




PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania



Annual Comprehensive Financial Report
Fiscal Years Ended May 31, 2024 and 2023
With Report of Independent Public Accountants

Prepared by:
Accounting & Financial Reporting Department
Finance Department

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Annual Comprehensive Financial Report
Fiscal Years Ended May 31, 2024 and 2023

TABLE OF CONTENTS

	<u>Page(s)</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1–10
Organization Chart	11
List of Principal Officials	12
GFOA Certificate of Achievement	13
FINANCIAL SECTION	
Report of Independent Public Accountants	14–17
Management’s Discussion and Analysis (Unaudited)	18–32
Basic Financial Statements	
Statements of Net Position	33–34
Statements of Revenues, Expenses, and Changes in Net Position	35
Statements of Cash Flows	36–38
Statements of Fiduciary Net Position – OPEB Trust Fund	39
Statements of Changes in Fiduciary Net Position – OPEB Trust Fund	40
Notes to Financial Statements	41–122
Required Supplementary Information (Unaudited)	
Schedule of Commission’s Proportionate Share of Net Pension Liability – Pennsylvania State Employees’ Retirement System – Pension Fund	123
Schedule of Commission’s Contributions – Pennsylvania State Employees’ Retirement System – Pension Fund	124
Schedule of Changes in the Commission’s Net OPEB Liability and Related Ratios	125
Schedule of Commission’s Contributions to the Other Postemployment Welfare Plan Program	126–128
Other Supplementary Information	
<i>Section Information</i>	129
As of and for the Year Ended May 31, 2024	
Schedule of Net Position	130–131
Schedule of Revenues, Expenses, and Changes in Net Position	132
Schedule of Cash Flows	133–135

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Annual Comprehensive Financial Report
Fiscal Years Ended May 31, 2024 and 2023

TABLE OF CONTENTS *(continued)*

	<u>Page(s)</u>
FINANCIAL SECTION <i>(continued)</i>	
Other Supplementary Information <i>(continued)</i>	
<i>Section Information (continued)</i>	
As of and for the Year Ended May 31, 2023	
Schedule of Net Position	136–137
Schedule of Revenues, Expenses, and Changes in Net Position	138
Schedule of Cash Flows	139–141
For the Years Ended May 31, 2024 and 2023	
Schedules of Cost of Services Detail	142
STATISTICAL SECTION	143
Summary of Revenues and Expenses	144
Schedule of Net Position	145
Debt Coverage – All Sections	146
Ratios of Mainline Outstanding Debt and Debt Service Payments	147
Traffic Statistics	148
Revenue Composition as a Percentage of Total Revenue	149
Traffic Composition as a Percentage of Total Vehicles	149
Ten Largest Commercial Customers	150
Percentage of PA Turnpike ETC Traffic by IAG Agency	151
Employment by Nonfarm Related Industries – Demographic and Economic	152
Number of Employees	153
Vehicle Class Definitions	154
Miscellaneous Statistics	155
Technical Data	156
Chronology, Turnpike Construction	157
Chronology, Turnpike Improvements	158–161
Chronology, Speed Limits	162
Chronology, Toll Rates	163

INTRODUCTORY SECTION



October 9, 2024

To the Commissioners and Bondholders of the Pennsylvania Turnpike Commission:

Introduction

The annual comprehensive financial report (ACFR) of the Pennsylvania Turnpike Commission (Commission) for the fiscal year ended May 31, 2024, is hereby submitted. The Commission covenants in the Senior Indenture that it will cause an annual audit to be made of its books and accounts of each fiscal year by an independent certified public accountant. A copy of such audit shall be filed with the Trustee promptly after the receipt by the Commission for such purpose.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Commission. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position, changes in financial position, and cash flows of the Commission. All disclosures necessary to enable the reader to gain an understanding of the Commission's financial activities have been included. Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Commission was created as an instrumentality of the Commonwealth of Pennsylvania (Commonwealth) on May 21, 1937, with powers to construct, operate, and maintain the Turnpike System, and to issue Turnpike revenue bonds, repayable solely from tolls and other Commission revenues. The Commission is considered a discretely presented component unit of the Commonwealth of Pennsylvania. The Commission is composed of five members, one of whom is the Commonwealth of Pennsylvania's Secretary of Transportation. The others are appointed by the Governor with the advice and consent of a two-thirds majority of the Senate.

The Pennsylvania Turnpike Commission (the Employer) maintains an other postemployment welfare plan program (the Plan) for the purpose of providing non-pension other postemployment benefits (OPEB) for employees who meet the age and service requirements outlined in the Employer's plan documents. In accordance with GASB Statement No. 84, *Fiduciary Activities*, the Plan is a fiduciary component unit of the Commission.

The financial statements of the Commission's business-type activities (enterprise fund) and fiduciary activities (fiduciary fund) have been prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP) as applied to government units. The Commission's enterprise and fiduciary fund financial statements (the financial statements) are presented on the accrual basis of accounting.

Turnpike System

As of May 31, 2024, the Turnpike System is composed of:

- the 359-mile Turnpike Mainline traversing the southern portion of Pennsylvania from east to west;
- the 110-mile north/south section identified as the Northeast Extension;
- the approximately 16-mile north/south connection, known as the Beaver Valley Expressway, which intersects the Turnpike Mainline in the southwestern portion of the Commonwealth;
- the approximately 13-mile Amos K. Hutchinson Bypass, which adjoins the Turnpike Mainline near the New Stanton Interchange;
- the completed portion of the Mon/Fayette Expressway project totaling approximately 48 miles;
- a six-mile section of the Southern Beltway project from PA 60 to US 22; and
- a 13-mile section of the Southern Beltway between U.S. 22 and Interstate Route 79, which opened on October 15, 2021.

The Turnpike Mainline connects with the Ohio Turnpike at its western terminus and with the New Jersey Turnpike at its eastern terminus. The Turnpike Mainline commences on the eastern boundary of Pennsylvania at the Delaware River Bridge which connects the Turnpike System to the New Jersey Turnpike. A barrier toll, based on the vehicle's number of axles and regardless of distance traveled, is paid at the Delaware River Bridge for those vehicles traveling westbound. The closed toll system based on axles, weight and distances traveled begins approximately six miles from the Delaware River Bridge at Neshaminy Falls. The Turnpike Mainline traverses the state in a westerly direction generally paralleling the southern border of the state immediately north of Philadelphia and south of Harrisburg to the vicinity of Somerset. West of Somerset, the highway follows a northwesterly direction to the northeast of Pittsburgh and to the Ohio state line, south of Youngstown, Ohio. A barrier toll, by vehicle class and regardless of distance traveled, is paid at the western most interchange (Gateway) for those vehicles traveling eastbound. The closed toll system begins approximately 30 miles from the Ohio state line at Warrendale.

The Northeast Extension is approximately 110 miles in length and connects the Turnpike Mainline and the area north of Scranton. The Northeast Extension meets the Turnpike Mainline at a point north of Plymouth Meeting and traverses the eastern portion of Pennsylvania in a northerly direction through Allentown and Scranton to its northern terminus where it connects with U.S. Route 6 and Interstate Route 81.

For additional information, see discussion of the Mon/Fayette Expressway and Southern Beltway in the Capital Improvements Program section of this letter.

The Turnpike System was constructed prior to the development of the National Interstate Highway System and no Federal Highway Trust Fund monies were utilized in the initial construction of the Turnpike Mainline, Northeast Extension, Beaver Valley Expressway or the Amos K. Hutchinson Bypass section of the Turnpike System. However, portions of the Turnpike System have been designated as Interstate Routes. The Turnpike Mainline has been designated as Interstate Route 276 (I-276) between the area where Interstate Route 95 (I-95) crosses the Turnpike System and the Valley Forge Interchange. With the September 2018 opening of the interchange connecting

the Turnpike Mainline with I-95, the portion of the Turnpike Mainline east of the new interchange has been designated as I-95. The Commission received \$241.9 million of federal funding for the I-95 portion of the Turnpike System. The portion of the Turnpike Mainline west of the Valley Forge Interchange to the western terminus at the Ohio state line has been designated as part of Interstate Route 76 (I-76). In addition, the Turnpike Mainline between the New Stanton and Breezewood Interchanges has been designated as part of Interstate Route 70 (I-70). The Northeast Extension has been designated as part of Interstate Route 476 (I-476). Portions of the Beaver Valley Expressway are designated as Interstate Route 376 (I-376).

The Turnpike System was constructed and opened to traffic in sections. The original Turnpike Mainline segment between Irwin and Carlisle was opened in 1940. Ten years later, in 1950, the 100-mile section between Carlisle and King of Prussia was completed and opened. After 1950, construction of new segments of the Turnpike System occurred at more frequent intervals with the Turnpike Mainline segment placed in service as of May 1956. The initial segment of the Northeast Extension between the Turnpike Mainline and the temporary interchange just south of the Lehigh Tunnel was opened in 1955. The final segment, from the temporary interchange to Scranton, was completed and opened for traffic in November 1957.

The Delaware River Bridge, which connects the Turnpike Mainline with the New Jersey Turnpike System, is owned jointly by the Commission and the New Jersey Turnpike Authority.

The Turnpike System has a total of 73 toll interchanges which connect it with major arteries and population centers along its 565-mile traffic corridor. Thirty-six of the interchanges are located on the Turnpike Mainline, including Turnpike Mainline barriers at the New Jersey and Ohio state lines, and 11 interchanges are situated on the Northeast Extension. The additional 26 interchanges are located on the Beaver Valley Expressway, Amos K. Hutchinson Bypass, and completed segments of the Mon/Fayette Expressway and Southern Beltway.

All Electronic Tolling

On March 16, 2020, in response to the public health concerns resulting from the COVID-19 pandemic, the Commission moved to all-electronic toll (AET) collection, removed toll collectors from toll booths and transitioned to only utilizing Toll-By-Plate and E-ZPass toll collection across the Turnpike System. Initially intended to be a temporary response to the impact of the COVID-19 pandemic, the Commissioners, on June 2, 2020, unanimously approved the permanent transition to AET collection operations.

Toll-By-Plate is supplemental to E-ZPass toll collections and utilizes technology where cameras read the license plates of all non-E-ZPass customers, as they pass through each toll gantry. The registered owner of the vehicle is then invoiced for the assessed tolls. Commencing January 3, 2021, the Commission began imposing an additional toll increase on Toll-By-Plate transactions equal to 45% of the toll that would otherwise be due to cover the additional costs to operate the Toll-By-Plate system versus E-ZPass and to account for partial non-payment of tolls (Revenue Leakage) associated with Toll-By-Plate. The additional 45% charge on all Toll-By-Plate transactions was implemented to encourage increased use of E-ZPass and to offset estimated Revenue Leakage. The Commission continues to actively work to address Revenue Leakage due to AET through various initiatives that address customer behaviors and system improvement.

