of \$17,203,315 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, 2024, 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, 2024 the Commonwealth’s reported proportionate share of the SERS net pension liability was 93.36%, which was an increase of 0.31% from its proportion measured as of December 31, 2023. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 82.78% and 12.06%, respectively, of the Commonwealth’s governmental activities pension contributions for the calendar year ended December 31, 2024.

As of June 30, 2025, the Commonwealth recognized a defined benefit pension expense of \$2,465,861 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS (December 31, 2024)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 779,740	\$ 19,204
Differences between employer contributions and proportionate share	29,083	32,145
Net difference between projected and actual earnings on plan investments	505,090	—
Changes of assumptions	302,993	—
Changes in proportion	392,708	272,126
Contributions subsequent to measurement date	1,032,723	—
Total	\$ 3,042,337	\$ 323,475

The \$1,032,723 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, 2026. 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, 2024)
2025	\$ 771,690
2026	\$ 1,246,788
2027	\$ (287,458)
2028	\$ (66,344)
2029	\$ 21,463

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 actuary, under the 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). The 19th Investigation of Actuarial Experience study for the period 2015-2019 was released and approved by the SERS Board in July 2020. The study recommended decreasing the investment rate of return and inflation assumptions, reducing rates of career salary growth, more favorable annuitant mortality assumptions, and several other changes. The assumptions from this study were effective with the December 31, 2020 valuation going forward unless changed by the SERS board. The study can be viewed at www.sers.pa.gov.

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation. In June 2025 the board deliberated and decided to maintain the 6.875% investment return assumption for the December 31, 2024, valuation.

NOTE 9 - PENSION (continued)

The following methods and assumptions were used in the actuarial valuation for the December 31, 2024 measurement date.

Actuarial Cost Method	Entry age
Investment rate of return	6.875% net of expenses including inflation
Projected salary increases	Average of 4.58% with range of 3.30% to 6.95% including inflation
Asset valuation method	Fair (market) value
Inflation	2.50%
Mortality Rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement for retirees, beneficiaries, and survivors and rates determined by SERS' actuaries using actual SERS experience for pre-retirement active members
Cost of living adjustments	None (ad hoc)

The long-term expected real rate of return on pension plan investments was determined using a building block method in which the 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 geometric real rates of return for each major asset class included in the Defined Benefit Plan's target asset allocation as of December 31, 2024, are summarized in the following table:

SERS (December 31, 2024)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Private equity	16.00 %	6.25 %
Real estate	7.00 %	5.15 %
U.S. equity	37.00 %	5.15 %
International developed markets equity	14.00 %	5.00 %
Emerging markets equity	2.00 %	5.20 %
Fixed income	19.00 %	2.85 %
Inflation protection (TIPS)	3.00 %	2.55 %
Cash	2.00 %	0.50 %
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 6.875% for 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable to 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 defined benefit plan fiduciary net position was projected to be available to make all projected future benefit payments to current active and non-active plan members. Therefore, the long-term expected investment rate of return on the defined benefit plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (6.875%), 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 (5.875%) or 1 percentage point higher (7.875%) than the current rate:

	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
SERS (December 31, 2024)	\$ 22,989,814	\$ 17,203,315	\$ 12,317,878

NOTE 9 - PENSION (continued)

Payables to the Pension Plan: For the fiscal year ended June 30, 2025, the Commonwealth reported an accounts payable for the employer's share of retirement contributions to the SERS in the amount of \$58,667.

State Employees' Retirement System - Defined Contribution

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

Retirement Benefits: Act 2017-5 created a new A-5 hybrid class of service with optional hybrid A-6 class and straight defined contribution-only plan options for state employees (excluding most hazardous duty employees) who first entered SERS membership on or after January 1, 2019. Employees who enter SERS membership under Act 2017-5 enter as members of the A-5 class with a 45-day window to elect membership in the optional A-6 class or straight Defined Contribution Plan. The general annual benefit for Class A-5 members is 1.25% of the average of the highest five calendar years of the member's salary multiplied by years of service, while the Class A-6 benefit accrual rate is 1%. Those members choosing the straight Defined Contribution Plan do not have a benefit accrual rate and retire with their contributions, employer contributions, if vested, and any investment gains on those contributions.

Contribution Requirements: Participants in the A-5 class, A-6 class, and defined contribution-only plan option contribute 3.25%, 3.5%, and 7.5% to the plan, respectively. Participants may also make additional voluntary contributions to the plan. Employers contribute 2.25%, 2%, and 3.5% for participants in the A-5 class, A-6 class, and defined contribution-only plan option, respectively. Employers do not match participant voluntary contributions to the plan. Participants are also permitted to transfer or roll over monies from other qualified plans into the plan. While participant contributions are immediately vested, employer contributions are not vested until a participant earns three eligibility points. Eligibility points are generally credited based on hours worked in a calendar year. If a participant terminates employment before earning three eligibility points, any unvested employer contributions are returned to the defined contribution plan.

Pension expense, consisting of contributions to the SERS from the Commonwealth for the defined contribution plan, including PRPA (a blended component unit), was \$26,584 for the year ended June 30, 2025.

Public School Employees' Retirement System - Defined Benefit

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, 2025 there were 763 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 introduces benefit reductions for individuals who become new members on or after July 1, 2011 through June 30, 2019. 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 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.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H), and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirements, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

NOTE 9 - PENSION (continued)

Benefits are generally between 1% and 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.

Participants are eligible for disability retirement benefits after the completion of five years of credited service. Such benefits are generally equal to 33.33% or 40%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

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 the 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 for 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 are 6.25% and 7.50%, respectively.

The contribution rates for active plan memberships started on or after July 1, 2011 and before July 1, 2019 are as follows:

- Membership Class T-E base rate is 7.50%, with a shared risk provision providing for a 5.50% minimum and 9.50% maximum;
- Membership Class T-F base rate is 10.30%, with a shared risk provision providing for an 8.30% minimum and 12.30% maximum.

The contribution rates for active plan memberships started on or after July 1, 2019 are as follows:

- Membership Class T-G base rate is 5.50%, with a shared risk provision providing for a 2.50% minimum and 8.50% maximum.
- Membership Class T-H base rate is 4.50%, with a shared risk provision providing for a 1.50% minimum and 7.50% maximum.

Contributions to the PSERS from the Commonwealth for employers other than school entities were \$34,142 for the year ended June 30, 2025.

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.

NOTE 9 - PENSION (continued)

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 that are not traded on a national securities exchange are valued by the respective fund manager or other third parties based on similar sales.

For Collective trust fund investments (CTF), PSERS' management, in consultation with investment advisors, has determined the fair value based upon the reported share value of the respective fund. The reported share value of the fund is based upon each respective fund's administrator statement.

Alternative investments, which include private equity, equity real estate, private credit, and private infrastructure investments, are generally organized as limited partnerships. The fair value of investments that are organized as limited partnerships and have no readily available daily fair value has been determined using the NAV per share (or its equivalent) of the PSERS' ownership interest in partners' capital.

Directly-owned real estate investments are valued based upon the June 30th financial statements completed by the asset manager. The directly-owned real estate investments are appraised annually by an independent third-party appraiser as of calendar year-end, unless subject to a waiver as approved by the Deputy CIO or CIO. Properties not appraised are internally valued by the asset manager at fair market value. Certain properties acquired with no appraisal are held at cost. Directly-owned real estate investments are reported net of related debt borrowed against the market value of the property.

Pension Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2025, the Commonwealth reported a liability of \$261,761 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024 the Commonwealth's proportion was .6254%, which was an increase of .023% from its proportion measured as of June 30, 2023.

As a result of its requirement to contribute to the PSERS, the Commonwealth recognized an expense of \$25,285 for the year ended June 30, 2025. At June 30, 2025 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:

	PSERS (June 30, 2025)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ —	\$ 4,116
Differences between employer contributions and proportionate share	—	18
Net difference between projected and actual earnings on plan investments	4,333	—
Changes in proportion.....	8,817	622
Contributions subsequent to measurement date.....	34,142	—
Total	\$ 47,292	\$ 4,756

Public School Employees' Retirement System - Defined Contribution

Plan Description: The PSERS is the administrator of the Public School Employees Defined Contribution (DC) Plan, an investment plan that was established as part of Act 2017-5 to provide retirement benefits for public school employees.

Retirement Benefits: Act 2017-5 introduced a hybrid benefit plan with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 2017-5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H), and a separate defined contribution membership class, Membership Class DC (Class DC). Under the PSERS DC Plan, the retirement benefit is based on the amount of contributions in the account and any investment performance less expenses. DC participants are always 100% vested in their own mandatory before-tax, after-tax, and rollover contributions in the DC plan. DC participants who have at

NOTE 9 - PENSION (continued)

least three eligibility points become vested and eligible for employer DC contributions made on their behalf. Participants with fewer than three eligibility points are not eligible to receive employer contributions. DC account balances can grow based on investment earnings; however, DC account balances are not guaranteed against losses in declining investment markets. Each eligibility point is earned the first day a contribution is made to the plan on behalf of a DC participant in a school year (July 1-June 30). Only one eligibility point may be credited in a school year.

Contribution Requirements:

Members hired after July 1, 2019 have a portion of each member and employer contribution to the system set aside for the DC plan. Member and employer rates are set by statute. A member may elect to make additional voluntary post-tax member contributions.

- Membership Class T-G defined contribution rates are 2.75%;
- Membership Class T-H defined contribution rates are 3.00%
- Membership Class DC defined contribution rates are 7.50%

Pension expense, consisting of contributions to the PSERS from the Commonwealth for the defined contribution plan, was negligible for the year ended June 30, 2025.

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), the 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 that 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 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 its 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 its 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 its 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 eligible public school 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, all policy decisions related to types and levels of benefits, and the authority to pay benefits as they come due. As of June 30, 2024, there were no assumed future benefit increases for 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 statements of a public employee retirement system. The Premium Assistance OPEB plan is reported

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

in the Public School Employees Retirement System Annual Comprehensive Financial Report, which can be found at www.psers.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 as follows:
 - Hired before 1/1/2011: Age 50 for Park Rangers, Capitol Police, and certain enforcement officers or 60 for general employees
 - Hired between 1/1/2011-12/31/2018: Age 55 for Park Rangers, Capitol Police, and certain enforcement officers or 65 for general employees
 - Hired on or after 1/1/2019: Age 55 for Park Rangers, Capitol Police, and certain enforcement officers or 67 for general employees
- 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 the 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 the State Police (military time and 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 hired before/after January 1, 2000:
 - 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 hired before/after January 1, 2000:
 - 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.

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

- 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:
 - 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. Beginning October 1, 2020, retirees who receive a monthly SERS annuity will pay 1% of maximum single life annuity or if enrolled in Medicare A and B pay .5% of maximum single life annuity. 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 retiree must pay for the premium for medical and prescription drug coverage. The retiree is not eligible for dental or vision
 - 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. Beginning October 1, 2020, retirees who receive a monthly SERS annuity will pay 1% of maximum single life annuity or if enrolled in Medicare A and B pay .5% of maximum single life annuity. Retirees who are not receiving a monthly SERS annuity will pay 1% of salary at the time of retirement or .5% of salary at the time of retirement if over age 65 and are enrolled in Medicare A and B.

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.

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

- 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.

GASB 74 Plan Reporting

REHP and RPSPP

Plan Membership: At June 30, 2025, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2024	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	63,873	5,569
Inactive plan members entitled to but not yet receiving benefit payments	24,005	—
Active plan members	65,975	4,635
Total all plan members	153,853	10,204

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, 2025, almost all REHP participating agencies contributed \$263 (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, 2025 participating agencies contributed \$1,400 (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, 2025, the Commonwealth funded \$403,484 (estimated) of annuitant health care claims and administrative costs for the REHP and \$201,749 (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, 2025, 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, 2025, the REHP and RPSPP recorded \$27,586 and \$10,006, respectively.

Specific Actuarial Assumptions: The total OPEB liability was determined by an actuarial valuation with a measurement date as of June 30, 2025, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

	REHP	RPSPP
Actuarial cost method	Entry age normal	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	6.8%	6.8%
Inflation rate assumption	2.5%	2.5%
Payroll growth	2.8%	2.8%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare retiree	(8.5%) for 2025 increasing to an ultimate rate of 3.9% for 2075 and later years	11.9% for 2025 decreasing to an ultimate rate of 3.9% for 2075 and later years
Non-Medicare retiree	8.6% for 2025 decreasing to an ultimate rate of 3.9% for 2075 and later years	6.4% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years

Pre-retirement mortality rates were based on the Pub-2010 General Employees Headcount Weighted Mortality Tables and adjusted for mortality improvements using MP-2021. Post retirement mortality rates for healthy participants were based on Pub-2010 General Employees Headcount Weighted Mortality Tables, with rates set forward one year for females and adjusted for mortality improvements using projection scale MP-2021. Post retirement mortality rates for disabled participants were based on Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females and adjusted for mortality improvements using projection scale MP-2021.

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	42.00%	42.00%
International equity	22.00%	22.00%
Fixed income	22.00%	22.00%
Public RETIS	3.00%	3.00%
Infrastructure	4.00%	4.00%
CORE Real Estate	5.00%	5.00%
Cash equivalents	1.00%	1.00%
Private equity	1.00%	1.00%
Total	100.00%	100.00%

Concentration: Based on a portfolio value of \$1,115,304 for the REHP and \$1,888,489 for the RPSPP, the following investment concentrations greater than 5% existed as of June 30, 2025. In order to achieve the target return and 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
VANGUARD	\$ 57,845	4.40 %	\$ 9,776	0.80 %
SSGA	\$ 123,895	9.50 %	\$ 20,938	1.60 %
Total	<u>\$ 181,740</u>	<u>13.90 %</u>	<u>\$ 30,714</u>	<u>2.40 %</u>

Rate of Return: For the year ended June 30, 2025, the annual rate of return on investments, net of investment expense was 7.8%. The rate of return expresses investment performance, net of investment expense, adjusted for changing amounts invested.

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. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2025 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity	8.70%	8.70%
International equity	10.60%	10.60%
Domestic equity	4.90%	4.90%
Infrastructure	4.30%	4.30%
Real estate	3.80%	3.80%
Core fixed income	2.50%	2.50%
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, 2025 were as follows:

	REHP	RPSPP
Total OPEB liability	\$ 6,639,325	\$ 5,745,701
Plan fiduciary net position	(1,087,718)	(178,483)
Plan net OPEB liability	\$ 5,551,607	\$ 5,567,218
Plan fiduciary net position as a percentage of the total OPEB liability	16.38 %	3.11 %

Discount Rate: The discount rate used to measure the total OPEB liability of the REHP was 6.68% as of June 30, 2025. This single discount rate was based on the long-term expected rate of return on assets held in the OPEB investment pool and the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2025. Since REHP has insufficient assets to meet all future years' benefit payments of the current plan members, the long-term expected rate of return on the OPEB investment pool was applied to projected benefit payments through the last year in which the plan's Fiduciary Net Position is projected to be sufficient to meet projected benefit payments and the municipal bond rate was applied to all remaining future years 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.

The discount rate used to measure the total OPEB liability of the RPSPP was 5.2% as of June 30, 2025. This single discount rate was based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2025. Since RPSPP has 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 RPSPP 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 percent higher than the current discount rate.

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

<u>REHP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>5.68%</u>	<u>6.68%</u>	<u>7.68%</u>
Net OPEB Liability	\$ 6,210,293	\$ 5,551,607	\$ 4,978,674

<u>RPSPP</u>	<u>Discount Rate</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>4.20%</u>	<u>5.20%</u>	<u>6.20%</u>
Net OPEB Liability	\$ 6,489,020	\$ 5,567,218	\$ 4,826,671

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 2.9%) or one percentage point higher (decreasing to 4.9%) than the current healthcare cost trend rates.

<u>REHP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>7.6%/-9.5%</u>	<u>8.2%/8.2%</u>	<u>9.6%/-7.5%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 4,831,262	\$ 5,551,607	\$ 6,406,848

<u>RPSPP</u>	<u>Healthcare Cost Trend Rates</u>		
	<u>1% Decrease</u>		<u>1% Increase</u>
	<u>5.4%/10.9%</u>	<u>8.4%/5.2%</u>	<u>7.4%/12.9%</u>
	<u>decreasing to 2.9%</u>	<u>decreasing to 3.9%</u>	<u>decreasing to 4.9%</u>
Net OPEB Liability	\$ 4,785,043	\$ 5,567,218	\$ 6,555,711

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 Plan, employer contribution rates are established to provide reserves that are sufficient for the Premium Assistance benefits for each succeeding year. For June 30, 2025, the employer contribution to the Premium Assistance was 0.01% 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 or 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, 2025, the PSERS recorded \$24,417 in IBNR.

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

GASB 75 Employer Reporting

Total OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources, and OPEB Expense - All Plans

	REHP*	RPSPP*	Judiciary	House	Senate	Premium Assistance*	Total
OPEB liability							
Primary government	\$ 6,516,382	\$ 5,947,970	\$ 644,911	\$ 749,573	\$ 216,144	\$ 11,098	\$14,086,078
Discretely presented component units	\$ 392,413	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 392,413
Deferred outflows of resources							
Primary government	\$ 2,544,031	\$ 910,919	\$ 39,573	\$ 199,098	\$ 9,532	\$ 1,859	\$ 3,705,012
Discretely presented component units	\$ 108,675	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 108,675
Deferred inflows of resources							
Primary government	\$ 4,916,222	\$ 1,923,389	\$ 140,797	\$ 275,677	\$ 103,770	\$ 2,055	\$ 7,361,910
Discretely presented component units	\$ 357,644	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 357,644
OPEB (income) expense							
Primary government	\$ (715,359)	\$ 196,485	\$ 957	\$ 39,378	\$ 16,035	\$ 513	\$ (461,991)
Discretely presented component units	\$ (77,044)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (77,044)

*Administered through a trust

Plans Administered Through Trusts - REHP and RPSPP

Plan Membership: At June 30, 2024, the REHP and the RPSPP OPEB plan membership consisted of the following (actual number of plan members):

	Census date:	
	December 31, 2023	
	REHP	RPSPP
Inactive plan members or beneficiaries currently receiving benefit payments	64,116	5,517
Inactive plan members entitled to but not yet receiving benefit payments	22,934	—
Active plan members	64,585	4,639
Total all plan members	151,635	10,156

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, 2024, almost all REHP participating agencies contributed \$275 (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, 2024 participating agencies contributed \$1,500 (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, 2024, the Commonwealth funded \$439,659 (estimated) and \$185,585 (estimated) of annuitant health care claims and administrative costs for the REHP and RPSPP, respectively. Liabilities are funded through the payroll complement rates within each fund. The **General Fund** and **Motor License Fund** funded 76.89% and 17.23%, respectively, of the Commonwealth’s governmental activities REHP OPEB contributions for the fiscal year ended June 30, 2024. The **General Fund** and **Motor License Fund** funded 95.84% and 0.91%, respectively, of the Commonwealth’s governmental activities RPSPP OPEB contributions for the fiscal year ended June 30, 2024. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2024, advance funding of \$50,000 for REHP and \$1,000 for the RPSPP

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

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, 2024, 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, 2024 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	Entry age normal
Method used to determine actuarial value of assets	Market value	Market value
Investment returns	6.75%	6.75%
Inflation rate assumption	2.50%	2.50%
Payroll growth	2.80%	2.80%
Cost of living adjustment	N/A	N/A
Healthcare cost trend rates:		
Medicare retiree	8.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years	5.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years
Non-Medicare retiree	8.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years	8.4% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years

Pre-retirement mortality rates were based on the Pub-2010 General Employees Headcount Weighted Mortality Tables and adjusted for mortality improvements using MP-2020. Post retirement mortality rates for healthy participants were based on Pub-2010 General Employees Headcount Weighted Mortality Tables, with rates set forward one year for females and adjusted for mortality improvements using projection scale MP-2020. Post retirement mortality rates for disabled participants were based on Pub-2010 Non-Safety Disabled Retiree Headcount Weighted Mortality Tables, with rates set forward two years for males and females and adjusted for mortality improvements using projection scale MP-2020.

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. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2024 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	REHP	RPSPP
Private equity	8.80 %	8.80 %
International equity	5.10 %	5.10 %
Domestic equity	5.00 %	5.00 %
Infrastructure	4.30 %	4.30 %
Real estate	3.80 %	3.80 %
Core fixed income	2.40 %	2.40 %
equivalents	1.20 %	1.20 %

Discount Rate: The discount rate used to measure the total OPEB liability was 6.09% for REHP and 3.93% for RPSPP as of June 30, 2024. The single discount rates were based on the 20-year Bond Buyer GO Index municipal bond rate as of the end of June 2023. REHP had insufficient assets to meet all year's projected benefit payments, and therefore the long-term expected rate of return on the OPEB Investment Pool was applied to projected benefit payments through the last year in which the plan's fiduciary net position is projected to be sufficient to meet projected benefit payments, and the municipal bond rate was applied to all remaining future years to determine the total OPEB liability. Since RPSPP had 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

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

determine the total OPEB liability. The projection of cash flows used to determine the single discount rates 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, 2023	\$ 7,756,567	\$ 438,043	\$ 7,318,524	\$ 422,206	\$ 19,815	\$ 402,391
Changes for the year:						
Service cost	167,219	—	167,219	10,069	—	10,069
Interest	448,813	—	448,813	27,027	—	27,027
Changes in assumptions	(346,377)	—	(346,377)	(20,859)	—	(20,859)
Difference between expected and actual experience	(468,980)	—	(468,980)	(28,242)	—	(28,242)
Benefit payments:						
Employer paid	(404,603)	(404,603)	—	(24,364)	(24,364)	—
Contributions:						
Employer	—	462,034	(462,034)	—	23,503	(23,503)
Administrative expenses	—	(6,087)	6,087	—	(366)	366
Net investment earnings:						
Expected investment earnings	—	48,938	(48,938)	—	2,952	(2,952)
Difference between projected and actual earnings	—	56,219	(56,219)	—	3,385	(3,385)
Change in proportionate share	(174,223)	(132,510)	(41,713)	30,079	(1,422)	31,501
Net Change	(778,151)	23,991	(802,142)	(6,290)	3,688	(9,978)
Balance at June 30, 2024	\$ 6,978,416	\$ 462,034	\$ 6,516,382	\$ 415,916	\$ 23,503	\$ 392,413

RPSPP	PRIMARY GOVERNMENT		
	Total OPEB	Plan	Net OPEB
	Liability	Fiduciary	Liability
	(e)	Net Position	(e)-(f)
Balance at June 30, 2023	\$ 6,283,686	\$ 135,095	\$ 6,148,591
Changes for the year:			
Service cost	154,856	—	154,856
Interest	231,684	—	231,684
Changes in assumptions- discount rate	(315,024)	—	(315,024)
Difference between expected and actual experience	(66,646)	—	(66,646)
Benefit payments:			
Employer paid	(183,735)	(183,735)	—
Contributions:			
Employer	—	186,585	(186,585)
Administrative expenses	—	(1,033)	1,033
Net investment earnings:			
Expected investment earnings	—	9,179	(9,179)
Difference between projected and actual earnings	—	10,760	(10,760)
Net Change	(178,865)	21,756	(200,621)
Balance at June 30, 2024	\$ 6,104,821	\$ 156,851	\$ 5,947,970

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

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
Net OPEB liability	5.09%	6.09%	7.09%
Primary Government	\$ 7,306,915	\$ 6,516,382	\$ 5,837,527
Discretely presented component units	\$ 440,019	\$ 392,413	\$ 351,531

RPSPP	Discount Rate		
	1% Decrease		1% Increase
Net OPEB liability	2.93%	3.93%	4.93%
Net OPEB liability	\$ 7,002,963	\$ 5,947,970	\$ 5,109,997

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 of the 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
Net OPEB Liability	7.2% decreasing to 2.9%	8.2% decreasing to 3.9%	9.2% decreasing to 4.9%
Primary Government	\$ 5,681,859	\$ 6,516,382	\$ 7,517,691
Discretely presented component units	\$ 342,158	\$ 392,413	\$ 452,711

RPSPP	Healthcare Cost Trend Rates		
	1% Decrease		1% Increase
Net OPEB Liability	7.4% decreasing to 2.9%	8.4% decreasing to 3.9%	9.4% decreasing to 4.9%
Net OPEB Liability	\$ 5,056,808	\$ 5,947,970	\$ 7,088,988

OPEB Expense and Deferred Outflows and Deferred Inflows: For the year ended June 30, 2025, the primary government recognized OPEB income of \$715,359 and expense of \$196,485 for the REHP and the RPSPP, respectively, and the discretely presented component units recognized OPEB income of \$77,044 for the REHP.

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

At June 30, 2025, 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	\$ 428,053	\$ 21,670	\$ —	\$ —
Changes in assumptions	194,995	11,741	(1,681,667)	(101,268)
Net difference between				
expected and actual plan experience	203,291	12,269	(1,566,751)	(94,350)
Net difference between				
projected and actual investment earnings	—	—	(36,561)	(2,203)
Changes in proportion	1,717,692	62,995	(1,631,243)	(159,823)
Total	\$ 2,544,031	\$ 108,675	\$ (4,916,222)	\$ (357,644)

RPSPP	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions		
subsequent to measurement date	\$ 202,748	\$ —
Changes in assumptions	482,608	(1,379,925)
Net difference between		
expected and actual plan experience	181,966	(493,051)
Net difference between		
projected and actual earnings on investments	—	(6,816)
Changes in proportion	43,597	(43,597)
Total	\$ 910,919	\$ (1,923,389)

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 \$449,723 and \$202,748 for REHP and RPSPP, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>REHP</u>		
<u>Year ended June 30:</u>	<u>Primary Government</u>	<u>Discretely Presented Component Units</u>
2025	\$ (790,905)	\$ (84,362)
2026	\$ (875,338)	\$ (88,758)
2027	\$ (609,205)	\$ (62,835)
2028	\$ (430,503)	\$ (34,552)
2029	\$ (94,293)	\$ (132)

<u>RPSPP</u>	
<u>Year ended June 30:</u>	<u>Primary Government</u>
2025	\$ (112,367)
2026	\$ (235,580)
2027	\$ (385,101)
2028	\$ (322,942)
2029	\$ (117,320)
Thereafter	\$ (41,908)

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):

	<u>Census date:</u>	<u>January 1, 2024</u>	<u>July 1, 2024</u>	<u>June 1, 2024</u>
		<u>Judiciary</u>	<u>House</u>	<u>Senate</u>
Inactive plan members or beneficiaries currently receiving benefit payments		1,772	1,328	531
Inactive plan members entitled to but not yet receiving benefit payments		44	—	—
Active plan members		1,906	1,694	782
Total all plan members		<u>3,722</u>	<u>3,022</u>	<u>1,313</u>

Employer Contributions: During the fiscal year ended June 30, 2025, the Judiciary funded \$31,080 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, 2025, the House funded \$25,312 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, 2025, the Senate funded \$10,173 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, 2025. The valuation date and measurement date differed for each plan.

	Judiciary	House	Senate
Total OPEB liability reported June 30, 2025	\$ 644,911	\$ 749,573	\$ 216,144
Valuation date	June 30, 2024	July 1, 2024	July 1, 2023
Measurement date	June 30, 2025	June 30, 2025	June 30, 2025

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	N/A	N/A	N/A
Salary increases	2.80 %	2.80 %	3.50 %
Discount rate	4.81 %	4.29 %	4.76 %
Healthcare cost trend rates	7.00% to 4.0%	7.00% to 4.0%	8.00% to 4.50%
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- S&P Municipal Bond 20-year High Grade Rate Index at June 30, 2025
- House- S&P Municipal Bond 20-year High Grade Rate Index at July 1, 2024
- 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, 2025.

Mortality rates were based on:

- Judiciary- the RP-2000 Healthy Annuitant Mortality Table for Males or Females using projection scale AA
- House- SERS defined benefit pension plan actuarial valuation
- Senate- the Society of Actuaries Mortality Improvement Scale MP-2021

Changes in the Total OPEB Liability:

	Judiciary (June 30, 2025)	House (June 30, 2025)	Senate (June 30, 2025)
Total OPEB liability at beginning of fiscal year	\$ 662,835	\$ 746,276	\$ 234,130
Changes for the year:			
Service cost	25,199	30,163	1,467
Interest	28,257	31,501	10,903
Differences between expected and actual experience	—	(21,514)	—
Changes in assumptions or other inputs	(40,300)	(11,541)	(20,183)
Benefit payments	(31,080)	(25,312)	(10,173)
Net Changes	(17,924)	3,297	(17,986)
Total OPEB liability at end of fiscal year	\$ 644,911	\$ 749,573	\$ 216,144

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

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:

Total OPEB liability	Discount Rate	1% Decrease	@ Discount Rate	1% Increase
Judiciary	4.81 %	\$ 730,971	\$ 644,911	\$ 573,167
House	4.29 %	\$ 868,469	\$ 749,573	\$ 653,381
Senate	4.76 %	\$ 245,429	\$ 216,144	\$ 192,295

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	7.00% to 4.00%	\$ 562,393	\$ 644,911	\$ 754,888
House	7.00% to 4.00%	\$ 643,177	\$ 749,573	\$ 884,768
Senate	8.00% to 4.50%	\$ 187,519	\$ 216,144	\$ 251,361

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2025, the Judiciary, House, and Senate recognized OPEB expense of \$957, \$39,378, and \$16,035, respectively. At June 30, 2025, 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	\$ 39,573	\$ 108,927	\$ 9,532	\$ 85,989	\$ 244,770	\$ 103,770
Contributions subsequent to measurement date	—	27,320	—	—	—	—
Differences between expected and actual experience	—	62,851	—	54,808	30,907	—
Total	\$ 39,573	\$ 199,098	\$ 9,532	\$ 140,797	\$ 275,677	\$ 103,770

The House's \$27,320 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, 2026. 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	Senate
Year ended June 30:			
2026	\$ (51,551)	\$ (16,029)	\$ (28,405)
2027	(15,719)	(6,158)	(28,405)
2028	(9,399)	(4,867)	(23,261)
2029	(9,399)	(38,738)	(24,498)
2030	(9,399)	(30,693)	13,838
Thereafter	(5,757)	(7,414)	(3,507)
Total	\$ (101,224)	\$ (103,899)	\$ (94,238)

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 employer's share of the OPEB contribution for the non-school entities. The Commonwealth's proportionate share of the net OPEB liability at June 30, 2025 was \$11,098, or 0.6247%, which was an increase of 0.0086% from its proportion measured as of June 30, 2024. 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.

	<u>Premium Assistance</u>
OPEB expense	\$ 513
Deferred outflows of resources	
Difference between expected and actual experience	\$ 42
Changes of assumptions	676
Difference between projected and actual investment earnings	12
Changes in proportion	482
Contributions subsequent to measurement date	647
Deferred inflows of resources	
Difference between expected and actual experience	\$ 167
Changes of assumptions	1,695
Changes in proportion	193

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 plan. The total contribution rate for employers and governmental nonemployer contributing entities is 0.64% 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 \$647 in contributions during the fiscal year ended June 30, 2025.

NOTE 11 - CERTAIN CLAIMS LIABILITIES

The Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare), a special revenue fund, acts as a service agent to facilitate the payment of medical malpractice claims to claimants that exceed the 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 had assets of \$89,468 at June 30, 2025. The Commonwealth has reported \$1,223,125 at June 30, 2025 with respect to the actuarially computed liability for outstanding claims for injuries caused by alleged negligence by certain healthcare providers. 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), a special revenue 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 Commonwealth has reported \$236,600 at June 30, 2025 with respect to the estimated actuarial liability for existing claims. 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, 2025. The USTIF had assets of \$530,946 at June 30, 2025. 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 Retired Employee Health Program (REHP) and the Retired Pennsylvania State Police Program (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, 2025 total employer contributions for active employees amounted to approximately \$1,291,724; active employee contributions amounted to approximately \$172,873. Neither the Commonwealth nor the unions have an equity interest in the PEBTF.

At June 30, 2025, for the active employees benefit program, the PEBTF reported total assets of \$1,417,129, total liabilities of \$1,787, total benefit obligations of \$132,695, and an excess of net assets over benefit obligations of \$1,282,647. During the fiscal year ended June 30, 2025 the PEBTF reported an increase in net assets over benefit obligations of \$216,054 for the active employees benefit program.