The Commission plans to fully convert the Turnpike System to ORT collection operations where cameras on overhead gantries capture a vehicle's license plate at highway speed, and a toll invoice is mailed to the vehicle's registered owner. The overhead gantries will also read the

transponder signals for E-ZPass customers to pay tolls at such locations. An initial pilot of the ORT system was installed along the new section of the Southern Beltway which opened in October 2021. The Mainline transition to ORT is scheduled to commence on a portion of the Turnpike System from the Reading Interchange to the New Jersey border as well as the entire length of the Northeast Extension in January 2025. ORT gantries and support buildings are being installed and constructed at various points along the Turnpike Mainline between the Reading Interchange and the New Jersey border and across the entire length of the Northeast Extension, tolling equipment has been installed on such gantries and are currently undergoing testing. Conversion to ORT for the balance of the Mainline west of the Reading Interchange is scheduled for completion in 2027. Existing toll booths would be decommissioned and removed from service at locations in which ORT is implemented.

E-ZPass

The Commission has installed E-ZPass, a form of electronic toll collection, throughout the Turnpike System. The benefits of E-ZPass include enhanced safety and convenience for users of the Turnpike System, improved traffic flow and reduced congestion at the Turnpike System's busiest interchanges.

E-ZPass is available on the entire Turnpike System. In addition, Express E-ZPass lanes have been constructed at seven interchanges and permit E-ZPass customers to travel through the toll plaza at highway speeds. In addition, and as of August 2024, E-ZPass customers traveling in 19 other states that have implemented E-ZPass technology are able to use E-ZPass in those states.

Toll Violation Enforcement

To help ensure the collection of toll revenue due to the Commission, a Violation Enforcement System (VES) has been installed at all E-ZPass interchanges to identify violators (customers who travel through E-ZPass lanes and do not have E-ZPass) and motorists with problem tags that are unreadable. VES enables the Commission to collect appropriate tolls and other additional fees relating to violations. Act 89 and other statutory provisions governing VES and procedures for enforcement and collection provide for enhanced fare evasion measures and criminal penalties pertaining to E-ZPass violators. Under Act 89, motorists who commit or attempt to commit fare evasion on the Turnpike System shall have committed a summary offense and upon conviction, shall be fined a sum between \$100 and \$1,000 in addition to civil penalties that are already in place. Further, upon conviction, motorists who take affirmative action to evade a Turnpike System fare can be found to have committed a misdemeanor of the third degree, punishable by fines ranging from \$3,000 to \$6,500 (depending on the number of offenses), and imprisonment of not more than six months for a second offense.

Revenue generated from the additional fare evasion fines imposed by Act 89 is to be deposited in the Commonwealth's Motor License Fund rather than with the Commission; however, restitution for the full fare is paid to the Commission. Act 165 was signed into law in 2016 which, among other things, allows for the suspension of vehicle registration for unpaid tolls. Specifically, the vehicle suspension process is triggered by the failure to pay six (6) or more violations or incurring unpaid tolls or administrative fees of \$500. Additionally, Act 165 assists the Commission with the collection of unpaid out-of-state tolls by authorizing the Pennsylvania Department of Transportation (PennDOT) to enter into a reciprocity agreement for purposes of toll collection and enforcement penalties with another state or tolling entity. Effective September 11, 2018, PennDOT and the State of Delaware Department of Transportation, Division of Motor Vehicles (DelDOT) entered into the first reciprocity agreement under Act 165, generally providing that

PennDOT and DeIDOT will suspend or hold the registration of vehicle upon unpaid tolls, consistent with the laws and regulations of the other state, upon the request of such state.

In January 2018, the Commission began sending notices of possible vehicle registration suspensions under authority from Act 165 and in February 2018, PennDOT began suspending certain vehicle registrations. In April 2018, the Commission also began filing criminal charges against some of the largest toll violators for theft of services.

Further, Act 112 which became effective January 2, 2023, lowers the threshold for a vehicle registration suspension for unpaid tolls from six violations to four violations, and for administrative fines from \$500 to \$250. Act 112 also extends the statute of limitations for enforcing unpaid tolls violations from three years to five years.

The Commission's Toll Revenue Enforcement unit (TRE) conducts all internal and external investigations including working with the local District Attorney's Offices in pursuing criminal prosecutions of the Commission's most egregious toll violators. Additionally, the Commission has initiated a pilot program with several local magisterial districts to bring civil cases for unpaid tolls. TRE's efforts are part of the Commission's coordinated toll collection and enforcement and fraud detection efforts.

Work Zone Safety

Signed into law on October 19, 2018, Act 86 of 2018 authorizes the Commission and PennDOT to conduct speed-enforcement operations inside active work zones (Enforcement Zones) using automated speed-enforcement systems and technology (Automated System). By its own terms, the speed-enforcement authorizations set forth in Act 86 expired after five years in February 2024. The Automated System is only used in active Enforcement Zones when proper notice is provided to motorists. The Automated System generates violation notices which are sent, via first class mail, to the registered owners of vehicles that travel 11 mph or more over the posted speed limit in an active Enforcement Zone. A registered owner's first-time violation receives a written warning, the second violation is a \$75 fine and the third and all subsequent violations are a \$150 fine. After a 60-day pre-enforcement pilot period, enforcement began on March 9, 2020. Fines collected pursuant to Act 86 do not become revenues of the Commission. On December 14, 2023, the Commonwealth enacted Act 38, which reauthorizes and permanently extends the Automated System in active work zones and is now known as the Work Zone Speed Safety Cameras (WZSSC) program. The same requirements listed in Act 86 were adopted in Act 38.

Long-Range Financial Planning Process

Annually, the Commission prepares an Operating Budget, a Ten-Year Capital Plan and an Act 44 Financial Plan.

The Operating Budget is an estimate of the expenses to maintain, support and operate the roadway and facilities for the next fiscal year. The fiscal year 2025 Operating Budget was approved for \$450.9 million on May 7, 2024.

The Commission prepares a Ten-Year Capital Plan for its facilities and equipment (exclusive of Mon/Fayette and Southern Beltway projects), consisting of the Highway Program, the Technology Program, Fleet Equipment, and Facilities and Energy Management Operations, which it updates each year. All capital projects are reviewed and prioritized and the most critical and important projects necessary to maintain the Turnpike System in a state of good repair are pursued. The

Capital Plan for fiscal year 2025 was adopted by the Commission on May 7, 2024. The adopted Capital Plan calls for an investment of \$7.5 billion, net of federal reimbursements, over the coming decade.

The Act 44 Financial Plan is the Commission's long-range financial plan and incorporates the Operating Budget and the Ten-Year Capital Plan. This long-range financial plan reflects the Commission's commitment to operate and maintain its toll facilities, support a capital investment program at levels consistent with the adopted Ten-Year Capital Plan, and fully fund its Act 44/Act 89 Payments. At the same time, the financial plan assumes the Commission will maintain debt service coverage ratios of at least 2.00x on annual debt service for its Turnpike Senior Revenue Bonds, 1.30x on combined debt service for its Turnpike Senior Revenue and Subordinate Revenue Bonds, and 1.20x for all three of its revenue liens. In addition, a liquidity level equal to at least 10% of operating revenues is assumed to be maintained. These coverage and liquidity targets reflect the Commission's goal to maintain financial flexibility consistent with its credit ratings.

The Commission delivered to the Secretary of the Budget its Act 44 Financial Plan for Fiscal Year 2025 on May 13, 2024.

Capital Improvements Program

Act 61 Projects

In 1985, the General Assembly of the Commonwealth enacted legislation, which among other things, authorized and empowered the Commission to undertake the construction of new projects and to operate them as part of the Turnpike System. This legislation, known as the "Turnpike Organization, Extension and Toll Road Conversion Act," also known as Act 1985-61 (Act 61), included several groups of projects for the Turnpike System. Act 61 grouped the improvement and extension authorizations into four major groups of projects.

The initial group of projects included, among others, the following, a portion of which have been financed and completed with bond proceeds: the Beaver Valley Climbing Lane; the Downingtown Interchange; the Fort Washington, Willow Grove and Philadelphia Interchanges; the Mid-County Expressway Connection (Montgomery County); the Mon/Fayette Expressway and Southern Beltway; the Beaver Valley Expressway; the Amos K. Hutchinson Bypass [formerly the Greensburg (North-South) Bypass]; the Keyser Avenue Interchanges (Wilkes-Barre/Scranton Area); and an additional tube at the Lehigh Tunnel on the Northeast Extension.

Act 26 of 1991 made certain changes to Act 61 of 1985, by shifting priorities of certain projects and adding provisions regarding new projects. Act 26 also increased the Commonwealth's Oil Company Franchise Tax by 55 mills with 14% of such increase being dedicated to toll road projects under Act 61.

Act 3 of 1997 appropriated to the Commission annual allocations from the Commonwealth's Motor License Fund for the purpose of funding capital improvement projects authorized by Act 61.

Act 44 of 2007, P.L. 169, repealed Act 61 but provided that all activities initiated under Act 61 shall continue and remain in full force and effect and may be completed under Act 44.

Please refer to the MD&A (Events That Will Impact Financial Position section) and Note 11 (Commitments and Contingencies) for additional information regarding Act 44 and other related legislation and agreements.

Mon/Fayette Expressway and Southern Beltway

Four projects constructed as part of the Mon/Fayette Expressway are now in operation. One is an approximately six-mile toll road between I-70 and U.S. Route 40 in Washington County. This project was built by PennDOT and turned over to the Commission upon its opening in 1990. The second is an approximately twelve-mile section of toll road from I-68 near Morgantown, West Virginia, to Fairchance, Pennsylvania, which is located just south of Uniontown. The third project is an approximately sixteen-mile section of the Mon/Fayette Expressway from I-70 in Washington County to Pennsylvania Route 51 in Allegheny County, which opened in April 2002. The fourth is an approximately fifteen-mile section from Uniontown to Brownsville, including a 3,022-foot bridge over the Monongahela River, which opened to traffic in July 2012. These four contiguous projects, which total 48 miles from Morgantown, West Virginia to Pennsylvania Route 51 south of Pittsburgh, are now part of the Turnpike System.