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

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

NOTE 13 - 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, 2025, the Commonwealth of Pennsylvania provided tax abatements through the following programs, listed in alphabetical order:

- The City Revitalization and Improvement Zone Program (CRIZ) is administered by a contracting authority with oversight by the Department of Revenue (DOR) under Article XVIII-C of the Tax Reform Code of 1971 and is a hybrid tax incremental financing program with a primary focus on economic development in the zone. Each year, entities located or partially located within the zone are required to file a CRIZ report, which includes the following state taxes paid during the previous calendar year: personal income tax, corporate net income, bank and trust company shares, sales, use and hotel occupancy, employer withholding, malt beverage, and liquor/wine. In addition, zones designated after July 1, 2024, may include insurance premiums tax paid during the previous calendar year. The total amount of state taxes certified by DOR and applicable local taxes is deposited into the CRIZ fund for use by the contracting authority. The authority may utilize the funds for the payment of debt service on bonds issued for economic development projects in the zone or to fund the debt service of additional eligible improvement projects within the zone. All eligible CRIZ projects must be geographically located within the CRIZ 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. Each CRIZ zone is effective for a period equal to the payment of all debt service incurred, including bond repayment, or 30 years, whichever occurs first. Zones established before June 30, 2024, are eligible for all funding certified annually by the Commonwealth, as attributable to activity in the zone. In contrast, zones designated after July 1, 2024, have a limit on annual fund transfers, capped at \$15 million. Three zones were designated prior to June 30, 2024, in the City of Lancaster, the City of Bethlehem, and the Borough of Tamaqua. Two additional zones were designated after July 1, 2024, in the City of Erie and the City of Reading. For the fiscal year ended June 30, 2025, \$15.2 million in taxes were abated and deposited into the CRIZ fund for use by the contracting authority.
- 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% of the ash produced in the prior year to reclaim mining-affected sites. Eligible facilities may apply for tax credits of \$8 per ton of qualified coal refuse used, up to 26.5% of the annual program cap of \$55 million. If applications exceed the annual program cap, 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 for 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, 2025, \$20 million in taxes were abated.
- 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 with 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 on a first-come, first-served. Tax credits may not be sold, and total credits for the program cannot exceed \$90 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 surplus lines tax. For the fiscal year ended June 30, 2025, \$85.4 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

NOTE 13 - TAX ABATEMENTS (continued)

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 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. 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 on a first-come, first-served. Tax credits are applied against the tax liability in the year of the contribution or the following year if the entity is a pass-through entity. Credits may not be carried forward or sold, and total credits for the program cannot exceed \$540 million annually (\$375 million for SOs, \$74.5 million for EIOs, \$30.5 million for PKSOs and \$60 million for economically disadvantaged schools). If ETC's total program credits have been met, an applicant may elect to have the application 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 the fiscal year ended June 30, 2025, \$500.1 million in taxes were abated.

- The Entertainment Economic Enhancement Program (EEEP) is administered by DCED under Article Act 84 of 2016 Article XVII-D which authorizes the issuances of EEEP to expand the concert rehearsal and live musical performances in Pennsylvania. Credits may be awarded for up to 35% of eligible rehearsal and tour expenses. Credit limitations permit up to \$1.5 million per taxpayer per fiscal year with a program annual cap of \$24 million. Recipients may use the tax credit to offset their Pennsylvania state liability or sell, assign, or transfer the credits to another entity. Tax credits must be initially applied in the tax year in which the tax credit is issued. Credits may be carried forward 3 years. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums and bank shares. After the initial year's filed taxes, recipients are eligible to sell the tax credit to an approved PA company. Recipients agree to complete a minimum 10 days of rehearsals at a qualified rehearsal facility, perform 1 concert at a class 1 venue and another concert in a separate municipality. Failure to meet the terms will result in 110% of the difference between the qualified rehearsal and tour expenses claimed in the tax credit and the actual qualified rehearsal and tour expenses. For the fiscal year end June 30, 2025, \$12.4 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 the 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 production expenses, with the option of an additional 5% if filming is at a qualified production facility within the Commonwealth. The total tax credits for an individual project are capped at 30% of the total annual program budget of \$100 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 for three years, and after the initial filing, they may be sold to an approved business. Tax credits may be utilized against the following taxes: corporate net income, personal income, insurance premiums, bank shares, mutual thrift institutions, and title insurance company shares. For the fiscal year ended June 30, 2025, \$81.1 million in taxes were abated.
- The Keystone Innovation Zone (KIZ) program 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 for 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 in revenues within the KIZ between the first and second year, after application, up to \$100,000. If a business has operations outside the zone, 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 for four years and may

NOTE 13 - TAX ABATEMENTS (continued)

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, 2025, \$15 million in taxes were abated.

- 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 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 their annual renewal should include reporting on the jobs and private investment created within the KOZ. For residents to be eligible for a 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 has 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, 2025, \$78.6 million in taxes were abated.
- The Military Installation Remediation Program (MIRP) is administered by a contracting authority with oversight by the Department of Revenue (DOR) under Title 73 P.S. Trade and Commerce –Chapter 16E Transit Revitalization Investment District Act. The program is a hybrid tax-incremental financing program with a primary focus on improvement and development within designated parcels in a municipality with a former military installation. Each year, entities located or partially located within the designated parcels are required to file a MIRP report, which includes the following state taxes paid during the previous calendar year: corporate net income, bank and trust company shares sales, use and hotel occupancy, employer withholding, personal income tax paid by shareholders, members or partners of Subchapter S corporations, limited liability companies, partnerships, and sole proprietorships, and realty transfer. The total amount of state taxes certified and deposited into the MIRP fund for use by the contracting authority may not exceed 500% of the local taxes and additional money designated and transferred to the contracting authority by a municipality or municipal authority during the year. The authority may utilize the funds for 1) operational costs of the authority; 2) offset of surcharge applied to customers of a water provider relating to the costs of remediation relating to per-and polyfluoroalkyl substances (PFAs) present in drinking water related to the presence of a former military installation; 3) offset an amount attributable to an amount billed to customers of a water provider relating to the costs of remediation relating to PFAs present in drinking water related to the presence of a former military installation; 4) offset the cost of connecting a residence with a private well which is impacted by the presence of PFAs in drinking water related to a former military installation to a public water supply; 5) if available after satisfaction of (1), (2), (3), (4) may be used for: transportation infrastructure and economic development costs within designated boundaries of the MIRP; and payment of debt service on bonds issued or refinanced for the acquisition, development, construction, including related infrastructure and site preparation, reconstruction or renovation or refinancing of a project under (2), (3), (4). All eligible MIRP projects must be geographically located within the MIRP 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 MIRP designation is effective for a period of 30 years. For the fiscal year ended June 30, 2025, \$16.7 million in taxes were abated and deposited into the MIRP fund for use by the contracting authority.
- The Neighborhood Assistance Programs are administered by DCED under Article XIX-A of the Tax Reform Code of 1971 and provide an incentive for Pennsylvania businesses to contribute to approved neighborhood organizations' projects or otherwise provide qualified assistance to impoverished areas. There are five subsets of programs in the Neighborhood Assistance Program tax credit program: The Neighborhood Assistance Program (NAP) is for

NOTE 13 - TAX ABATEMENTS (continued)

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 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 \$72 million. Tax credits must be applied against the business' tax liability, can be carried forward for 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, 2025, \$63.1 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: personal income tax, corporate net income, bank and trust company shares, sales, use and hotel occupancy, employer withholding, gross receipts, unemployment compensation, realty transfer, cigarette, vehicle rental, gross premiums, malt beverage, and liquor or wine. The total amount of state taxes certified by DOR and applicable local taxes is 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, 2025, \$67.3 million in taxes were abated and deposited into the NIZ fund for use by the contracting authority.
- 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 an eligible BMP 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%-90% of eligible implementation costs, dependent on the type of BPM, up to \$250 thousand in a 7-year period per agricultural operation. The program is first-come, first-served up to the annual program cap of \$13 million. The tax credit must be first applied against the tax liability in the year of issuance, may be carried forward for 15 years, and may be sold to an eligible entity after one year from the date of issuance of the credit. 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 shares, mutual thrift institutions, insurance premiums, and title insurance company shares. For the fiscal year ended June 30, 2025, \$13 million in taxes were abated.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments: At June 30, 2025 the Department of Transportation (DOT) had contractual commitments of approximately \$14,383,940 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 \$7,821,342 at June 30, 2025. Actual expenditures are contingent upon approved spending authority and/or the 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	\$ 1,718,844
Motor License Fund	676,997
Capital Facilities Fund	2,756,218
Other nonmajor funds	1,249,727
Total	<u>\$ 6,401,786</u>

Investment Commitments: At June 30, 2025, the **Tuition Payment Fund** had capital commitments of \$170,000 to fund alternative investments, of which \$15,794 were unfunded. At June 30, 2025, the Other Postemployment Benefits funds, REHP and RPSPP, had capital commitments of \$20,000 to fund alternative investments, of which \$3,250 were unfunded.

Loan and Grant Commitments: At June 30, 2025 primary government funds had approved \$23,973 in loans that had not been disbursed. Also, at June 30, 2025 the **Commonwealth Financing Authority (CFA)**, a blended component unit, had approved loans and grants that had not been disbursed of \$1,647,785.

Right-to-use Commitments: As of June 30, 2025, the Commonwealth has leases that have not yet commenced, with lease payments due on an undiscounted basis of \$2,837 over the respective lease terms. These leases commence in 2025 and 2026 with lease terms ranging between 2025 and 2035.

As of June 30, 2025, the Commonwealth has SBITAs that have not yet commenced, with subscription payments due on an undiscounted basis of \$80,875 over the respective SBITA terms. These SBITAs commence in 2025 and 2026 with SBITA terms ranging between 2025 and 2029.

Child Support Payments: At June 30, 2025, the Commonwealth was contingently liable for approximately \$18,397 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, 2025 with respect to torts as described in Note 8 for probable losses. The Commonwealth has not identified any additional cases where 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 \$23,750 to \$709,900 for the **General Fund**; \$0 to \$10,000 for the Philadelphia Regional Port Authority, an enterprise fund; \$0 to \$60,000 for the **State Stores Fund**, an enterprise fund; \$0 to \$100,000 for the Game Fund, a special revenue fund; \$0 to \$1,800,000 for the Oil and Gas Lease Fund, a special revenue 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 \$0 to \$2,609,900. The liability for these cases has not been recorded as of June 30, 2025. Moreover, there are some legal proceedings regarding the restriction of the use of certain Commonwealth’s funds.

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). The receipt of grants is generally conditioned upon compliance with the terms and conditions of the grant agreements and

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or 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 \$23,750 to \$709,900 at June 30, 2025. The Commonwealth’s management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

The American Rescue Plan Act of 2021 provided \$7,291,328 from the State and Local Fiscal Recovery Funds (SLFRF) to the Commonwealth. As of June 30, 2025, the SLFRF dollars awarded to the Commonwealth have been appropriated and fully obligated on allowable expenses, and will be liquidated by December 31, 2026; however, any monies unspent at that time will revert back to the U.S. Treasury.

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, 2025, the amount of future payments owed to prizewinners was \$357,479. To satisfy its financial obligation to these prizewinners, the **Lottery** purchases annuity contracts from insurance companies, whereby the insurance companies make periodic payments to the prizewinners. Generally, in the event of an 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, 2025, prizewinners had voluntarily assigned future payments of \$591,021.

Pennsylvania Turnpike Commission (PTC): The PTC, a discretely presented component unit, had \$956,435 of Special Revenue Bonds outstanding at May 31, 2025. 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, 2026, total interest and principal due on the \$956,435 of special revenue bonds outstanding at May 31, 2025 will amount to \$37,180 and \$21,262, respectively. Disclosures related to the PTC’s special revenue bonds payable as of May 31, 2025 are provided in Note 16 to the basic financial statements.

Loan Guarantees: The **CFA**, through various economic development programs, provided loan guarantees as of June 30, 2025 as follows:

New Pennsylvania Venture Guarantees	\$	15,000
Tax Increment Financing Guarantees		8,230
First Industries Loan Guarantees		8,525
		8,525
Total Loan Guarantees	\$	31,755

The guarantees related to the New Pennsylvania Venture Guarantee Program extend throughout the life of the investment portfolio. The guarantees related to the Tax Increment Financing Guarantee and First Industries programs extend through July 15, 2035 and July 1, 2032, respectively, as of June 30, 2025. 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 the payment

NOTE 14 - COMMITMENTS AND CONTINGENCIES (continued)

Nonexchange Financial Guarantees: The CFA has recognized a liability for nonexchange financial guarantees at June 30, 2025 of \$15,285 and has made cumulative payments of \$21,894 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 July 1, 2024	Additions	Reductions	Balance June 30, 2025
\$ 16,185	\$ 45	\$ 945	\$ 15,285

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 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, 2025 the primary government paid a service fee in the amount of \$330,728. Disclosures related to the CFA’s \$3,906,050 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 the home of the Pittsburgh Penguins (the Penguins); a hockey team in the National Hockey League. The Arena Bonds are not a 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, 2025 the actual amount appropriated to support the SEA debt service was \$1,616.

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, 2025, governmental and business-type activities, respectively, reported net investment in capital assets of \$40,565,561 and \$1,067,998, respectively.

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, 2025, governmental and business-type activities reported \$7,859,766 and \$3,985,008 of restricted net position, respectively. Net position restricted for other purposes of \$186,491 for business-type activities at June 30, 2025 includes amounts for a range of dissimilar statutory purposes.

Unrestricted net position represents the total net position less the amounts of net investment in capital assets and restricted net position. At June 30, 2025, governmental and business-type activities, respectively, reported unrestricted net position deficits of \$15,150,089 and \$2,583,215.

Governmental Funds Fund Balance: Reported fund balance within individual governmental funds is categorized between nonspendable and spendable categories. At June 30, 2025, nonspendable fund balance is only reported for amounts that 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 into 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, 2025, 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 an 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, commitments, and assignments at June 30, 2025:

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

	General Fund	Motor License Fund	Nonmajor Funds	Total
Nonspendable:				
Not in spendable form:				
Advances to other funds	\$ 4,475	\$ —	\$ —	\$ 4,475
Long-term loans receivable	7,684	—	—	7,684
Due from component unit	14,093	—	—	14,093
Total nonspendable	26,252	—	—	26,252
Restricted for:				
General government operations	806	—	164,480	165,286
Health-related programs	—	—	167,502	167,502
Transportation	196	2,970,752	2,741,781	5,712,729
Unemployment/workers' compensation	—	—	1,422,987	1,422,987
Environmental and conservation programs	12,505	—	1,302,926	1,315,431
Economic development	—	—	42,525	42,525
Gaming/horse racing regulation	—	—	2,362,531	2,362,531
Emergency support	—	—	120,768	120,768
Beneficiaries	—	—	1,153,700	1,153,700
Human services	113,622	—	—	113,622
Public protection	19,110	—	—	19,110
Total restricted	146,239	2,970,752	9,479,200	12,596,191
Committed for:				
General government operations	1,444,837	—	—	1,444,837
Health-related programs	132,331	—	124,432	256,763
Transportation	2,713	—	49,254	51,967
Capital projects	110,028	—	1,200,142	1,310,170
Debt service	—	—	9,567	9,567
Elderly programs	67,019	—	—	67,019
Environmental and conservation programs	399,391	—	67,334	466,725
Economic development	740,352	—	—	740,352
Emergency support	8,470	—	—	8,470
Higher education	353,832	—	—	353,832
Budget stabilization	7,473,124	—	—	7,473,124
Beneficiaries	139	—	—	139
Human services	241,315	—	—	241,315
Public protection	499,279	—	—	499,279
Total committed	11,472,830	—	1,450,729	12,923,559
Unassigned:				
Unassigned (deficit)	4,315,609	—	(11,175)	4,304,434
Total fund balances	\$ 15,960,930	\$ 2,970,752	\$ 10,918,754	\$ 29,850,436

A portion of the nonspendable fund balance reported by the **General Fund**, \$4,475, is applicable to advances to other funds at June 30, 2025 as follows: \$2,300 to the **State Workers' Insurance Fund**, an enterprise fund; and \$2,175 to the **Motor License Fund**, a special revenue fund.

Governmental Funds Fund Balance Deficit: The Uninsured Employers' Guaranty Fund, a special revenue fund, reported a deficit of \$11,175 at June 30, 2025.

NOTE 15 - NET POSITION AND FUND BALANCE (continued)

Proprietary Funds Net Position: Nonmajor enterprise funds reported a total restricted net position for “other purposes” of \$186,491 at June 30, 2025 for the following programs: mine subsidence insurance, \$174,299; vocational support, \$2,986; maintaining historical properties, \$6,158; restaurant maintenance in state facilities, \$157; local government loans, \$2,874; and port operations, \$17.

Proprietary Funds Unrestricted Net Position Deficits: In addition to unrestricted net position deficits reported in four of the six major enterprise funds (**State Lottery Fund, State Stores Fund, Tuition Payment Fund** and the **Commonwealth Financing Authority**, a blended component unit), one nonmajor enterprise fund and one internal service fund reported an unrestricted net position deficit in the statement of net position-proprietary funds at June 30, 2025. The Rehabilitation Center Fund, a nonmajor enterprise fund, reported an unrestricted net position deficit of \$27,186 at June 30, 2025.

The Purchasing Fund, an internal service fund, reported an unrestricted net position deficit of \$35,801 at June 30, 2025. With the Commonwealth’s implementation of GASB Statements No. 68 and No. 75, this fund has reported pension and other postemployment benefit liabilities, causing this deficit.

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 are such that the 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 Higher Education Assistance Agency (PHEAA) adopted GASB Statement No. 101 "Compensated Absences" for the fiscal year ended June 30, 2025. GASB 101 requires recognition of compensated absences liabilities for leave that has not been used and leave that has been used but not yet paid in cash or settled through non-cash means.

The State System of Higher Education (SSHE) noted the Commonwealth University of Pennsylvania added a new component unit in fiscal year ended June 30, 2025 -- Mansfield University Mountaineer Foundation. They were not reported as a Component Unit in fiscal year 2023 but had net assets at 6/30/2024 of \$116,533. Per GASB 100, the beginning balances were restated to reflect the change.

The following table reflects the aggregate restatement impact on the beginning net positions:

Statement of Net Position	PHEAA	SSHE
Net position, as previously reported, at June 30, 2024	586,752	20,966
Impact of adoption of GASB Statement No. 101	(3,757)	—
Component Unit Accounting Change	—	116
Net position, as restated, at June 30, 2024	\$ 582,995	\$ 21,082

Deposits, Investments, and Financial Instruments with Off-Balance Sheet Risk

DPCU organizations typically control the 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; and Level 3 inputs are significant unobservable inputs. The fair value of certain investments that do not have a readily determinable fair value is 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	\$ —	\$ —	\$ —	\$ —	\$ 179,372
Bond mutual funds					
Level 1	—	—	—	—	4,641
Level 2	—	—	—	—	2,605
NAV	—	—	—	—	8,426
Commercial paper					
Level 2	—	—	31,708	—	133,848
Common stock					
Level 1	—	—	—	—	3,465
Commonwealth investment pool					
Level 2	—	—	—	1,406,894	—
NAV	—	—	603,148	—	—
Corporate obligations					
Level 2	145,100	—	—	—	174,767
Debt securities					
Level 1	—	—	—	—	2,310
Level 2	—	—	—	—	2,729
Equity balanced mutual funds					
Level 1	—	—	—	—	12,266
Level 2	—	—	—	—	30,004
Level 3	—	—	—	—	1,935
NAV	—	—	—	—	16,967
Federal agency discount notes					
Level 2	—	—	46,377	—	—
GNMA mortgages					
Level 2	346	—	—	—	—
Investment derivative instruments					
Level 2	5,154	—	—	—	—
Money market mutual funds					
Level 1	—	—	110,121	—	—
Level 2	—	—	—	—	3,845
Mortgage-backed securities					
Level 2	—	29,617	—	—	175,687
Municipal bonds					
Level 2	12,544	—	—	—	—
U.S. Government agency obligations					
Level 1	—	—	—	—	552
Level 2	40,010	321,940	—	—	203,499
Guaranteed investment contract					
Other	—	—	195,717	—	—
U.S. Treasury obligations					
Level 1	1,539,365	—	18,221	—	—
Subtotal Level 1	1,539,365	—	128,342	—	23,234
Subtotal Level 2	203,154	351,557	78,085	1,406,894	906,356
Subtotal Level 3	—	—	—	—	1,935
Other	—	—	195,717	—	—
Subtotal NAV	—	—	603,148	—	25,393
Total	\$ 1,742,519	\$ 351,557	\$ 1,005,292	\$ 1,406,894	\$ 956,918

Note: This does not include PENNVEST securities lending collateral of \$19,739 or \$896,313 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, 2025, \$148,000 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 \$756,456 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 \$11,000 in 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 in the CIP must be held in insured depositories and must be fully collateralized.

The Pennsylvania State System of Higher Education (SSHE) had a carrying amount of demand and time deposits and certificates of deposit for all funds in the amount of \$25,299, compared to bank balances of \$26,603. The difference is caused primarily by items in transit. Of the bank balances, \$3,361 were covered by federal government depository insurance or collateralized by a pledge of U.S. Treasury obligations held by Federal Reserve banks in the name of the banking institutions; \$2,060 were uninsured and uncollateralized; and \$21,182 were uninsured and uncollateralized but covered under the collateralization provisions of the Commonwealth of Pennsylvania Act 72 of 1971, as amended. Act 72 allows banking institutions to satisfy the collateralization requirements by pooling eligible investments to cover total public funds on deposit in excess of federal insurance. Such pooled collateral is pledged with the financial institutions trust departments.

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 Moody's, S&P 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 within the PHFA's 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 further the mission 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 the PHFA administers its investment activities.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

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 from time to time.

The trust indenture and the Commonwealth Fiscal Code, as amended, authorize 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 investments of funds or trusts; and “prudent man” 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.

Investment Type	PTC	PHFA	PHEAA	PENNVEST	SSHE
Asset-backed securities	\$ —	\$ —	\$ —	\$ —	\$ 179,372
Bond mutual funds	—	—	—	—	15,672
Commercial paper	—	—	31,708	—	133,848
Common stock	—	—	—	—	3,465
Corporate obligations	145,100	—	—	—	174,767
Debt securities	—	—	—	—	5,039
Investment derivative	5,154	—	—	—	—
Equity/balanced mutual funds	—	—	—	—	61,172
Federal agency discount notes	—	—	46,377	—	—
GNMA mortgages	346	—	—	—	—
Money market mutual funds	—	—	110,121	—	3,845
Mortgage-backed securities	—	27,094	—	—	175,687
Municipal bonds	12,544	—	—	—	—
Securities lending collateral	—	—	—	19,739	—
Commonwealth Investment Pool	—	—	603,148	1,406,894	—
U.S. Government and agency obligations	40,010	324,463	—	—	204,051
Guaranteed investment contract	—	—	195,717	—	—
U.S. Treasury obligations	1,539,365	—	18,221	—	—
Total investments	1,742,519	351,557	1,005,292	1,426,633	956,918
Certificates of deposit	—	—	—	—	15
Total deposits	\$ —	\$ —	\$ —	\$ —	\$ 15
Total investments and deposits	\$ 1,742,519	\$ 351,557	\$ 1,005,292	\$ 1,426,633	\$ 956,933

Note: Total investments by type do not include \$896,313 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 organization's 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 has various maximum investment limits, both by type of investment and by issuer, to prevent inappropriate concentration of credit risk.

The PHEAA investment policy does not contain requirements that limit the amount that can be invested in any one issuer.

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 the market value of the fund. Commercial paper investments must be P-1 and P-2 notes only, with no more than 5% and 3%, respectively, of the market value of the fund invested in any single issuer and 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, 2025:

Issuer Name	PHFA
Government National Mortgage Association	\$ 29,617
Tennessee Valley Authority	75,256
Federal Farm Credit Bank	81,669
Federal Home Loan Mortgage Corp	32,951
Federal Home Loan Bank	67,311
Federal National Mortgage Association	32,001
Federal Agricultural	32,752
	\$ 351,557

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Credit Risk: The following table discloses aggregate fair value by Moody's or Standard & Poor's credit quality rating category at June 30, 2025 (May 31, 2025 for the PTC):

Moody's Investors Service	PTC	PHFA	PHEAA	PENNVEST	SSHE
Aaa	\$ —	\$ —	\$ —	\$ —	\$ 180,451
Aa	5,154	289,188	—	—	411,382
A	—	—	—	—	114,604
Baa	—	—	—	—	22,233
P1	—	—	—	—	133,848
Moody's Investors Service subtotal	5,154	289,188	—	—	862,518
Standard and Poor's					
AAA	17,096	—	110,121	—	—
AA	161,030	—	—	—	—
A	19,495	—	96,306	—	—
Below A	33	—	—	—	—
Standard and Poor's subtotal	197,654	—	206,427	—	—
Rated Subtotal	202,808	289,188	206,427	—	862,518
Unrated					
Bond mutual funds	—	—	—	—	15,672
Debt securities	—	—	—	—	1,680
Asset-backed securities	—	—	—	—	4,995
Mortgage-backed securities	—	27,094	—	—	—
Commonwealth Investment Program	—	—	603,148	1,406,894	—
U.S. Government agency obligations	1,539,711	35,275	—	—	7,416
Guaranteed investment contract	—	—	195,717	—	—
U.S. Treasury obligations	—	—	—	—	—
Unrated subtotal	1,539,711	62,369	798,865	1,406,894	29,763
Total fixed income investments	1,742,519	351,557	1,005,292	1,406,894	892,281
Variable income investments					
Equity/balanced mutual funds	—	—	—	—	61,172
Common stock	—	—	—	—	3,465
Variable income investments subtotal	—	—	—	—	64,637
Total investments	\$ 1,742,519	\$ 351,557	\$ 1,005,292	\$ 1,406,894	\$ 956,918

Note: Total investments do not include \$896,313 reported by component units of the SSHE or PENNVEST securities lending collateral of \$19,739.

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, 2025 and the SSHE at June 30, 2025:

Investment Type	PTC		SSHE		
	Amount	Option-Adjusted Duration	Amount	Option-Adjusted Duration	Securities with no Duration
Asset-backed securities	\$ —	—	\$ 179,372	0.64	\$ —
Bond mutual funds	—	—	15,672	35.97	—
Certificates of deposit	—	—	—	—	15
Commercial paper	—	—	141,728	0.09	—
Corporate obligations	145,100	1.58	174,767	1.42	—
Debt securities	—	—	3,369	4.83	1,670
GNMA mortgages	346	4.22	—	—	—
Mortgage-backed securities	—	—	175,687	2.17	—
Municipal bonds	12,544	0.48	—	—	—
U.S. Government agency obligations	40,010	0.89	204,051	2.28	—
U.S. Treasury obligations	1,539,365	1.33	—	—	—
Total	\$ 1,737,365		\$ 894,646		\$ 1,685

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, 2025:

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	\$ —	\$ 8,464	\$ 36,141	\$ 44,605
U.S. Government agency obligations	16,028	92,532	198,392	306,952
Total	\$ 16,028	\$ 100,996	\$ 234,533	\$ 351,557

Investment Type	PHEAA			
	Matures in less than 1 year	Matures in 1 to 10 years	Matures in more than 10 years	Total
Commercial paper	\$ 31,708	\$ —	\$ —	\$ 31,708
Money market mutual funds	110,121	—	—	110,121
Commonwealth Investment Program	603,148	—	—	603,148
Guaranteed investment contract	—	191,217	4,500	195,717
US Treasury Bills	18,221	—	—	18,221
Federal agency discount notes	46,377	—	—	46,377
Total	\$ 809,575	\$ 191,217	\$ 4,500	\$ 1,005,292

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Derivative Instruments

As of May 31, 2025, the PTC, in its separately-issued financial statements, reported noncurrent hedging derivative instrument liabilities of \$101,409, which were offset by a reported deferred outflow of resources of \$1,173. Changes in the net fair value of the hedging derivative instruments during the fiscal year ended May 31, 2025 of \$(8,315) were deferred.

As of June 30, 2025, the PHFA, in its separately-issued financial statements, reported a noncurrent hedging derivative instrument asset of \$9,712 and a noncurrent hedging derivative instrument liability of \$0. The change in fair value of the agency’s hedging derivative instruments for the year ended June 30, 2025 equaled \$16,002 and is accounted for within the accumulated increase in fair value of hedging derivatives and accumulated decrease in fair value of hedging derivatives on the balance sheets.

Further information regarding the nature and notional value of the hedging and investment derivative instruments of the PTC (as of May 31, 2025) and the PHFA (as of June 30, 2025) is available within their separately audited and issued financial statements.

Loans Receivable

Loans receivable at June 30, 2025 consisted of the following:

	PHFA	PHEAA	PENNVEST
Mortgage loans	\$ 7,003,579	\$ —	\$ —
Student loans	—	1,874,055	—
Drinking water, storm water and sewer system loans	—	—	3,171,710
Subtotal	7,003,579	1,874,055	3,171,710
Less: allowance for uncollectible amounts	137,742	9,649	40,991
Loans receivable, net	\$ 6,865,837	\$ 1,864,406	\$ 3,130,719

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Capital Assets

A summary of capital assets by category at May 31, 2025 for PTC and June 30, 2025 for SSHE is as follows:

PTC	Balance May 31, 2024	Increases	Decreases	Balance May 31, 2025
Non-depreciable/amortized capital assets:				
Land and intangibles	\$ 485,043	\$ 7,703	\$ 280	\$ 492,466
Construction in progress	2,096,118	943,904	665,815	2,374,207
Subtotal	2,581,161	951,607	666,095	2,866,673
Depreciable/amortized capital assets:				
Buildings	1,176,281	68,336	—	1,244,617
Improvements other than buildings	196,423	31,034	—	227,457
Equipment	664,015	111,099	9,259	765,855
Infrastructure	10,864,934	465,729	129,452	11,201,211
Right-to-use - subscriptions	12,930	9,294	—	22,224
Subtotal	12,914,583	685,492	138,711	13,461,364
Accumulated depreciation/amortization:				
Buildings	560,140	30,561	—	590,701
Improvements other than buildings	121,727	8,065	—	129,792
Equipment	547,852	39,575	8,714	578,713
Infrastructure	6,396,201	348,151	129,452	6,614,900
Right-to-use - subscriptions	4,123	6,415	—	10,538
Total accumulated depreciation/amortization	7,630,043	432,767	138,166	7,924,644
Total capital assets being depreciated/amortized, net	5,284,540	252,725	545	5,536,720
Total capital assets	\$ 7,865,701	\$ 1,204,332	\$ 666,640	\$ 8,403,393

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

SSHE	Balance June 30, 2024	Increases	Decreases	Balance June 30, 2025
Non-depreciable capital assets:				
Land	\$ 33,777	\$ —	\$ —	\$ 33,777
Construction in progress	69,444	46,606	51,938	64,112
Subtotal	103,221	46,606	51,938	97,889
Depreciable capital assets:				
Buildings	3,442,025	32,727	(26,805)	3,501,557
Improvements other than buildings	356,675	4,127	(6,842)	367,644
Equipment	565,009	21,591	7,957	578,643
Library books	70,107	242	461	69,888
Right of use assets land	1,586	—	—	1,586
Right of use assets buildings	96,354	—	4,028	92,326
Right of use assets equipment	4,747	1,046	1,769	4,024
Subscription assets	60,266	19,997	(3,770)	84,033
Subtotal	4,596,769	79,730	(23,202)	4,699,701
Accumulated depreciation:				
Buildings	1,605,477	116,981	960	1,721,498
Improvements other than buildings	245,131	12,832	766	257,197
Equipment	500,644	23,865	12,730	511,779
Library books	67,607	558	461	67,704
Right of use assets land	1,074	279	—	1,353
Right of use assets buildings	69,656	5,382	3,149	71,889
Right of use assets equipment	3,000	859	1,769	2,090
Subscription assets	22,696	23,470	6,042	40,124
Total accumulated depreciation and amortization	2,515,285	184,226	25,877	2,673,634
Total capital assets being depreciated and amortized, net	2,081,484	(104,496)	(49,079)	2,026,067
Total capital assets	\$ 2,184,705	\$ (57,890)	\$ 2,859	\$ 2,123,956

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 entered into long-term service plaza redevelopment agreements with HMSHost Family Restaurants, LLC (2006) and with Sunoco, Inc. (R&M) to design, reconstruct, finance, operate and maintain all the service plazas. These service concession arrangements do not fall within the scope of GASB Statement No. 87, Leases. 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 the revenue with the PTC as rental payments. Upon completion of construction, the reconstructed assets were recognized by the PTC.

In 2016, Sunoco, Inc. (R&M) assigned its lease to Sunoco Retail LLC, a wholly owned subsidiary of Sunoco, Inc. (R&M). During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the agreement remained the same.

On July 13, 2021, the PTC approved and executed a Consent to Transfer of Lease Agreement with HMSHost Family Restaurants, LLC (with an effective date of July 23, 2021), whereby HMSHost transferred its leasehold to Applegreen USA Family Restaurants, LLC, a consortium of Applegreen Ltd. and Blackstone Infrastructure Partners. Upon closing of the transfer on July 23, 2021, the agreement with Applegreen USA Family Restaurants, LLC was then subsequently assigned to Applegreen PA Welcome Centres LLC, also effective as of July 23, 2021. This final step was finalized during fiscal year 2023 but is retroactive to July 23, 2021. This agreement expires on August 25, 2036.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The agreement with 7-Eleven, Inc. was set to expire on January 31, 2022. 7-Eleven Inc.’s agreement states it can 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. On September 21, 2021, the PTC approved an amendment to the agreement with 7-Eleven, Inc. to exercise its option to renew the service plaza agreement for an additional five years, with an expiration date of January 31, 2027. The amendment was approved by the PA Attorney General’s office on October 6, 2021. Due to this extension, the guaranteed minimum rent net present value calculation was modified to include the additional future amounts expected.