On March 21, 2017, the Commission announced that it would stop engineering-design activities on the final 14-mile section of the Mon/Fayette Expressway, extending from Pennsylvania Route 51 to I-376 near Monroeville east of Pittsburgh, in light of the Southwestern Pennsylvania Commission's decision to table the project. On June 26, 2017, the Southwestern Pennsylvania Commission voted to add the final 14-mile segment of the Mon/Fayette Expressway to its long-range plan. This action will allow FHWA to approve changes to the environmental impact statement (EIS), a requirement for construction to commence. The current estimates to complete the final 14 miles of the Mon/Fayette Expressway to I-376 are in excess of \$2.0 billion. An EIS re-evaluation was completed for the Mon/Fayette Expressway and approved by PennDOT and FHWA in 2019. Final design is now proceeding on the 14-mile southern section of the Mon/Fayette Expressway. The initial portions of the southern section have been bid and are under construction. The next portion will bid in mid-2025. Subsequent portions will be evaluated as funding becomes available. When completed, the Mon/Fayette Expressway will extend from Interstate 68 in West Virginia to I-376 in Monroeville, which is east of Pittsburgh.

The Southern Beltway is to be constructed from the Mon/Fayette Expressway, near Finleyville, extending as part of a beltway south of Pittsburgh to I-376 at the Pittsburgh International Airport. It is comprised of three distinct projects: (1) the six-mile project from I-376 to U.S. 22 (also known as the Findlay Connector) which opened to traffic in October 2006; (2) the 13-mile project from U.S. 22 to Interstate 79 (I-79), which opened on October 15, 2021; and (3) the remaining Southern Beltway project, from I-79 to the Mon/Fayette Expressway, which received environmental clearance in May 2009.

I-95 Interchange

I-95 was completed in 1969 without an interchange connecting it to the Turnpike Mainline. Interstate travelers were required to either by-pass the Philadelphia area entirely or exit the interstate system and navigate a complex system of local roadways to access I-95 again in New Jersey.

The main objectives of the Interchange Project are to improve the linkage between I-95 and the Turnpike Mainline to create continuity in the interstate system, relieve congestion on local roads which are currently used by travelers to make the connection between I-95 and the Turnpike

Mainline, create additional capacity on the Turnpike Mainline and I-95 to accommodate the transfer of traffic from the local roadway system, and improve travel times through the interchange area.

The first phase of the Interchange Project included preparatory work and construction of a portion of the interchange between I-95 and the Turnpike Mainline, including northbound I-95 to the eastbound Turnpike Mainline and westbound Turnpike Mainline to southbound I-95. This phase included construction of a new Mainline toll plaza and a cashless tolling plaza westbound, which opened in January 2016. The first phase of the Interchange Project was completed and open to traffic in September 2018. The portion of the Turnpike Mainline from the Interchange Project eastward to the Delaware River Bridge in Bucks County has been redesignated as Interstate 95. The second phase of the Interchange Project will include the completion of the reconstruction and widening of the remaining interchange connectors. The first section was bid and awarded which will extend the reconstruction and widening of the Mainline approximately two miles to the west of the I-95 connection. The third phase will be the construction of a new wider bridge over the Delaware River, replacing the existing bridge. The Commission has completed an alternative analysis for the DRB. In coordination with FHWA, a Supplemental Environmental Impact Statement will be required and will parallel the preliminary design for the replacement of the DRB. Funding for the initial design costs of the subsequent phases was included in the Fiscal Year 2025 Capital Plan.

Economic Outlook

Pennsylvania boasts a highly diversified economy with a mix of industries. The real gross state product is projected to grow at an annual average of 1.5% from 2023 to 2026. Personal income is expected to increase by 4.8%, compared with 4.9% for the country. Pennsylvania's annual median household income grew to \$74,900 in 2023 with an anticipated 3.0% per annum growth through 2026. Pennsylvania retail sales are expected to moderate to an average annual growth of 1.6% through 2026 after experiencing above-average growth in recent years.

As of December 2023, Pennsylvania total nonfarm employment was up by 2.5% from 2022 levels. As in much of the country, the health care and social services sector contribute the largest share of the gains, led by the ongoing recovery in ambulatory health care services, social services, and nursing and residential care services. The leisure and hospitality sector continues to post gains. Professional, scientific, and technical services will continue to be a bright spot for the state in terms of job growth and economic output gains. High-tech fields such as artificial intelligence, industrial automation, and biosciences will see the most growth, while more traditional fields like legal services will see more moderate gains. The state and local government services sector, including public education, continues to experience weak job growth. It is the only sector where payrolls remain well below pre-pandemic levels, with public sector entities struggling to compete with rapidly rising private-sector wages.

The state's labor force has not yet recovered to its pre-pandemic peak, although the state has added around 26,000 workers (up 0.4%) over the past year. A more robust pace of labor force growth has provided a boost to public-sector hiring in other states and would likely do the same in Pennsylvania. As it stands, the state's unemployment rate had dropped to the mid-3% range by late 2023, compared with the mid-4% range in early 2020.

The Federal Housing Finance Agency's Purchase-Only House Price Index in Pennsylvania was 4.8% higher than a year earlier in the first quarter of 2023. This was below the national average price appreciation of 5.9% over the same period and down from a 9.6% gain in the third quarter

of 2022. Pennsylvania's home prices have surged in recent years due to a shortage of homes for sale, but price growth is now decelerating to more typical levels.

After a decade of rapid growth, Pennsylvania's natural gas production, primarily from the Marcellus Shale, has plateaued since 2021. The state is the nation's second-largest natural gas producer after Texas, with expanded pipeline capacity allowing production to reach more markets. In 2022, Pennsylvania accounted for 19% of marketed U.S. natural gas production. S&P expects the rate of gain to slow in the near future, but remain positive, as the development of additional takeaway capacity via pipeline faces challenges on many fronts. Construction activity related to the state's natural gas industry has cooled after years of completing new wells and building pipelines. Persistently low market prices have slowed well drilling, while the buildout of pipeline infrastructure is mostly complete for now. The ethane cracker plant in Beaver County began operation in November 2022 and is expected to provide an important outlet for natural gas liquids produced in western Pennsylvania.

Internal Control

Management of the Commission is responsible for establishing and maintaining internal controls designed to ensure that the assets of the Commission are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgements by management.

Trust Indentures

Operations of the Commission are substantially controlled by the provisions of five separate Trust Indentures (collectively referred to as Indentures):

- A Senior Trust Indenture dated July 1, 1986, which was amended and restated as of March 1, 2001, as supplemented, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee;
- An Oil Franchise Tax Trust Indenture dated August 1, 1998, as supplemented, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee;
- A Registration Fee Revenue Trust Indenture dated August 1, 2005, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee;
- A Subordinate Trust Indenture dated April 1, 2008, as supplemented, between the Commission and Computershare Trust Company, N.A., as successor Trustee; and
- A Special Obligation Trust Indenture dated September 1, 2014, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee.

Accordingly, certain activities of the Commission are restricted by these Indentures.

As demonstrated by the statements included in the financial section of this report, the Commission continues to meet its responsibility for sound financial management and compliance with the Indentures.

Other Information

Awards

Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Pennsylvania Turnpike Commission for its annual comprehensive financial report (ACFR) for the fiscal year ended May 31, 2023. This was the 36th consecutive year that the Commission has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized ACFR. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Independent Audit

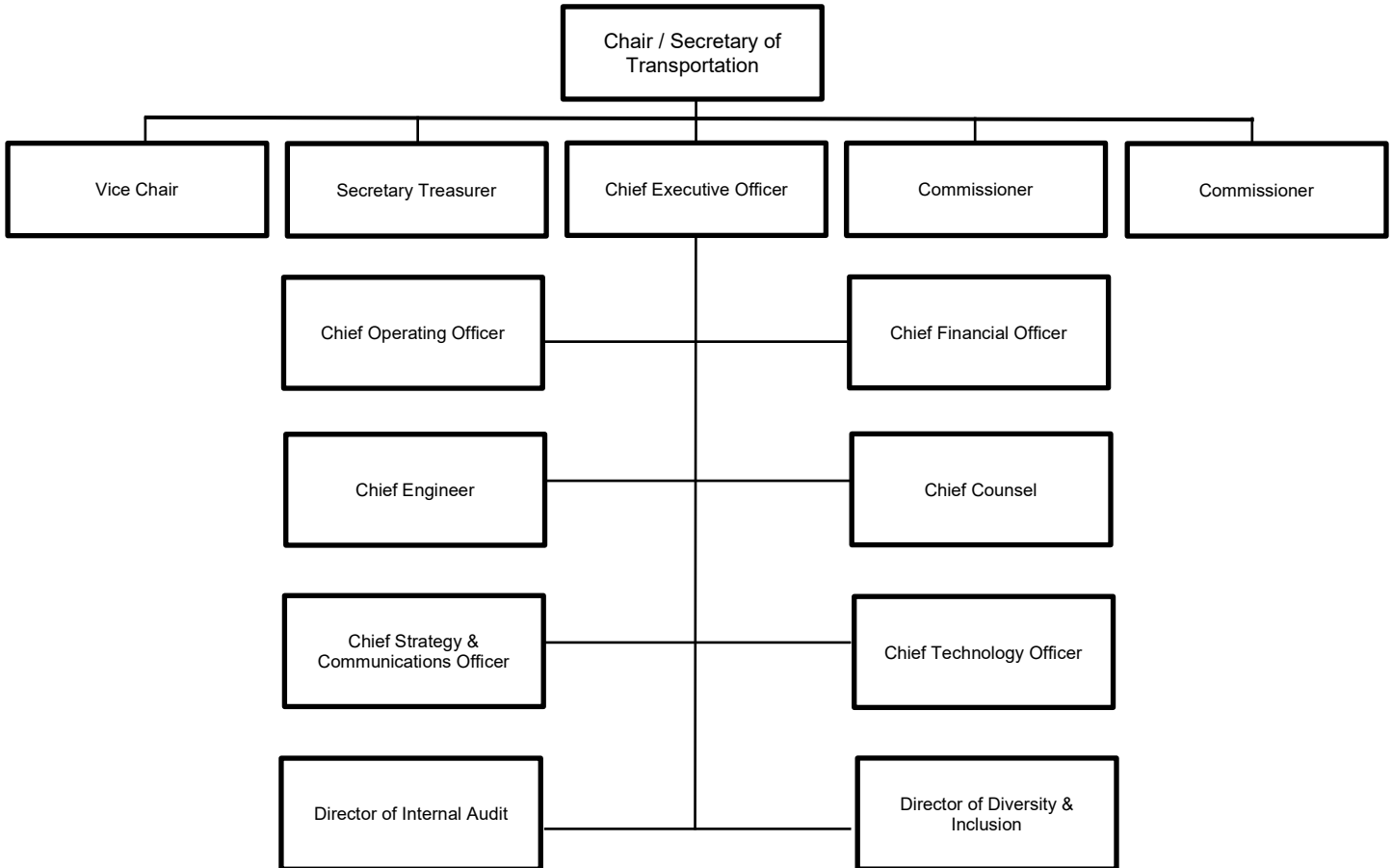
The Trust Indentures require an annual audit of the Commission's financial statements be performed by independent certified public accountants. The accounting firm of SB & Company, LLC was engaged by the Commission to perform the audit for the fiscal year ended May 31, 2024. The independent public accountants' report on the financial statements is included in the financial section of this report.