As of May 31, 2025, 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 \$54,100 related to these assets. Also, as of May 31, 2025, the PTC recognized a receivable and deferred inflow of resources in the amount of \$21,700 for the present value of guaranteed minimum rent payments. The PTC also recognized \$2,200 of restaurant revenue and \$2,500 of service station revenue for the fiscal year ended May 31, 2025 related to these agreements.

Student loan auction rate security bonds payable, notes payable, and other financing obligations

The PHEAA has reported \$161,366 of auction rate security bonds payable, \$601,709 of revenue bonds, \$1,140,250 of notes payable (consisting of student loan financings of \$222,040 and student loan floating rate notes of \$918,210), and \$28,965 of lease and subscription IT obligations at June 30, 2025 as follows:

	Balance June 30, 2024	Additions	Reductions	Balance June 30, 2025
Bonds payable:				
Education loan revenue bond, taxable VRDO, due 2054 at an interest rate of 4.35% as of June 30, 2025	\$ —	\$ 184,973	\$ (23,607)	\$ 161,366
Education loan revenue bonds, due 2025-2052 at fixed interest rates of 2.45%-5.00%	392,510	225,000	(29,865)	587,645
Add: premium on education loan revenue bonds	12,417	2,476	(829)	14,064
Subtotal	404,927	227,476	(30,694)	601,709
Total bonds payable	\$ 404,927	\$ 412,449	\$ (54,301)	\$ 763,075
Notes payable:				
Student loan floating rate notes, due 2041-2070 at weighted average rates of 4.43% as of June 30, 2025 and 6.19% as of June 30, 2024	\$ 1,160,607	\$ —	\$ (240,981)	\$ 919,626
Less: discount on student loan floating rate notes	(1,583)	—	598	(985)
Less: call premium on student loan floating rate notes	(563)	—	132	(431)
Subtotal	1,158,461	—	(240,251)	918,210
Student loan financings warehouse facilities, due 2025, at an interest rate of 6.91% as of June 30, 2024	107,902	—	(107,902)	—
Student loan financings warehouse facilities, due 2026	—	71,000	(71,000)	—
Student loan financings, due on demand, at weighted-average interest rates of 5.25% as of June 30, 2025 and 6.25% as of June 30, 2024	213,140	225,500	(216,600)	222,040
Total notes payable	\$ 1,479,503	\$ 296,500	\$ (635,753)	\$ 1,140,250
Other financings:				
Lease and subscription IT liabilities	\$ 13,038	\$ 52,344	\$ (36,417)	\$ 28,965
Total other financings	\$ 13,038	\$ 52,344	\$ (36,417)	\$ 28,965

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

The notes and bond indentures, among other things, require the PHEAA to comply with various covenants. Student loans and investments collateralize all student loan financing. As of June 30, 2025, \$1,900,000 of student loan principal and related interest receivable and \$260,700 of cash equivalents collateralized the \$1,900,000 of student loan financing.

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 \$222,040 of student loan financings, which are recourse obligations to PHEAA.

PHEAA has three lines of credit that had a total outstanding balance of \$222,000 as of June 30, 2025. The lines of credit had a total unused balance of \$478,000 as of June 30, 2025.

For the year ended June 30, 2025, the student loan financings had a net increase of \$18,900 that was primarily due to advances on the lines of credit and new debt issuances for the PHEAA’s PA Forward Student Loan Program and to purchase Federal Family Education Loan (FFEL) program student loans. These increases were offset by debt payments of \$690,000.

The PHEAA reported debt service requirements subsequent to June 30, 2025, based upon stated maturities for student loan bonds and estimated interest payments for variable-rate debt after considering terms renegotiated after June 30, 2025 are as follows:

Year of maturity	Student Loan Bonds and Notes	
	Principal	Interest
2026	\$ 228,440	\$ 82,173
2027	7,200	82,144
2028	13,400	81,760
2029	33,780	81,004
2030	55,000	79,228
2031-2035	171,100	359,070
2036-2040	—	340,747
2041-2045	524,194	270,737
2046-2050	99,950	198,013
2051-2055	246,366	166,937
2056-2060	—	132,668
2061-2065	—	132,668
2066-2070	511,247	82,616
Total	\$ 1,890,677	\$ 2,089,765

Reported as:

Education revenue bonds payable	\$ 756,675
Premium on revenue bonds payable	(14,064)
Notes payable - current	222,040
Notes payable - non-current	918,210
Discount on student loan floating rate notes	985
Call premium on student loan floating rate notes	431
Bonds payable - current	6,400
Total principal	\$ 1,890,677

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Other than the fixed-rate education loan revenue bonds, the student loan financings are variable-rate debt, which have interest rates that reset on various dates. As of June 30, 2025, interest rates on \$1.1 billion was indexed to the 30-day average Secured Overnight Financing Rate (SOFR). As of June 30, 2025, the interest rate on \$161.4 million of variable-rate education loan revenue bonds resets weekly at a rate determined by the remarketing agent as the minimum rate of interest that, in the opinion of the remarketing agent, would result in the sale of the bonds at a price equal to the principal amount plus accrued interest.

Long-Term Obligations

Significant revenue bond obligations, direct placements and borrowings of the PTC (as of May 31, 2025) and general obligation bond, revenue bond and note payable obligations the PHFA (as of June 30, 2025), changes during the fiscal year, and annual principal and interest payments for long-term debt outstanding are as follows:

REVENUE BONDS PAYABLE & DIRECT PLACEMENTS AND BORROWINGS	Issue Dates	Interest Rates	Maturity Dates Through	Balance June 1, 2024	Additions	Reductions	Balance May 31, 2025
PTC.....	2009-25	various	2060	\$ 15,460,362	\$ 1,778,741	\$ 1,819,045	\$ 15,420,058
Less: unamortized bond discount				(279)	—	(14)	(265)
Add: unamortized bond premium				1,498,794	228,777	198,241	1,529,330
Add: direct placements and borrowings				470,350	397,325	178,500	689,175
TOTAL				<u>\$ 17,429,227</u>	<u>\$ 2,404,843</u>	<u>\$ 2,195,772</u>	<u>\$ 17,638,298</u>

Year of Maturity	Bonds			Direct Placements and Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2026.....	\$ 338,919	\$ 703,224	\$ 1,042,143	\$ —	\$ 23,855	\$ 23,855
2027.....	385,595	694,292	1,079,887	605	23,496	24,101
2028.....	400,715	676,960	1,077,675	630	23,485	24,115
2029.....	436,700	657,573	1,094,273	650	23,438	24,088
2030.....	455,004	654,347	1,109,351	6,420	23,425	29,845
2031-2035.....	2,745,920	2,852,982	5,598,902	146,765	111,312	258,077
2036-2040.....	3,892,313	2,143,069	6,035,382	167,970	74,644	242,614
2041-2045.....	3,521,607	1,303,267	4,824,874	201,825	40,805	242,630
2046-2050.....	2,477,135	490,802	2,967,937	7,945	36,578	44,523
2051-2055.....	744,655	82,178	826,833	156,365	22,089	178,454
2056-2060.....	21,495	1,129	22,624	—	—	—
Total	<u>\$15,420,058</u>	<u>\$10,259,823</u>	<u>\$25,679,881</u>	<u>\$ 689,175</u>	<u>\$ 403,127</u>	<u>\$ 1,092,302</u>

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

BONDS & NOTES PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
PHFA	2004-2025	various	2056	\$ 5,492,985	\$1,117,874	\$ 284,668	\$ 6,326,191
Add: unamortized bond premium				109,210	12,332	12,504	109,038
TOTAL				<u>\$ 5,602,195</u>	<u>\$1,130,206</u>	<u>\$ 297,172</u>	<u>\$ 6,435,229</u>

Year of Maturity	Principal	Interest	Total
2026	\$ 174,363	\$ 258,277	\$ 432,640
2027	184,964	251,786	436,750
2028	184,838	245,095	429,933
2029	186,493	238,306	424,799
2030	184,783	231,447	416,230
2031-2035	1,024,920	1,052,244	2,077,164
2036-2040	979,100	876,978	1,856,078
2041-2045	1,082,635	673,529	1,756,164
2046-2050	1,182,630	445,940	1,628,570
2051-2055	1,122,060	156,323	1,278,383
2056-2060	19,405	498	19,903
Total	<u>\$ 6,326,191</u>	<u>\$ 4,430,423</u>	<u>\$10,756,614</u>

The table below presents significant bond obligations of SSHE at June 30, 2025 and changes during the fiscal year then ended, followed by principal and interest payments for long-term debt outstanding.

BONDS PAYABLE	Issue Dates	Interest Rates	Maturity Dates Through	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025
SSHE	2015-21	various	2047	\$ 1,605,735	\$ —	\$ 145,795	\$ 1,459,940

Year of Maturity	Principal	Interest	Total
2026	\$ 87,840	\$ 45,291	\$ 133,131
2027	94,750	42,686	137,436
2028	95,585	39,900	135,485
2029	96,105	37,010	133,115
2030	94,380	34,034	128,414
2031-2035	432,095	129,188	561,283
2036-2040	388,615	64,177	452,792
2041-2045	162,920	13,575	176,495
2046-2047	7,650	309	7,959
Total	<u>\$ 1,459,940</u>	<u>\$ 406,170</u>	<u>\$ 1,866,110</u>

Note: The total principal obligations outstanding do not include \$694,990 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 special limited obligation multifamily housing development bonds for the construction or preservation of affordable multifamily housing in the Commonwealth. The bonds are secured by the properties financed and are payable from income generated by the properties. At June 30, 2025, the PHFA had \$612,850 of such bonds outstanding. Neither the PHFA nor the Commonwealth have any obligation to pay this debt. Therefore, neither the financed assets nor the bonds payable are reported in the accompanying financial statements.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

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 payments made by the related borrowing institutions and related assets held by trustees. At June 30, 2025, the SPSBA had \$2,047,708 of debt outstanding. Neither the SPSBA nor the Commonwealth have any obligation to pay 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, 2025, the PHEFA had \$6,150,768 of debt outstanding. Neither the PHEFA nor the Commonwealth have any obligation to pay 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, 2025, the PEDFA had \$9,808,950 of debt outstanding of which \$9,538,285 represented conduit debt. Neither the PEDFA nor the Commonwealth has 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 2024, the PTC issued \$300,000 of 2024 Series C Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2054. The 2024 Series C 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 for paying the costs of issuing the 2024 Series C Senior Revenue Bonds.

In September 2024, the PTC issued \$280,495 of 2024 First Series Senior Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2044. The 2024 First Series Senior Revenue Refunding Bonds were primarily issued to finance the cost of refunding the 2012 Series A Senior Revenue Bonds (\$5,680), a portion of the 2014 Series A Senior Revenue Bonds (\$150,275), and a portion the 2014 Series C Senior Revenue Bonds (\$160,305), and for paying the costs of issuing the 2024 First Series Senior Revenue Refunding Bonds. The refunding of the 2012 Series A Senior Revenue Bonds, the 2014 Series A Senior Revenue Bonds, and the 2014 Series C Senior Revenue allowed the PTC to reduce its debt service by approximately \$54,200. The transaction resulted in an economic gain of \$38,400.

In October 2024, the PTC issued \$585,140,000 of 2024 First Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2043. The 2024 First Series Subordinate Revenue Refunding Bonds were primarily issued to finance the cost of purchasing the Purchased Refunded Bonds pursuant to the Tender Offer for the 2009 Series C Subordinate Revenue Bonds (\$5,045), 2009 Series E Subordinate Revenue Bonds (\$26,040), 2016 Third Series A Subordinate Revenue Refunding Bonds (\$53,250), 2016 Series A-2 Subordinate Revenue Bonds (\$39,310), 2016 Second Subordinate Revenue Refunding Bonds (\$128,450), 2017 Series A Subordinate Revenue Bonds (\$14,145), 2017 Series B-1 Subordinate Revenue Bonds (\$29,795), 2017 Series B-2 Subordinate Revenue Bonds (\$63,425), 2019 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) (\$30,325), and 2020 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) (\$7,750); defeasing and redeeming the Defeased Refunded Bonds of the 2012 Series B Subordinate Revenue Bonds (\$36,125), 2013 Series A Subordinate Revenue Bonds (\$580), 2013 Series B-1 Subordinate Revenue Bonds (\$11,005), 2013 Series B-3 Subordinate Revenue Bonds (\$17,925), 2014 Series A-1 Subordinate Revenue Bonds (\$61,130), and 2014 Series B Subordinate Revenue Bonds (\$136,215); and paying for the costs of issuing the 2024 First Series Subordinate Revenue Refunding Bonds. The bond transactions of the 2009 Series C Subordinate Revenue Bonds, 2009 Series E Subordinate Revenue Bonds, 2012.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Series B Subordinate Revenue Bonds, 2013 Series A Subordinate Revenue Bonds, 2013 Series B-1 Subordinate Revenue Bonds, 2013 Series B-3 Subordinate Revenue Bonds, 2014 Series A-1 Subordinate Revenue Bonds, 2014 Series B Subordinate Revenue Bonds, 2016 Third Series A Subordinate Revenue Refunding Bonds, 2016 Series A-2 Subordinate Revenue Bonds, 2016 Second Subordinate Revenue Refunding Bonds, 2017 Series A Subordinate Revenue Bonds, 2017 Series B-1 Subordinate Revenue Bonds, 2017 Series B-2 Subordinate Revenue Bonds, 2019 First Series Subordinate Revenue Refunding Bonds (Federally Taxable), and 2020 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) allowed the PTC to reduce its debt service by approximately \$111,900. The transaction resulted in an economic gain of \$78,600.

In October 2024, the PTC issued \$233,015, as a Direct Placement, of 2024 Forward Delivery Refunding Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2037. The 2024 Forward Delivery Refunding Senior Revenue Bonds were primarily issued to finance the cost of the current refunding of a portion of the 2014 Series A Senior Revenue Bonds (\$59,535), 2014 Series Refunding Revenue Bonds (\$98,790), and a portion of 2014 Series C Senior Revenue Bonds (\$74,690); and paying for the costs of issuing the 2024 Forward Delivery Refunding Senior Revenue Bonds. The refunding of the 2014 Series A Senior Revenue Bonds, 2014 Series Refunding Revenue Bonds, and 2014 Series C Senior Revenue Bonds allowed the PTC to reduce its debt service by approximately \$29,700. The transaction resulted in an economic gain of \$23,200 million.

In November 2024, the PTC issued \$43,890, as a Direct Placement, of 2024 Second Series Senior Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2053. The 2024 Second Series Senior Revenue Bonds were issued in exchange for the cancellation of the 2019 EB-5 3rd Tranche (\$52,000) and paying for the costs of issuing the 2024 Second Series Senior Revenue Bonds.

In January 2025, the PTC issued \$90,000 of 2024 Series B Senior Revenue Bonds (Converted Direct Placement) at a fixed rate with a maturity of December 1, 2054. The 2024 Series B Senior Revenue Bonds (Converted Direct Placement) were issued in exchange for the cancellation of the Direct Placement 2024 Series B Senior Revenue Bonds (\$90,000) and paying for the costs of issuing the 2024 Series B Senior Revenue Bonds.

In January 2025, the PTC issued \$30,420,000, as a Direct Placement, of 2025 First Series Senior Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2054. The 2025 First Series Senior Revenue Refunding Bonds were issued in exchange for the cancellation of the 2020 EB-5 4th Tranche (\$36,500) and paying for the costs of issuing the 2025 First Series Senior Revenue Refunding Bonds.

In March 2025, the PTC issued \$350,000 of 2025 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2055. The 2025 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 for paying the costs of issuing the 2025 Series A Senior Revenue Bonds.

In March 2025, the PTC issued \$250,640 of 2025 Second Series Senior Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2045. The 2025 Second Series Senior Revenue Refunding Bonds were primarily issued to finance the cost of refunding the 2015 Series A-1 Senior Revenue Bonds (\$286,670) and for paying the costs of issuing the 2025 Second Series Senior Revenue Refunding Bonds. The refunding of the 2015 Series A-1 Senior Revenue Bonds allowed the PTC to reduce its debt service by approximately \$37,600. The transaction resulted in an economic gain of \$27,100.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

Net Pension Liability and Pension Expense

The PTC, PHEAA, PENNVEST, and SSHE all have employees who 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, 2025 (May 31, 2025 for the PTC), these entities reported a net pension liability, proportionate share percentage, and pension expense as follows:

SERS

Fiscal year ended June 30, 2025	PTC (May 31, 2025)	PHEAA	PENNVEST	SSHE
Net pension liability	\$ 283,823	\$ 209,409	\$ 8,473	\$ 802,940
Proportionate share percentage	1.41 %	1.04 %	0.04 %	3.98 %
Pension (expense) income	\$ (24,200)	\$ 1,797	\$ (1,161)	\$ (81,067)

PSERS

Fiscal year ended June 30, 2025	SSHE
Net pension liability	\$ 75,799
Proportionate share percentage	0.18 %
Pension (expense) income	\$ (13,064)

The PHFA’s full-time employees participate in two defined benefit single employer plans. For the fiscal year ended June 30, 2025, the PHFA reported a net pension liability of \$28,146 and a pension expense of \$5,558.

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 sponsored 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 (asset) is reported for the PTC (May 31, 2025), PHFA, PHEAA, PENNVEST, and SSHE at June 30, 2025 as follows:

As of and for the fiscal year ended June 30, 2025	PTC (May 31, 2025)	PHFA	PHEAA	PENNVEST	SSHE
Net OPEB liability (asset)	\$ (202,693)	\$ 89,502	\$ 119,754	\$ 2,889	\$ 1,087,017
OPEB (expense) income	\$ 26,200	\$ (1,664)	\$ 20,800	\$ (508)	\$ (108,726)

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 years 2014 through 2022 remains at \$450,000, and in 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, 2025 the PTC has paid PennDOT \$8,050,000; the **Motor License Fund** received \$2,250,000; and the Public Transportation Trust Fund received \$5,800,000.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

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 the original issue discount (OID), 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 obligations are 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 \$956,435 at May 31, 2025.

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, 2025 (May 31, 2025 for the PTC):

	PTC	PHFA	PHEAA	PENNVEST	SSHE
Deferred Outflows of Resources					
Hedge derivative instruments	\$ 1,173	\$ —	\$ —	\$ —	\$ —
Pensions					
Difference between expected and actual experience	12,864	9,009	9,492	384	36,393
Net difference between projected and actual investment earnings	8,333	—	6,148	249	24,828
Changes in proportions	727	—	—	229	1,145
Changes in assumptions	4,999	217	3,688	149	14,142
Difference between employer contributions and proportionate share of total contributions	734	—	4,575	36	2,229
Contributions after the measurement date	17,074	1,400	14,871	541	64,375
OPEB					
Difference between expected and actual experience	43,616	4,261	3,744	90	7,692
Net difference between projected and actual investment earnings	13,854	—	—	—	3
Changes in proportions	—	—	3,446	377	46,457
Changes in assumptions	11,077	6,053	3,583	86	14,578
Contributions after the measurement date	9,042	2,605	4,285	186	44,720
Deferred loss on bond refundings	197,997	—	469	—	2,592
Total	\$ 321,490	\$ 23,545	\$ 54,301	\$ 2,327	\$ 259,154
Deferred Inflows of Resources					
Deferred gain on bond refundings	\$ 104,830	\$ 2,099	\$ —	\$ —	\$ 1,062
Hedge derivative instruments	102,582	9,712	—	—	—
Split-interest agreements	—	—	—	—	7
Pensions					
Difference between expected and actual experience	317	—	234	9	2,089
Net difference between projected and actual investment earnings	—	2,270	—	—	—
Changes in proportions	13,602	—	55,655	591	35,910
Changes in assumptions	—	559	—	—	—
Difference between employer contributions and proportionate share of total contributions	341	—	165	7	295
OPEB					
Difference between expected and actual experience	17,226	6,832	28,793	695	255,731
Net difference between projected and actual investment earnings	—	—	672	16	1,380
Changes in proportions	—	—	56,851	277	97,698
Changes in assumptions	97,301	33,137	30,904	745	243,764
Leases	46,150	—	1,264	—	106,697
Service concession arrangements	75,801	—	—	—	—
Total	\$ 458,150	\$ 54,609	\$ 174,538	\$ 2,340	\$ 744,633

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**Subsequent Events****PTC**

On June 20, 2025, the PTC executed a new \$200,000 line of credit with PNC Bank, N.A. The PTC secured this line of credit as a continuing liquidity safeguard and because the 2024 Line of Credit expired on June 17, 2025.

On September 2, 2025, the PTC authorized the approval of the issuance of the PTC's variable and/or fixed rate Turnpike Senior Revenue Bonds in an aggregate principal amount not to exceed \$800,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the capital expenditures for the Pennsylvania Turnpike System set forth in the PTC's current Ten Year Plan, the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Senior Revenue Bonds designated by the PTC, including the modification and/or termination of related swap agreements, the funding of necessary reserves and the funding of the costs of issuance of such Turnpike Senior Revenue Bonds.

On September 2, 2025, the PTC authorized the approval of the issuance of the PTC's Subordinate Revenue Refunding Bonds and/or Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds in an aggregate principal amount not to exceed \$700,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the costs of refunding all or a portion of certain fixed and/or variable rate Subordinate Revenue Refunding Bonds or Notes and/or Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds or Notes, including the modification and/or termination of related swap agreements, the funding of necessary reserves and the funding of the costs of issuance of such Turnpike Subordinate Revenue Refunding Bonds and/or Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds.

On September 2, 2025, the PTC authorized the approval of the issuance of the PTC's Revolving Line of Credit (PNC Bank, N.A.), in one or more series or sub-series, fixed or floating rate, taxable or tax exempt under its amended and restated trust indenture dated as of March 1, 2001, in an aggregate principal amount not to exceed \$200,000, in a single issuance or from time to time, for the purpose of funding or refinancing costs including general working capital needs of the PTC, including funding/reimbursing necessary reserves and the payment of debt service on outstanding Turnpike Revenue Bonds.

On September 2, 2025, the PTC authorized the approval of authorizing with respect to the PTC's variable rate Senior Revenue Bonds, Series A of 2020 (the "bonds") the amendment, renewal, extension, substitution or replacement of the irrevocable direct pay letter of credit supporting the bonds, in an amount not exceeding \$100,000; and further authorizing the approval of the issuance of the PTC's variable and/or fixed rate Turnpike revenue refunding bonds in an aggregate principal amount not to exceed \$100,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the refunding of all or a portion of the bonds outstanding, including, with respect to such refunding bonds, (1) the funding of necessary reserves, (2) the obtaining and funding of costs of one or more credit facilities to provide credit enhancement or liquidity support in connection with the issuance of the refunding bonds, (3) the payment of costs of issuance of such refunding bonds.

On September 2, 2025, the PTC authorized the approval of the issuance of the PTC's fixed and/or variable rate Turnpike Senior Revenue Bonds in an aggregate principal amount not to exceed \$350,000 in one or more series or sub-series, taxable or tax exempt, for the purpose of financing the: (1) capital expenditures for the Pennsylvania Turnpike System set forth in the PTC's current ten year capital plan, including any amendment thereto, or any prior capital plan including, but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or the rehabilitation of certain interchanges, (2) obtaining one or more credit facilities and/or reserve fund credit facilities (as each is hereinafter defined) in connection with the issuance of such bonds; (3) funding capitalized interest, if necessary, on the bonds and (4) paying the costs of issuing of such Turnpike Senior Revenue Bonds.

On September 2, 2025, the PTC authorized the approval of the issuance of the PTC's variable and/or fixed rate Oil Franchise Tax Revenue Bonds in an aggregate principal amount not to exceed \$400,000 in one or more series or sub-series, taxable and/or tax-exempt, senior and/or subordinate, for the purpose of financing (1) the costs of various capital expenditures for the Pennsylvania Turnpike System set forth in the PTC's current or any prior independently funding capital plan, including any amendment thereto, including, but not limited to, funding of capital expenditures related to the Southern Beltway or the Mon-Fayette Expressway; and (2) the refunding, or tender and exchange, of all or a portion of certain outstanding Oil Franchise Tax Revenue Bonds, including the funding of necessary reserves, obtaining one or more credit facilities, funding interest, as necessary or convenient, and costs of issuance of the bonds.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)

On September 2, 2025, the PTC authorized the approval of the issuance of the PTC's variable and/or fixed rate Turnpike Subordinate Revenue Refunding Bonds and/or Motor License Fund-Enhanced Turnpike Subordinate Special Revenue Refunding Bonds, in an aggregate principal amount not to exceed \$650,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing (1) the costs of refunding all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Subordinate Revenue Bonds or notes and/or Motor License Fund-Enhanced Turnpike Subordinate Special Revenue Bonds or notes, as designated by the PTC, including the modification and/or termination of related swap agreements, (2) the funding of necessary reserves, and (3) the funding of the costs of issuance and insuring of such bonds.

On September 4, 2025, the PTC issued \$122,550 of the 2025 Series A Oil Franchise Tax Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2053. The 2025 Series A Oil Franchise Tax Senior Revenue Bonds were issued primarily to finance the 2025 Construction Project and paying the cost of issuing the 2025 Series A Oil Franchise Tax Senior Revenue Bonds. On September 4, 2025, the PTC issued \$60,955 of the 2025 Series B Oil Franchise Tax Subordinate Revenue Bonds at a fixed rate with a maturity of December 1, 2053. The 2025 Series B Oil Franchise Tax Subordinate Revenue Bonds were issued primarily to finance the 2025 Construction Project and paying the cost of issuing the 2025 Series B Oil Franchise Tax Subordinate Revenue Bonds.

On September 11, 2025, the PTC issued \$343,740 of 2025 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2055. The 2025 Series B 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 for paying the costs of issuing the 2025 Series B Senior Revenue Bonds.

On September 11, 2025, the PTC issued \$256,260 of 2025 Third Series Senior Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2045. The 2025 Third Series Senior Revenue Refunding Bonds were primarily issued to finance the cost of refunding a portion of the 2015 Series B Senior Revenue Bonds (\$281,085) and for paying the costs of issuing the 2025 Third Series Senior Revenue Refunding Bonds

On October 23, 2025, the PTC issued \$301,540 of 2025 First Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity of December 1, 2042. The 2025 First Series Subordinate Revenue Refunding Bonds were primarily issued to finance the cost of defeasing and redeeming a portion of the 2015 Series A-1 Subordinate Revenue Bonds (\$79,300), 2015 Series B Subordinate Revenue Bonds (\$45,100), 2016 Series A-1 Subordinate Revenue Bonds (\$77,450), 2016 Subordinate Revenue Refunding Bonds (\$143,340), and paying for the costs of issuing the 2025 First Series Subordinate Revenue Refunding Bonds.

On December 11, 2025, the PTC issued \$205,490 of 2025 Series Registration Fee Revenue Refunding Bonds at a fixed rate with a maturity date of July 15, 2041. The 2025 Registration Fee Revenue Refunding Bonds were issued to refund the 2023 Motor License Registration Fee Revenue Bonds (\$231,425) and paying for the costs of issuing the 2025 Series Registration Fee Revenue Refunding Bonds. Additionally, the PTC cash defeased the July 15, 2026 through July 15, 2029 maturities of the PTCs 2005 Series A Motor License Registration Fee Revenue Bonds (\$4,475). Also, concurrent with the issuance of the 2025 Series Registration Fee Revenue Refunding Bonds, the PTC amended four separate Registration Fee interest rate swap agreements. These agreements were with JPMorgan Chase Bank, National Association, Morgan Stanley Capital Services LLC, The Bank of New York Mellon, and Bank of America, N.A. The amendments changed the terms from the PTC paying fixed rate payments and receiving variable rate payments from the Counterparties to fully fixed payments by the PTC through the maturity of the swaps in 2041.

NOTE 16 - DISCRETELY PRESENTED COMPONENT UNITS (continued)**SSHE**

Appropriations Delay

SSHE receives monthly general appropriations from the Commonwealth. For the FYE June 30, 2025, general appropriations represented approximately 28% of total revenues. Monthly transfers from the Commonwealth during the FY averaged approximately \$51,730.

As of the Issuance date of SSHE's financial statements, the Commonwealth had not enacted its annual budget for the fiscal year beginning July 1, 2025. No general appropriations had been received for July, August, or September 2025, and the timing and amount of future funding were dependent upon the actual enactment of the annual budget.

To mitigate the impact of delayed appropriations, SSHE adopted several strategies, including utilizing reserves and adjusting cash flows. When required, short-term funding is provided to universities through Appropriation Advance Notes issued from the System's Investment Loan Program, in accordance with Board of Governor's Policy 1986-02-A: Investment. As of the date of issuance of the SSHE's financial statements, one university has undertaken such an Appropriation Advance Note totaling almost \$1,300. This note will be repaid via deduction from the "catch up" appropriation distribution the university will receive for the months of July, August, and September.

On November 12, 2025, the Pennsylvania Higher Educational Facilities Authority (PHEFA) issued Series BA tax-exempt revenue bonds in the amount of \$67,295,000. The net proceeds from the Series BA revenue bonds were used to finance capital projects at Kutztown University and West Chester University. In connection with the bond issuance, the SSHE entered into a loan agreement with PHEFA under which the State System pledged its full faith and credit for repayment of the bonds.

PHFA

On July 16, 2025, PHFA sold single family mortgage revenue bond series 2025-149 totaling \$595,413. Proceeds will be used to purchase new single family mortgage loans and to provide down payment assistance loans for persons and families of low and moderate income.

On August 14, 2025, PHFA's Board authorized the issuance of Single Family Mortgage Revenue bonds Series 151, 152, and 153 in an amount not to exceed \$650 for each series. Proceeds are expected to be used for purchasing new single family mortgage loans.

On September 29, 2025, PHFA sold single family mortgage revenue bond series 2025-150 totaling \$416,253. Proceeds will be used to purchase new single family mortgage loans and to provide down payment assistance loans for persons and families of low and moderate income.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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

(Amounts in thousands)	2025	2024	2023	2022 ⁽⁴⁾	2021 ^(2,3)	2020	2019	2018	2017	2016 ⁽¹⁾
SERS as of 12/31										
Commonwealth's portion of the net pension liability	93.36 %	93.05 %	92.32 %	96.84 %	89.03 %	82.82 %	82.57 %	82.48 %	82.44 %	83.05 %
Commonwealth's proportionate share of the net pension liability	\$ 17,203,315	\$ 18,010,200	\$ 1,940,012	\$ 12,303,402	\$ 15,335,771	\$ 15,054,957	\$ 17,199,452	\$ 14,261,464	\$ 15,879,154	\$ 15,097,007
Commonwealth's covered payroll	\$ 6,058,748	\$ 5,710,009	\$ 5,705,111	\$ 5,361,591	\$ 5,314,622	\$ 5,160,460	\$ 5,021,603	\$ 4,859,626	\$ 4,801,482	\$ 4,883,069
Commonwealth's proportionate share of the net pension liability as a percentage of its covered payroll	283.94 %	313.16 %	354.49 %	229.47 %	288.56 %	291.74 %	342.51 %	293.47 %	330.71 %	309.17 %
Plan fiduciary net position as a percentage of the total pension liability	67.70 %	65.30 %	61.50 %	76.00 %	67.00 %	63.10 %	56.40 %	63.00 %	57.80 %	58.90 %
PSERS as of 6/30										
Non-employer contributing entity										
Commonwealth's proportionate share of the net pension liability	\$ 261,761	\$ 267,986	\$ 265,063	\$ 246,997	\$ 303,115	\$ 287,853	\$ 290,094	\$ 290,651	\$ 291,791	\$ 251,536

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

(1) 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. The actuary, under the 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 mortality rates). Some assumption adjustments increased projected cost and some decreased projected cost, but the overall result was an increase in the net pension liability.

(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 actuary, under the 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 mortality rates). The 19th Investigation of Actuarial Experience study, covering the period 2015-2019, was released and approved by the SERS Board in July 2020 and can be viewed at www.sers.pa.gov.

(3) Act 2019-105 allows eligible employers to make a one-time lump-sum payment of their respective unfunded liability. In April 2020, a non-Commonwealth employer submitted a one-time lump-sum payment of \$1.06 billion toward its unfunded liability. This lump sum payment reduced the net pension liability for the SERS plan but exclusively benefited the employer who made the payment. This caused the Commonwealth's portion of the SERS plan's net pension liability to increase significantly.

(4) Act 2019-105 allows eligible employers to make a one-time lump-sum payment of their respective unfunded liability. In April 2022, a non-Commonwealth employer submitted a one-time lump sum payment of \$825 million toward its unfunded liability. This lump sum payment reduced the net pension liability for the SERS plan but exclusively benefited the employer who made the payment. This caused the Commonwealth's portion of the SERS plan's net pension liability to increase significantly.

Commonwealth of Pennsylvania
Schedule of Pension Amounts
Commonwealth's Schedule of Contributions
For the Last Ten Fiscal Years Ended June 30

(Amounts in thousands)	<u>2025 ⁽¹⁾</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
SERS as of 6/30										
Contractually required contribution...	\$ 2,111,615	\$ 2,094,016	\$ 1,986,331	\$ 1,838,771	\$ 1,825,640	\$ 1,771,080	\$ 1,700,900	\$ 1,669,819	\$ 1,473,131	\$ 1,222,732
Contributions in relation to the contractually required contribution...	\$ (2,111,615)	\$ (2,094,016)	\$ (1,986,331)	\$ (1,838,771)	\$ (1,825,640)	\$ (1,771,080)	\$ (1,706,169)	\$ (1,664,550)	\$ (1,473,131)	\$ (1,222,732)
Contribution deficiency (excess).....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (5,269)	\$ 5,269	\$ —	\$ —
Commonwealth's covered payroll	\$ 6,116,057	\$ 5,751,165	\$ 5,472,641	\$ 5,302,220	\$ 5,389,793	\$ 5,206,011	\$ 5,096,774	\$ 4,922,164	\$ 4,831,379	\$ 4,682,957
Contributions as a percentage of its covered payroll.....	34.53 %	36.41 %	36.30 %	34.68 %	33.87 %	34.02 %	33.48 %	33.82 %	30.49 %	26.11 %

PSERS as of 6/30

Non-employer contributing entity

Contributions to the plan	\$ 34,142	\$ 32,832	\$ 31,565	\$ 29,775	\$ 28,532	\$ 28,758	\$ 27,555	\$ 25,642	\$ 22,510	\$ 18,732
---------------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

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

(1) Contributions to the PSERS plan as of June 30, 2025 are based on an accrued estimate and are revised annually to reflect the Commonwealth's proportionate share of contributions reported by the PSERS.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios
Retired Employees Health Program (REHP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

REHP									
As of and for the fiscal year ended June 30	2025 ⁽²⁾	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 160,215	\$ 178,788	\$ 254,312	\$ 318,669	\$ 473,034	\$ 353,220	\$ 398,501	\$ 527,110	\$ 617,953
Interest	477,728	479,865	492,319	399,778	288,619	384,165	586,939	736,947	633,617
Changes in benefit terms	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	(1,628,726)	(501,427)	(1,431,856)	446,115	(1,073,951)	12,936	(5,082,545)	(5,445,495)	—
Changes of assumptions	149,546	(370,342)	(870,494)	(1,163,056)	(1,171,069)	1,617,170	403,428	(576,855)	(2,228,187)
Benefit payments	(460,823)	(490,454)	(460,268)	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Contributions - retiree	59,371	57,879	56,041	53,031	49,517	48,531	49,179	48,585	52,198
Net change in total OPEB liability	\$ (1,242,689)	\$ (645,691)	(1,959,946)	(411,533)	(1,889,362)	1,967,213	(4,194,642)	(5,320,789)	(1,574,124)
Total OPEB liability - beginning	7,882,014	8,527,705	10,487,651	10,899,184	12,788,546	10,821,333	15,015,975	20,336,764	21,910,888
Total OPEB liability - ending (a)	\$ 6,639,325	\$ 7,882,014	\$ 8,527,705	\$10,487,651	\$10,899,184	\$12,788,546	\$10,821,333	\$15,015,975	\$20,336,764
Plan fiduciary net position									
Contributions - employer	\$ 453,484	\$ 489,659	\$ 461,133	\$ 468,157	\$ 451,879	\$ 465,137	\$ 558,876	\$ 591,796	\$ 653,720
Contributions - retiree	59,371	57,879	56,041	53,031	49,517	48,531	49,179	48,585	52,198
Net investment earnings	127,949	112,527	78,950	(95,404)	157,799	2,421	21,283	27,351	31,833
Benefit payments	(460,823)	(490,454)	(460,268)	(466,070)	(455,512)	(448,809)	(550,144)	(611,081)	(649,705)
Administrative expense	(7,051)	(6,508)	(5,451)	(5,363)	(5,807)	(5,707)	(5,562)	(5,232)	(6,213)
Net change in plan fiduciary net position	\$ 172,930	\$ 163,103	130,405	(45,649)	197,876	61,573	73,632	51,419	81,833
Plan fiduciary net position - beginning	914,788	751,685	621,280	666,929	469,053	407,480	333,848	282,429	200,596
Plan fiduciary net position - ending (b)	\$ 1,087,718	\$ 914,788	\$ 751,685	\$ 621,280	\$ 666,929	\$ 469,053	\$ 407,480	\$ 333,848	\$ 282,429
Net OPEB liability (a) - (b)	\$ 5,551,607	\$ 6,967,226	\$ 7,776,020	\$ 9,866,371	\$10,232,255	\$12,319,493	\$10,413,853	\$14,682,127	\$20,054,335
Plan fiduciary net position as a % of total OPEB liability	16.38 %	11.61 %	8.81 %	5.92 %	6.12 %	3.67 %	3.77 %	2.22 %	1.39 %
Covered-employee payroll	\$ 4,720,088	\$ 4,486,346	\$ 4,362,432	\$ 4,188,532	\$ 4,161,481	\$ 4,083,699	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Total/Net OPEB liability as a % of covered-employee payroll	117.62 %	155.30 %	178.25 %	235.56 %	245.88 %	301.67 %	260.82 %	375.36 %	513.91 %

- 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 nine years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2025, the discount rate applied for the development of the net OPEB liability was 6.68%. The discount rate is blended based on the long-term expected rate of return on assets held in the OPEB investment pool and the 20-year Bond Buyer GO Index. The investment rate of return used was 6.75%, and the inflation rate was 2.50%.

Commonwealth of Pennsylvania
Schedule of OPEB Amounts
Changes in the Net OPEB Liability and Related Ratios
Retired Pennsylvania State Police Program (RPSPP)
For the Last Ten Fiscal Years Ended June 30, ⁽¹⁾

(Amounts in thousands)

RPSPP									
As of and for the fiscal year ended June 30	2025 ⁽²⁾	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 145,691	\$ 154,856	\$ 167,479	\$ 257,982	\$ 212,753	\$ 150,941	\$ 145,817	\$ 161,103	\$ 193,336
Interest	241,712	231,684	241,339	184,222	153,410	205,461	234,405	225,601	196,049
Changes in benefit terms	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	(73,815)	(66,646)	(499,888)	(90,929)	494,350	(216,290)	(728,659)	(202,655)	—
Changes of assumptions	(470,616)	(315,024)	(188,699)	(1,808,717)	839,654	1,018,439	296,435	(272,746)	(803,662)
Benefit payments	(203,218)	(184,875)	(172,747)	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Contributions - retiree	1,126	1,140	1,139	1,207	1,131	1,137	1,072	1,077	1,143
Net change in total OPEB liability	(359,120)	(178,865)	(451,377)	(1,613,185)	1,539,496	1,021,407	(194,253)	(228,060)	(536,729)
Total OPEB liability - beginning	6,104,821	6,283,686	6,735,063	8,348,248	6,808,752	5,787,345	5,981,598	6,209,658	6,746,387
Total OPEB liability - ending (a)	\$ 5,745,701	\$ 6,104,821	\$ 6,283,686	\$ 6,735,063	\$ 8,348,248	\$ 6,808,752	\$ 5,787,345	\$ 5,981,598	\$ 6,209,658
Plan fiduciary net position									
Contributions - employer	\$ 202,749	\$ 186,585	\$ 172,426	\$ 157,314	\$ 158,772	\$ 142,448	\$ 142,292	\$ 133,813	\$ 122,870
Contributions - retiree	1,126	1,140	1,139	1,207	1,131	1,137	1,072	1,077	1,143
Net investment earnings	22,077	19,939	14,154	(18,891)	34,919	1,058	4,854	8,714	11,133
Benefit payments	(203,218)	(184,875)	(172,747)	(156,950)	(161,802)	(138,281)	(143,323)	(140,440)	(123,595)
Administrative expense	(1,102)	(1,033)	(735)	(726)	(661)	(559)	(510)	(473)	(417)
Net change in plan fiduciary net position	21,632	21,756	14,237	(18,046)	32,359	5,803	4,385	2,691	11,134
Plan fiduciary net position - beginning	156,851	135,095	120,858	138,904	106,545	100,742	96,357	93,666	82,532
Plan fiduciary net position - ending (b)	178,483	156,851	135,095	120,858	138,904	106,545	100,742	96,357	93,666
Net OPEB liability (a) - (b)	\$ 5,567,218	\$ 5,947,970	\$ 6,148,591	\$ 6,614,205	\$ 8,209,344	\$ 6,702,207	\$ 5,686,603	\$ 5,885,241	\$ 6,115,992
Plan fiduciary net position as a % of total OPEB liability ...	3.11 %	2.57 %	2.15 %	1.79 %	1.66 %	1.56 %	1.74 %	1.61 %	1.51 %
Covered-employee payroll	\$ 532,128	\$ 497,985	\$ 510,797	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Total/Net OPEB liability as a % of covered-employee payroll	1,046.22 %	1,194.41 %	1,203.72 %	1,418.17 %	1,832.75 %	1,570.60 %	1,391.57 %	1,519.77 %	1,581.99 %

- 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 nine years are presented in the above schedule.

(2) For the fiscal year ended June 30, 2025, the discount rate applied for the development of the net OPEB liability was 5.2%. The discount rate is based on the 20-year Bond Buyer GO Index. The investment rate of return used was 6.75%, and the inflation rate was 2.50%.

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, ⁽¹⁾

(Amounts in thousands)

Schedule of Contributions

	2025	2024	2023	2022	2021	2020	2019	2018	2017
REHP									
Contractually required contribution ⁽²⁾	\$ 520,263	\$ 530,910	\$ 276,731	\$ 235,156	\$ 274,020	\$ 459,372	\$ 588,273	\$ 493,288	\$ 734,378
Contributions in relation to the contractually required contribution	(453,484)	(489,659)	(461,133)	(468,157)	(451,879)	(465,137)	(558,876)	(591,796)	(653,720)
Contribution deficiency (excess)	\$ 66,779	\$ 41,251	\$ (184,402)	\$ (233,001)	\$ (177,859)	\$ (5,765)	\$ 29,397	\$ (98,508)	\$ 80,658
Covered-employee payroll	\$ 4,720,088	\$ 4,486,346	\$ 4,362,432	\$ 4,188,532	\$ 4,161,481	\$ 4,083,699	\$ 3,992,729	\$ 3,911,464	\$ 3,902,336
Contributions as a % of covered-employee payroll	9.61 %	10.91 %	10.57 %	11.18 %	10.86 %	11.39 %	14.00 %	15.13 %	16.75 %
RPSPP									
Contractually required contribution ⁽²⁾	\$ 168,923	\$ 178,384	\$ 185,369	\$ 151,097	\$ 152,857	\$ 149,434	\$ 144,786	\$ 131,499	\$ 132,201
Contributions in relation to the contractually required contribution	(202,749)	(186,585)	(172,426)	(157,314)	(158,772)	(142,448)	(142,292)	(133,813)	(122,870)
Contribution deficiency (excess)	\$ (33,826)	\$ (8,201)	\$ 12,943	\$ (6,217)	\$ (5,915)	\$ 6,986	\$ 2,494	\$ (2,314)	\$ 9,331
Covered-employee payroll	\$ 532,128	\$ 497,585	\$ 510,797	\$ 466,390	\$ 447,926	\$ 426,728	\$ 408,648	\$ 387,245	\$ 386,602
Contributions as a % of covered-employee payroll	38.1 %	37.5 %	33.76 %	33.73 %	35.45 %	33.38 %	34.82 %	34.56 %	31.78 %
Premium Assistance Plan									
Non-employer contributing entity									
Contributions to the plan	\$ 636	\$ 705	\$ 695	\$ 690	\$ 722	\$ 705	\$ 701	\$ 677	
Commonwealth's proportionate share of the net OPEB liability	\$ 11,098	\$ 11,147	\$ 10,964	\$ 14,048	\$ 13,260	\$ 13,806	\$ 12,599	\$ 11,990	

Investment Returns

Annual weighted rate of return, net of investment expense ⁽³⁾	2025	2024	2023	2022	2021	2020	2019	2018	2017
REHP	7.8 %	13.61 %	11.18 %	(12.79)%	31.44 %	1.26 %	4.69 %	13.27 %	13.27 %
RPSPP	7.8 %	13.61 %	11.18 %	(12.79)%	31.44 %	1.26 %	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 nine 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 eight 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, ⁽¹⁾

(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Judiciary								
Service cost	\$ 25,199	\$ 26,993	\$ 27,014	\$ 43,932	\$ 38,760	\$ 23,829	\$ 23,134	\$ 22,279
Interest	28,257	27,665	27,588	19,190	20,911	26,715	27,007	25,155
Changes of benefit terms	—	3,431	—	—	—	—	—	—
Differences between expected and actual experience	—	(68,145)	—	(30,665)	—	(63,125)	—	—
Changes of assumptions	(40,300)	42,652	(31,601)	(194,030)	54,642	45,949	36,007	—
Benefit payments	(31,080)	(27,531)	(27,781)	(26,622)	(23,877)	(22,573)	(22,491)	(23,152)
Net changes in total OPEB liability	\$ (17,924)	\$ 5,065	\$ (4,780)	\$ (188,195)	\$ 90,436	\$ 10,795	\$ 63,657	\$ 24,282
Total OPEB liability - beginning	662,835	657,770	662,550	850,745	760,309	749,514	685,857	661,575
Total OPEB liability - ending	\$ 644,911	\$ 662,835	\$ 657,770	\$ 662,550	\$ 850,745	\$ 760,309	\$ 749,514	\$ 685,857
Covered-employee payroll	\$ 250,032	\$ 241,935	\$ 232,123	\$ 216,994	\$ 212,516	\$ 213,663	\$ 207,871	\$ 205,458
Total/Net OPEB liability as a % of covered-employee payroll	257.93 %	273.97 %	283.37 %	305.33 %	400.32 %	355.84 %	360.57 %	333.82 %
House								
Service cost	\$ 30,163	\$ 28,596	\$ 43,925	\$ 46,752	\$ 28,087	\$ 28,429	\$ 30,547	\$ 32,884
Interest	31,501	29,280	20,863	17,513	20,793	17,974	20,434	16,804
Changes of benefit terms	—	—	—	—	6,140	—	—	—
Differences between expected and actual experience	(21,514)	—	100,562	—	(4,000)	—	(84,654)	—
Changes of assumptions	(11,541)	6,804	(319,854)	(64,359)	274,966	(10,332)	5,688	(50,056)
Benefit payments	(25,312)	(23,973)	(24,027)	(23,090)	(20,625)	(19,340)	(19,880)	(18,692)
Net changes in total OPEB liability	\$ 3,297	\$ 40,707	\$ (178,531)	\$ (23,184)	\$ 305,361	\$ 16,731	\$ (47,865)	\$ (19,060)
Total OPEB liability - beginning	746,276	705,569	884,100	907,284	601,923	585,192	633,057	652,117
Total OPEB liability - ending	\$ 749,573	\$ 746,276	\$ 705,569	\$ 884,100	\$ 907,284	\$ 601,923	\$ 585,192	\$ 633,057
Covered-employee payroll	\$ 112,499	\$ 98,374	\$ 98,374	\$ 95,126	\$ 95,126	\$ 92,188	\$ 92,188	\$ 92,898
Total/Net OPEB liability as a % of covered-employee payroll	666.29 %	758.61 %	717.23 %	929.40 %	953.77 %	652.93 %	634.78 %	681.45 %

-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 eight years are presented in the above schedule for the Judiciary and House. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Judiciary or House OPEB plans, and assets have not been accumulated to fund OPEB.

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, ⁽¹⁾

(Amounts in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018
Senate								
Service cost	\$ 1,467	\$ 1,687	\$ 2,068	\$ 2,122	\$ 6,175	\$ 5,389	\$ 4,260	\$ 4,116
Interest	10,902	9,422	9,450	14,268	7,310	9,670	13,576	13,284
Changes of assumptions	(20,183)	(2,473)	(7,854)	(149,486)	24,483	(51,867)	—	—
Benefit payments	(10,172)	(9,724)	(9,365)	(8,885)	(9,649)	(9,845)	(8,967)	(9,142)
Net changes in total OPEB liability	\$ (17,986)	\$ (1,088)	\$ (5,701)	\$ (141,981)	\$ 28,319	\$ (46,653)	\$ 8,869	\$ 8,258
Total OPEB liability - beginning	234,130	235,218	240,919	382,900	354,581	401,234	392,365	384,107
Total OPEB liability - ending	\$ 216,144	\$ 234,130	\$ 235,218	\$ 240,919	\$ 382,900	\$ 354,581	\$ 401,234	\$ 392,365
Covered-employee payroll	\$ 61,397	\$ 61,397	\$ 55,379	\$ 55,379	\$ 52,262	\$ 52,262	\$ 48,530	\$ 48,530
Total/Net OPEB liability as a % of covered-employee payroll	352.04 %	381.34 %	424.74 %	435.04 %	732.65 %	678.47 %	826.78 %	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 eight years are presented in the above schedule for the Senate. A trust or equivalent arrangement meeting the requirements of GASB 75 has not been established for the Senate OPEB plan, 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, 2025

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽¹⁾
REVENUES:					
State Programs:					
Corporation taxes	\$ 7,590,300	\$ 113,300	\$ 7,703,600	\$ (206,929)	\$ 7,496,671
Consumption taxes	15,770,800	(7,900)	15,762,900	142,006	15,904,906
Other taxes	21,339,800	(110,700)	21,229,100	352,529	21,581,629
TOTAL TAX REVENUE	44,700,900	(5,300)	44,695,600	287,606	44,983,206
Nontax revenue	1,386,500	(31,800)	1,354,700	70,485	1,425,185
TOTAL REVENUE STATE	46,087,400	(37,100)	46,050,300	358,091	46,408,391
less: Refunds	(1,986,600)	(265,000)	(2,251,600)	—	(2,251,600)
plus: Departmental services	6,213,119	—	6,213,119	118,468	6,331,587
TOTAL STATE PROGRAMS	50,313,919	(302,100)	50,011,819	476,559	50,488,378
Federal programs	47,319,242	503,937	47,823,179	—	47,823,179
TOTAL REVENUES	97,633,161	201,837	97,834,998	476,559	98,311,557
EXPENDITURES:					
State programs	53,812,093	223,876	54,035,969	118,468	54,154,437
Federal programs	47,319,242	503,937	47,823,179	—	47,823,179
TOTAL EXPENDITURES	101,131,335	727,813	101,859,148	118,468	101,977,616
REVENUES OVER/(UNDER) EXPENDITURES	(3,498,174)	(525,976)	(4,024,150)	358,091	(3,666,059)
OTHER FINANCING SOURCES (USES):					
Prior year lapses	—	350,000	350,000	765,600	1,115,600
TOTAL OTHER FINANCING SOURCES (USES)	—	350,000	350,000	765,600	1,115,600
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,498,174)	(175,976)	(3,674,150)	1,123,691	(2,550,459)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024, REVISED	6,632,089	74,000	6,706,089	—	6,706,089
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2025	\$ 3,133,915	\$ (101,976)	\$ 3,031,939	\$ 1,123,691	\$ 4,155,630

(1) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 beginning on page 211.

For Supporting Documentation, please go to <https://www.pa.gov/en/agencies/budget>

- 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, 2025

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis) ⁽²⁾
REVENUES:					
State Programs:					
Liquid fuels taxes	\$ 1,720,700	\$ 3,000	\$ 1,723,700	\$ (9,249)	\$ 1,714,451
Motor licenses and fees	1,231,600	61,400	1,293,000	3,710	1,296,710
Other Motor License Fund revenues ⁽¹⁾	63,900	34,900	98,800	13,562	112,362
TOTAL REVENUE STATE	3,016,200	99,300	3,115,500	8,023	3,123,523
plus: Departmental services ⁽¹⁾	125,167	—	125,167	(22,571)	102,596
TOTAL STATE PROGRAMS	3,141,367	99,300	3,240,667	(14,548)	3,226,119
Federal programs	2,961,914	—	2,961,914	(1,116,799)	1,845,115
TOTAL REVENUES	6,103,281	99,300	6,202,581	(1,131,347)	5,071,234
EXPENDITURES:					
State Programs	3,378,828	—	3,378,828	(22,571)	3,356,257
Federal programs	2,961,914	—	2,961,914	(1,116,799)	1,845,115
TOTAL EXPENDITURES	6,340,742	—	6,340,742	(1,139,370)	5,201,372
REVENUES OVER (UNDER) EXPENDITURES	(237,461)	99,300	(138,161)	8,023	(130,138)
OTHER FINANCING SOURCES:					
Prior year lapses	—	96,883	96,883	1,116	97,999
TOTAL OTHER FINANCING SOURCES	—	96,883	96,883	1,116	97,999
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(237,461)	196,183	(41,278)	9,139	(32,139)
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	312,996	—	312,996	—	312,996
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2025	\$ 75,535	\$ 196,183	\$ 271,718	\$ 9,139	\$ 280,857

(1) Act 44 receipts are included in Other **Motor License Fund** Revenues.

(2) The reconciliation from the Actual Budgetary Basis to the Statement of Revenues, Expenditures, and Changes in Net Position is included in Note 3 starting on page 211.

For Supporting Documentation, please go to <https://www.pa.gov/en/agencies/budget>

- 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 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 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 <https://www.pa.gov/en/agencies/budget> and click on Publications and Reports, followed by Commonwealth Budget.

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. Overestimates of prior year encumbrances and available appropriation balances are lapsed in the subsequent year, and underestimates 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 the 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.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

(amounts in thousands)

The following presents a reconciliation of the budgetary basis to the modified accrual basis of reporting for the major budgeted funds:

	<u>General Fund (Budgeted)</u>	<u>General Fund Components (Nonbudgeted)</u>	<u>Total</u>	<u>Motor License Fund</u>
Budgetary Basis-				
Revenues and other sources over/(under) expenditures and other uses	\$ (2,550,459)	\$ —	\$ (2,550,459)	\$ (32,139)
Adjustments:				
<u>Basis differences</u>				
To adjust revenues, other financing sources and related receivables and unearned revenue	(6,850,818)	—	(6,850,818)	2,690,578
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	5,282,241	—	5,282,241	(2,420,471)
Basis difference adjustments	<u>(1,568,577)</u>	<u>—</u>	<u>(1,568,577)</u>	<u>270,107</u>
<u>Perspective differences</u>				
Nonbudgeted statutory funds which are financially reported as part of this fund:				
Revenues	—	1,119,243	1,119,243	477
Expenditures	—	48,048	48,048	(441)
Perspective difference adjustments	<u>—</u>	<u>1,167,291</u>	<u>1,167,291</u>	<u>36</u>
Net adjustments	<u>(1,568,577)</u>	<u>1,167,291</u>	<u>(401,286)</u>	<u>270,143</u>
Modified accrual basis- net change in governmental fund balance .	<u>\$ (4,119,036)</u>	<u>\$ 1,167,291</u>	<u>\$ (2,951,745)</u>	<u>\$ 238,004</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 the 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 of \$223,876 in appropriation decreases approved for the fiscal year ended June 30, 2025.

Due to the volume of appropriations within the **General Fund** and **Motor License Fund**, separately available reports, '**General Fund** Budgetary Comparison Schedule Rationale' and '**Motor License Fund** Budgetary Comparison Schedule Rationale' are available at the Pennsylvania Office of the Budget website: <https://www.pa.gov/en/agencies/budget> under Publications and Reports, Annual Financial Report. These reports provide source documentation for the original, final, and actual budgetary revenues and expenditures, as well as demonstrate budgetary expenditure compliance by appropriation (the legal level of budgetary control) for the fiscal year ended June 30, 2025.

Three legislatively budgeted non-major special revenue funds are reported in the combining special revenue budgetary comparison schedules. These non-major funds are comprised of fewer individual appropriations, and the budgetary comparison schedules are presented at the legal level of budgetary control. The Governor controls spending by using executive authorizations for special revenue funds not controlled by legislatively adopted budgets. More information on the three non-major special revenue funds budgetary compliance is included with the special revenue funds budgetary comparison schedules.

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Combining Financial Statements

Including
Nonmajor Budgetary Comparison Schedules

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash	\$ 41,337	\$ —	\$ 5	\$ 41,342
Cash with fiscal agents	6,516	—	—	6,516
Temporary investments	6,583,207	9,440	1,183,741	7,776,388
Long-term investments	4,360,330	—	213,546	4,573,876
Receivables (net):				
Taxes	—	—	34,845	34,845
Accounts	248,155	—	—	248,155
Investment earnings	30,733	57	4,478	35,268
Investment sale proceeds	6,521	—	—	6,521
Lease rentals	191	—	—	191
Due from other funds	165,745	—	24,534	190,279
Due from pension trust funds	74	—	—	74
Due from component units	37,331	70	2,350	39,751
Due from Federal Government	34,262	—	—	34,262
Advances to other funds	16,500	—	—	16,500
TOTAL ASSETS	\$ 11,530,902	\$ 9,567	\$ 1,463,499	\$ 13,003,968
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 322,494	\$ —	\$ 138,198	\$ 460,692
Investment purchases payable	11,056	—	—	11,056
Securities lending obligations	77,790	—	3,642	81,432
Due to other funds	674,123	—	9,733	683,856
Due to component units	3,131	—	—	3,131
Due to pension trust funds	3,423	—	22	3,445
Due to political subdivisions	232,184	—	62,501	294,685
Due to other governments	911	—	7	918
Unearned revenue	356,588	—	—	356,588
Advances from other funds	16,500	—	—	16,500
TOTAL LIABILITIES	1,698,200	—	214,103	1,912,303
Deferred inflows of resources:				
TOTAL DEFERRED INFLOWS OF RESOURCES	172,911	—	—	172,911
Fund balances:				
Restricted	9,479,200	—	—	9,479,200
Committed	191,766	9,567	1,249,396	1,450,729
Unassigned deficit	(11,175)	—	—	(11,175)
TOTAL FUND BALANCES	9,659,791	9,567	1,249,396	10,918,754
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 11,530,902	\$ 9,567	\$ 1,463,499	\$ 13,003,968

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

For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 4,290,734	\$ —	\$ 410,373	\$ 4,701,107
Licenses and fees	1,500,227	—	—	1,500,227
Intergovernmental	562,664	6,707	—	569,371
Charges for sales and services	667,704	—	2,547	670,251
Investment earnings	599,018	2,036	80,481	681,535
Interest on notes and loans	6	—	—	6
Other	240,454	13,779	—	254,233
TOTAL REVENUES	7,860,807	22,522	493,401	8,376,730
EXPENDITURES:				
Current:				
Direction and supportive services	436,688	—	245,945	682,633
Protection of persons and property	1,319,263	—	—	1,319,263
Health and human services	673,159	—	—	673,159
Public education	931,298	—	24,944	956,242
Recreation and cultural enrichment	350,833	—	61,320	412,153
Economic development	749,080	—	298,453	1,047,533
Transportation	1,823,131	—	421,431	2,244,562
Capital outlay	122,854	—	638,723	761,577
Debt service:				
Principal retirement	—	920,881	—	920,881
Interest and fiscal charges	678	448,159	3,270	452,107
TOTAL EXPENDITURES	6,406,984	1,369,040	1,694,086	9,470,110
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	1,453,823	(1,346,518)	(1,200,685)	(1,093,380)
OTHER FINANCING SOURCES (USES):				
Bonds issued	—	—	1,395,000	1,395,000
Refunding bonds issued	—	1,395,175	1,190	1,396,365
Premium on bonds/refunding bonds	—	105,516	135,204	240,720
Transfers in	450,574	1,360,142	52,529	1,863,245
Transfers out	(999,743)	(52,000)	(143,166)	(1,194,909)
Payment to refunded bond escrow agent	—	(1,499,472)	—	(1,499,472)
Right-to-use and installment purchases	7,234	—	—	7,234
NET OTHER FINANCING SOURCES (USES)	(541,935)	1,309,361	1,440,757	2,208,183
NET CHANGE IN FUND BALANCES	911,888	(37,157)	240,072	1,114,803
FUND BALANCES, July 1, 2024	8,747,903	46,724	1,009,324	9,803,951
FUND BALANCES, June 30, 2025	\$ 9,659,791	\$ 9,567	\$ 1,249,396	\$ 10,918,754

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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 the 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 of administering the program. Funds are derived from an annual assessment of 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 the 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 of age 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 51 individual special revenue funds.

There are a total of 59 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, 2025

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
ASSETS									
Cash	\$ 10	\$ 233	\$ —	\$ 1	\$ 437	\$ 7,536	\$ 27,073	\$ 6,047	\$ 41,337
Cash with fiscal agents	—	—	—	—	—	—	—	6,516	6,516
Temporary investments	89,633	5,621	96,483	51,457	606,399	845,420	2,593,660	2,294,534	6,583,207
Long-term investments	29,703	—	—	1,223,110	—	1,510,096	—	1,597,421	4,360,330
Receivables (net):									
Accounts	12,548	—	1	—	172,712	—	2	62,892	248,155
Investment earnings	317	18	—	6,933	1,733	3,122	8,921	9,689	30,733
Investment sale proceeds	—	—	—	4,537	—	—	—	1,984	6,521
Lease rentals	—	—	—	—	—	—	—	191	191
Due from other funds	2	—	—	—	69	118,344	4,664	42,666	165,745
Due from pension trust funds	—	—	—	—	—	74	—	—	74
Due from component units	—	—	—	—	—	—	37,331	—	37,331
Due from Federal Government	—	—	—	—	14,175	—	—	20,087	34,262
Advances to other funds	—	—	16,500	—	—	—	—	—	16,500
TOTAL ASSETS	\$ 132,213	\$ 5,872	\$ 112,984	\$ 1,286,038	\$ 795,525	\$ 2,484,592	\$ 2,671,651	\$ 4,042,027	\$ 11,530,902
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES									
Liabilities:									
Accounts payable and accrued liabilities	\$ 926	\$ 142	\$ 4,831	\$ 4,280	\$ 97,385	\$ 33,176	\$ 39,443	\$ 142,311	\$ 322,494
Investment purchases payable	—	—	—	8,308	—	—	—	2,748	11,056
Securities lending obligations	507	—	—	15,801	—	25,758	—	35,724	77,790
Due to other funds	12	30	169	—	399,816	8,889	112,095	153,112	674,123
Due to component units	—	—	—	—	—	—	—	3,131	3,131
Due to pension trust funds	142	9	362	2	6	16	710	2,176	3,423
Due to political subdivisions	—	—	—	—	1,173	72,228	61,797	96,986	232,184
Due to other governments	148	2	85	—	1	4	115	556	911
Unearned revenue	—	2,162	—	—	—	—	98,775	255,651	356,588
Advances from other funds	—	—	—	—	—	—	—	16,500	16,500
TOTAL LIABILITIES	1,735	2,345	5,447	28,391	498,381	140,071	312,935	708,895	1,698,200
Deferred inflows of resources:									
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	—	172,712	—	—	199	172,911
Fund balances:									
Restricted	130,478	3,527	107,537	1,257,647	—	2,344,521	2,358,716	3,276,774	9,479,200
Committed	—	—	—	—	124,432	—	—	67,334	191,766
Unassigned deficit	—	—	—	—	—	—	—	(11,175)	(11,175)
TOTAL FUND BALANCES	130,478	3,527	107,537	1,257,647	124,432	2,344,521	2,358,716	3,332,933	9,659,791
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 132,213	\$ 5,872	\$ 112,984	\$ 1,286,038	\$ 795,525	\$ 2,484,592	\$ 2,671,651	\$ 4,042,027	\$ 11,530,902

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, 2025

(Amounts in thousands)

	Budgeted Funds								Total
	Banking	Milk Marketing	Workmen's Compensation Admin.	Workers' Compensation Security	Tobacco Settlement Fund	Public Transportation Trust	Gaming	Other	
REVENUES:									
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,218,781	\$ 2,396,266	\$ 675,687	\$ 4,290,734
Licenses and fees	13,129	2,700	—	4,077	—	357,450	99,288	1,023,583	1,500,227
Intergovernmental	—	—	—	—	146,473	58,385	7,745	350,061	562,664
Charges for sales and services	26,215	—	62,082	—	26,182	2,676	1,032	549,517	667,704
Investment earnings	6,257	214	4,864	108,787	12,687	147,479	95,440	223,290	599,018
Interest on notes and loans	—	—	—	—	—	—	—	6	6
Other	1	—	94	4	213,783	—	691	25,881	240,454
TOTAL REVENUES	45,602	2,914	67,040	112,868	399,125	1,784,771	2,600,462	2,848,025	7,860,807
EXPENDITURES:									
Current:									
Direction and supportive services	—	—	—	—	—	—	435,608	1,080	436,688
Protection of persons and property	24,141	2,624	—	45,450	—	—	12,656	1,234,392	1,319,263
Health and human services	—	—	79,821	—	505,533	—	13,188	74,617	673,159
Public education	—	—	—	—	—	—	931,060	238	931,298
Recreation and cultural enrichment	—	—	—	—	—	—	30,923	319,910	350,833
Economic development	—	—	379	—	2,426	—	35,621	710,654	749,080
Transportation	—	—	—	—	—	1,750,612	—	72,519	1,823,131
Capital outlay	—	—	1,037	—	—	14,160	48	107,609	122,854
Interest and fiscal charges	194	—	191	—	—	39	12	242	678
TOTAL EXPENDITURES	24,335	2,624	81,428	45,450	507,959	1,764,811	1,459,116	2,521,261	6,406,984
EXCESS (DEFICIENCY) OF REVENUES									
OVER (UNDER) EXPENDITURES	21,267	290	(14,388)	67,418	(108,834)	19,960	1,141,346	326,764	1,453,823
OTHER FINANCING SOURCES (USES):									
Transfers in	—	—	2,276	—	115,336	200,283	—	132,679	450,574
Transfers out	—	—	—	—	—	—	(713,955)	(285,788)	(999,743)
Leases and installment purchases	—	—	1,037	—	—	5,802	—	395	7,234
NET OTHER FINANCING SOURCES (USES)	—	—	3,313	—	115,336	206,085	(713,955)	(152,714)	(541,935)
NET CHANGE IN FUND BALANCES	21,267	290	(11,075)	67,418	6,502	226,045	427,391	174,050	911,888
FUND BALANCES, JULY 1, 2024	109,211	3,237	118,612	1,190,229	117,930	2,118,476	1,931,325	3,158,883	8,747,903
FUND BALANCES, JUNE 30, 2025	\$ 130,478	\$ 3,527	\$ 107,537	\$ 1,257,647	\$ 124,432	\$ 2,344,521	\$ 2,358,716	\$ 3,332,933	\$ 9,659,791