Acknowledgments

We wish to express our sincere appreciation to the staff of the Accounting and Financial Reporting and Finance departments whose time and dedicated effort made this report possible.

In addition, without the leadership and support of the Commissioners and executive staff of the Pennsylvania Turnpike Commission, preparation of this report would not have been possible.

PENNSYLVANIA TURNPIKE COMMISSION
 A Component Unit of the Commonwealth of Pennsylvania
 Organization Chart
 As of May 31, 2024



PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

List of Principal Officials

As of May 31, 2024

Title	Name
Commission Chair / Secretary of Transportation	Michael Carroll
Commission Vice Chair ²	William K. Lieberman ¹
Commission Secretary Treasurer	Dr. Keith Leaphart
Commissioner	Pasquale T. Deon, Sr. ²
Commissioner	Sean Logan
Chief Executive Officer	Mark P. Compton
Chief Operating Officer	Craig R. Shuey
Chief Financial Officer	Richard C. Dreher
Chief Engineer	Bradley J. Heigel, P.E.
Chief Counsel	Doreen A. McCall, Esq.
Chief Technology Officer	Robert Taylor, P.E., PTOE
Chief Strategy & Communications Officer	Kelli Roberts
Director of Internal Audit	Joan Resek
Director of Diversity & Inclusion	Catherine Clements-Jenkins

¹ Commissioner Lieberman's term expired in November 2023 and he continued to serve until his successor was confirmed. On September 18, 2024, Douglas B. Farnham was confirmed by the Pennsylvania State Senate to serve for a term of four years.

² At the Commission's October 1, 2024 meeting, the Commissioners reorganized. Commissioner Deon was elected as the Vice Chair.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Pennsylvania Turnpike Commission

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

May 31, 2023

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Commissioners
Pennsylvania Turnpike Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Pennsylvania Turnpike Commission (the Commission), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended May 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Commission, as of May 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective June 1, 2022, the Commission adopted new accounting guidance for subscription-based information technology arrangements. The guidance requires governments to recognize a right-to-use subscription asset and corresponding subscription liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Commission's 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 Commission'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.

Auditor's 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 auditor's 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 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, 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 Commission'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 Commission'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, the Schedule of Commission’s Proportionate Share of Net Pension Liability – Pennsylvania State Employees’ Retirement System – Pension Fund, the Schedule of Commission’s Contributions – Pennsylvania State Employees’ Retirement System – Pension Fund, the Schedule of Changes in the Commission’s Net OPEB Liability and Related Ratios, and the Schedule of Commission Contributions to the Other Postemployment Welfare Plan Program on pages 18 through 32 and pages 123 through 128 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission’s basic financial statements. The Section Information on pages 129 through 142 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Section 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the Section Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Certified Public
Accountants &
Business Advisors

Other Information Included in the Annual Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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.

Philadelphia, Pennsylvania
October 9, 2024

SBC + Company, LLC

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited)
May 31, 2024 and 2023

The management of the Pennsylvania Turnpike Commission (hereinafter referred to as the Commission) offers this narrative overview and analysis of the Commission's business-type (enterprise fund) and fiduciary (fiduciary fund) activities for the years ended May 31, 2024 and 2023, which should be read in conjunction with the Commission's financial statements.

Financial Highlights

- The Commission implemented Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, for fiscal year 2024. This included restatement of some May 31, 2023 balances.
- The Commission implemented Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for fiscal year 2023. This included restatement of some May 31, 2022 balances.

Overview of the Basic Financial Statements

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the Commission's enterprise and fiduciary fund financial statements (the financial statements). While the Commission is considered a discretely presented component unit of the Commonwealth of Pennsylvania (Commonwealth), it is also an enterprise fund. Therefore, the Commission's financial statements are presented in a manner similar to a private-sector business and have been prepared according to accounting principles generally accepted in the United States of America (U.S. GAAP). All of the current year's revenues are recorded when earned and expenses are recorded as they are incurred, regardless of when the cash is received or disbursed.

The Statements of Net Position present information on all of the Commission's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the differences being reported as net position. Over time, increases or decreases in net position serve as a relative indicator of the change in financial position of the Commission.

The Statements of Revenues, Expenses, and Changes in Net Position show the result of the Commission's total operations during the fiscal year and reflect both operating and nonoperating activities and capital contributions. Changes in net position (increases or decreases) reflect current year activities and the impact on the overall financial position of the Commission.

The Statements of Cash Flows provide a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, along with a reconciliation of operating income to net cash provided by operating activities. The Statements of Cash Flows are divided into the following activities sections – operating, investing, capital and related financing, and noncapital financing.

The Pennsylvania Turnpike Commission (the Employer) maintains an other postemployment welfare plan program (the Plan) for the purpose of providing non-pension other postemployment benefits (OPEB) for employees who meet the age and service requirements outlined in the Employer's plan documents. In accordance with GASB Statement No. 84, *Fiduciary Activities*, the Plan is a fiduciary component unit of the Commission. Fiduciary funds are used to account for resources held for the benefit of parties outside the Commission.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) (continued)
May 31, 2024 and 2023

Overview of the Basic Financial Statements (continued)

The Statements of Fiduciary Net Position present information on all of the Plan's assets, liabilities and fiduciary net position. Over time, increases or decreases in fiduciary net position serve as a relative indicator of the change in the financial position of the Plan.

The Statements of Changes in Fiduciary Net Position present information about the Plan's additions to, deductions from, and net increase (or decrease) in fiduciary net position. Changes in fiduciary net position (increases or decreases) reflect the current fiscal year's impact upon the overall financial position of the Plan.

Notes to the financial statements contain information and offer explanations to the financial statements. The notes are intended to assist the reader in understanding the Commission's financial statements.

Financial Analysis

Comparative Condensed Statements of Net Position

	2024	2023 (RESTATED)	2022 (RESTATED)
		<i>(In thousands)</i>	
<i>Assets and deferred outflows of resources</i>			
Current assets	\$ 2,391,139	\$ 2,239,543	\$ 2,234,990
Noncurrent investments	824,356	1,037,627	1,298,734
Capital assets, net of accumulated depreciation/amortization	7,865,701	7,170,340	6,771,182
Other assets	247,510	178,831	222,001
Total assets	11,328,706	10,626,341	10,526,907
Total deferred outflows of resources	417,115	399,559	382,926
Total assets and deferred outflows of resources	11,745,821	11,025,900	10,909,833
<i>Liabilities and deferred inflows of resources</i>			
Current liabilities	1,247,630	1,284,002	1,002,358
Debt, net of unamortized premium	17,018,142	16,566,893	16,843,788
Net pension liability	296,572	331,574	219,303
Other noncurrent liabilities	57,542	108,645	149,314
Total liabilities	18,619,886	18,291,114	18,214,763
Total deferred inflows of resources	455,566	318,876	432,024
Total liabilities and deferred inflows of resources	19,075,452	18,609,990	18,646,787
<i>Net position</i>			
Net investment in capital assets	(1,328,484)	(1,470,936)	(1,422,146)
Restricted for construction purposes	279,321	320,558	311,045
Restricted for debt service	91,275	84,920	64,781
Restricted for OPEB	173,457	109,651	150,224
Unrestricted	(6,545,200)	(6,628,283)	(6,840,858)
Total net position	\$ (7,329,631)	\$ (7,584,090)	\$ (7,736,954)

Note: The Commission adopted GASB Statement No. 96 and GASB Statement No. 87 for its fiscal years ended May 31, 2024 and 2023, respectively. See Note 2 for further discussion on fiscal year 2023 and 2022 balances that were restated.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Financial Analysis *(continued)*

Comparative Condensed Statements of Net Position *(continued)*

The Commission's total net position increased \$254.5 million for the fiscal year ended May 31, 2024. This increase in net position is mainly the result of increased fare revenues and investment earnings offset by increases in cost of services and interest and bond expenses. See later paragraphs for more detail on the changes in revenues and expenses. The Commission's total net position increased \$152.9 million for the fiscal year ended May 31, 2023. This increase in net position is mainly the result of the reduction in annual payment requirements under Act 44, Act 89 and the Amended Lease and Funding Agreement (Amended Funding Agreement) from \$450.0 million to \$50.0 million. Please refer to Note 11, Commitments and Contingencies, of the financial statements and to the Events That Will Impact Financial Position section of this MD&A for additional information regarding Act 44, Act 89 and the Amended Funding Agreement between the Commission and PennDOT. See also Note 9, Debt, in reference to the related debt.

Restricted net position is restricted for construction projects and debt service as defined in Trust Indentures and applicable bond issue official statements. As the Employer of the OPEB Plan, the Commission's net OPEB asset is also considered restricted net position.

The Commission's total assets and deferred outflows of resources increased by \$719.9 million in fiscal year 2024. This 2024 increase is mostly related to increases in capital assets of \$695.4 million as well as the increases in the net OPEB asset of \$63.8 million and deferred outflow of resources from OPEB of \$76.1 million. These increases were offset by a decrease in cash and investments of \$82.8 million. The increase in capital assets is mostly related to capital asset additions of \$1.1 billion, offset by \$417.0 million of depreciation/amortization expense. The increase in the OPEB related items are the result of changes in assumptions and an increase in our deferred outflows of resources due to differences between expected and actual experience used in the most recent actuarial valuation. See Note 13, OPEB, for additional information regarding OPEB. The decrease in cash and investments is primarily due to the spend down of Oil Franchise Tax 2021 Series AB Construction funds.

Total liabilities and deferred inflows of resources increased by \$465.5 million in fiscal year 2024. The increase for fiscal year 2024 was mainly related to a \$334.4 million net increase in total debt and a \$111.4 million increase in deferred inflow of resources from OPEB. The increase in debt is primarily related to \$1,117.4 million in bond issuances offset by \$481.3 million of refundings and \$294.0 million of principal payments. See Note 9, Debt, for additional information regarding debt activity. The increase in the deferred inflow of resources from OPEB is the result changes in assumptions used in the most recent actuarial valuation. See Note 13, OPEB, for additional information regarding OPEB.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Financial Analysis *(continued)*

Comparative Condensed Statements of Net Position *(continued)*

The Commission's total assets and deferred outflows of resources increased by \$116.1 million in fiscal year 2023. This 2023 increase is mostly related to increases in capital assets of \$399.2 million offset by a decrease in cash and investments of \$283.3 million. The increase in capital assets is mostly related to capital asset additions of \$813.6 million, offset by \$409.9 million of depreciation/amortization expense. The decrease in cash and investments is primarily due to decreased unspent proceeds related to Oil Franchise Tax and Mainline Senior bond issuances.

Total liabilities and deferred inflows of resources decreased by \$36.8 million in fiscal year 2023. The decrease for fiscal year 2023 was mainly related to Oil Franchise Tax and Motor License Registration Fee Debt principal payments exceeding accretion of Capital Appreciation Bonds by \$35.4 million. In addition, Mainline Motor License Fund Enhanced principal payments exceeded accretion of Capital Appreciation Bonds by \$8.7 million. The expected decreases related to the Mainline Subordinate Debt related to Act 44, Act 89 and the Amended Funding Agreement were offset by increases in Mainline Senior Debt. See Note 9, Debt, for additional information regarding debt activity. Please refer to Note 11, Commitments and Contingencies, of the financial statements and to the Events That Will Impact Financial Position section of this MD&A for additional information regarding Act 44, Act 89 and the Amended Funding Agreement between the Commission and PennDOT.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
 Management's Discussion and Analysis (Unaudited) (continued)
 May 31, 2024 and 2023

Financial Analysis (continued)**Comparative Statements of Revenues, Expenses, and Changes in Net Position**

	Year ended May 31		
	2024	2023 (RESTATED) <i>(In thousands)</i>	2022 (RESTATED)
<i>Operating revenues</i>			
Fares	\$ 1,608,793	\$ 1,540,705	\$ 1,459,916
Other	58,078	55,942	47,283
Total operating revenues	<u>1,666,871</u>	<u>1,596,647</u>	<u>1,507,199</u>
<i>Operating expenses</i>			
Cost of services	556,237	534,558	438,923
Depreciation/amortization	417,032	409,943	431,195
Total operating expenses	<u>973,269</u>	<u>944,501</u>	<u>870,118</u>
Operating income	<u>693,602</u>	<u>652,146</u>	<u>637,081</u>
<i>Nonoperating revenue (expenses)</i>			
Investment earnings (loss)	131,735	55,950	(71,591)
Other nonoperating revenue	8,128	12,656	21,503
Act 44 payments to PennDOT	(50,000)	(50,000)	(450,000)
Capital assets transferred to Commonwealth	-	(2,852)	(51,908)
Interest and bond expense	<u>(697,060)</u>	<u>(685,346)</u>	<u>(716,212)</u>
Nonoperating expenses, net	<u>(607,197)</u>	<u>(669,592)</u>	<u>(1,268,208)</u>
Income (loss) before capital contributions	86,405	(17,446)	(631,127)
Capital contributions	<u>168,054</u>	<u>170,310</u>	<u>169,141</u>
Increase (decrease) in net position	254,459	152,864	(461,986)
Net position at beginning of year, as restated ¹	<u>(7,584,090)</u>	<u>(7,736,954)</u>	<u>(7,274,968)</u>
Net position at end of year, as restated¹	<u>\$ (7,329,631)</u>	<u>\$ (7,584,090)</u>	<u>\$ (7,736,954)</u>

¹ The Commission adopted GASB Statement No. 96 and GASB Statement No. 87 for its fiscal years ended May 31, 2024 and 2023, respectively. See Note 2 for further discussion on fiscal year 2023 and 2022 balances that were restated.

For the fiscal years ended May 31, 2024 and 2023, operating and nonoperating revenues totaled \$1,806.7 million and \$1,665.3 million, respectively, while operating and nonoperating expenses totaled \$1,720.3 million and \$1,682.7 million, respectively.

Total operating and nonoperating revenues for fiscal year 2024 were \$141.4 million, or 8.5% higher than fiscal year 2023. The increase is due primarily to an increase in fare revenues and a \$75.8 million improvement in investment returns resulting from rising interest rates during fiscal year 2024. Fare revenues increased \$68.1 million because of increased traffic volumes and from the January 2024 toll increase of 5.0% for all customers as well as the full-year impact of the January 2023 toll increase of 5.0% for all customers.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Financial Analysis *(continued)*

Comparative Statements of Revenues, Expenses, and Changes in Net Position *(continued)*

Total operating and nonoperating revenues for fiscal year 2023 were \$208.2 million, or 14.3% higher than fiscal year 2022. The increase is due primarily to an increase in fare revenues and a \$127.5 million improvement in investment returns resulting from rising interest rates during fiscal year 2023. Fare revenues increased \$80.8 million because of increased traffic volumes and from the January 2023 toll increase of 5.0% for all customers as well as the full-year impact of the January 2022 toll increase of 5.0% for all customers, except those travelling on the Southern Beltway.

Total operating and nonoperating expenses for fiscal year 2024 were \$37.6 million higher than fiscal year 2023. This is primarily due to a \$21.7 million increase in cost of services and an \$11.7 million increase in interest and bond expense. The increase in cost of services is primarily due to increases in construction contracts and expenses related to PA State Police patrolling the roadway. The increase in interest and bond expense is primarily due to increased arbitrage expenses assessed on construction bond proceeds.

Total operating and nonoperating expenses for fiscal year 2023 were \$405.5 million lower than fiscal year 2022. This is primarily due to the \$400.0 million decrease in Act 44/89 Payments to PennDOT. Please refer to Note 11, Commitments and Contingencies, of the financial statements and to the Events That Will Impact Financial Position section of this MD&A for additional information regarding Act 44, Act 89 and the Amended Funding Agreement between the Commission and PennDOT.

Capital contributions decreased by \$2.3 million in fiscal year 2024 due to a \$5.2 million decrease in Federal reimbursements offset by a \$2.9 million increase in Oil Company Franchise Tax revenues. Capital contributions increased by \$1.2 million in fiscal year 2023 due to a \$2.9 million increase in Federal reimbursements offset by a \$1.0 million decrease in Oil Company Franchise Tax revenues. See Note 2.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) (continued)
May 31, 2024 and 2023

Financial Analysis (continued)

Capital Assets and Debt Administration

Capital Assets

Capital assets consist of land and intangible assets (right-of-way easements), assets under construction, buildings, improvements, equipment, right-to-use subscriptions and infrastructure. Infrastructure assets are typically items that are immovable such as highways, bridges and tunnels.

	Year ended May 31		
	2024	2023 (RESTATED) <i>(In thousands)</i>	2022
Capital assets not being depreciated/amortized	\$ 2,581,161	\$ 1,957,256	\$ 1,830,670
Capital assets being depreciated/amortized	12,914,583	12,560,504	11,957,535
Accumulated depreciation/amortization	7,630,043	7,347,420	7,017,023
Total capital assets being depreciated/amortized, net	<u>5,284,540</u>	<u>5,213,084</u>	<u>4,940,512</u>
Total capital assets	<u>\$ 7,865,701</u>	<u>\$ 7,170,340</u>	<u>\$ 6,771,182</u>

The Commission's investment in capital assets as of May 31, 2024 amounted to \$15.5 billion of gross asset value with accumulated depreciation/amortization of \$7.6 billion, leaving a net book value of \$7.9 billion. The net book value of capital assets as of May 31, 2023 was \$7.2 billion. Capital assets represented 67.0% and 65.0% of the Commission's total assets and deferred outflows of resources as of May 31, 2024 and 2023, respectively.

Assets under construction at the end of fiscal year 2024 were \$2,096.1 million, which was \$614.3 million higher than in fiscal year 2023. Assets under construction at the end of fiscal year 2023 were \$1,481.8 million, which was \$112.0 million higher than in fiscal year 2022. In fiscal year 2024, \$479.4 million of constructed capital assets were completed, which was \$185.7 million less than in fiscal year 2023. In fiscal year 2023, \$665.1 million of constructed capital assets were completed, which was \$800.5 million less than the \$1,465.6 million of constructed capital assets completed in fiscal year 2022. In addition to constructed capital assets, the Commission had capital asset additions from purchases of approximately \$18.7 million and \$36.5 million in fiscal years 2024 and 2023, respectively.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) (*continued*)
May 31, 2024 and 2023

Financial Analysis (*continued*)

Capital Assets and Debt Administration (*continued*)

Capital Assets (continued)

The Commission's Ten-Year Capital Plan continues the Commission's efforts for (i) total roadway reconstruction and resurfacing, (ii) the rehabilitation or replacement of structurally deficient bridges, (iii) the implementation of Open Road Tolling (ORT), (iv) facilities and energy management improvements including repair and replacement of maintenance facilities, and (v) the development and installation of a fiber optic network. A high priority for the Commission is the ongoing full depth roadway total reconstruction of the east/west Turnpike Mainline and Northeast Extension. This work includes the reconstruction and widening of the roadway, the widening of the median, replacement of both mainline and overhead bridges as well as many safety enhancements. To date, approximately 155 miles of total reconstruction have been completed. Currently, approximately 27 miles are in construction and approximately 80 miles are in design. Also, the Commission completed 19 miles of roadway resurfacing during fiscal year 2024, helping to maintain a quality-riding surface with a Turnpike System-wide median IRI (International Roughness Index) of 66, which is rated as good.

Per the 2023 Condition Assessment Report, the Commission constructed four new bridges, completely replaced seven aging original bridges with new bridges, redecked or rehabilitated another eight bridges, constructed three new retaining walls and one new sound wall. Of the Commission's bridges, 856 bridges that are inspected biennially, 2.0% are rated structurally deficient which is below the national average of 6.9%. All 17 bridges currently rated structurally deficient are either in construction or design for rehabilitation.

The Commission has five sets of tunnels across the system. The Tuscarora Tunnel has gone through a complete rehabilitation and was completed during fiscal year 2024. Blue Mountain and Kittatinny Tunnels are in final design for a complete rehabilitation and are scheduled to commence construction within the next five years.