Commonwealth of Pennsylvania
Budgetary Comparison Schedule
 Budgeted Nonmajor Funds
 Special Revenue Fund-Banking
 For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 32,962	\$ 1,530	\$ 34,492	\$ 850	\$ 35,342
Fines, penalties and interest	900	—	900	2,990	3,890
Investment earnings	4,382	448	4,830	(28)	4,802
TOTAL REVENUES	38,244	1,978	40,222	3,812	44,034
EXPENDITURES:					
State Programs:					
General Government Operations	26,343	—	26,343	—	26,343
Transfer to Institution Resolution Account	5,000	—	5,000	—	5,000
TOTAL EXPENDITURES	31,343	—	31,343	—	31,343
REVENUES OVER (UNDER) EXPENDITURES	6,901	1,978	8,879	3,812	12,691
OTHER FINANCING SOURCES:					
Prior year lapses	—	2,268	2,268	—	2,268
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	6,901	4,246	11,147	3,812	14,959
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	53,158	—	53,158	—	53,158
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2025	\$ 60,059	\$ 4,246	\$ 64,305	\$ 3,812	\$ 68,117

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

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

Budgetary basis — revenues and other sources under expenditures (from Actual column above)	\$ 14,959
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(700)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	7,008
Net adjustments	6,308
Modified accrual basis — net change in governmental fund balance	\$ 21,267

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 211 to 213 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, 2025

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Licenses and fees	\$ 2,761	\$ —	\$ 2,761	\$ (85)	\$ 2,676
Fines, penalties and interest	5	—	5	19	24
Investment earnings	193	62	255	(39)	216
TOTAL REVENUES	2,959	62	3,021	(105)	2,916
EXPENDITURES:					
State programs:					
General Operations	2,840	—	2,840	—	2,840
REVENUES OVER (UNDER) EXPENDITURES	119	62	181	(105)	76
OTHER FINANCING SOURCES:					
Prior year lapses	—	1	1	—	1
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	119	63	182	(105)	77
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	2,830	—	2,830	—	2,830
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2025	\$ 2,949	\$ 63	\$ 3,012	\$ (105)	\$ 2,907

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

Reconciliation of Budgetary to GAAP Basis Amounts

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

Budgetary basis — revenues and other sources over expenditures (from Actual column above)	\$ 77
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(3)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	216
Net adjustments	213
Modified accrual basis — net change in governmental fund balance	\$ 290

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 211 to 213 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, 2025

(Amounts in thousands)

	Original Budget	Original to Final Difference	Final Budget	Final to Actual Difference	Actual (Budgetary Basis)
REVENUES:					
State Programs:					
Taxes, net of refunds	\$ 86,300	\$ (19,800)	\$ 66,500	\$ (1,619)	\$ 64,881
Fines, penalties and interest	6	(1)	5	(5)	—
Investment earnings	—	—	—	—	—
Departmental Services	300	—	300	7	307
Miscellaneous	200	140	340	(248)	92
TOTAL REVENUES	<u>86,806</u>	<u>(19,661)</u>	<u>67,145</u>	<u>(1,865)</u>	<u>65,280</u>
EXPENDITURES:					
State programs:					
Administration of Workers' Compensation	87,602	—	87,602	7	87,609
REVENUES OVER (UNDER) EXPENDITURES	<u>(796)</u>	<u>(19,661)</u>	<u>(20,457)</u>	<u>(1,872)</u>	<u>(22,329)</u>
OTHER FINANCING SOURCES:					
Prior year lapses	—	7,503	7,503	—	7,503
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(796)</u>	<u>(12,158)</u>	<u>(12,954)</u>	<u>(1,872)</u>	<u>(14,826)</u>
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2024	74,438	—	74,438	—	74,438
FUND BALANCE					
(BUDGETARY BASIS), JUNE 30, 2025	<u>\$ 73,642</u>	<u>\$ (12,158)</u>	<u>\$ 61,484</u>	<u>\$ (1,872)</u>	<u>\$ 59,612</u>

Budgetary Compliance

The Commonwealth's legal level of budgetary control for expenditures is at the appropriation (or program) level. The schedule above separately displays the appropriation(s) within the fund to demonstrate budgetary expenditure compliance.

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):

Budgetary basis — revenues and other sources under expenditures (from Actual column above)	<u>\$ (14,826)</u>
Adjustments:	
To adjust revenues, other financing sources and related receivables and deferred revenue	(2,429)
To adjust expenditures, other financing uses and related accounts payable and accrued liabilities	<u>6,180</u>
Net adjustments	<u>3,751</u>
Modified accrual basis — net change in governmental fund balance	<u>\$ (11,075)</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 211 to 213 are an integral part of this schedule. —

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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 earnings.

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 primarily of transfers from the **General Fund** and the **Motor License Fund**, facility rental, and investment earnings.

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 - moneys 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, financing of various environmental initiatives, and water and wastewater infrastructure projects related to economic development. Funding consists of transfers from the **General Fund**, Environmental Stewardship Fund, and investment earnings. This other category is an aggregation of 13 individual debt service funds.

There are a total of 18 individual debt service funds; all are reported as nonmajor funds.

Commonwealth of Pennsylvania
Combining Balance Sheet
Nonmajor Governmental Funds
Debt Service Funds

June 30, 2025

(Amounts in thousands)

	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Growing Greener Bond Sinking	Water and Sewer Systems Assistance Bond Sinking	Water Supply and Wastewater Treatment Sinking	Other	Total
ASSETS							
Temporary investments.....	\$ 1,389	\$ 7,438	\$ 6	\$ 433	\$ —	\$ 174	\$ 9,440
Receivables (net):							
Investment earnings.....	5	50	—	2	—	—	57
Due from component units.....	70	—	—	—	—	—	70
TOTAL ASSETS	<u>\$ 1,464</u>	<u>\$ 7,488</u>	<u>\$ 6</u>	<u>\$ 435</u>	<u>\$ —</u>	<u>\$ 174</u>	<u>\$ 9,567</u>
Fund balances:							
Committed.....	1,464	7,488	6	435	—	174	9,567
TOTAL FUND BALANCES	<u>1,464</u>	<u>7,488</u>	<u>6</u>	<u>435</u>	<u>—</u>	<u>174</u>	<u>9,567</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,464</u>	<u>\$ 7,488</u>	<u>\$ 6</u>	<u>\$ 435</u>	<u>\$ —</u>	<u>\$ 174</u>	<u>\$ 9,567</u>

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, 2025

(Amounts in thousands)

	Pennsylvania Infrastructure Investment Authority Redemption	Capital Debt	Growing Greener Bond Sinking	Water and Sewer Systems Assistance Bond Sinking	Water Supply and Wastewater Treatment Sinking	Other	Total
REVENUES:							
Intergovernmental	\$ 367	\$ 5,913	\$ —	\$ 427	\$ —	\$ —	\$ 6,707
Investment earnings	1,242	782	—	4	—	8	2,036
Other	13,779	—	—	—	—	—	13,779
TOTAL REVENUES	15,388	6,695	—	431	—	8	22,522
EXPENDITURES:							
Debt service:							
Principal retirement	—	912,668	6,468	1,375	370	—	920,881
Interest and fiscal charges	—	443,255	3,475	1,168	261	—	448,159
TOTAL EXPENDITURES	—	1,355,923	9,943	2,543	631	—	1,369,040
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,388	(1,349,228)	(9,943)	(2,112)	(631)	8	(1,346,518)
OTHER FINANCING SOURCES (USES):							
Bonds issued	—	1,395,175	—	—	—	—	1,395,175
Premium on refunding bonds	—	105,516	—	—	—	—	105,516
Transfers in	—	1,347,025	9,943	2,543	631	—	1,360,142
Transfers out	(52,000)	—	—	—	—	—	(52,000)
Payment to refunded bond escrow agent	—	(1,499,472)	—	—	—	—	(1,499,472)
NET OTHER FINANCING SOURCES (USES)	(52,000)	1,348,244	9,943	2,543	631	—	1,309,361
NET CHANGE IN FUND BALANCES	(36,612)	(984)	—	431	—	8	(37,157)
FUND BALANCES, JULY 1, 2024	38,076	8,472	6	4	—	166	46,724
FUND BALANCES, JUNE 30, 2025	\$ 1,464	\$ 7,488	\$ 6	\$ 435	\$ —	\$ 174	\$ 9,567



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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 into 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 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 the 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, 2025. There are still 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, 2025

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park, and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
ASSETS						
Cash	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ 5
Temporary investments	1,037,614	109,682	909	22,196	13,340	1,183,741
Long-term investments	—	213,546	—	—	—	213,546
Receivables (net):						
Taxes	—	—	—	—	34,845	34,845
Investment earnings	3,952	378	4	79	65	4,478
Due from other funds	100	11,401	—	—	13,033	24,534
Due from component units	2,350	—	—	—	—	2,350
TOTAL ASSETS	\$ 1,044,016	\$ 335,007	\$ 913	\$ 22,275	\$ 61,288	\$ 1,463,499
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	\$ 131,639	\$ 6,559	\$ —	\$ —	\$ —	\$ 138,198
Securities lending obligations	—	3,642	—	—	—	3,642
Due to other funds	9,472	261	—	—	—	9,733
Due to pension trust funds	—	22	—	—	—	22
Due to political subdivisions	48,865	1,602	—	—	12,034	62,501
Due to other governments	—	7	—	—	—	7
TOTAL LIABILITIES	189,976	12,093	—	—	12,034	214,103
Fund balances:						
Committed	854,040	322,914	913	22,275	49,254	1,249,396
TOTAL FUND BALANCES	854,040	322,914	913	22,275	49,254	1,249,396
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,044,016	\$ 335,007	\$ 913	\$ 22,275	\$ 61,288	\$ 1,463,499

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, 2025

(Amounts in thousands)

	Capital Facilities	Keystone Recreation, Park, and Conservation	Growing Greener Bond	Water Supply and Wastewater Treatment	Public Transportation Assistance	Total
REVENUES:						
Taxes	\$ —	\$ 117,970	\$ —	\$ —	\$ 292,403	\$ 410,373
Charges for sales and services	2,547	—	—	—	—	2,547
Investment earnings	56,729	21,399	42	1,013	1,298	80,481
TOTAL REVENUES	59,276	139,369	42	1,013	293,701	493,401
EXPENDITURES:						
Current:						
Direction and supportive services	245,945	—	—	—	—	245,945
Public education	—	24,944	—	—	—	24,944
Recreation and cultural enrichment	—	61,320	—	—	—	61,320
Economic development	298,453	—	—	—	—	298,453
Transportation	154,778	—	—	—	266,653	421,431
Capital outlay	625,532	13,191	—	—	—	638,723
Debt service:						
Interest and fiscal charges	3,249	21	—	—	—	3,270
TOTAL EXPENDITURES	1,327,957	99,476	—	—	266,653	1,694,086
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(1,268,681)	39,893	42	1,013	27,048	(1,200,685)
OTHER FINANCING SOURCES (USES):						
Bonds issued	1,395,000	—	—	—	—	1,395,000
Refunding bonds issued	1,190	—	—	—	—	1,190
Premium on bonds issued	135,204	—	—	—	—	135,204
Transfers in	52,529	—	—	—	—	52,529
Transfers out	(110,674)	(8,616)	—	—	(23,876)	(143,166)
NET OTHER FINANCING SOURCES (USES)	1,473,249	(8,616)	—	—	(23,876)	1,440,757
NET CHANGE IN FUND BALANCES	204,568	31,277	42	1,013	3,172	240,072
FUND BALANCES, JULY 1, 2024	649,472	291,637	871	21,262	46,082	1,009,324
FUND BALANCES, JUNE 30, 2025	\$ 854,040	\$ 322,914	\$ 913	\$ 22,275	\$ 49,254	\$ 1,249,396



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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 the 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 by 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).

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2025

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
ASSETS							
Current assets:							
Cash	\$ 276	\$ 74	\$ 302	\$ 120	\$ 27,331	\$ 195	\$ 28,298
Cash with fiscal agents	—	—	—	1	—	—	1
Temporary investments	10,734	23,877	53,736	13,844	36,026	14,802	153,019
Receivables (net):							
Accounts	1	1	4	12	2,226	4	2,248
Investment earnings	40	75	188	41	—	53	397
Interest on loans	126	—	560	—	—	70	756
Loans	10,926	—	10,544	—	—	694	22,164
Lease rentals	—	—	—	—	14,177	—	14,177
Due from other funds	—	—	—	1,899	5,060	11	6,970
Due from Federal Government	—	—	—	—	—	2	2
Due from other governments	—	—	—	—	47	—	47
Advances to other funds	—	—	1,814	—	—	—	1,814
Inventory	—	—	—	—	—	4	4
Prepaid expenses	—	—	—	—	1,111	—	1,111
Total current assets	<u>22,103</u>	<u>24,027</u>	<u>67,148</u>	<u>15,917</u>	<u>85,978</u>	<u>15,835</u>	<u>231,008</u>
Noncurrent assets:							
Restricted cash	—	—	—	—	393	—	393
Long-term investments	51,064	162,710	33,099	—	—	—	246,873
Receivables:							
Loans	69,362	—	42,425	—	—	4,341	116,128
Lease rentals	—	—	—	—	97,844	—	97,844
Non-depreciable capital assets:							
Land	—	—	—	—	277,803	—	277,803
Construction in progress	—	—	—	—	102,988	—	102,988
Depreciable or amortizable capital assets:							
Land improvements	—	—	—	—	180,621	—	180,621
Buildings and building improvements	—	—	—	35,188	566,589	—	601,777
Machinery and equipment	—	296	—	6,526	78,642	1,913	87,377
Less: accumulated depreciation and amortization	—	(203)	—	(32,063)	(428,424)	(1,838)	(462,528)
Net depreciable or amortizable capital assets	—	93	—	9,651	397,428	75	407,247
Other assets	—	—	—	—	7,920	—	7,920
Total noncurrent assets	<u>120,426</u>	<u>162,803</u>	<u>75,524</u>	<u>9,651</u>	<u>884,376</u>	<u>4,416</u>	<u>1,257,196</u>
TOTAL ASSETS	<u>\$ 142,529</u>	<u>\$ 186,830</u>	<u>\$ 142,672</u>	<u>\$ 25,568</u>	<u>\$ 970,354</u>	<u>\$ 20,251</u>	<u>\$ 1,488,204</u>

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Proprietary Funds
Enterprise Funds
June 30, 2025

(Amounts in thousands)	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
DEFERRED OUTFLOWS OF RESOURCES							
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ 1,798	\$ —	\$ 11,716	\$ 2,504	\$ 199	\$ 16,217
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	—	478	—	1,104	19,762	491	21,835
Securities lending obligations	871	2,775	565	—	—	—	4,211
Due to other funds	—	19	—	51	4	20	94
Due to pension trust funds	—	21	—	131	65	2	219
Due to component units	—	49	—	—	—	—	49
Due to political subdivisions	—	—	—	71	—	—	71
Due to other governments	—	4	—	32	—	—	36
Unearned revenue	—	2,095	—	—	475	—	2,570
Self-insurance liabilities	—	8	—	31	66	1	106
Compensated absences	—	73	—	217	161	—	451
Other postemployment benefit liability	—	—	—	—	219	—	219
Right-to-use liability	—	—	—	—	—	—	—
Other liabilities	—	—	—	—	—	—	—
Total current liabilities	871	5,522	565	1,637	20,752	514	29,861
Noncurrent liabilities:							
Insurance loss liability	—	494	—	—	—	—	494
Compensated absences	—	412	—	1,228	912	—	2,552
Self-insurance liabilities	—	82	—	305	657	5	1,049
Other postemployment benefit liability	—	1,879	—	14,789	3,548	154	20,370
Net pension liability	—	4,131	—	25,968	11,100	501	41,700
Other liabilities	—	—	—	—	388	—	388
Total noncurrent liabilities	—	6,998	—	42,290	16,605	660	66,553
TOTAL LIABILITIES	871	12,520	565	43,927	37,357	1,174	96,414
DEFERRED INFLOWS OF RESOURCES							
TOTAL DEFERRED INFLOWS OF RESOURCES	—	1,716	—	10,892	114,194	713	127,515
NET POSITION							
Net investment in capital assets	—	93	—	9,651	778,219	75	788,038
Restricted for:							
Transportation	—	—	142,107	—	—	—	142,107
Economic development	—	—	—	—	43,071	6,311	49,382
Emergency support	141,658	—	—	—	—	—	141,658
Other purposes	—	174,299	—	—	17	12,175	186,491
Unrestricted	—	—	—	(27,186)	—	2	(27,184)
TOTAL NET POSITION (DEFICIT)	\$ 141,658	\$ 174,392	\$ 142,107	\$ (17,535)	\$ 821,307	\$ 18,563	\$ 1,280,492

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, 2025

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
OPERATING REVENUES:							
Sales and services	\$ —	\$ 4,717	\$ 12	\$ 28,436	\$ 19,020	\$ 1,727	\$ 53,912
Interest on loans	1,439	—	1,510	—	—	155	3,104
Other	—	—	—	—	244	35	279
OPERATING REVENUES BEFORE PROVISION FOR UNCOLLECTIBLE ACCOUNTS							
	1,439	4,717	1,522	28,436	19,264	1,917	57,295
Provision for uncollectible accounts	212	—	(297)	—	—	(35)	(120)
NET OPERATING REVENUES	1,651	4,717	1,225	28,436	19,264	1,882	57,175
OPERATING EXPENSES:							
Cost of sales and services	601	5,439	15	25,368	17,466	1,396	50,285
Depreciation	—	20	—	702	35,249	11	35,982
Other	—	—	—	—	6,425	—	6,425
TOTAL OPERATING EXPENSES	601	5,459	15	26,070	59,140	1,407	92,692
OPERATING INCOME (LOSS)	1,050	(742)	1,210	2,366	(39,876)	475	(35,517)
NONOPERATING REVENUES (EXPENSES):							
Investment earnings	4,836	13,917	4,702	468	1,730	697	26,350
Grants and other revenues	—	—	—	426	5,251	40	5,717
Other expenses	—	—	—	—	(2,554)	—	(2,554)
TOTAL NONOPERATING REVENUES (EXPENSES)	4,836	13,917	4,702	894	4,427	737	29,513
INCOME (LOSS) BEFORE TRANSFERS	5,886	13,175	5,912	3,260	(35,449)	1,212	(6,004)
TRANSFERS AND CONTRIBUTIONS:							
Capital contributions	—	—	—	—	16,971	—	16,971
Transfers in	—	—	—	—	81,075	1	81,076
TRANSFERS AND CONTRIBUTIONS, NET	—	—	—	—	98,046	1	98,047
CHANGE IN NET POSITION	5,886	13,175	5,912	3,260	62,597	1,213	92,043
TOTAL NET POSITION (DEFICIT), JULY 1, 2024	135,772	161,217	136,195	(20,795)	758,710	17,350	1,188,449
TOTAL NET POSITION (DEFICIT), JUNE 30, 2025	\$ 141,658	\$ 174,392	\$ 142,107	\$ (17,535)	\$ 821,307	\$ 18,563	\$ 1,280,492

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Enterprise Funds

For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES:							
Receipts from customers and participants	\$ —	\$ —	\$ —	\$ 28,475	\$ 21,261	\$ 1,729	\$ 51,465
Receipts from borrowers for fees and loan repayments	11,737	—	16,781	—	—	593	29,111
Receipt of premiums	—	4,755	—	—	—	—	4,755
Payments to borrowers	(24,626)	—	—	—	—	(715)	(25,341)
Payments for vendors, employees and other costs	(601)	(4,924)	(15)	(30,888)	(24,565)	(1,976)	(62,969)
Other receipts	—	—	—	—	—	34	34
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(13,490)	(169)	16,766	(2,413)	(3,304)	(335)	(2,945)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:							
Net advances from (to) other funds	—	—	362	—	—	—	362
Transfers in	—	—	—	—	—	1	1
Grants and other revenues	—	—	—	427	181	39	647
Bond issuance costs	—	—	—	—	(1,783)	—	(1,783)
Right-to-use lease interest	—	—	—	—	5,529	—	5,529
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	—	—	362	427	3,927	40	4,756
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Acquisition and construction of capital assets	—	—	—	(496)	(121,494)	(59)	(122,049)
Transfers in	—	—	—	—	102,983	—	102,983
Capital contributions	—	—	—	—	16,971	—	16,971
Maintenance payments	—	—	—	—	(5,011)	—	(5,011)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	—	—	—	(496)	(6,551)	(59)	(7,106)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Purchase of investments	(13,054)	(9,716)	(20,573)	(29,859)	(8,350)	(3,901)	(85,453)
Sales and maturities of investments	24,071	3,902	697	31,977	7,682	3,705	72,034
Investment earnings	2,408	6,007	3,050	482	2,662	708	15,317
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	13,425	193	(16,826)	2,600	1,994	512	1,898
NET INCREASE (DECREASE) IN CASH	(65)	24	302	118	(3,934)	158	(3,397)
CASH AT JULY 1, 2024	341	50	—	3	31,658	37	32,089
CASH AT JUNE 30, 2025 (including \$393 in restricted assets)	\$ 276	\$ 74	\$ 302	\$ 121	\$ 27,724	\$ 195	\$ 28,692

Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Enterprise Funds

For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Volunteer Companies Loan	Coal and Clay Mine Subsidence Insurance	PA Infrastructure Bank	Rehabilitation Center	Philadelphia Regional Port Authority	Other	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET							
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES							
Operating income (loss)	\$ 1,050	\$ (742)	\$ 1,210	\$ 2,366	\$ (39,876)	\$ 475	\$ (35,517)
Depreciation and amortization of capital assets	—	20	—	702	35,249	11	35,982
Amortization of other assets	—	—	—	—	6,425	—	6,425
Provision for uncollectible accounts	(212)	—	297	—	—	35	120
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:							
Accounts receivable	—	(1)	(2)	39	—	7	43
Interest on loans receivable	(23)	—	121	—	—	(7)	91
Loans receivable	(14,305)	—	15,140	—	—	(282)	553
Lease rental receivable	—	—	—	—	1,976	—	1,976
Due from other funds	—	—	—	(1,876)	—	7	(1,869)
Due from other governments	—	—	—	—	(4)	—	(4)
Other current and noncurrent assets	—	—	—	—	5	—	5
Deferred outflows	—	(314)	—	(265)	1,547	81	1,049
Accounts payable and accrued liabilities	—	303	—	(1,272)	(5,749)	56	(6,662)
Due to other funds	—	10	—	(14)	—	12	8
Due to pension trust funds	—	1	—	12	—	1	14
Due to component units	—	49	—	—	—	—	49
Due to political subdivisions	—	—	—	17	—	—	17
Due to other governments	—	—	—	3	—	—	3
Unearned revenue	—	38	—	—	—	—	38
Self-insurance liabilities	—	9	—	(69)	246	(1)	185
Compensated absences	—	13	—	(19)	118	—	112
Insurance loss liability	—	328	—	—	—	—	328
Other postemployment benefit liability	—	332	—	1,268	(930)	(37)	633
Net pension liability	—	153	—	(1,070)	(667)	(19)	(1,603)
Other current and noncurrent liabilities	—	—	—	—	21	—	21
Deferred inflows	—	(368)	—	(2,235)	(1,665)	(674)	(4,942)
Total Adjustments	(14,540)	573	15,556	(4,779)	36,572	(810)	32,572
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (13,490)	\$ (169)	\$ 16,766	\$ (2,413)	\$ (3,304)	\$ (335)	\$ (2,945)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:							
Increase in fair value of investments during the fiscal year	\$ 2,487	\$ 7,925	\$ 1,612	\$ —	\$ —	\$ —	\$ 12,024
Increase (Decrease) in investment earnings receivable	(59)	(15)	40	(15)	—	(12)	(61)
Decrease in investments from changes in securities lending obligations	(655)	(2,087)	(424)	—	—	—	(3,166)
Disposals of capital assets	—	—	—	(1)	(3,053)	—	(3,054)
Transfers from other funds (accruals)	—	—	—	—	99,175	—	99,175

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

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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, 2025

(Amounts in thousands)

	Purchasing	Manufacturing	Total
ASSETS			
Current assets:			
Cash	\$ 1,257	\$ 530	\$ 1,787
Temporary investments	7,401	27,645	35,046
Receivables (net):			
Accounts	23	342	365
Investment earnings	15	96	111
Due from other funds	34,129	3,459	37,588
Due from pension trust funds	33	4,938	4,971
Due from component units	50	—	50
Due from political subdivisions	—	44	44
Inventory	54	24,638	24,692
Total current assets	42,962	61,692	104,654
Noncurrent assets:			
Long-term investments	—	27,030	27,030
Depreciable capital assets:			
Land improvements	192	—	192
Buildings and building improvements	153	6,279	6,432
Machinery and equipment	171,762	45,362	217,124
Intangible right-to-use assets	315,605	—	315,605
Less: accumulated depreciation	(198,594)	(38,106)	(236,700)
Net depreciable capital assets	289,118	13,535	302,653
Total noncurrent assets	289,118	40,565	329,683
TOTAL ASSETS	332,080	102,257	434,337
DEFERRED OUTFLOWS OF RESOURCES			
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,003	15,845	22,848
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	41,964	6,440	48,404
Securities lending obligations	—	461	461
Due to other funds	3,508	539	4,047
Due to pension trust funds	55	112	167
Due to component units	5	—	5
Due to political subdivisions	—	4	4
Due to other governments	13	25	38
Self-insurance liabilities	79	243	322
Compensated absences	151	306	457
Installment purchase liability	226	140	366
Right-to-use liability	9,758	—	9,758
Total current liabilities	55,759	8,270	64,029
Noncurrent liabilities:			
Compensated absences	856	1,734	2,590
Self-insurance liabilities	789	2,413	3,202
Other postemployment benefit liability	11,889	13,825	25,714
Net pension liability	18,489	36,643	55,132
Installment purchase liability	265	12	277
Right-to-use liability	265,286	—	265,286
Total noncurrent liabilities	297,574	54,627	352,201
TOTAL LIABILITIES	353,333	62,897	416,230
DEFERRED INFLOWS OF RESOURCES			
TOTAL DEFERRED INFLOWS OF RESOURCES	7,968	16,550	24,518
NET POSITION			
Net investment in capital assets	13,583	13,383	26,966
Restricted for:			
Correctional industries and procurement	—	25,272	25,272
Unrestricted	(35,801)	—	(35,801)
TOTAL NET POSITION (DEFICIT)	\$ (22,218)	\$ 38,655	\$ 16,437

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, 2025

(Amounts in thousands)

	<u>Purchasing</u>	<u>Manufacturing</u>	<u>Total</u>
OPERATING REVENUES:			
Sales and services	\$ 48,323	\$ 96,297	\$ 144,620
NET OPERATING REVENUES	<u>48,323</u>	<u>96,297</u>	<u>144,620</u>
OPERATING EXPENSES:			
Cost of sales and services	9,392	85,542	94,934
Depreciation	33,565	2,073	35,638
TOTAL OPERATING EXPENSES	<u>42,957</u>	<u>87,615</u>	<u>130,572</u>
OPERATING INCOME	<u>5,366</u>	<u>8,682</u>	<u>14,048</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	193	3,372	3,565
Interest expense	(4,935)	(7)	(4,942)
Other expenses	(12)	—	(12)
TOTAL NONOPERATING REVENUES (EXPENSES), NET	<u>(4,754)</u>	<u>3,365</u>	<u>(1,389)</u>
CHANGE IN NET POSITION	612	12,047	12,659
TOTAL NET POSITION (DEFICIT), JULY 1, 2024	<u>(22,830)</u>	<u>26,608</u>	<u>3,778</u>
TOTAL NET POSITION (DEFICIT), JUNE 30, 2025	<u>\$ (22,218)</u>	<u>\$ 38,655</u>	<u>\$ 16,437</u>

Commonwealth of Pennsylvania
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Internal Service Funds

For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Purchasing	Manufacturing	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 56,382	\$ 99,247	\$ 155,629
Payments for vendors, employees and other costs	(27,073)	(96,647)	(123,720)
Other receipts	389	—	389
NET CASH PROVIDED BY OPERATING ACTIVITIES	29,698	2,600	32,298
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(17,121)	(727)	(17,848)
Proceeds from disposal of capital assets	5,119	—	5,119
Principal paid on capital financing	(9,404)	(136)	(9,540)
Interest paid on capital financing	(4,935)	(7)	(4,942)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(26,341)	(870)	(27,211)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(181,301)	(67,537)	(248,838)
Sales and maturities of investments	177,722	63,626	241,348
Investment earnings	191	2,065	2,256
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	(3,388)	(1,846)	(5,234)
NET DECREASE IN CASH	(31)	(116)	(147)
CASH AT JULY 1, 2024	1,288	646	1,934
CASH AT JUNE 30, 2025	\$ 1,257	\$ 530	\$ 1,787
RECONCILIATION OF OPERATING LOSS TO NET			
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES			
Operating Income	\$ 5,366	\$ 8,682	\$ 14,048
Depreciation and amortization of capital assets	33,565	2,073	35,638
Other adjustments	(5,119)	—	(5,119)
Effect of changes in assets, liabilities, deferred outflows and deferred inflows:			
Accounts receivable	15	62	77
Due from other funds	(5,416)	396	(5,020)
Due from pension trust funds	823	(573)	250
Due from component units	81	—	81
Due from political subdivisions	—	106	106
Inventory	12	(3,858)	(3,846)
Deferred outflows	1,167	6,817	7,984
Accounts payable and accrued liabilities	3,866	(1,086)	2,780
Due to other funds	(1,361)	97	(1,264)
Due to pension trust funds	5	19	24
Due to component units	2	—	2
Due to political subdivisions	—	(1)	(1)
Due to other governments	2	5	7
Self insurance liabilities	(36)	362	326
Compensated absences	17	(166)	(149)
Other postemployment benefit liability	(36)	(8,530)	(8,566)
Net pension liability	(1,915)	(3,845)	(5,760)
Deferred inflows	(1,340)	2,040	700
Total Adjustments	24,332	(6,082)	18,250
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 29,698	\$ 2,600	\$ 32,298
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Decrease in fair value of investments during the fiscal year	\$ —	\$ 1,317	\$ 1,317
Decrease in investment earnings receivable	2	(9)	(7)
Decrease in investments from changes in securities lending obligations	—	(347)	(347)
Disposals of capital assets	(5,677)	—	(5,677)

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

-THIS PAGE INTENTIONALLY LEFT BLANK-



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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 (RPSPP) - 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.