Facility projects continue to focus on environmental and safety compliance, and on the maintenance and repair of existing buildings including HVAC, electrical and plumbing systems based on deficiencies identified during facility condition assessments. A new Training Facility was built next to the Lehigh Tunnel with a vehicle storage building to be constructed there in 2025. Design is progressing for the new Maintenance campuses at New Cumberland, Harrison City and Bowmansville. Design is underway for a Trades Building in District 3.

Electric vehicle (EV) charging stations have been installed at Oakmont Plum, New Stanton, North Somerset, South Somerset, Bowmansville, Peter J. Camiel, King of Prussia, and Hickory Run Northbound and Southbound service plazas.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

The Mon/Fayette Expressway is open to traffic from the Pennsylvania/West Virginia line to PA 51 in Jefferson Hills Borough, a distance of 48 miles. The current estimates to complete the final 14 miles of the Mon/Fayette Expressway to Interstate Route 376 (I-376) are in excess of \$2.0 billion. Final design is now proceeding on the 14-mile southern section of the Mon/Fayette Expressway. The initial sections have been bid and are under construction. Subsequent sections will be evaluated as funding become available. When completed, the Mon/Fayette Expressway will extend from Interstate 68 in West Virginia to I-376 in Monroeville, which is east of Pittsburgh.

The Southern Beltway is a series of three independent projects that extend from the Mon/Fayette Expressway near Finleyville to I-376 at the Pittsburgh International Airport. One project constructed as part of the Southern Beltway, a six-mile section of toll road in Allegheny County that connects I-376 to U.S. Route 22 (U.S. 22), is in operation. The project from U.S. 22 to Interstate 79 (I-79) opened in October 2021. The project from I-79 to Mon/Fayette Expressway is currently in the final design phase.

The Commission has no legal obligation to complete the unfinished portions of the Mon/Fayette Expressway and Southern Beltway projects at this time.

Interstate 95 (I-95) was completed in 1969 without an interchange connecting it to the Turnpike Mainline. Interstate travelers were required to either by-pass the Philadelphia area entirely or exit the interstate system and navigate a complex system of local roadways to access I-95 again in New Jersey.

The main objectives of the I-95 Interchange Project are to improve the linkage between I-95 and the Turnpike Mainline to create continuity in the interstate system, relieve congestion on local roads which are currently used by travelers to make the connection between I-95 and the Turnpike Mainline, create additional capacity on the Turnpike Mainline and I-95 to accommodate the transfer of traffic from the local roadway system, and improve travel times through the interchange area.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

The first phase of the Interchange Project included preparatory work and construction of a portion of the interchange between I-95 and the Turnpike Mainline, including northbound I-95 to the eastbound Turnpike Mainline and westbound Turnpike Mainline to southbound I-95. This phase included construction of a new Turnpike Mainline toll plaza and a cashless tolling plaza westbound, which opened in January 2016. The first phase of the Interchange Project was completed and open to traffic in September 2018. The portion of the Turnpike Mainline from the Interchange Project eastward to the Delaware River Bridge in Bucks County has been redesignated as I-95. The second phase of the Interchange Project will include the completion of the reconstruction and widening of the remaining interchange connectors. One section was bid and awarded which will extend the reconstruction and widening of the Mainline approximately two miles west of the I-95 connection. The third phase will be the construction of a new wider bridge over the Delaware River, replacing the existing bridge. Funding for the initial design costs of the subsequent phases is included in the Fiscal Year 2025 Capital Plan.

The above paragraphs describe the changes in capital assets occurring during the fiscal years ended May 31, 2024 and 2023. Please refer to the capital assets section in the notes to the financial statements (Note 5) for schedules summarizing changes in capital assets.

Debt Administration – Mainline

In September 2022, the Commission issued \$254,730,000 of 2022 Series A Senior Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2041. The 2022 Series A Senior Revenue Refunding Bonds were issued pursuant to the Tender Offer to refund a portion of the 2013 Series C Senior Revenue Bonds (\$23,875,000), 2014 Series A Senior Revenue Bonds (\$15,295,000), 2014 Series C Senior Revenue Bonds (\$43,055,000), 2014 Series Refunding Senior Revenue Bonds (\$140,830,000), 2015 Series A-1 Senior Revenue Bonds (\$23,475,000), 2015 Series B Senior Revenue Bonds (\$5,885,000), and 2020 First Series Senior Revenue Refunding Bonds (\$21,405,000) and paying for the costs of issuing the 2022 Series A Senior Revenue Refunding Bonds.

In December 2022, the Commission issued \$293,840,000 of 2022 Series B Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2052. The 2022 Series B Senior Revenue Bonds were issued to finance the costs of various capital expenditures set forth in the Commission's current ten-year capital plan, including any amendments 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; to refund the 2018 EB-5 Loan 1st Tranche (\$50,000,000) and the payment of the costs of issuing the 2022 Series B Senior Revenue Bonds.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In March 2023, the Commission issued \$343,800,000 of 2023 First Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2043. The 2023 First Series Subordinate Revenue Refunding Bonds were issued pursuant to the Tender Offer to refund a portion of the 2009 Series C Subordinate Revenue Bonds (\$26,275,000), 2009 Series E Subordinate Revenue Bonds (\$48,350,000), 2013 Series B-3 Subordinate Revenue Bonds (\$295,000), 2014 Series A-1 Subordinate Revenue Bonds (\$34,210,000), 2014 Series B Subordinate Revenue Bonds (\$65,180,000), 2015 Series A-1 Subordinate Revenue Bonds (\$23,485,000), 2015 Series B Subordinate Revenue Bonds (\$23,145,000), 2016 Refunding Subordinate Revenue Bonds (\$24,410,000), 2016 Series A-1 Subordinate Revenue Bonds (\$23,090,000), 2017 Series A Subordinate Revenue Bonds (\$76,870,000), 2019 First Series Subordinate Revenue Refunding Bonds (\$6,555,000), and 2020 First Series Subordinate Revenue Refunding Bonds (\$5,500,000); and paying for the costs of issuing the 2023 First Series Subordinate Revenue Refunding Bonds.

In September 2023, the Commission issued \$400,000,000 of 2023 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2053. The 2023 Series A Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the Commission'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, to refund a portion of the 2013 Series C Senior Revenue Bonds (\$15,895,000) and the 2018 EB-5 Loan 2nd Tranche (\$45,000,000), and for paying the costs of issuing the 2023 Series A Senior Revenue Bonds.

In November 2023, the Commission issued \$190,125,000 of 2023 Series B Senior Revenue Refunding Bonds at a variable rate with a maturity of December 1, 2043. The 2023 Series B Senior Revenue Refunding Bonds were primarily issued to refund the 2018 Series A-1 Senior Revenue Bonds (\$117,745,000) and 2018 Series B Senior Revenue Bonds (\$71,200,000), obtain the TD Letter of Credit as a Credit Facility in connection with the 2023 Series B Senior Revenue Refunding Bonds and for paying the costs of issuing the 2023 Series B Senior Revenue Refunding Bonds.

In January 2024, the Commission issued \$205,835,000 of 2024 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2044. The 2024 Series A Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the Commission'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 A Senior Revenue Bonds.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In February 2024, the Commission issued \$90,000,000, as a Direct Placement, 2024 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2054. The 2024 Series B Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the Commission'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 B Senior Revenue Bonds.

Debt Administration – Motor License Registration Fee

In September 2023, the Commission issued \$231,425,000 of 2023 Series Motor License Registration Fee Revenue Refunding Bonds at a variable rate with a maturity date of July 15, 2041. The 2023 Motor License Registration Fee Revenue Refunding Bonds were issued to refund the 2005 Series B Motor License Registration Fee Revenue Bonds (\$77,140,000), 2005 Series C Motor License Registration Fee Revenue Bonds (\$77,140,000), and 2005 Series D Motor License Registration Fee Revenue Bonds (\$77,145,000) and paying for the costs of issuing the 2023 Series Motor License Registration Fee Revenue Refunding Bonds.

Debt Administration - Bond Ratings

In August 2022, the Commission received an upgrade to both its Mainline Senior and Subordinate credit ratings from Fitch Ratings. Fitch upgraded the Commission's outstanding Mainline Senior lien bonds to 'AA-' from 'A+' and the Mainline Subordinate lien bonds to 'A' from 'A-'.

In January 2023, the Commission received a downgrade to both its Oil Franchise Tax Senior and Subordinate credit ratings from Fitch Ratings due to the expectations for weakening long-term pledged revenue growth prospects given the Commonwealth of Pennsylvania's declining trend in fuel consumption. Fitch downgraded the Commission's outstanding Oil Franchise Tax Senior lien bonds to 'AA-' from 'AA' and the Oil Franchise Tax Subordinate lien bonds to 'A' from 'A+'.

In January 2023, the Commission received an upgrade to its Mainline Senior, Mainline Subordinate and 2005 Motor License Registration Fee credit ratings from S&P Global Ratings. S&P upgraded the Commission's outstanding Mainline Senior lien bonds to 'AA-' from 'A+' and the Mainline Subordinate lien bonds to 'A+' from 'A'. Additionally, S&P upgraded the Commission's outstanding 2005 Motor License Registration Fee bonds to 'AA-' from 'A+'.

In August 2023, the Commission received an upgrade to both its Mainline Senior and Subordinate credit ratings from Moody's Ratings. Moody's upgraded the Commission's outstanding Mainline Senior lien bonds to 'Aa3' from 'A1' and the Mainline Subordinate lien bonds to 'A2' from 'A3'. Additionally, Moody's revised the Commission's revenue bond outlook to stable from positive.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) (*continued*)
May 31, 2024 and 2023

Financial Analysis (*continued*)

Capital Assets and Debt Administration (*continued*)

The preceding paragraphs describe debt activity occurring during the fiscal years ended May 31, 2024 and 2023. Please refer to the debt and commitments and contingencies notes to the financial statements (Notes 8 and 10) for more detailed schedules and descriptions of long-term debt and swap activity.

Events That Will Impact Financial Position

On July 18, 2007, Act 44 was enacted, creating a “public-public partnership” between the Commission and PennDOT to provide funding for roads, bridges and transit throughout the Commonwealth. Subsequently, in order to, among other things, effectuate the provisions of Act 44 requiring the Commission to make substantial annual payments to PennDOT, as described in the following paragraphs, the Commission and PennDOT entered into a Lease and Funding Agreement (the Act 44 Funding Agreement), incorporating many of the terms of Act 44.

The Act 44 Funding Agreement also granted the Commission the option to lease the portion of Interstate 80 (I-80) located in the Commonwealth from PennDOT upon, among other things, the approval of the Federal Highway Administration (FHWA) of the conversion of such portion into a toll road (the Conversion). The Conversion was not approved by FHWA and neither the Commission nor PennDOT appealed the decision. The Commission did not exercise its option to lease such portion of I-80, and the period during which the Commission could exercise its option under the Act 44 Funding Agreement lapsed on October 14, 2010, without the Commission effectuating the Conversion or having the ability to do so in the future, leaving all legal, financial and operational responsibility for I-80 solely with PennDOT.

Pursuant to Act 44 and the Act 44 Funding Agreement, the Commission is obligated to make scheduled annual payments to PennDOT (*Act 44/Act 89 Payments*). Previously, aggregate payments in the amount of \$450.0 million were due through 2057, payable in equal quarterly installments, with \$200.0 million of the scheduled annual payments supporting road and bridge projects and \$250.0 million supporting transit projects throughout the Commonwealth. However, commencing with fiscal year 2023, the Commission's current annual Act 44/Act 89 Payment obligation is now \$50.0 million. See the following paragraphs for more information on the total amount paid by the Commission under the Amended Funding Agreement.

On November 25, 2013, Act 89 was enacted to provide (i) substantial revenue enhancements to support investment in the Commonwealth's aging transportation infrastructure, and (ii) substantial reductions in the Commission's obligations with respect to the Act 44/Act 89 Payments. The revenue enhancements providing additional funds each year for investment in the Commonwealth's transportation infrastructure were fully implemented in fiscal year 2018.

Revisions to the Commission's Act 44/Act 89 Payment obligations enacted under Act 89 were implemented by Amendment Number One to Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Original Amended Funding Agreement*) executed by the Commission and PennDOT on April 4, 2014.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) (*continued*)
May 31, 2024 and 2023

Events That Will Impact Financial Position (*continued*)

In accordance with Act 89 and the Original Amended Funding Agreement, the Commission's aggregate annual Act 44/Act 89 Payment to PennDOT for fiscal year 2014 through fiscal year 2022 is \$450.0 million, with at least \$30.0 million of such annual amount required to be paid from current revenues and the remainder expected to be funded by the proceeds of bonds issued under the Subordinate Revenue Indenture.

The Original Amended Funding Agreement was subsequently further amended, on July 31, 2018, by Amendment Number Two to Lease and Funding Agreement (the *Amendment Two*) and on June 11, 2020, by Amendment Number Three to the Lease and Funding Agreement (the *Amendment Three*, and together with the Original Amended Funding Agreement and Amendment Two, the *Amended Funding Agreement*) both of which were executed by all parties to provide current year adjustments for certain due dates for Act 44/Act 89 Payments in fiscal years 2019 through 2021.

Act 89 relieved the Commission from over \$15.0 billion in future Act 44/Act 89 Payments to PennDOT during fiscal years 2023 through 2057 (the term of the Amended Funding Agreement), by reducing the Commission's aggregate annual Act 44/Act 89 Payments to PennDOT to \$50.0 million, which amount must be paid from current revenues of the Commission. Act 89 further provides that commencing with fiscal year 2023, the Commission's \$50.0 million scheduled annual Act 44/Act 89 Payments must be used to support Commonwealth mass transit capital and operating needs.

The provisions of Act 44 and the Funding Agreement require PTC to provide a financial plan to the Secretary of the Budget on, or before, June 1 of each year that describes the Commission's proposed operating and capital expenditures, borrowings, liquidity and other financial management covenants and policies, estimated toll rates and all other revenues and expenditures for the ensuing fiscal year. Act 44 requires that the financial plan demonstrate that the operations of the Commission can reasonably be anticipated to result in the Commission having sufficient funds to make payments due to PennDOT pursuant to the Funding Agreement and Act 44 during the ensuing and future fiscal years. The financial plan does not cover the funding needs for the Mon/Fayette Expressway or the Southern Beltway projects, which are separately financed by certain dedicated tax and fee revenue sources of the Commonwealth. Those revenue sources include Oil Franchise Tax Revenues and Registration Fee Revenues and are not pledged to pay debt service on the Commission's Senior Revenue Bonds, Subordinate Revenue Bonds or Subordinate Special Revenue Bonds.

Since the enactment of Act 44 in 2007, the Commission's annual Financial Plan has demonstrated that for the prior fiscal year that the Commission was able to meet all of its financial covenants and obligations under the Enabling Acts and was able to progress with its then-current Capital Plan. The Commission delivered to the Secretary of the Budget its Financial Plan for Fiscal Year 2025 on May 13, 2024.

The Fiscal Year 2025 Financial Plan defines the reasonably expected revenues the Commission will generate necessary to meet required Turnpike operating and maintenance expenses, debt service payments, capital expenses, and liquidity requirements. A copy of the Fiscal Year 2025 Financial Plan is available on the Commission's website.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Management's Discussion and Analysis (Unaudited) *(continued)*
May 31, 2024 and 2023

Events That Will Impact Financial Position *(continued)*

Additionally, the Fiscal Year 2025 Financial Plan concludes that the Commission is projected to generate sufficient resources to operate and maintain the Turnpike, provide for its capital investment needs to ensure the System is maintained in a state of good repair, meet debt service requirements, fund required Act 44/Act 89 Payments and maintain internal liquidity. Although the Commission's Fiscal Year 2025 Financial Plan is based on reasonable financial assumptions, it recognizes that there are inherent uncertainties in projecting the Commission's resources and obligations over a thirty-three year period. Downside risks to the financial plan include, but are not limited to, lower than expected traffic and toll revenues, higher interest and inflation rates, and/or greater than projected cost increases. To accommodate these risks, the financial plan requires that the Commission maintain strong debt service coverage and preserve internal liquidity.

The preceding paragraphs provide a brief overview of Act 44 and Act 89 and their requirements. Please refer to the commitments and contingencies section in the Notes to the Financial Statements (Note 11) for additional information regarding the Commission's commitments under the Amended Funding Agreement. Furthermore, legislation may be introduced that could affect the Commission and its obligations pursuant to Act 44 and Act 89. Also, the Commission cannot predict what other legislation may be considered by the General Assembly during the 2024-2025 or future legislative sessions or if any other proposals or initiatives may lead to the adoption of legislation that may affect the Commission.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Net Position – Business-type activities
May 31, 2024 and 2023
(in thousands)

	<u>2024</u>	<u>2023</u> <i>(RESTATED)</i>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
<i>Current assets</i>		
Cash and cash equivalents	\$ 355,987	\$ 294,551
Investments	224,582	181,346
Accounts receivable - net of allowance of \$718.1 million and \$546.6 million as of May 31, 2024 and 2023, respectively	158,966	137,083
Accrued interest receivable	2,181	2,205
Inventories	25,025	23,147
<i>Restricted current assets</i>		
Cash and cash equivalents	917,435	883,150
Investments	679,489	687,991
Accounts receivable	9,607	13,908
Accrued interest receivable	17,867	16,162
Total current assets	<u>2,391,139</u>	<u>2,239,543</u>
<i>Noncurrent assets</i>		
<i>Investments</i>		
Investments	262,669	381,041
Investments restricted	561,687	656,586
Total investments	<u>824,356</u>	<u>1,037,627</u>
<i>Capital assets not being depreciated/amortized</i>		
Land and intangibles	485,043	475,462
Assets under construction	2,096,118	1,481,794
<i>Capital assets being depreciated/amortized</i>		
Buildings	1,176,281	1,099,651
Improvements other than buildings	196,423	190,080
Equipment	664,015	650,946
Infrastructure	10,864,934	10,613,104
Right-to-use - subscriptions	12,930	6,723
Total capital assets before accumulated depreciation/amortization	15,495,744	14,517,760
Less: Accumulated depreciation/amortization	<u>7,630,043</u>	<u>7,347,420</u>
Total capital assets after accumulated depreciation/amortization	<u>7,865,701</u>	<u>7,170,340</u>
<i>Other assets</i>		
Prepaid bond insurance costs	3,724	4,626
Net OPEB asset	173,457	109,651
Other assets	70,329	64,554
Total other assets	<u>247,510</u>	<u>178,831</u>
Total noncurrent assets	<u>8,937,567</u>	<u>8,386,798</u>
Total assets	11,328,706	10,626,341
Deferred outflows of resources from hedging derivatives	589	25,860
Deferred outflows of resources from refunding bonds	232,643	239,751
Deferred outflows of resources from pensions	61,803	87,942
Deferred outflows of resources from OPEB	122,080	46,006
Total deferred outflows of resources	<u>417,115</u>	<u>399,559</u>
Total assets and deferred outflows of resources	<u>\$ 11,745,821</u>	<u>\$ 11,025,900</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Statements of Net Position – Business-type activities (*continued*)

May 31, 2024 and 2023

(in thousands)

	<u>2024</u>	<u>2023</u> <i>(RESTATED)</i>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
<i>Current liabilities</i>		
Accounts payable and accrued liabilities	\$ 708,651	\$ 633,639
Current portion of debt	411,085	527,900
Unearned income	<u>127,894</u>	<u>122,463</u>
Total current liabilities	<u>1,247,630</u>	<u>1,284,002</u>
<i>Noncurrent liabilities</i>		
Debt, less current portion, net of unamortized premium of \$1,498.5 million and \$1,520.5 million in 2024 and 2023, respectively	17,018,142	16,566,893
Net pension liability	296,572	331,574
Other noncurrent liabilities	<u>57,542</u>	<u>108,645</u>
Total noncurrent liabilities	<u>17,372,256</u>	<u>17,007,112</u>
Total liabilities	<u>18,619,886</u>	<u>18,291,114</u>
Deferred inflows of resources from hedging derivatives	110,313	76,625
Deferred inflows of resources from service concession arrangements	82,600	89,344
Deferred inflows of resources from refunding bonds	20,869	22,591
Deferred inflows of resources from pensions	29,794	38,230
Deferred inflows of resources from OPEB	164,998	53,646
Deferred inflows of resources from leases	<u>46,992</u>	<u>38,440</u>
Total deferred inflows of resources	<u>455,566</u>	<u>318,876</u>
Total liabilities and deferred inflows of resources	<u>19,075,452</u>	<u>18,609,990</u>
NET POSITION		
Net investment in capital assets	(1,328,484)	(1,470,936)
Restricted for construction purposes	279,321	320,558
Restricted for debt service	91,275	84,920
Restricted for OPEB	173,457	109,651
Unrestricted	<u>(6,545,200)</u>	<u>(6,628,283)</u>
Total net position	<u>\$ (7,329,631)</u>	<u>\$ (7,584,090)</u>

Note: The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Statements of Revenues, Expenses, and Changes in Net Position – Business-type activities