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2025

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2024)			Public School Employees' Retirement System			Other Postemployment Benefits		
	Defined	Deferred		Defined	Postemployment		Retired	Retired	
	Pension	Contribution	Compensation	Pension	Contribution	Healthcare	Employees Health Program	Pennsylvania State Police Program	Total
ASSETS									
Cash	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 290,650	\$ 392	\$ 66	\$ 291,108
Temporary investments	—	—	—	—	—	—	799,150	135,058	934,208
Long-term investments	—	1,428	196,321	—	—	—	1,113,986	188,266	1,500,001
Short-term funds	2,164,529	9,278	133,094	5,525,863	17,331	210,449	—	—	8,060,544
Corporate obligations	1,266,287	—	—	1,437,397	—	—	—	—	2,703,684
Collective trust funds	5,039,636	286,180	4,565,995	5,765,930	540,944	—	—	—	16,198,685
Real estate	2,062,601	—	—	9,595,158	—	—	—	—	11,657,759
Alternative	7,899,952	—	—	16,538,802	—	—	—	—	24,438,754
Securities lending collateral	135,433	—	—	—	—	—	—	—	135,433
Asset-backed securities	372,768	—	—	1,046,232	—	—	—	—	1,419,000
Domestic equities	14,709,901	—	—	18,200,065	—	—	—	—	32,909,966
International equities	830,501	—	—	10,032,505	—	—	—	—	10,863,006
International public debt securities	65,496	—	—	221,268	—	—	—	—	286,764
Mortgage-backed securities	—	—	—	979,404	—	—	—	—	979,404
Private placements	80,105	—	—	—	—	—	—	—	80,105
U.S. Treasury obligations	4,457,291	—	—	12,027,240	—	—	—	—	16,484,531
U.S. government agency debt securities	27,587	—	—	—	—	—	—	—	27,587
Receivables (net):									
Investment earnings	75,130	42	695	362,278	24	1,310	2,707	457	442,643
Pension contributions	—	1,364	231	1,860,836	783	30,219	—	—	1,893,433
Investment sale proceeds	479,438	—	—	795,920	—	—	—	—	1,275,358
Other	35	20	96	57	—	69,123	—	—	69,331
Due from other funds	13,635	—	—	9,714	—	—	—	—	23,349
Due from pension trust funds	—	—	—	4,575	—	—	—	—	4,575
Due from component units	1,314	—	—	—	—	—	—	—	1,314
Due from political subdivisions	6,662	—	—	—	—	—	—	—	6,662
Due from other governments	—	—	—	—	—	33,714	—	—	33,714
Depreciable or amortizable capital assets:									
Machinery and equipment	—	—	—	13,459	—	—	—	—	13,459
Intangible right-to-use assets	—	—	—	82,589	—	—	—	—	82,589
Other intangible assets	—	—	—	45,264	—	—	—	—	45,264
Less: accumulated depreciation and amortization	—	—	—	(90,767)	—	—	—	—	(90,767)
Net depreciable or amortizable capital assets	—	—	—	50,545	—	—	—	—	50,545
Other assets	21,250	1,851	1,739	—	—	—	—	—	24,840
TOTAL ASSETS	39,709,551	300,163	4,898,171	84,453,789	559,082	635,465	1,916,235	323,847	132,796,303
DEFERRED OUTFLOWS OF RESOURCES									
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ —	\$ —	\$ —	\$ 30,872	\$ —	\$ —	\$ —	\$ —	\$ 30,872

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Pension (and Other Employee Benefit) Trust Funds
June 30, 2025

(Amount in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2024)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	
		Contribution	Compensation		Contribution	Healthcare			
LIABILITIES									
Accounts payable and accrued liabilities	\$ 55,728	\$ 1,550	\$ 2,710	\$ 120,415	\$ 122	\$ 6,093	\$ 29,366	\$ 10,307	\$ 226,291
Investment purchases payable	817,313	12	50	744,425	633	—	—	—	1,562,433
Securities lending obligations	135,433	—	—	—	—	—	799,150	135,058	1,069,641
Due to other funds	—	—	—	123	—	—	—	—	123
Due to pension trust funds	—	—	—	560	850	3,697	—	—	5,107
Other postemployment benefit liability	17,796	1,701	—	32,396	—	—	—	—	51,893
Net pension liability	—	—	—	87,628	—	—	—	—	87,628
Right-to-use liability	—	—	—	47,909	—	—	—	—	47,909
Other liabilities	25,757	1,470	2,521	796,190	—	85,500	—	—	911,438
TOTAL LIABILITIES	1,052,027	4,733	5,281	1,829,646	1,605	95,290	828,516	145,365	3,962,463
TOTAL DEFERRED INFLOWS OF RESOURCES	—	—	—	23,805	—	—	—	—	23,805
NET POSITION									
Restricted and held in trust for:									
Pension benefits	38,657,524	295,430	—	82,631,210	557,477	—	—	—	122,141,641
Postemployment healthcare benefits	—	—	—	—	—	540,175	1,087,719	178,482	1,806,376
Employee salary deferrals	—	—	4,892,890	—	—	—	—	—	4,892,890
TOTAL NET POSITION	\$ 38,657,524	\$ 295,430	\$ 4,892,890	\$ 82,631,210	\$ 557,477	\$ 540,175	\$ 1,087,719	\$ 178,482	\$ 128,840,907

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, 2025

(Amounts in thousands)

	Pension (and Other Employee Benefit) Trust								
	State Employees' Retirement System (December 31, 2024)			Public School Employees' Retirement System			Other Postemployment Benefits		Total
	Pension	Defined	Deferred	Pension	Defined	Postemployment	Retired Employees Health Program	Retired Pennsylvania State Police Program	
		Contribution	Compensation		Contribution	Healthcare			
ADDITIONS:									
Contributions:									
Pension:									
Employer	\$ 2,316,106	\$ 31,820	\$ —	\$ 5,470,733	\$ 69,914	\$ 259,204	\$ 403,419	\$ 199,689	\$ 8,750,885
Employee	452,051	55,260	179,323	1,188,582	91,117	430,655	—	—	2,396,988
Transfer in from other plans	—	2,309	62,683	—	—	—	50,000	1,000	115,992
Total contributions	<u>2,768,157</u>	<u>89,389</u>	<u>242,006</u>	<u>6,659,315</u>	<u>161,031</u>	<u>689,859</u>	<u>453,419</u>	<u>200,689</u>	<u>11,263,865</u>
Investment earnings:									
Net increase in									
fair value of investments	3,198,908	29,500	577,853	5,622,384	59,124	—	107,711	18,585	9,614,065
Interest income	258,523	497	15,775	899,568	171	23,272	1,101	190	1,199,097
Dividend income	205,887	—	—	570,603	531	—	21,476	3,706	802,203
Rental and other income	5,160	—	—	628,010	—	—	66	11	633,247
Total investment activity income	<u>3,668,478</u>	<u>29,997</u>	<u>593,628</u>	<u>7,720,565</u>	<u>59,826</u>	<u>23,272</u>	<u>130,354</u>	<u>22,492</u>	<u>12,248,612</u>
Less: investment expenses									
Investment activity expense	(165,707)	(138)	(1,482)	(396,728)	(867)	(76)	—	—	(564,998)
Net investment earnings	<u>3,502,771</u>	<u>29,859</u>	<u>592,146</u>	<u>7,323,837</u>	<u>58,959</u>	<u>23,196</u>	<u>130,354</u>	<u>22,492</u>	<u>11,683,614</u>
Securities lending activities:									
Income	2,252	—	—	—	—	—	—	—	2,252
Expenses	(225)	—	—	—	—	—	—	—	(225)
Total securities lending income	<u>2,027</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,027</u>
Total net investment earnings	<u>3,504,798</u>	<u>29,859</u>	<u>592,146</u>	<u>7,323,837</u>	<u>58,959</u>	<u>23,196</u>	<u>130,354</u>	<u>22,492</u>	<u>11,685,641</u>
TOTAL ADDITIONS	<u>6,272,955</u>	<u>119,248</u>	<u>834,152</u>	<u>13,983,152</u>	<u>219,990</u>	<u>713,055</u>	<u>583,773</u>	<u>223,181</u>	<u>22,949,506</u>
DEDUCTIONS:									
Benefit payments	3,980,953	—	146,058	7,741,241	—	653,951	401,452	200,018	13,123,673
Refunds of contributions	23,813	—	—	44,540	—	—	—	—	68,353
Transfers to other plans	—	3,003	271,958	—	—	—	—	—	274,961
Administrative expenses	35,592	5,888	2,191	59,155	4,287	41,706	9,375	1,529	159,723
Other expenses	—	—	5,956	—	—	—	—	—	5,956
Distributions to participants	—	4,362	—	—	14,546	—	—	—	18,908
TOTAL DEDUCTIONS	<u>4,040,358</u>	<u>13,253</u>	<u>426,163</u>	<u>7,844,936</u>	<u>18,833</u>	<u>695,657</u>	<u>410,827</u>	<u>201,547</u>	<u>13,651,574</u>
CHANGE IN PLAN NET POSITION HELD IN TRUST FOR:									
Pension benefits	2,232,597	105,995	—	6,138,216	201,157	—	—	—	8,677,965
Postemployment healthcare benefits	—	—	—	—	—	17,398	172,946	21,634	211,978
Employee salary deferrals	—	—	407,989	—	—	—	—	—	407,989
TOTAL CHANGE IN PLAN NET POSITION HELD IN TRUST	<u>2,232,597</u>	<u>105,995</u>	<u>407,989</u>	<u>6,138,216</u>	<u>201,157</u>	<u>17,398</u>	<u>172,946</u>	<u>21,634</u>	<u>9,297,932</u>
NET POSITION, JULY 1, 2024	<u>36,424,927</u>	<u>189,435</u>	<u>4,484,901</u>	<u>76,492,994</u>	<u>356,320</u>	<u>522,777</u>	<u>914,773</u>	<u>156,848</u>	<u>119,542,975</u>
NET POSITION, JUNE 30, 2025	<u>\$ 38,657,524</u>	<u>\$ 295,430</u>	<u>\$ 4,892,890</u>	<u>\$ 82,631,210</u>	<u>\$ 557,477</u>	<u>\$ 540,175</u>	<u>\$ 1,087,719</u>	<u>\$ 178,482</u>	<u>\$ 128,840,907</u>



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Custodial Funds

CUSTODIAL FUNDS DESCRIPTION

Custodial 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.

Local Sales and Use Tax Fund - to collect an additional sales tax remitted by business entities of first-class cities in Pennsylvania to the Department of Revenue, as established per Act 6 of 1991. On a monthly basis, the Treasury Department distributes the fund balance to qualified city taxing authorities in accordance with the requirements of the Act.

PA Intergovernmental Cooperation Authority Tax - to collect an income tax imposed on residents of first-class cities in Pennsylvania, as established per Act 6 of 1991. On a weekly basis, the Treasury Department distributes the fund balance to the PA Intergovernmental Cooperation Authority.

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.

Allegheny Regional Asset District Sales and Use Tax Fund - to collect an additional 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.

Local Cigarette Tax Fund - to collect a local cigarette tax imposed by school districts within the first-class cities of Pennsylvania at a rate of \$0.10 per cigarette as authorized by Act 131 of 2014. On a monthly basis, the Treasury Department distributes the fund balance to the school districts in accordance with the requirements of the Act.

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.

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

There are a total of eight individual custodial funds.

Commonwealth of Pennsylvania
Combining Statement of Fiduciary Net Position
Custodial Funds

June 30, 2025

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
ASSETS									
Cash	\$ —	\$ 365	\$ 190	\$ 7,485	\$ 65	\$ —	\$ —	\$ 19,707	\$ 27,812
Cash with fiscal agents	11,922	—	—	—	—	—	—	—	11,922
Temporary investments	21,189	36,124	15,111	—	22,956	680	3,352	30,245	129,657
Long-term investments	370,569	—	—	6,241,788	—	—	44,220	—	6,656,577
Receivables (net):									
Taxes	—	27,361	—	—	14,212	42,520	—	—	84,093
Accounts	711,456	231	—	32,300	31	14	—	3,541	747,573
Investment earnings	2,745	82	63	—	53	3	9	—	2,955
Other assets	99,377	—	—	—	—	—	—	520	99,897
TOTAL ASSETS	1,217,258	64,163	15,364	6,281,573	37,317	43,217	47,581	54,013	7,760,486
LIABILITIES									
Accounts payable and accrued liabilities	1,137	365	—	4,386	342	36	628	28,379	35,273
Investment purchases payable	—	—	—	33,353	—	—	—	—	33,353
Securities lending obligations	—	—	—	—	—	—	754	—	754
Due to political subdivisions	—	63,798	15,364	—	36,975	43,181	60	—	159,378
Other liabilities	4,909	—	—	—	—	—	—	—	4,909
TOTAL LIABILITIES	6,046	64,163	15,364	37,739	37,317	43,217	1,442	28,379	233,667
NET POSITION									
Restricted for:									
Tuition Account Investment Program participants	—	—	—	6,243,834	—	—	—	—	6,243,834
Beneficiaries	1,211,212	—	—	—	—	—	46,139	25,634	1,282,985
TOTAL NET POSITION	\$ 1,211,212	\$ —	\$ —	\$ 6,243,834	\$ —	\$ —	\$ 46,139	\$ 25,634	\$ 7,526,819

Commonwealth of Pennsylvania
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	Statutory Liquidator	Local Sales and Use Tax	PA Intergovernmental Cooperation Authority Tax	Tuition Account Investment Program	Allegheny Regional Asset District Sales and Use Tax	Local Cigarette Tax	Monetary Penalty Endowment	Custodial Accounts	Total Custodial Funds
ADDITIONS:									
Investment earnings:									
Net decrease in fair value of investments	\$ 1,935	\$ —	\$ —	\$ 461,610	\$ —	\$ —	\$ —	\$ —	\$ 463,545
Interest earnings	16,125	1,087	919	190,176	657	214	3,789	1,495	214,462
Total investment activity earnings	18,060	1,087	919	651,786	657	214	3,789	1,495	678,007
Less investment expenses:									
Investment activity expense	(584)	—	—	—	—	—	—	—	(584)
Net investment earnings	17,476	1,087	919	651,786	657	214	3,789	1,495	677,423
Total net investment earnings	17,476	1,087	919	651,786	657	214	3,789	1,495	677,423
Share transactions (net asset value of \$1.00 per share):									
Shares purchased/redeemed (net)	—	—	—	200,159	—	—	—	—	200,159
Net increase in net position from share transactions	—	—	—	200,159	—	—	—	—	200,159
Tax collections for other governments	—	431,583	756,841	—	262,879	58,007	—	—	1,509,310
Member resources	—	—	—	—	—	—	—	114,888	114,888
Other additions	27,045	—	—	—	—	—	—	8,536	35,581
TOTAL ADDITIONS	44,521	432,670	757,760	851,945	263,536	58,221	3,789	124,919	2,537,361
DEDUCTIONS:									
Administrative expenses	24,815	—	—	9,055	—	—	—	4,726	38,596
Payments of taxes to other governments	—	432,670	757,760	—	263,536	58,221	—	—	1,512,187
Member/claimant distributions	486,161	—	—	—	—	—	—	115,161	601,322
Other expenses	10,470	—	—	—	—	—	3,095	3,875	17,440
TOTAL DEDUCTIONS	521,446	432,670	757,760	9,055	263,536	58,221	3,095	123,762	2,169,545
CHANGE IN FIDUCIARY NET POSITION:									
Tuition Account Investment Program participants	—	—	—	842,890	—	—	—	—	842,890
Beneficiaries	(476,925)	—	—	—	—	—	694	1,157	(475,074)
TOTAL CHANGE IN FIDUCIARY NET POSITION	(476,925)	—	—	842,890	—	—	694	1,157	367,816
NET POSITION, JULY 1, 2024	1,688,137	—	—	5,400,944	—	—	45,445	24,477	7,159,003
NET POSITION, JUNE 30, 2025	\$ 1,211,212	\$ —	\$ —	\$ 6,243,834	\$ —	\$ —	\$ 46,139	\$ 25,634	\$ 7,526,819



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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 or 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, 2021 fiscal year-end.

Ben Franklin Technology Development Authority - promotes economic development through the 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.

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 premier residential, two-year, accredited technical college that prepares students for skilled employment in a diverse, ever-changing workforce. The College offers a two-year degree or a nine-month certificate in 24 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.

Pennsylvania Health Insurance Exchange Authority (PHIEA) - establishes and operates the Commonwealth's Health Insurance Exchange to provide Pennsylvania residents with greater access to more affordable healthcare. The PHIEA has a December 31, 2021 fiscal year-end.

Other - to account for activities of the Pennsylvania Higher Educational Facilities Authority, whose purpose is to facilitate debt issuances for the construction of public and private colleges and universities and the Pennsylvania Broadband Development Authority, whose purpose is to provide broadband internet access to unserved and underserved residents.

There are a total of 17 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.

-THIS PAGE INTENTIONALLY LEFT BLANK-

Commonwealth of Pennsylvania
Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2025

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2024)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2024)	Other	Total
ASSETS											
Current assets:											
Cash	\$ —	\$ 514	\$ —	\$ —	\$ —	\$ 37,256	\$ 3,927	\$ —	\$ —	\$ —	\$ 41,697
Cash with fiscal agents	—	—	—	—	340	—	—	—	—	—	340
Temporary investments	10,799	—	24,190	4,647	202,120	73,749	—	1,605	118,410	—	435,520
Receivables (net):											
Accounts	—	—	—	17	21	8,354	93	—	3,553	25	12,063
Investment earnings	100	—	85	—	—	—	—	5	—	—	190
Interest on notes and loans	23	—	—	—	1,749	—	—	—	—	—	1,772
Loans	3,781	—	—	—	29,124	—	—	—	—	—	32,905
Lease rentals	—	101	—	—	—	131	—	—	—	—	232
Other	25	—	—	—	—	—	1,377	—	—	—	1,402
Due from Federal Government	—	—	—	—	—	—	—	—	5,406	3,685	9,091
Inventory	—	—	—	—	—	—	1,175	—	—	—	1,175
Prepaid and deferred expenses	—	17	—	—	—	1,239	164	—	—	—	1,420
Total current assets	14,728	632	24,275	4,664	233,354	120,729	6,736	1,610	127,369	3,710	537,807
Noncurrent assets:											
Restricted cash	—	—	—	—	—	—	1,411	—	—	—	1,411
Long-term investments	11,056	—	—	—	27,194	—	8,098	3,059	—	—	49,407
Receivables (net):											
Loans	8,013	—	61,327	—	242,608	—	—	—	—	—	311,948
Lease rentals	—	3,516	—	—	—	1,867	—	—	—	—	5,383
Non-depreciable capital assets:											
Land	—	161	—	—	—	3,029	3,500	—	—	—	6,690
Construction in progress	—	—	—	—	—	17,537	2,243	—	—	—	19,780
Depreciable or amortizable capital assets:											
Land improvements	—	—	—	—	—	—	13,360	—	—	—	13,360
Buildings and building improvements	—	—	—	—	—	837,770	4,776	—	—	—	842,546
Machinery and equipment	34	—	—	75	—	237,765	15,033	—	—	—	252,907
Library books	—	—	—	—	—	—	395	—	—	—	395
Other capital assets	—	2	—	—	—	—	—	—	—	—	2
Intangible right-to-use assets	—	—	—	363	—	—	17,748	—	—	—	18,111
Other intangible assets	—	—	—	—	—	—	1,888	—	—	—	1,888
Less: accumulated depreciation and amortization	(34)	—	—	(98)	—	(600,555)	(25,817)	—	—	—	(626,504)
Net depreciable or amortizable capital assets	—	2	—	340	—	474,980	27,383	—	—	—	502,705
Other assets	—	260	—	—	—	3,777	918	—	—	—	4,955
Total noncurrent assets	19,069	3,939	61,327	340	269,802	501,190	43,553	3,059	—	—	902,279
TOTAL ASSETS	\$ 33,797	\$ 4,571	\$ 85,602	\$ 5,004	\$ 503,156	\$ 621,919	\$ 50,289	\$ 4,669	\$ 127,369	\$ 3,710	\$ 1,440,086

Commonwealth of Pennsylvania
Combining Statement of Net Position
 Nonmajor Discretely Presented Component Units
 June 30, 2025

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyard Development Corporation (Dec. 31, 2024)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2024)	Other	Total
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 296	\$ —	\$ 223	\$ 550	\$ 268	\$ 1,189	\$ 13,671	\$ 48	\$ 6,429	\$ —	\$ 22,674
LIABILITIES											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 44	\$ —	\$ 229	\$ 780	\$ 1,429	\$ 11,178	\$ 3,827	\$ 80	\$ 11,254	\$ 8,519	\$ 37,340
Securities lending obligations	—	—	—	—	463	—	—	52	—	—	515
Due to primary government	—	—	2	8	4	37,331	—	—	—	—	37,345
Due to other governments	—	—	—	—	1	—	—	—	—	—	1
Unearned revenue	10	—	—	1,529	—	6,437	253	—	—	—	8,229
Compensated absences	36	—	—	—	—	—	793	—	106	—	935
Other financing obligations	—	—	—	—	—	3,951	222	—	—	—	4,173
Other postemployment benefit liability	—	—	—	—	—	—	1,326	—	—	—	1,326
Right-to-use liability	—	—	—	29	—	—	1,692	—	—	—	1,721
Other liabilities	2	—	—	—	—	—	—	—	—	—	2
Total current liabilities	92	—	231	2,346	1,897	58,897	8,113	132	11,360	8,519	91,587
Noncurrent liabilities:											
Notes payable	—	—	—	—	—	—	594	—	—	—	594
Other financing obligations	—	—	—	—	—	7,773	1,603	—	—	—	9,376
Compensated absences	122	—	—	177	—	—	2,395	—	288	—	2,982
Other postemployment benefit liability	280	—	261	119	499	3,921	16,783	39	3,922	—	25,824
Net pension liability	1,216	—	690	1,271	1,049	4,239	22,214	68	8,736	—	39,483
Right-to-use liability	—	—	—	310	—	—	12,006	—	—	—	12,316
Other liabilities	8	260	—	—	—	—	58	—	—	—	326
Total noncurrent liabilities	1,626	260	951	1,877	1,548	15,933	55,653	107	12,946	—	90,901
TOTAL LIABILITIES	1,718	260	1,182	4,223	3,445	74,830	63,766	239	24,306	8,519	182,488
TOTAL DEFERRED INFLOWS OF RESOURCES	1,076	3,314	226	463	312	2,359	12,426	73	2,249	—	22,498
NET POSITION											
Net investment in capital assets	—	163	—	1	—	495,546	17,603	—	—	—	513,313
Restricted for:											
Health-related programs	—	—	—	—	—	—	—	—	107,243	—	107,243
Economic development	—	834	84,417	867	—	50,373	—	4,405	—	(4,809)	136,087
Other purposes	31,299	—	—	—	—	—	—	—	—	—	31,299
Unrestricted	—	—	—	—	499,667	—	(29,835)	—	—	—	469,832
TOTAL NET POSITION (DEFICIT)	\$ 31,299	\$ 997	\$ 84,417	\$ 868	\$ 499,667	\$ 545,919	\$ (12,232)	\$ 4,405	\$ 107,243	\$ (4,809)	\$ 1,257,774

Commonwealth of Pennsylvania
Combining Statement of Activities
 Nonmajor Discretely Presented Component Units
 For the Fiscal Year Ended June 30, 2025

(Amounts in thousands)

	State Public School Building Authority	Philadelphia Shipyards Development Corporation (Dec. 31, 2024)	Ben Franklin Technology Development Authority	Port of Pittsburgh Commission	Pennsylvania Industrial Development Authority	Pennsylvania Convention Center Authority	Thaddeus Stevens College of Technology	Pennsylvania Energy Development Authority	Pennsylvania Health Insurance Exchange Authority (Dec. 31, 2024)	Other	Total
Expenses	\$ 370	\$ 253	\$ 9,828	\$ 4,193	\$ 3,431	\$ 123,282	\$ 46,721	\$ 251	\$ 86,771	\$ 35,131	\$ 310,231
Program revenues:											
Charges for goods and services	858	272	15	—	6,445	29,473	20,195	—	96,298	532	154,088
Operating grants and contributions	648	20	24,717	4,019	11,478	59,329	29,193	1,874	24,680	29,790	185,748
Capital grants and contributions	—	78	—	—	—	17,761	—	—	—	—	17,839
TOTAL PROGRAM REVENUES	1,506	370	24,732	4,019	17,923	106,563	49,388	1,874	120,978	30,322	357,675
CHANGE IN NET POSITION	1,136	117	14,904	(174)	14,492	(16,719)	2,667	1,623	34,207	(4,809)	47,444
TOTAL NET POSITION (DEFICIT), JUNE 30, 2024	30,163	880	69,513	1,042	485,175	562,638	(14,899)	2,782	73,036	—	1,210,330
TOTAL NET POSITION (DEFICIT), JUNE 30, 2025	\$ 31,299	\$ 997	\$ 84,417	\$ 868	\$ 499,667	\$ 545,919	\$ (12,232)	\$ 4,405	\$ 107,243	\$ (4,809)	\$ 1,257,774



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

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.

Table 1-Net Position by Component	270
Table 2-Changes in Net Position	272
Table 3-Governmental Fund Type Fund Balances	274
Table 4-Revenues by Source and Expenditures by Function-All Governmental Fund Types	275

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 78% of all general revenues for the June 30, 2025 fiscal year (as reported in the statement of activities).

Table 5-Personal Income Tax-Personal Income by Industry	276
Table 6-Personal Income Tax-Personal Income Tax Filers and Liability by Income Level	277
Table 7-Sales Tax-Estimated Taxable Sales by Industry Classification of the Vendor	278
Table 8-Sales Tax-Sales Tax Remittances by Major Industry Classification	279
Table 9-Corporate Tax-Corporate Net Income Tax	280

Debt Capacity

These tables contain information on the Commonwealth’s debt burden as well as information about the Commonwealth’s ability to issue additional debt.

Table 10-Outstanding Debt and Outstanding Debt Ratios	281
Table 11-Ratios of General Obligation Bonded Debt Outstanding	282
Table 12-Computation of Legal Debt Margin	283

Demographic and Economic Information

These tables contain information on the socioeconomic environment in which the Commonwealth operates.

Table 13-Employment by Nonfarm Related Industry	284
Table 14-Population and Per Capita Personal Income	285
Table 15-Employment Information	285

Operating Information

These tables provide information about the Commonwealth’s operations and resources and assist in relating financial statement information to the Commonwealth’s economic condition.

Table 16-Commonwealth Employees by Function and Agency	286
Table 17-Operating Indicators by Function and Agency	288
Table 18-Capital Asset Information by Function and Agency	290

-THIS PAGE INTENTIONALLY LEFT BLANK-

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)

	2016	2017 (1)	2018 (2)	2019	2020 (3)	2021 (6)	2022	2023 (7)	2024	2025
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 30,524,584	\$ 31,540,865	\$ 32,975,535	\$ 34,261,559	\$ 34,888,556	\$ 36,091,419	\$ 36,402,101	\$ 37,541,183	\$ 38,957,153	\$ 40,565,561
Restricted for:										
General government operations	47	75	197	217,571	205,566	143,211	—	631	987	806
Health-related programs	14,294	13,918	13,133	18,033	33,797	44,623	84,711	120,344	122,343	159,751
Transportation	599,545	724,063	920,443	1,209,807	1,330,256	1,617,159	1,924,507	2,198,978	2,480,029	2,727,961
Unemployment/workers' compensation	468,215	529,416	522,065	655,581	705,073	862,490	831,812	912,732	978,747	1,038,261
Environmental and conservation programs	318,622	370,188	283,430	308,401	335,978	342,373	351,465	736,597	778,843	798,513
Economic development	—	6,862	5,619	2,907	3,324	4,649	15,059	9,972	9,989	6,617
Gaming licensing/regulation	426,436	400,131	136,002	141,125	—	386,336	893,432	1,025,494	1,540,819	1,965,197
Correctional industries and procurement	6,284	26,422	—	—	—	—	—	680	12,015	25,272
Emergency support	65,361	93,002	92,680	110,587	106,856	97,227	107,115	109,342	101,739	113,514
Beneficiaries (4)	—	—	—	—	473,729	479,986	504,060	615,684	713,875	819,120
Human services (5)	—	—	—	—	—	264,167	341,133	231,002	235,271	98,170
Public protection (5)	—	—	—	—	—	8,450	48,800	41,429	64,709	106,584
Unrestricted	(19,407,921)	(21,275,848)	(42,892,246)	(42,926,794)	(44,708,988)	(37,780,073)	(23,171,439)	(15,935,789)	(12,650,825)	(15,150,089)
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION (DEFICIT)	13,033,995	12,429,094	(7,943,142)	(6,001,223)	(6,625,853)	2,562,017	18,332,756	27,608,279	33,345,694	33,275,238
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	528,443	556,456	600,833	707,080	753,154	769,180	808,232	898,184	988,526	1,067,998
Restricted for:										
Transportation	139,029	140,676	136,932	141,160	144,657	144,080	132,341	131,706	136,195	142,107
Capital projects	2	149	182	166	494	1	—	23,818	23,536	—
Debt service	4,199	4,200	4,224	4,273	4,240	—	—	—	—	—
Unemployment/workers' compensation	685,191	1,746,563	2,861,392	4,094,675	1,969,190	140,100	1,167,595	1,827,010	2,175,255	2,592,256
Elderly programs	—	—	—	—	—	—	44,566	181,579	23,647	—
Economic development	5,102	6,373	13,495	6,073	19,880	27,484	24,648	39,272	61,711	49,382
Emergency support	132,008	127,464	130,377	134,694	133,029	131,166	128,140	130,967	135,772	141,658
Higher education	218,155	282,773	381,710	465,429	464,775	737,501	477,033	540,881	667,689	873,114
Other purposes	123,408	135,536	133,877	147,636	159,771	167,615	156,333	162,108	173,879	186,491
Unrestricted	(1,395,385)	(2,274,989)	(5,038,475)	(5,387,051)	(4,699,861)	(4,742,564)	(4,353,956)	(3,753,674)	(3,125,508)	(2,583,215)
TOTAL BUSINESS-TYPE ACTIVITIES NET POSITION (DEFICIT)	440,152	725,201	(775,453)	314,135	(1,050,671)	(2,625,437)	(1,415,068)	181,851	1,260,702	2,469,791
PRIMARY GOVERNMENT										
Net investment in capital assets	31,053,027	32,097,321	33,576,368	34,968,639	35,641,710	36,860,599	37,210,333	38,439,367	39,945,679	41,633,559
Restricted for:										
General government operations	47	75	197	217,571	205,566	143,211	—	631	987	806
Health-related programs	14,294	13,918	13,133	18,033	33,797	44,623	84,711	120,344	122,343	159,751
Transportation	738,574	864,739	1,057,375	1,350,967	1,474,913	1,761,239	2,056,848	2,330,684	2,616,224	2,870,068
Capital projects	2	149	182	166	494	1	—	23,818	23,536	—
Debt service	4,199	4,200	4,224	4,273	4,240	—	—	—	—	—
Unemployment/workers' compensation	1,153,406	2,275,979	3,383,457	4,750,256	2,674,263	1,002,590	1,999,407	2,739,742	3,154,002	3,630,517
Elderly programs	—	—	—	—	—	—	44,566	181,579	23,647	—
Environmental and conservation programs	318,622	370,188	283,430	308,401	335,978	342,373	351,465	736,597	778,843	798,513
Economic development	5,102	13,235	19,114	8,980	23,204	32,133	39,707	49,244	71,700	55,999
Gaming licensing/regulation	426,436	400,131	136,002	141,125	—	386,336	893,432	1,025,494	1,540,819	1,965,197
Correctional industries and procurement	6,284	26,422	—	—	—	—	—	680	12,015	25,272
Emergency support	197,369	220,466	223,057	245,281	239,885	228,393	235,255	240,309	237,511	255,172
Higher education	218,155	282,773	381,710	465,429	464,775	737,501	477,033	540,881	667,689	873,114
Beneficiaries (4)	—	—	—	—	473,729	479,986	504,060	615,684	713,875	819,120
Human services (5)	—	—	—	—	—	264,167	341,133	231,002	235,271	98,170
Public protection (5)	—	—	—	—	—	8,450	48,800	41,429	64,709	106,584
Other purposes	141,936	135,536	133,877	147,636	159,771	167,615	156,333	162,108	173,879	186,491
Unrestricted	(20,803,306)	(23,550,837)	(47,930,721)	(48,313,845)	(49,408,849)	(42,522,637)	(27,525,395)	(19,689,463)	(15,776,333)	(17,733,304)
TOTAL PRIMARY GOVERNMENT NET POSITION (DEFICIT)	\$ 13,474,147	\$ 13,154,295	\$ (8,718,595)	\$ (5,687,088)	\$ (7,676,524)	\$ (63,420)	\$ 16,917,688	\$ 27,790,130	\$ 34,606,396	\$ 35,745,029

Commonwealth of Pennsylvania
Financial Trends

Table 1
Net Position by Component
Last Ten Fiscal Years as of June 30

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year.

Notes:

- (1) 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 ACFR, 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 were both restated. Note 18 in the notes to the financial statements in the June 30, 2017 ACFR provides additional details on this restatement.
- (2) For the 2018 fiscal year, the Commonwealth implemented GASB Statement No. 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 Statement No. 75, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.
- (3) For the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which established new standards for identifying and reporting fiduciary activity. With the implementation of GASB 84, eleven funds, previously reported as agency fund types, were reclassified and are now reported as governmental fund types. Therefore, their net position is reported within the governmental activities caption. With the implementation of GASB 84, the beginning net position for both governmental activities and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.
- (4) In addition to the restatement described in Note 5, the caption "Beneficiaries" was created specifically for any restricted net position for fiduciary assets not held in trust that do not meet the requirements per GASB Statement No. 84 to be reported as custodial funds in the Statement of Fiduciary Net Position. This caption is also for fiduciary assets not held in trust where the primary government has administrative or direct financial involvement. The restricted net position associated with the eleven funds noted in Note 5 is reported within this caption. These changes have not been retroactively applied to prior fiscal years.
- (5) Beginning with the June 30, 2021 ACFR, human services and public protection were added as captions to further describe the purposes for which the net position was restricted. These were not retroactively applied to prior years.
- (6) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement.
- (7) For the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96, which established new standards for the reporting of subscription-based information technology arrangements. With the implementation of GASB Statement No. 96, the beginning net position for governmental activities, business-type activities, and total primary government was restated. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR 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)

	2016	2017 (1)	2018 (2)	2019	2020 (3)	2021 (4)	2022	2023 (5)	2024	2025
GOVERNMENTAL ACTIVITIES										
Expenses:										
Direction and supportive services	\$ 1,366,741	\$ 1,255,577	\$ 1,580,148	\$ 1,649,677	\$ 1,780,658	\$ 1,769,795	\$ 1,696,041	\$ 1,797,926	\$ 1,891,785	\$ 1,895,556
Protection of persons and property	6,750,256	7,011,736	6,839,284	6,997,412	6,288,160	7,069,322	6,499,531	8,081,333	8,147,130	9,394,452
Public education	14,914,554	16,426,782	16,516,828	16,978,293	17,500,801	18,075,619	21,116,364	22,251,952	24,140,385	22,109,778
Health and human services	36,620,781	41,335,410	40,314,856	43,215,757	47,281,732	51,308,190	57,584,051	58,434,956	56,748,489	63,253,714
Economic development	883,046	1,006,700	930,891	907,959	2,102,195	1,223,545	1,400,383	2,057,874	1,808,293	2,117,997
Transportation	5,943,778	6,365,630	6,193,274	6,472,612	6,234,113	6,117,897	6,190,175	6,808,985	7,196,737	7,934,408
Recreation and cultural enrichment	607,420	626,244	597,073	591,836	614,142	580,986	586,622	779,801	810,591	916,516
Interest	512,324	435,877	520,369	343,572	326,778	324,741	313,102	328,606	339,730	340,638
Total expenses	67,598,900	74,463,956	73,492,723	77,157,118	82,128,579	86,470,095	95,386,269	100,541,433	101,083,140	107,963,059
Program revenues:										
Charges for sales and services:										
Direction and supportive services	424,384	428,813	351,172	385,580	365,256	356,047	417,501	453,936	536,170	659,473
Protection of persons and property	1,539,295	1,571,915	1,895,974	1,940,835	1,935,737	1,997,209	2,049,763	2,044,802	1,997,383	2,185,338
Public education	7,647	6,059	7,175	7,370	5,943	6,639	7,142	7,169	7,671	8,557
Health and human services	1,999,519	2,994,241	3,165,336	3,920,299	3,725,122	4,014,072	4,222,216	4,477,432	4,583,646	4,836,775
Economic development	7,110	6,221	5,582	7,363	124,654	122,681	120,053	121,368	107,803	108,639
Transportation	1,316,284	1,365,419	1,434,982	1,425,810	1,428,307	1,574,242	1,555,995	1,587,599	1,771,403	1,858,081
Recreation and cultural enrichment	251,242	258,709	250,493	328,164	291,133	296,332	474,946	661,198	435,128	383,199
Operating grants and contributions	26,946,551	30,207,372	29,458,189	31,119,597	35,859,590	42,951,814	52,861,051	49,268,771	46,182,549	45,906,161
Capital grants and contributions	62,360	78,145	30,682	217,056	30,669	96,087	62,997	51,037	40,374	102,858
Total program revenues	32,554,392	36,916,894	36,599,585	39,352,074	43,766,411	51,415,123	61,771,664	58,673,312	55,662,127	56,049,081
Total governmental activities net program revenues/(expenses)	(35,044,508)	(37,547,062)	(36,893,138)	(37,805,044)	(38,362,168)	(35,054,972)	(33,614,605)	(41,868,121)	(45,421,013)	(51,913,978)
General revenues and other changes in net position:										
General revenues:										
Taxes:										
Personal income	12,025,979	12,072,378	12,810,647	13,588,057	13,253,021	14,979,293	17,128,630	17,295,443	17,090,663	17,956,745
Sales and use	10,231,892	10,714,383	10,834,227	11,837,831	11,763,375	13,545,318	14,839,656	15,532,863	15,704,542	16,190,160
Corporation	4,134,991	4,406,000	4,548,567	5,049,323	5,099,250	5,756,494	6,985,824	7,557,879	7,065,252	6,690,503
Liquid fuels and motor carriers	3,303,273	3,583,153	3,846,040	3,830,243	3,445,897	3,624,154	3,659,325	3,727,331	3,691,364	3,597,730
Gaming	1,393,508	1,402,207	1,427,502	1,465,402	1,196,563	1,672,407	2,145,403	2,348,402	2,464,449	2,765,226
Inheritance	947,699	988,569	1,008,382	1,034,367	1,071,513	1,292,139	1,589,343	1,520,630	1,686,072	1,705,703
Cigarette	974,267	1,406,189	1,363,371	1,288,162	1,223,918	1,267,940	1,166,615	1,115,591	996,306	886,105
Realty transfer	564,002	564,030	606,555	628,245	589,838	745,018	994,263	757,818	631,264	712,504
Other	1,350,437	948,200	624,910	723,702	991,947	1,045,357	1,051,834	1,154,429	1,134,365	1,159,031
Total taxes	34,926,048	36,085,109	37,070,201	39,445,332	38,635,322	43,928,120	49,560,893	51,010,386	50,464,277	51,663,707
Investment earnings	16,297	22,977	38,758	66,236	45,409	23,327	19,751	727,351	1,166,303	987,588
Total general revenues	34,942,345	36,108,086	37,108,959	39,511,568	38,680,731	43,951,447	49,580,644	51,737,737	51,630,580	52,651,295
Transfers from business-type activities	(50,376)	833,714	1,834,711	235,395	(486,771)	289,051	(195,300)	(606,505)	(472,152)	(807,773)
Net general revenues and transfers	34,891,969	36,941,800	38,943,670	39,746,963	38,193,960	44,240,498	49,385,344	51,131,232	51,158,428	51,843,522
Total governmental activities change in net position	\$ (152,539)	\$ (605,262)	\$ 2,050,532	\$ 1,941,919	\$ (168,208)	\$ 9,185,526	\$ 15,770,739	\$ 9,263,111	\$ 5,737,415	\$ (70,456)

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)

	2016	2017 (1)	2018 (2)	2019	2020 (3)	2021 (4)	2022	2023 (5)	2024	2025
BUSINESS-TYPE ACTIVITIES										
Expenses										
State lottery	\$ 3,967,703	\$ 3,982,011	\$ 4,089,703	\$ 4,498,658	\$ 4,315,251	\$ 5,115,046	\$ 4,927,135	\$ 5,490,145	\$ 4,884,714	\$ 4,625,218
State workers' insurance	286,526	221,245	167,630	132,028	102,667	35,039	41,092	218,396	130,240	17,667
Tuition payment	231,082	336,445	255,056	255,230	289,113	249,403	265,109	293,249	287,001	302,096
Unemployment compensation	2,322,278	2,088,543	1,911,547	1,785,691	21,726,219	25,955,854	4,878,953	1,554,492	1,979,718	2,112,213
Commonwealth Financing Authority	188,604	217,680	253,020	298,466	383,494	340,975	322,203	335,572	382,764	451,104
Liquor control	1,855,594	1,947,038	1,965,637	1,988,873	1,870,198	2,074,485	2,102,729	2,295,550	2,353,402	2,448,041
Economic development and other	54,089	52,211	55,765	76,317	54,205	73,555	80,257	101,808	100,848	95,366
Total expenses	8,905,876	8,845,173	8,698,358	9,035,263	28,741,147	33,844,357	12,617,478	10,289,212	10,118,687	10,051,705
Program revenues										
Charges for sales and services:										
State lottery	4,135,246	4,002,543	4,213,344	4,587,868	4,561,273	5,456,344	5,127,113	5,683,792	4,934,811	4,449,244
State workers' insurance	211,481	184,205	166,029	153,279	115,981	92,344	93,858	96,270	79,034	105,741
Tuition payment	192,187	206,893	205,717	208,814	204,868	209,831	219,530	212,268	208,934	214,892
Unemployment compensation	3,162,555	3,122,318	2,961,853	2,966,174	2,680,334	2,195,551	2,242,600	2,358,641	2,272,037	2,468,648
Commonwealth Financing Authority	9,237	10,497	21,692	15,045	5,917	4,555	4,858	7,544	5,589	7,255
Liquor control	1,956,129	2,046,869	2,116,899	2,169,930	2,078,231	2,343,890	2,439,348	2,552,970	2,581,574	2,575,080
Economic development and other	26,463	29,211	30,511	32,257	33,848	50,022	58,129	105,800	74,646	62,645
Operating grants and contributions	110,551	361,400	328,832	223,076	17,194,720	22,200,027	3,443,919	261,614	557,569	505,174
Capital grants and contributions	—	—	—	3,803	14,398	5,539	3,192	386	11,192	64,342
Total program revenues	9,803,849	9,963,936	10,044,877	10,360,246	26,889,570	32,558,103	13,632,547	11,279,285	10,725,386	10,453,021
Total business-type activities net program revenues/(expenses)	897,973	1,118,763	1,346,519	1,324,983	(1,851,577)	(1,286,254)	1,015,069	990,073	606,699	401,316
Other changes in net position										
Transfers to governmental activities	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300	606,505	472,152	807,773
Net special items and transfers	50,376	(833,714)	(1,834,711)	(235,395)	486,771	(289,051)	195,300	606,505	472,152	807,773
Total business-type activities change in net position	948,349	285,049	(488,192)	1,089,588	(1,364,806)	(1,575,305)	1,210,369	1,596,578	1,078,851	1,209,089
Total primary government change in net position	\$ 795,810	\$ (320,213)	\$ 1,562,340	\$ 3,031,507	\$ (1,533,014)	\$ 7,610,221	\$ 16,981,108	\$ 10,859,689	\$ 6,816,266	\$ 1,138,633

Source: The statement of activities, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

- (1) 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 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The operations are reported within the General Fund. Note 18 in the notes to the financial statements in the June 30, 2017 ACFR provides additional details on this implementation. 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.
- (2) Beginning with the 2018 fiscal year, the Commonwealth implemented GASB Statement No. 75. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this implementation. 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.
- (3) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this implementation. The primary effect on this table is that, beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, is now reported within governmental activities. The changes were not made retroactively.
- (4) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statement in the June 30, 2021 ACFR provides additional details on this implementation. The primary effect on this table is that, beginning with the 2021 fiscal year, additional lease-related revenues and expenses are reported within governmental activities, business-type activities, and the total primary government. The changes were not made retroactively.
- (5) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statement in the June 30, 2023 ACFR provides additional details on this implementation. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements revenues and expenses are reported within governmental activities, business-type activities, and the total primary government. The changes were not made retroactively.

Commonwealth of Pennsylvania

Financial Trends

Table 3

Governmental Fund Type Fund Balances

Last Ten Fiscal Years as of June 30

(Modified accrual basis of accounting-amounts in thousands)

	2016	2017 (1)	2018	2019	2020 (2)	2021 (3)	2022	2023 (4)	2024	2025
GENERAL FUND (1)										
Nonspendable	\$ 284,398	\$ 218,343	\$ 201,500	\$ 183,102	\$ 170,248	\$ 103,772	\$ 80,856	\$ 60,496	\$ 53,446	\$ 26,252
Restricted	45	78	1,378	8,791	21,779	206,572	279,639	114,626	119,530	146,239
Committed	1,486,831	2,321,358	2,737,182	2,820,739	3,181,608	3,379,346	5,743,068	8,265,049	9,814,275	11,472,830
Assigned	—	—	—	—	—	—	23,458	—	—	—
Unassigned/(deficit)	(1,681,165)	(3,237,347)	(2,126,350)	(2,177,242)	(4,898,838)	(616,664)	7,244,214	9,734,193	8,925,424	4,315,609
TOTAL GENERAL FUND	90,109	(697,568)	813,710	835,390	(1,525,203)	3,073,026	13,371,235	18,174,364	18,912,675	15,960,930
ALL OTHER GOVERNMENTAL FUNDS (1)										
Restricted reported in:										
Special Revenue funds	3,708,867	3,122,650	3,347,768	4,723,873	5,290,753	7,032,940	8,678,309	9,939,030	11,305,416	12,449,952
Committed reported in:										
Special Revenue funds	159,035	159,374	66,986	107,388	64,077	89,234	101,374	147,710	188,343	191,766
Debt Service funds	23,446	7,240	53,594	14,206	5,158	35,857	18,531	30,413	46,724	9,567
Capital Projects funds	566,823	1,179,244	1,659,719	930,615	359,311	924,048	343,340	617,549	1,009,324	1,249,396
Unassigned reported in:										
Special Revenue funds (deficit)	—	(42,077)	(9,481)	(13,937)	(14,874)	(14,235)	(14,081)	(13,144)	(13,108)	(11,175)
Capital Projects funds (deficit)	—	—	—	—	—	—	(101,882)	—	—	—
TOTAL ALL OTHER GOVERNMENTAL FUNDS	\$ 4,458,171	\$ 4,426,431	\$ 5,118,586	\$ 5,762,145	\$ 5,704,425	\$ 8,067,844	\$ 9,025,591	\$ 10,721,558	\$ 12,536,699	\$ 13,889,506

Source: The balance sheet-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

(1) 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 ACFR, were merged into the Commonwealth's primary government, effective July 1, 2016. The activity is reported within the General Fund. In addition, the Veterans' Trust Fund was initially created and reported as a component of the General Fund in the June 30, 2013 ACFR. Based on criteria established by GASB Statement No. 54, it was determined for the June 30, 2017 ACFR that this fund should have been classified as a special revenue fund. With the merger and the reclassification of the Veterans' Trust Fund, the General Fund and the fund balance for all other governmental funds was restated for the 2017 fiscal year. Note 18 in the notes to the financial statements in the June 30, 2018 ACFR provides additional details on this restatement.

(2) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84, which affected this table. With the implementation of GASB Statement 84, eleven funds, previously reported as agency fund types, were reclassified as governmental fund types. Two of these fund types were reclassified as components of the General Fund, and the remaining nine were reclassified as special revenue funds. As a result of this implementation, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement.

(3) For the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87, which established new standards for the reporting of leases. With the implementation of GASB Statement No. 87, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement.

(4) For the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96, which established new standards for the reporting of subscription-based information technology arrangements. With the implementation of GASB Statement No. 96, the beginning fund balance of the General Fund as well as the fund balance for all other governmental funds was restated. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR 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)

	2016	2017	2018	2019	2020 (3)	2021 (4)	2022	2023 (5)	2024	2025
REVENUES BY SOURCE										
Taxes, net of refunds	\$ 35,062,564	\$ 35,804,620	\$ 37,166,942	\$ 39,167,899	\$ 38,514,172	\$ 43,691,592	\$ 49,612,803	\$ 50,793,231	\$ 50,107,349	\$ 51,406,737
Licenses and fees	2,711,573	2,777,557	3,121,904	3,318,825	3,030,191	3,222,811	3,281,098	3,316,415	3,518,773	3,553,136
Intergovernmental	27,130,356	29,734,671	29,257,457	30,975,599	35,761,569	42,832,609	53,357,296	49,015,853	45,446,742	45,299,053
Charges for sales and services	2,129,846	3,099,188	3,342,704	3,695,729	4,244,796	4,523,510	4,855,202	5,144,936	5,067,571	5,602,869
Investment earnings	85,338	218,483	169,233	288,839	239,000	263,633	(235,866)	1,083,279	1,911,702	1,861,629
Other (1)	702,830	739,385	630,784	971,589	614,718	619,034	690,203	730,341	762,258	871,306
TOTAL REVENUES	67,822,507	72,373,904	73,689,024	78,418,480	82,404,446	95,153,189	111,560,736	110,084,055	106,814,395	108,594,730
EXPENDITURES BY FUNCTION										
Direction and supportive services	1,124,931	1,150,808	1,407,098	1,372,559	1,678,050	1,683,432	1,819,631	1,772,898	1,936,793	1,845,391
Protection of persons and property	5,884,950	6,208,519	6,276,949	6,593,861	6,659,007	7,353,320	7,335,540	8,183,867	8,505,056	9,394,988
Health and human services	36,729,441	40,378,702	40,186,060	43,256,755	47,762,894	51,824,805	58,622,297	59,098,847	57,329,789	63,570,813
Public education	14,867,677	16,345,233	16,467,799	16,934,932	17,464,045	18,035,491	21,080,373	22,205,458	24,088,347	22,045,612
Recreation and cultural enrichment	536,873	533,125	559,015	563,846	612,400	623,957	653,267	779,953	825,952	875,024
Economic development	858,890	983,358	916,074	926,245	2,132,049	1,247,396	1,461,190	2,090,993	1,835,055	2,122,051
Transportation	4,275,308	4,520,863	4,326,573	4,570,221	4,520,671	4,413,571	4,456,006	4,965,723	5,346,457	5,723,710
Capital outlay	3,186,397	2,920,195	3,426,519	3,374,576	3,001,104	3,273,896	3,547,108	3,745,044	4,131,226	4,690,951
Debt service:										
Principal retirement	757,455	768,551	724,720	815,185	835,116	848,100	896,921	892,580	949,711	940,476
Interest and fiscal charges	578,463	582,068	567,924	589,894	555,939	546,099	515,677	506,201	489,428	502,744
TOTAL EXPENDITURES	68,800,385	74,391,422	74,858,731	78,998,074	85,221,275	89,850,067	100,388,010	104,241,564	105,437,814	111,711,760
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(977,878)	(2,017,518)	(1,169,707)	(579,594)	(2,816,829)	5,303,122	11,172,726	5,842,491	1,376,581	(3,117,030)
OTHER FINANCING SOURCES/(USES)										
Bonds issued	355,000	1,208,725	1,247,000	—	—	1,019,600	—	1,000,000	1,335,000	1,395,000
Refunding bonds issued	633,175	605,170	970,030	886,875	—	495,525	—	—	753,615	1,396,365
Premium on bonds/refunding bonds issued	173,671	242,927	252,698	176,780	—	150,966	—	99,652	242,610	240,720
Discount on bonds issued	(780)	(2,286)	(1,430)	—	—	(1,831)	—	(1,250)	—	—
Other financing obligation proceeds	—	—	201,115	—	—	75,195	—	—	—	500,000
Premium on other financing obligations	—	—	—	—	—	7,627	—	—	—	—
Transfers in	2,265,296	3,158,742	4,022,068	2,887,453	2,286,787	2,941,128	2,255,785	2,260,669	2,351,336	2,415,097
Transfers out	(2,315,672)	(2,325,028)	(2,187,357)	(2,652,058)	(2,773,558)	(2,652,077)	(2,451,085)	(2,867,174)	(2,823,488)	(3,222,870)
Payment to refunded bond escrow agent	(763,350)	(683,084)	(1,136,887)	(1,059,811)	—	(494,440)	—	—	(850,365)	(1,499,472)
Leases and installment purchases	—	—	749	1,635	4,605	117,086	278,530	164,708	168,163	293,252
TOTAL OTHER FINANCING SOURCES/(USES)	347,340	2,205,166	3,367,986	240,874	(482,166)	1,658,779	83,230	656,605	1,176,871	1,518,092
NET CHANGE IN FUND BALANCES	\$ (630,538)	\$ 187,648	\$ 2,198,279	\$ (338,720)	\$ (3,298,995)	\$ 6,961,901	\$ 11,255,956	\$ 6,499,096	\$ 2,553,452	\$ (1,598,938)
Debt Service as a Percentage of Noncapital Expenditures (2)	2.04 %	1.89 %	1.81 %	1.86 %	1.69 %	1.61 %	1.46 %	1.39 %	1.42 %	1.35 %

Source: The statement of revenues, expenditures, and changes in fund balances-governmental funds statement, as presented in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the applicable fiscal year.

Notes:

(1) Other revenues include immaterial amounts of lease rentals revenues and interest on notes and loans.

(2) Ratio is calculated as principal retirement plus interest and fiscal charge expenditures divided by total expenditures less capital outlay expenditures. There are no expenditures for capitalized assets contained within the functional expenditure categories.

(3) Beginning with the 2020 fiscal year, the Commonwealth implemented GASB Statement No. 84. As noted in Table 3, the Commonwealth restated the governmental fund balances for July 1, 2019. Note 18 in the notes to the financial statements in the June 30, 2020 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2020 fiscal year, the activity of eleven funds, previously reported as agency funds, is now reported as governmental fund types within this table. The changes were not made retroactively.

(4) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this implementation. Note 18 in the notes to the financial statements in the June 30, 2021 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2021 fiscal year, additional lease-related financing sources and expenditures are reported within this table. The changes were not made retroactively.

(5) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statements provides additional details on this implementation. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR provides additional details on this restatement. The primary effect on this table is that beginning with the 2023 fiscal year, additional subscription-based information technology arrangements related to financing sources and expenditures are reported within this table. The changes were not made retroactively.

Commonwealth of Pennsylvania
Revenue Capacity-Personal Income Tax
Table 5
Personal Income by Industry
For the Last Ten Calendar Years

(Amounts in millions)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
TOTAL PERSONAL INCOME BY INDUSTRY (1)(2)										
Workplace earnings:										
Farm earnings	\$ 1,703	\$ 882	\$ 1,655	\$ 1,009	\$ 1,502	\$ 1,175	\$ 1,881	\$ 3,032	\$ 1,741	\$ 1,821
Nonfarm earnings:										
Private earnings:										
Forestry, fishing/hunting, agriculture	806	812	801	838	810	858	829	875	1,034	1,036
Mining	3,339	2,179	3,686	3,145	3,225	2,831	3,262	4,831	4,658	4,597
Utilities	3,629	3,748	3,682	3,863	3,791	4,019	4,106	4,006	3,933	4,178
Construction	25,480	26,061	28,124	29,263	30,980	28,979	31,002	32,998	34,885	36,602
Manufacturing	45,233	44,282	46,176	49,336	50,724	49,197	51,018	55,778	55,980	57,993
Wholesale trade	21,491	20,936	21,585	21,855	22,292	22,459	23,096	25,488	27,280	28,471
Retail trade	24,032	24,229	24,349	25,494	26,420	27,191	29,776	30,530	31,935	32,629
Transportation and warehousing	20,694	21,739	23,423	25,584	25,963	26,675	28,656	30,592	26,565	27,834
Broadcasting/publishing/internet technology	23,967	27,489	24,135	23,619	20,470	17,974	18,727	17,305	14,562	15,316
Finance and insurance	27,236	27,323	27,976	28,237	29,842	34,282	37,204	39,067	41,123	43,757
Real estate and rental and leasing	8,899	9,317	9,136	9,043	9,595	9,892	10,906	12,551	14,092	14,478
Professional and technical services	43,235	44,854	47,068	48,650	51,630	52,082	56,525	61,195	64,523	67,801
Management of companies and enterprises	18,437	18,244	19,131	20,200	21,293	19,774	22,736	24,085	25,272	26,979
Administrative services	14,613	14,766	15,888	16,674	17,495	16,935	18,212	20,179	20,616	20,765
Educational services	14,273	15,082	15,254	15,954	16,784	16,927	17,620	18,634	19,406	20,295
Health care and social assistance	61,544	63,361	65,526	68,890	71,962	75,168	77,274	82,144	87,939	93,859
Arts, entertainment, and recreation	4,995	5,569	5,690	5,973	6,070	4,390	5,080	6,373	7,671	8,258
Accommodation and food services	11,370	11,889	12,347	12,963	13,952	10,752	14,964	15,272	16,716	17,452
Other services, except public administration	15,842	16,155	16,421	17,293	17,919	16,537	17,596	19,093	20,313	21,797
Total private earnings	389,115	398,035	410,398	426,874	441,217	436,922	468,589	500,996	518,503	544,097
Government:										
Federal, civilian	9,933	10,138	10,407	10,786	11,000	11,629	11,982	12,541	13,516	14,233
Military	1,371	1,399	1,398	1,423	1,448	1,462	1,499	1,515	1,589	1,693
State government	13,883	14,003	14,126	14,363	14,389	14,781	14,503	14,385	14,526	15,279
Local government	34,228	34,689	34,993	36,084	36,330	36,832	36,521	36,269	37,586	39,447
Total government earnings	59,415	60,229	60,924	62,656	63,167	64,704	64,505	64,710	67,217	70,652
Total nonfarm earnings	448,530	458,264	471,322	489,530	504,384	501,626	533,094	565,706	585,720	614,749
Total workplace earnings	450,233	459,146	472,977	490,539	505,886	502,801	534,975	568,738	587,461	616,570
Other earnings/deductions (3)	185,585	194,183	198,726	216,504	223,443	280,589	298,128	276,300	298,489	307,810
Total personal income	\$ 635,818	\$ 653,329	\$ 671,703	\$ 707,043	\$ 729,329	\$ 783,390	\$ 833,103	\$ 845,038	\$ 885,950	\$ 924,380
Total personal income subject to the direct personal income tax rate (4)(5)	\$ 357,088	\$ 374,294	\$ 372,576	\$ 395,769	\$ 417,664	\$ 435,400	\$ 321,131	\$ 263,659	N/A	N/A
Direct personal income tax rate	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%	3.07%

Sources:
Personal income by industry is provided by the Bureau of Economic Analysis, US Department of Commerce (www.bea.gov/index.htm) through estimates released in September 2025.
Total personal income subject to the direct tax rate was obtained from the Pennsylvania Department of Revenue. The information for the 2021 calendar year can be found in the Statistical Supplement to the Pennsylvania Tax Compendium-March 2025 (Fiscal Year 2022-23). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for March 2025. Both of these publications were obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:
(1) Various calendar years differ from the totals shown in the Commonwealth's Annual Comprehensive Financial Report for June 30, 2025. 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 2024. These estimates have subsequently been revised (as provided in the September 2025 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 and employer contributions and 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 2022 and 2023 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 the 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 the 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
2012 and 2021 Tax Years

(Liability amounts in thousands)

2012 Tax Year (1)(2)(3)(5)					2021 Tax Year (1)(2)(3)(5)				
Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal		Taxable Income Level	Number of Filers	Percentage of Total (6)	Personal	
			Income Tax Liability (4)	Percentage of Total (6)				Income Tax Liability (4)	Percentage of Total (6)
\$0	198,937	3.27 %	\$ —	0.00 %	\$0	384,847	5.83 %	\$ —	0.00 %
\$1-999	425,817	7.01 %	1,530	0.02 %	\$1-9,999	1,429,311	21.64 %	159,121	0.99 %
\$1,000-2,999	374,074	6.16 %	13,316	0.16 %	\$10,000-19,999	682,413	10.33 %	307,341	1.91 %
\$3,000-4,999	286,460	4.72 %	24,262	0.30 %	\$20,000-29,999	546,913	8.28 %	419,267	2.60 %
\$5,000-6,999	241,033	3.97 %	32,276	0.40 %	\$30,000-39,999	544,390	8.24 %	583,632	3.62 %
\$7,000-8,999	204,209	3.36 %	37,941	0.47 %	\$40,000-49,999	457,676	6.93 %	629,709	3.91 %
\$9,000-10,999	187,188	3.08 %	43,589	0.54 %	\$50,000-74,999	801,094	12.13 %	1,510,821	9.37 %
\$11,000-12,999	170,415	2.81 %	49,323	0.61 %	\$75,000-99,999	503,902	7.63 %	1,339,917	8.31 %
\$13,000-14,999	160,209	2.64 %	54,960	0.68 %	\$100,000-249,999	962,897	14.58 %	4,422,719	27.43 %
\$15,000-16,999	149,974	2.47 %	60,115	0.74 %	\$250,000-499,999	196,147	2.97 %	2,031,606	12.60 %
\$17,000-18,999	139,704	2.30 %	64,377	0.80 %	\$500,000-999,999	61,941	0.94 %	1,283,435	7.96 %
\$19,000-21,999	199,523	3.28 %	107,370	1.33 %	\$1,000,000 or more	32,148	0.49 %	3,437,436	21.32 %
\$22,000-24,999	191,512	3.15 %	120,448	1.49 %					
\$25,000-29,999	297,902	4.90 %	223,101	2.76 %					
\$30,000-34,999	269,191	4.43 %	240,710	2.97 %					
\$35,000-39,999	239,231	3.94 %	248,828	3.07 %					
\$40,000-49,999	399,750	6.58 %	499,492	6.17 %					
\$50,000-74,999	701,286	11.54 %	1,209,078	14.94 %					
\$75,000-99,999	437,887	7.21 %	1,061,696	13.12 %					
\$100,000-149,999	426,609	7.02 %	1,419,508	17.54 %					
\$150,000-249,999	230,863	3.80 %	1,107,707	13.68 %					
\$250,000 or more	142,817	2.35 %	1,474,693	18.22 %					
Total (6)	6,074,591	100.00 %	\$ 8,094,320	100.00 %	Total	6,603,679	100.00 %	\$ 16,125,004	100.00 %

Sources:

For the 2012 tax year, all of the information was provided directly by the Pennsylvania Department of Revenue. For the 2021 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-August 2025 (Fiscal Year 2022-23). The direct personal income tax rate was obtained from the Pennsylvania Tax Compendium for March 2025. Both of these publications were obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot 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 the 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 2012 or 2021 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 2022 and 2023 tax years. This compilation is used in the calculation of the estimated personal income tax liability. Therefore, the 2012 and 2021 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 are 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 2017 tax year, the captions used by the Pennsylvania Department of Revenue changed. The amounts for the 2012 tax year are reported within the original captions, whereas the amounts reported in the 2021 tax year are reported within the 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)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Estimated Taxable Sales by Industry (1)(2)(3)										
Manufacturing	\$ 6,866,433	\$ 6,852,700	\$ 6,788,750	\$ 7,262,917	\$ 7,466,667	\$ 7,295,000	\$ 8,338,333	\$ 10,138,333	\$ 10,916,667	\$ 11,510,000
Public utilities	4,624,267	4,565,533	4,583,617	4,647,817	4,666,667	4,195,000	4,306,667	5,400,000	6,543,333	6,201,667
Wholesale trade	14,385,883	14,344,567	14,582,100	15,700,450	17,150,000	16,075,000	18,371,667	22,355,000	23,455,000	24,158,333
Building materials	9,515,817	9,906,717	10,125,267	10,484,900	11,416,667	11,511,667	14,971,667	16,533,333	16,710,000	16,033,333
General merchandise	20,713,100	21,196,000	21,704,150	22,933,933	25,933,333	28,121,667	37,091,667	36,550,000	37,318,333	39,110,000
Food and beverage stores	6,605,800	6,901,517	6,836,300	6,862,217	7,200,000	7,200,000	7,841,667	8,751,667	9,206,667	9,490,000
Automotive dealers	4,775,433	4,926,033	4,843,200	4,796,450	5,100,000	4,798,333	5,575,000	6,360,000	6,708,333	6,880,000
Furniture and appliances	5,836,550	6,105,367	6,210,833	6,377,833	6,516,667	6,000,000	7,695,000	9,273,333	9,476,667	9,218,333
Other retail stores	6,228,017	6,459,733	6,849,317	6,808,683	7,050,000	6,583,333	7,915,000	9,918,333	9,855,000	9,930,000
Agriculture and mining	1,178,700	972,767	858,350	991,000	1,133,333	1,035,000	1,076,667	1,265,000	1,541,667	1,565,000
Construction	3,590,800	4,553,317	4,710,583	4,685,267	4,966,667	4,856,667	5,428,333	6,641,667	7,075,000	6,871,667
Service	47,927,017	49,470,517	51,073,967	53,224,817	57,066,667	54,090,000	56,491,667	72,640,000	76,215,000	81,796,667
Transportation, delivery, and warehousing	518,767	562,800	525,000	597,467	650,000	886,667	2,318,333	2,841,667	3,171,667	3,651,667
Government	281,200	295,717	305,767	328,633	350,000	286,667	488,333	546,667	285,000	406,667
Unclassified	755,650	1,417,100	1,607,417	1,684,550	1,050,000	2,205,000	2,513,333	3,453,333	3,776,667	725,000
Motor vehicle	22,103,600	22,453,967	22,779,633	23,211,650	24,733,333	22,750,000	30,795,000	32,386,667	33,310,000	32,698,333
Liquor sales	2,311,450	2,268,800	2,356,700	2,424,133	2,500,000	2,408,333	2,693,333	2,828,333	2,933,333	2,970,000
Total sales tax estimated base (4)	\$ 158,218,484	\$ 163,253,152	\$ 166,740,951	\$ 173,022,717	\$ 184,950,001	\$ 180,298,334	\$ 213,911,667	\$ 247,883,333	\$ 258,498,334	\$ 263,216,667
Total direct sales tax rate	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %	6.0 %

Sources:
Sales tax remittances by industry and the 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 2024 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-March 2025 (Fiscal Year 2023-24). The total direct sales tax rate was obtained from the Pennsylvania Tax Compendium for March 2025. Both of these publications were obtained from the Pennsylvania Department of Revenue's website, which is located at 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 the 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 2025 fiscal year. Therefore, fiscal years 2015 through 2024 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, 2015 and June 30, 2024

(Amounts in thousands)

June 30, 2015 (1)(2)			June 30, 2024 (1)(2)		
Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total	Industry (4)	Sales (3) Tax Remittances Liability	Percentage of Total
Manufacturing	\$ 411,986	4.34 %	Manufacturing	\$ 690,600	4.37 %
Public utilities	277,456	2.92 %	Public utilities	372,100	2.36 %
Wholesale trade	863,153	9.09 %	Wholesale trade	1,449,500	9.18 %
Building materials	570,949	6.01 %	Building materials	962,000	6.09 %
General merchandise	1,242,786	13.09 %	General merchandise	2,346,600	14.86 %
Food and beverage stores	396,348	4.18 %	Food and beverage stores	569,400	3.61 %
Automotive dealers	286,526	3.02 %	Automotive dealers	412,800	2.61 %
Furniture and appliances	350,193	3.69 %	Furniture and appliances	553,100	3.50 %
Other retail stores	373,681	3.94 %	Other retail stores	595,800	3.77 %
Agriculture and mining	70,722	0.74 %	Agriculture and mining	93,900	0.59 %
Construction	215,448	2.27 %	Construction	412,300	2.61 %
Service	2,875,621	30.29 %	Service	4,907,800	31.08 %
Transportation, delivery, and warehousing	31,126	0.33 %	Transportation, delivery, and warehousing	219,100	1.39 %
Government	16,872	0.18 %	Government	24,400	0.15 %
Unclassified	45,339	0.48 %	Unclassified	43,500	0.28 %
Motor vehicle	1,326,216	13.97 %	Motor vehicle	1,961,900	12.42 %
Liquor sales	138,687	1.46 %	Liquor sales	178,200	1.13 %
Total (5)	<u>\$ 9,493,109</u>	100.00 %	Total (5)	<u>\$ 15,793,000</u>	100.00 %
Sales Tax Licenses (6)	224,688		Sales Tax Licenses (6)	232,711	

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 2024 fiscal year can be found in the Statistical Supplement for the Pennsylvania Tax Compendium-March 2025 (Fiscal Year 2023-24). This publication was obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:

- (1) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot 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 2024 fiscal year. Therefore, fiscal years 2015 and 2024 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 the major industrial activity of the vendor and do 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 according to the N.A.I.C.S. standard industry grouping and, as noted in Note 1, cannot 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

	2013	2014	2015	2016 (7)	2017	2018	2019 (6)	2020 (6)	2021 (6)	2022 (6)
ESTIMATED CORPORATE NET INCOME TAXABLE BASE (1)(2)										
Corporate Tax Report Compilation (amounts in thousands)	\$ 24,837,562	\$ 27,160,802	\$ 25,454,707	\$ 25,957,854	\$ 25,980,414	\$ 33,038,888	\$ 32,874,719	\$ 34,454,925	\$ 45,704,570	\$ 55,975,048
NUMBER OF FILERS BY CORPORATE NET INCOME TAX LIABILITY RANGE (3)										
\$0	88,486	92,816	94,228	79,863	56,624	52,378	56,268	55,351	55,526	55,797
\$1-300	6,481	6,199	6,214	6,204	9,554	9,209	8,367	7,085	7,545	7,200
\$301-500	1,750	1,797	1,805	1,773	2,657	2,581	2,230	2,112	2,133	2,090
\$501-1,000	2,852	2,796	2,889	2,743	4,191	3,930	3,726	3,305	3,631	3,515
\$1,001-5,000	7,213	7,417	7,344	7,336	9,969	9,968	9,332	8,765	9,769	9,795
\$5,001-10,000	2,786	2,849	2,860	2,848	3,627	3,691	3,538	3,552	4,174	4,151
\$10,001-25,000	2,713	2,970	2,930	2,919	3,708	4,170	4,009	3,999	4,691	4,932
\$25,001-50,000	1,620	1,781	1,770	1,708	2,148	2,452	2,435	2,505	2,906	3,305
\$50,001-100,000	1,262	1,373	1,380	1,366	1,659	1,871	1,888	2,045	2,322	2,588
\$100,001-250,000	1,207	1,241	1,246	1,293	1,447	1,722	1,632	1,790	2,178	2,514
\$250,001-500,000	538	582	607	575	652	798	774	851	1,026	1,223
\$500,001-1,000,000	344	377	355	348	420	476	477	529	645	795
>\$1,000,000	429	462	441	437	410	527	525	602	803	908
Total corporate net income tax filers (4)(5)	117,681	122,660	124,069	109,413	97,066	93,773	95,201	92,491	97,349	98,813
Total direct corporate net income tax rate	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %	9.99 %

Sources:
Information provided by the Pennsylvania Department of Revenue. The direct corporate net income tax rate was obtained from the Pennsylvania Tax Compendium for March 2025. This publication was obtained from the Pennsylvania Department of Revenue's website, which is located at www.revenue.pa.gov.

Notes:
(1) 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 Corporate Net Income Tax (CNIT) is based on separate company federal taxable income and includes a number of additions to and 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.
(3) Due to statutory requirements protecting taxpayer identification (confidentiality provisions), the Commonwealth cannot 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 2023 and 2024 tax years. Therefore, tax years 2013 through 2022 are presented as an alternative comparison.
(5) The corporate filer's tax year is defined as the period for which it must file a tax return. Though some filers have the last day of their filing year fall on December 31, many filers have a filing year that falls on a different date (e.g., March 31). This table presents information based on all filers whose tax year began during the associated calendar years.
(6) For tax years 2013 through 2019, the amounts presented are actual. The amounts presented for the 2019 tax year may differ from the amounts presented in the same table in the Commonwealth's Annual Comprehensive Financial Report (ACFR) for the June 30, 2024 fiscal year, since that amount was an estimate. For the 2020 tax year, the amounts presented are a revised estimate from what was presented in the June 30, 2024 ACFR. And for the 2021 tax year, the amounts presented are an estimate.
(7) The total number of filers for the 2016 tax year decreased by over 14,000 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)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities:										
General obligation bonds	\$ 12,517,909	\$ 12,966,490	\$ 13,415,631	\$ 12,490,765	\$ 11,497,176	\$ 11,693,268	\$ 10,667,746	\$ 10,758,090	\$ 11,156,289	\$ 11,610,037
Leases/installment purchase liabilities (5)(6)	103,183	100,054	99,259	96,725	95,226	1,021,798	1,151,333	1,186,598	1,154,832	1,202,303
Other financing obligations	285,740	285,740	502,390	567,052	480,790	536,818	509,961	481,794	458,494	937,220
Total governmental	12,906,832	13,352,284	14,017,280	13,154,542	12,073,192	13,251,884	12,329,040	12,426,482	12,769,615	13,749,560
Business-type activities:										
Revenue bonds payable	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,627,322	4,480,360	4,327,107	4,167,860	4,001,492
Leases/installment purchase liabilities (5)(6)	—	—	—	—	—	286,037	269,136	254,757	255,588	254,856
Total business-type	3,681,734	3,893,393	5,319,824	5,086,362	4,417,523	4,913,359	4,749,496	4,581,864	4,423,448	4,256,348
TOTAL PRIMARY GOVERNMENT	\$ 16,588,566	\$ 17,245,677	\$ 19,337,104	\$ 18,240,904	\$ 16,490,715	\$ 18,165,243	\$ 17,078,536	\$ 17,008,346	\$ 17,193,063	\$ 18,005,908
Debt as a Percentage of Personal Income (3)(4)	2.61 %	2.64 %	2.88 %	2.58 %	2.26 %	2.32 %	2.05 %	2.01 %	1.94 %	1.95 %
Amount of Debt per Capita (3)(4)	\$ 1,286	\$ 1,335	\$ 1,494	\$ 1,405	\$ 1,269	\$ 1,398	\$ 1,312	\$ 1,310	\$ 1,321	\$ 1,377

Source: The Commonwealth's Annual Comprehensive Financial Report (ACFR), as presented for the applicable fiscal year.

Notes:

- (1) Each caption includes the reported current and noncurrent amounts of the outstanding debt.
- (2) Details on the Commonwealth's total outstanding debt for June 30, 2025 can be found in Note 6 for both governmental activities and business-type activities.
- (3) See Table 14 for summarized totals for personal income and population data that were used in the calculations of these ratios. Personal income details are presented in Table 5. As detailed in Tables 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 ACFR for the June 30, 2024 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, 2024 ACFR.
- (4) Debt ratios use total outstanding debt, which is presented by the fiscal year ended June 30, while the personal income and population data used in the calculations are presented by the calendar year.
- (5) Beginning with the 2021 fiscal year, the Commonwealth implemented GASB Statement No. 87. Note 18 in the notes to the financial statement in the June 30, 2021 ACFR provides additional details on this implementation. The primary effect on this table is that, beginning with the 2021 fiscal year, additional lease-related liabilities are reported within this table. The changes were not made retroactively.
- (6) Beginning with the 2023 fiscal year, the Commonwealth implemented GASB Statement No. 96. Note 18 in the notes to the financial statements in the June 30, 2023 ACFR provides additional details on this restatement. The primary effect on this table is that, beginning with the 2023 fiscal year, additional subscription-based information technology arrangements-related liabilities are reported within this table. The changes were not made retroactively.

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
2016	\$ 12,517,909	35.84%	\$ 969
2017	12,966,490	35.93%	1,003
2018	13,415,631	36.19%	1,032
2019	12,490,765	31.67%	961
2020	11,497,176	29.76%	886
2021	11,693,268	26.62%	898
2022	10,667,746	21.52%	819
2023	10,758,090	21.09%	826
2024	11,156,289	22.11%	853
2025	11,610,037	22.47%	849

Sources:

Information was obtained from the Commonwealth's Annual Comprehensive Financial Report (ACFR) 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 bond 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 ACFR for the June 30, 2024 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, 2024 ACFR.

Commonwealth of Pennsylvania

Debt Capacity

Table 12

Computation of Legal Debt Margin

As of August 31 for the Last Ten Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Average annual tax revenues deposited in the previous five fiscal years	\$37,326,634,317	\$38,281,016,071	\$39,318,865,371	\$40,738,613,073	\$41,212,144,284	\$43,007,553,352	\$45,683,741,181	\$48,339,805,509	\$50,697,047,251	\$53,854,733,013
Constitutional factor	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
Constitutional debt limit for debt incurred without the approval of the electors (A)	65,321,610,054	66,991,778,124	68,808,014,400	71,292,572,878	72,121,252,497	75,263,218,366	79,946,547,067	84,594,659,641	88,719,832,689	94,245,782,773
Less outstanding net debt (non-electorate approved)	11,423,804,500	10,590,276,500	10,999,114,101	10,222,540,310	9,571,847,906	9,732,967,835	8,971,687,854	9,183,103,382	9,662,211,244	10,060,252,201
Legal debt margin (B)	\$53,897,805,554	\$56,401,501,624	\$57,808,900,299	\$61,070,032,568	\$62,549,404,591	\$65,530,250,531	\$70,974,859,213	\$75,411,556,259	\$79,057,621,445	\$84,185,530,572
Total outstanding net debt applicable to the constitutional limit as a percentage of the constitutional limit	17.49 %	15.81 %	15.99 %	14.34 %	13.27 %	12.93 %	11.22 %	10.86 %	10.89 %	10.67 %

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 disasters, or 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 of 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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employment by nonfarm related industry (1)(2)(3):										
Total nonfarm:										
Private earnings:										
Goods producing:										
Natural resources and mining	33,800	24,800	26,500	28,500	28,700	23,100	21,500	22,000	22,600	21,600
Construction	235,500	239,200	249,200	255,900	261,200	241,600	254,800	259,100	260,700	259,900
Manufacturing	569,500	561,400	563,400	571,500	575,500	538,100	544,500	563,900	566,600	562,600
Total goods producing	838,800	825,400	839,100	855,900	865,400	802,800	820,800	845,000	849,900	844,100
Service providing:										
Trade	1,114,000	1,118,500	1,117,800	1,123,800	1,123,400	1,059,000	1,101,900	1,141,700	1,143,100	1,140,300
Information	85,500	85,000	84,800	86,700	87,900	83,900	86,400	93,200	93,200	90,800
Financial activities	317,200	319,700	323,600	328,700	333,900	329,400	331,100	336,100	340,700	339,900
Professional and business services	782,800	795,400	800,400	804,200	812,900	768,000	800,300	841,000	839,800	834,100
Education and health services	1,192,400	1,218,900	1,245,800	1,274,800	1,295,800	1,228,800	1,228,900	1,262,300	1,314,100	1,361,300
Leisure and hospitality	545,400	557,500	566,800	571,900	578,000	424,400	478,400	537,300	561,300	569,100
Other services	254,800	259,400	259,700	260,800	262,400	223,900	236,200	250,900	256,900	262,000
Total service providing	4,292,100	4,354,400	4,398,900	4,450,900	4,494,300	4,117,400	4,263,200	4,462,500	4,549,100	4,597,500
Total private earnings	5,130,900	5,179,800	5,238,000	5,306,800	5,359,700	4,920,200	5,084,000	5,307,500	5,399,000	5,441,600
Government	704,700	703,300	703,200	703,000	706,300	684,800	676,700	678,100	687,500	699,900
Total nonfarm	5,835,600	5,883,100	5,941,200	6,009,800	6,066,000	5,605,000	5,760,700	5,985,600	6,086,500	6,141,500

Source: Information obtained from the Pennsylvania Department of Labor and Industry-Center for Workforce Information & Analysis website (www.paworkstats.pa.gov).

- Notes:**
- (1) Due to statutory requirements (confidentiality provisions), the Commonwealth cannot disclose the number of employees 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, 2024 ACFR, 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		
2015	12,899	321,815	4.01 %	\$ 635,818	\$ 15,467,113	4.11 %	\$ 49,291	\$ 48,062	2.56 %	
2016	12,919	324,353	3.98 %	653,329	15,884,741	4.11 %	50,572	48,974	3.26 %	
2017	12,946	326,609	3.96 %	671,703	16,658,962	4.03 %	51,886	51,006	1.73 %	
2018	12,981	328,530	3.95 %	707,043	17,514,402	4.04 %	54,468	53,311	2.17 %	
2019	12,992	330,226	3.93 %	729,329	18,349,584	3.97 %	56,139	55,567	1.03 %	
2020	12,996	331,578	3.92 %	783,390	19,613,059	3.99 %	60,279	59,151	1.91 %	
2021	13,016	332,100	3.92 %	833,103	21,484,168	3.88 %	64,008	64,692	(1.06)%	
2022	12,985	334,017	3.89 %	845,038	22,144,814	3.82 %	65,078	66,298	(1.84)%	
2023	13,018	336,806	3.87 %	885,950	23,577,208	3.76 %	68,057	70,002	(2.78)%	
2024	13,079	340,111	3.85 %	924,380	24,897,613	3.71 %	70,678	73,204	(3.45)%	

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 includes 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 Annual Comprehensive Financial Report (ACFR) for the June 30, 2024 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, 2024 ACFR. 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, 2024 ACFR.

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	Employed	Unemployed	Unemployment Rate	Civilian Labor Force	Employed	Unemployed	Unemployment Rate	
2015	6,476	6,125	351	5.4 %	157,130	148,834	8,296	5.3 %	1.89 %
2016	6,522	6,174	347	5.3 %	159,187	151,436	7,751	4.9 %	8.16 %
2017	6,494	6,172	323	5.0 %	160,320	153,337	6,982	4.4 %	13.64 %
2018	6,513	6,226	287	4.4 %	162,075	155,761	6,314	3.9 %	12.82 %
2019	6,574	6,291	282	4.3 %	163,539	157,538	6,001	3.7 %	16.22 %
2020	6,501	5,927	574	8.8 %	160,742	147,795	12,948	8.1 %	8.64 %
2021	6,425	6,048	377	5.9 %	161,204	152,581	8,623	5.4 %	9.26 %
2022	6,471	6,203	268	4.1 %	164,287	158,291	5,996	3.6 %	13.89 %
2023	6,561	6,321	240	3.7 %	167,116	161,037	6,080	3.6 %	2.78 %
2024	6,577	6,337	239	3.6 %	168,106	161,346	6,761	4.0 %	(10.00)%

Sources: Information was obtained from the Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry website at www.paworkstats.geosolinc.com.

Notes:

- (1) Various calendar years may differ from the totals presented in the same table in the June 30, 2024 ACFR, as a result of revised data provided on the Center for Workforce Information & Analysis website.

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Fiscal Years Ended June 30

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Direction and supportive services										
Legislative	2,596	2,583	2,564	2,701	2,509	2,522	2,541	2,658	2,766	2,840
Revenue	1,869	1,880	1,856	1,651	1,670	1,571	1,539	1,530	1,582	1,568
Executive Offices	1,429	1,441	1,460	2,900	2,834	2,687	2,826	2,874	3,044	3,068
General Services	863	866	834	835	829	817	819	859	943	970
Auditor General	463	469	448	454	384	373	359	365	379	390
Treasurer	345	357	373	371	362	337	333	340	345	337
Other	239	230	1,549	118	329	320	337	372	398	399
Total direction and supportive services	7,804	7,826	9,084	9,030	8,917	8,627	8,754	8,998	9,457	9,572
Protection of persons and property										
Corrections	15,340	15,374	15,367	16,693	16,320	16,098	15,705	15,937	16,017	15,970
State Police	6,372	6,210	6,079	6,280	6,360	6,281	6,359	6,317	6,342	6,502
Liquor Control Board	5,166	5,424	5,358	5,350	5,363	5,592	5,754	6,164	6,350	6,368
Environmental Protection	2,412	2,411	2,319	2,305	2,350	2,290	2,381	2,502	2,657	2,719
Judiciary	2,179	2,178	2,090	2,072	2,028	2,008	2,004	2,010	2,057	2,142
Transportation	1,193	1,174	1,167	1,282	1,268	1,342	1,363	1,365	1,499	1,571
Probation and Parole Board	1,267	1,268	1,285	—	—	—	—	—	—	—
Agriculture	884	868	843	859	849	823	805	870	884	893
Attorney General	836	859	857	934	951	948	969	991	1,037	1,075
Military and Veterans Affairs	486	500	490	483	509	509	547	532	595	599
State	479	492	484	516	505	511	500	497	544	583
Other	1,729	1,713	1,692	1,710	1,719	1,735	1,725	1,756	1,807	1,880
Total protection of persons and property	38,343	38,471	38,031	38,484	38,222	38,137	38,112	38,941	39,789	40,302
Public education										
Education	474	475	438	448	453	449	432	469	499	517
Total public education	474	475	438	448	453	449	432	469	499	517
Health and human services										
Human Services	17,164	16,914	16,064	16,013	15,971	15,501	14,788	14,037	14,291	14,632
Labor and Industry	3,674	3,108	2,837	2,908	3,253	3,336	3,158	3,524	3,476	3,464
Military and Veterans Affairs	1,959	1,923	1,925	1,884	1,952	1,939	1,886	1,856	1,865	1,914
Health	1,249	1,282	1,117	1,134	1,164	1,265	1,303	1,374	1,434	1,480
Other	290	279	277	263	278	253	268	293	307	310
Total health and human services	24,336	23,506	22,220	22,202	22,618	22,294	21,403	21,084	21,373	21,800
Economic development										
Labor and Industry	908	910	867	864	818	780	751	807	871	840
Community and Economic Development	299	298	283	288	290	278	294	318	353	398
Environmental Protection	—	—	—	—	—	—	—	—	1	1
Total economic development	1,207	1,208	1,150	1,152	1,108	1,058	1,045	1,125	1,224	1,239
Transportation										

Commonwealth of Pennsylvania

Operating Information

Table 16

Commonwealth Employees by Function and Agency

For the Last Ten Fiscal Years Ended June 30

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Labor and Industry	—	—	—	—	—	—	—	—	1	—
Transportation	10,490	10,522	10,230	10,551	10,406	10,401	10,151	10,476	11,098	11,426
Total transportation	10,490	10,522	10,230	10,551	10,406	10,401	10,151	10,476	11,099	11,426
Recreation and cultural enrichment										
Conservation and Natural Resources	2,387	2,396	2,278	2,245	2,216	2,194	2,153	2,284	2,373	2,471
Game Commission	725	683	705	696	728	753	783	826	872	927
Fish and Boat Commission	432	426	409	402	403	435	471	442	451	469
Historical and Museum Commission	205	205	201	198	195	182	183	192	196	192
Other	41	40	40	43	45	40	43	47	48	50
Total recreation and cultural enrichment	3,790	3,750	3,633	3,584	3,587	3,604	3,633	3,791	3,940	4,109
Total Commonwealth Employees	86,444	85,758	84,786	85,451	85,311	84,570	83,530	84,884	87,381	88,965

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.

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2016	2017	2018	2019	2020	2021	2022	2023	2024 (4)	2025 (4)
Direction and supportive services:										
Executive Offices										
Juvenile Court Judges' Commission										
Juveniles arrested for violent crimes (1) (5)	2,814	3,069	2,612	2,874	1,850	1,452	1,901	1,923	1,737	1,234
Protection of persons and property:										
Attorney General										
Total drug arrests	1,239	1,197	1,413	1,638	1,301	1,153	1,032	1,404	1,447	1,260
Consumer complaints concerning business practices investigated and mediated	20,736	20,230	22,976	25,774	27,327	25,286	30,538	38,659	34,030	35,000
Corrections										
Inmates	49,913	48,510	48,353	46,482	42,101	37,748	37,498	38,713	39,167	39,589
Military and Veterans Affairs										
Pennsylvania National Guard End Strength Ceiling	19,699	19,615	18,919	18,330	17,926	18,839	18,845	18,429	17,411	17,472
Personnel receiving training at Fort Indiantown Gap	124,264	120,208	163,494	151,716	121,980	107,124	104,464	123,234	143,102	146,190
Revenue										
Households provided property tax or rent assistance (2)	567,280	559,025	547,994	531,995	828,226	149,570	444,119	429,137	405,493	522,434
Judiciary										
Caseload (cases filed/reopened/appeals) (1)	3,273,085	3,134,994	3,290,613	3,196,261	3,184,937	2,198,502	2,466,441	2,698,313	2,702,877	2,731,531
Public education:										
Higher Education										
Full-Time Equivalent Enrollments at State-Supported Institutions of Higher Education:										
State System of Higher Education	99,870	97,477	94,243	90,224	87,802	87,973	79,552	76,294	75,774	75,432
Community Colleges	86,185	81,941	80,270	76,596	75,898	69,713	60,685	60,134	58,964	57,615
State-Related Universities	165,654	170,461	171,295	168,875	159,029	160,112	158,121	155,918	155,206	156,319
Non-State Related Universities and Colleges	865	1,040	1,122	1,350	1,467	1,310	1,313	1,455	1,655	1,680
Health and human services:										
Aging and Long-Term Living										
Comprehensive PACE/PACENET Program:										
Older Pennsylvanians enrolled (average)	256,622	245,231	233,006	228,988	224,683	208,980	205,106	202,505	198,017	193,890
Prescriptions per year	7,565,493	6,775,596	6,248,623	5,524,599	4,828,439	4,222,277	4,012,512	3,872,989	3,626,071	3,307,541
Health										
Vital events (births, deaths, fetal deaths) registered (1)	272,623	273,888	275,255	270,096	286,805	289,038	278,192	281,637	264,120	264,263
Human Services										
Persons participating in Medical Assistance (monthly average)	2,716,782	2,852,697	2,907,652	2,886,140	2,882,000	3,186,000	3,451,000	3,658,000	3,308,000	3,019,000
Persons receiving cash assistance (monthly average)	143,765	126,283	111,594	97,310	86,952	69,403	65,380	69,207	61,475	54,682
Community Mental Health Services										
Total persons provided mental health services	765,867	774,303	798,265	810,396	765,214	716,243	755,290	788,459	709,412	723,600
Persons receiving Intellectual Disability services	54,675	55,172	55,667	56,366	56,954	56,650	57,614	61,850	58,873	59,379
Economic development:										
Labor and Industry										
Vocational Rehabilitation-Eligible participants with active plans	41,579	39,771	49,902	53,414	42,483	34,781	35,584	29,518	34,163	32,000
Transportation:										
Transportation										
Passengers carried by State-assisted operators (millions annually)	426	404	397	387	299	143	196	231	257	265
Highway and Bridge Construction/Reconstruction/Maintenance										
Total miles of state maintained highways improved	5,291	5,305	6,156	5,185	6,141	3,093	5,477	6,561	6,458	6,025
Bridges rehabilitated/repaired	415	556	402	171	181	119	141	171	149	150
Bridges preserved	216	248	229	181	191	175	248	271	215	250

Commonwealth of Pennsylvania

Operating Information

Table 17

Operating Indicators by Function and Agency

For the Last Ten Years Ended June 30

	2016	2017	2018	2019	2020	2021	2022	2023	2024 (4)	2025 (4)
Recreation and cultural enrichment:										
Conservation and Natural Resources										
State park attendance (visitor days per calendar year / thousands annually)	40,500	40,600	38,800	37,400	40,700	46,600	39,400	38,300	38,500	38,600
Fish and Boat Commission										
Fishing licenses sold	837,324	841,743	800,248	765,983	777,087	934,259	865,973	793,663	761,176	765,000
Game Commission										
Hunting licenses sold	935,767	914,244	885,564	855,546	860,798	887,211	861,966	848,720	853,484	860,642
Historical and Museum Commission										
Records maintained by the State Records Center	265,521	237,492	237,370	236,972	233,914	228,735	227,364	219,591	216,139	214,700
Annual ticketed visitors to commission historical sites and museums (in thousands) (3) ...	377	332	347	316	226	19	120	216	216	224

Sources: Governor's Office of the Budget, Comptroller Offices, various agencies

Notes:

(1) Amounts are presented as of December 31.

(2) Property Tax and Rent Assistance rebate payments for claim year 2019 were accelerated from fiscal year 2020-21 into fiscal year 2019-20 in order to assist households during the COVID-19 pandemic.

(3) Annual ticketed visitors to commission historical sites and museums decreased significantly in the 2019-20 and 2020-21 fiscal years due to the COVID-19 pandemic.

(4) For the latest fiscal year, the majority of the indicators presented are estimates. For the immediate previous fiscal year, the amounts that were presented as estimates in the Commonwealth's ACFR for the June 30, 2024 fiscal year have been revised. Therefore, the amounts shown may differ from what was presented in the June 30, 2024 ACFR.

(5) Changes were made in the Pennsylvania State Police (PSP) Uniform Crime Reporting (the program used to obtain this data over the past decade), which has been updated entirely since June 30, 2024 ACFR.

Commonwealth of Pennsylvania

Operating Information

Table 18

Capital Asset Information by Function and Agency
For the Last Ten Fiscal Years Ended June 30

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GOVERNMENTAL ACTIVITIES										
Direction and supportive services:										
Department of General Services										
Number of buildings	115	115	115	115	114	114	114	114	114	101
Total pieces of machinery and equipment	138	144	156	187	152	155	198	188	200	242
Capital and Agency projects in design and/or construction (1)	315	258	231	281	293	310	287	325	335	363
Vehicles in fleet	14,555	14,674	14,981	15,138	15,375	15,665	15,640	15,836	16,307	16,687
Protection of persons and property:										
Department of Corrections										
State Correctional Institutions (2)	26	25	25	25	25	25	24	24	24	24
State Police										
Patrol vehicles	2,182	2,197	2,282	2,282	2,282	2,322	2,497	2,497	2,497	2,604
Police stations and/or troop headquarters (2)	26	26	26	26	26	26	25	25	25	27
Department of Military and Veterans Affairs										
Number of National Guard readiness centers (3)	116	123	122	120	119	116	115	106	105	105
Public education:										
State System of Higher Education (SSHE)-Component Unit										
Number of SSHE universities using Commonwealth owned buildings and land (3)	14	14	14	14	14	14	14	10	10	10
Health and human services:										
Department of Human Services										
Total number of hospital or treatment center complexes (2)	17	16	16	15	15	15	15	12	12	12
Transportation:										
Department of Transportation										
Total pieces of equipment	8,559	8,928	9,344	9,481	9,806	9,884	10,104	10,310	10,744	11,250
Total lane miles of highways (state or locally maintained) (in thousands)	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000	118,000
Recreational and cultural enrichment:										
Department of Conservation and Natural Resources										
Acres of land in state parks and forests (in millions)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Game Commission										
Acres of game lands (in millions)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Fish Commission										
Public boat launches	271	271	271	277	277	277	277	278	278	278
Total number of fish hatcheries	15	15	15	15	15	14	14	14	14	12
Historical and Museum Commission										
Museums and historic sites	34	30	29	28	28	28	26	24	27	27
Economic development:										
Department of Labor and Industry										
Square footage of rehabilitation centers owned by the Commonwealth	469,065	469,065	469,065	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) The State System of Higher Education (SSHE) is a discretely presented component unit. However, each of its universities uses land, buildings, and improvements that 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. Effective July 1, 2022, six universities were consolidated into two newly named universities.



Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2025

Appendix

APPENDIX- Legend of Abbreviations

The following legend presents descriptions of abbreviations that appear throughout the report:

<u>ABBREVIATION</u>	<u>DESCRIPTION</u>
ACFR	Annual Comprehensive Financial Report
ACWI	All Country World Index
AG	Office of the Attorney General
ARPA	American Rescue Plan Act
BFTDA	Ben Franklin Technology Development Authority
BMP	Best Management Practices
CFA	Commonwealth Financing Authority
CFP	Charitable Food Program
CIP	Commonwealth Investment Program
CMO	Collateralized Mortgage Obligation
CNIT	Corporate Net Income Tax
CPI	Consumer Price Index
CRIZ	City Revitalization Improvement Zone
CTF	Collective Trust Fund
CU	Component Unit
DC	Defined Contributions
DC-CTF	Defined Contributions Collective Trust Funds
DCED	Department of Community and Economic Development
DCP	Deferred Compensation Program
DDAP	Department of Drug and Alcohol Programs
DGS	Department of General Services
DHS	Department of Human Services
DOR	Department of Revenue
DOT	Department of Transportation
DPCU	Discretely Presented Component Unit
EIO	Educational Improvement Organization
EITC	Educational Improvement Tax Credit
EOSTC	Educational Opportunity Scholarship Tax Credit
ESSER	Elementary and Secondary School Emergency Funds
ETF	Exchange-Traded Funds
EZP	Enterprise Zone Program
FMV	Fair Market Value
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GEER	Governors Emergency Education Relief
GFOA	Government Finance Officers Association
GO	General Obligation
GSE	Government Sponsored Enterprise
GSP	Gross State Product/Guaranteed Savings Plan
HOP	Health Options Program
IBNR	Incurred But Not Reported
IFPA	Insurance Fraud Prevention Authority
IJA	Infrastructure Investment and Jobs Act
IRA	Inflation Reduction Act
KIZ	Keystone Innovation Zone Program
KOZ	Keystone Opportunity Zone Program
MA	Medical Assistance
MBS	Mortgage-Backed Securities

APPENDIX- Legend of Abbreviations

Mcare	Medical Care Availability and Reduction of Error Fund
MD&A	Management's Discussion and Analysis
MIRP	Military Installation Remediation Program
MMTF	Multimodal Transportation Funding Program
NAICS	North American Industry Classification System
NAP	Neighborhood Assistance Program
NAV	Net Asset Value
NIZ	Neighborhood Improvement Zone
NPP	Neighborhood Partnership Program
NRSRA	Nationally Recognized Statistical Rating Agencies
NRSRO	Nationally Recognized Statistical Rating Organization
NYSE	New York Stock Exchange
OID	Original Issue Discount
OPEB	Other Postemployment Benefits
PACE	Pharmaceutical Assistance Contract for the Elderly
PBDA	Pennsylvania Broadband Development Authority
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
PFAs	Polyfluoroalkyl Substances
PG	Primary Government
PHEAA	Pennsylvania Higher Education Assistance Agency
PHEFA	Pennsylvania Higher Educational Facilities Authority
PHFA	Pennsylvania Housing Finance Agency
PHIEA	Pennsylvania Health Insurance Exchange Authority
PHMC	Pennsylvania Historical and Museum Commission
PIB	Pennsylvania Infrastructure Bank Fund
PIDA	Pennsylvania Industrial Development Authority
PIT	Personal Income Taxes
PKSO	Pre-Kindergarten Scholarship Organization
PLCB	Pennsylvania Liquor Control Board
PPC	Port of Pittsburgh Commission
PRPA	Philadelphia Regional Port Authority
PSDC	Philadelphia Shipyard Development Corporation
PSERS	Public School Employees' Retirement System
PSP	Pennsylvania State Police
PTC	Pennsylvania Turnpike Commission
PTRR	Property Tax Rent Rebate
PURTA	Public Utility Realty Tax Act
REAP	Resource Enhancement and Protection Tax Credit
REHP	Retired Employees' Health Program
RPSPP	Retired Pennsylvania State Police Program
RSI	Required Supplementary Information
S&P	Standard & Poor's
SBITAs	Subscription Based Information Technology Arrangements
SCC	State Conservation Commission
SEA	Sports and Exhibition Authority

APPENDIX- Legend of Abbreviations

SERS	State Employees' Retirement System
SFR	State Fiscal Recovery
SLFRF	State and Local Fiscal Recovery Funds
SMA	Separately Managed Accounts
SO	Scholarship Organization
SOFR	Secured Overnight Financing Rate
SPP	Special Program Priorities
SPSBA	State Public School Building Authority
SSHE	State System of Higher Education
STIF	Short-Term Investment Fund
SWIF	State Workers' Insurance Fund
UC	Unemployment Compensation
USTIF	Underground Storage Tank Indemnification Fund
UTF	Unemployment Compensation Trust Fund