Years Ended May 31, 2024 and 2023

(in thousands)

	<u>2024</u>	<u>2023</u> <i>(RESTATED)</i>
<i>Operating revenues</i>		
Fares - net of discounts, adjustments and bad debt expense of \$146.2 million and \$121.0 million for the years ended May 31, 2024 and 2023, respectively	\$ 1,608,793	\$ 1,540,705
Other	58,078	55,942
Total operating revenues	<u>1,666,871</u>	<u>1,596,647</u>
<i>Operating expenses</i>		
Cost of services	556,237	534,558
Depreciation/amortization	417,032	409,943
Total operating expenses	<u>973,269</u>	<u>944,501</u>
Operating income	<u>693,602</u>	<u>652,146</u>
<i>Nonoperating revenues (expenses)</i>		
Investment earnings	131,735	55,950
Other nonoperating revenues	8,128	12,656
Act 44 and Act 89 payments to PennDOT	(50,000)	(50,000)
Capital assets transferred to the Commonwealth	-	(2,852)
Interest and bond expense	(697,060)	(685,346)
Nonoperating expenses, net	<u>(607,197)</u>	<u>(669,592)</u>
Income (loss) before capital contributions	86,405	(17,446)
Capital contributions	168,054	170,310
Increase in net position	254,459	152,864
Net position at beginning of year, as restated ¹	<u>(7,584,090)</u>	<u>(7,736,954)</u>
Net position at end of year, as restated¹	<u>\$ (7,329,631)</u>	<u>\$ (7,584,090)</u>

¹ The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Statements of Cash Flows – Business-type activities
Years Ended May 31, 2024 and 2023
(in thousands)

	<u>2024</u>	<u>2023</u> <i>(RESTATED)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customer tolls and deposits	\$ 1,663,003	\$ 1,579,233
Cash payments for goods and services	(435,986)	(412,877)
Cash payments to employees	(162,176)	(144,767)
Cash received from other operating activities	6,623	11,312
Net cash provided by operating activities	<u>1,071,464</u>	<u>1,032,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	5,442,040	4,676,592
Interest received on investments	50,832	37,082
Purchase of investments	<u>(5,206,040)</u>	<u>(4,437,514)</u>
Net cash provided by investing activities	<u>286,832</u>	<u>276,160</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received from other governments	641	5,212
Proceeds from Motor License Registration fees	28,000	28,000
Proceeds from Oil Company Franchise Tax	137,513	130,812
Construction and acquisition of capital assets	(1,068,384)	(758,589)
Proceeds from sale of capital assets	1,646	1,014
Payments for bond and swap expenses	(11,480)	(7,385)
Payments for debt refundings	(481,418)	(341,272)
Payments for bond maturities	(169,605)	(150,480)
Interest paid on debt	(405,144)	(389,112)
Interest subsidy from Build America Bonds	21,111	10,554
Proceeds from debt issuances	<u>1,173,154</u>	<u>601,826</u>
Net cash used in capital and related financing activities	<u>(773,966)</u>	<u>(869,420)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments to PennDOT	(50,000)	(50,000)
Payments for bond and swap expenses	-	(3,513)
Payments for debt refundings	-	(386,473)
Payments for debt maturities	(124,350)	(113,260)
Interest paid on debt	(314,259)	(328,664)
Proceeds from debt issuances	<u>-</u>	<u>384,487</u>
Net cash used in noncapital financing activities	<u>(488,609)</u>	<u>(497,423)</u>
Increase (decrease) in cash and cash equivalents	95,721	(57,782)
Cash and cash equivalents at beginning of year	<u>1,177,701</u>	<u>1,235,483</u>
Cash and cash equivalents at end of year	<u>\$ 1,273,422</u>	<u>\$ 1,177,701</u>

Note: The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Statements of Cash Flows – Business-type activities (*continued*)

Years Ended May 31, 2024 and 2023

(in thousands)

	<u>2024</u>	<u>2023</u> (RESTATED)
<i>Reconciliation of operating income to net cash provided by operating activities</i>		
Operating income	\$ 693,602	\$ 652,146
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>		
Depreciation/amortization	417,032	409,943
<i>Change in operating assets and liabilities</i>		
Accounts receivable	(19,696)	(12,576)
Inventories	(1,878)	(2,739)
Other assets	(2)	138
Net OPEB asset	(63,806)	40,573
Deferred outflows of resources from pensions	26,139	(48,313)
Deferred outflows of resources from OPEB	(76,074)	4,630
Accounts payable and accrued liabilities	22,841	19,327
Net pension liability	(35,002)	112,272
Other noncurrent liabilities	(3,160)	(1,262)
Deferred inflows of resources from pensions	(8,436)	(71,099)
Deferred inflows of resources from OPEB	111,352	(69,305)
Deferred inflows of resources from leases	8,552	(834)
Net cash provided by operating activities	<u>\$ 1,071,464</u>	<u>\$ 1,032,901</u>
<i>Reconciliation of cash and cash equivalents to the statements of net position</i>		
Cash and cash equivalents	\$ 355,987	\$ 294,551
Restricted cash and cash equivalents	917,435	883,150
Total cash and cash equivalents	<u>\$ 1,273,422</u>	<u>\$ 1,177,701</u>

Note: The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for the further discussion on fiscal year 2023 balances that were restated.

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded net increase of \$75.5 million and a net increase of \$13.4 million in the fair value of its investments not reported as cash equivalents for the years ended May 31, 2024 and 2023, respectively.

The Commission recorded \$77.6 million and \$75.6 million for the amortization of bond premiums for the years ended May 31, 2024 and 2023, respectively.

As indicated in Note 9, the Commission refunded various bonds in both fiscal years 2024 and 2023. The fiscal year 2024 refundings resulted in a \$0.2 million reclassification from bond premiums (discounts) to deferred outflows of resources from refundings. The fiscal year 2023 refundings resulted in a \$34.9 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings and \$7.6 million reclassification from bond premiums (discounts) to deferred outflows of resources from refundings. Additionally, the Commission recorded \$16.5 million and \$20.1 million in expenses for amortization of deferred outflows/inflows of resources from refunding bonds for the years ended May 31, 2024 and 2023, respectively.

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Statements of Cash Flows – Business-type activities (*continued*)

Years Ended May 31, 2024 and 2023

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities (*continued*)

The Commission recorded \$0.3 million in expenses for amortization of prepaid bond insurance costs for each of the years ended May 31, 2024 and 2023.

The Commission recorded an interest expense reduction of \$7.1 million and \$6.7 million for the years ended May 31, 2024 and 2023, respectively, related to terminated derivative instruments.

The Commission recognized total capital contributions of \$168.1 million for the fiscal year ended May 31, 2024. Cash received of \$166.2 million for the fiscal year ended May 31, 2024 is reported in the capital and related financing activities of this statement. The \$1.9 million difference between capital contributions and cash received is the result of a \$2.9 million decrease in receivables related to these capital contributions offset by a \$4.8 million noncash capital contribution related to capital assets provided by service plaza operators. The Commission recognized total capital contributions of \$170.3 million for the fiscal year ended May 31, 2023. Cash received of \$164.0 million for the fiscal year ended May 31, 2023 is reported in the capital and related financing activities of this statement. The \$6.3 million difference between capital contributions and cash received is the result of a \$1.5 million increase in receivables related to these capital contributions and by a \$4.8 million noncash capital contribution related to capital assets provided by service plaza operators. See Note 2 for further discussion on capital contributions and Note 6 for further discussion on the service plazas.

As discussed in Note 2 (*Capital Assets Transferred to the Commonwealth of Pennsylvania* section), the Commission did not transfer any capital assets to PennDOT during the fiscal year ended May 31, 2024. During fiscal year 2023, the Commission transferred IT equipment and Dynamic Message System signs with a net book value of \$2.9 million to PennDOT.

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Statements of Fiduciary Net Position – OPEB Trust Fund
May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<i>(in thousands)</i>	
ASSETS		
Cash and cash equivalents	\$ 4,645	\$ 6,900
Interest and dividends receivable	775	590
<i>Investments</i>		
Equity – stocks	14,870	12,202
Equity – mutual funds	218,313	207,497
Fixed income – mutual funds	65,100	72,116
Fixed income – mortgages	159	208
Fixed income – U.S. Treasuries	45,144	43,130
Fixed income – U.S. Government agency securities	26,963	26,111
Fixed income – U.S. High Yield	28,582	-
Corporate obligations	19,155	21,949
<i>Limited partnerships</i>		
Real estate	51,106	64,255
Commodities	25,054	32,994
Global tactical asset allocation	31,173	26,737
Private debt	16,531	16,439
Private equity	6,589	5,390
Total limited partnerships	130,453	145,815
Hedge fund of funds	43,653	23,600
Total investments	592,392	552,628
Total assets	597,812	560,118
LIABILITIES		
Benefits payable	582	277
Other liabilities	159	167
Total liabilities	741	444
Net position – restricted for OPEB	<u>\$ 597,071</u>	<u>\$ 559,674</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Statements of Changes in Fiduciary Net Position – OPEB Trust Fund

Years Ended May 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	<i>(in thousands)</i>	
ADDITIONS		
Employer contributions	\$ 13,419	\$ 14,652
<i>Net investment income (loss)</i>		
Interest, dividends, and capital gains income	12,121	11,128
Change in fair value of investments	36,858	(16,346)
Investment fees	(865)	(928)
Total net investment income (loss)	<u>48,114</u>	<u>(6,146)</u>
Total additions	<u>61,533</u>	<u>8,506</u>
DEDUCTIONS		
Benefit payments	24,113	21,431
Administrative expenses	23	14
Total deductions	<u>24,136</u>	<u>21,445</u>
Change in fiduciary net position	37,397	(12,939)
Net position – restricted for OPEB		
Beginning of year	<u>559,674</u>	<u>572,613</u>
End of year	<u>\$ 597,071</u>	<u>\$ 559,674</u>

The accompanying notes are an integral part of these financial statements.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements

Years Ended May 31, 2024 and 2023

NOTE 1 FINANCIAL REPORTING ENTITY

Accounting principles generally accepted in the United States (U.S. GAAP) require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

The Pennsylvania Turnpike Commission (the Commission) was created as an instrumentality of the Commonwealth of Pennsylvania (the Commonwealth) on May 21, 1937, with powers to construct, operate, and maintain the Turnpike System and to issue Turnpike revenue bonds, repayable solely from tolls and other Commission revenues. The Commission is considered a discretely presented component unit of the Commonwealth.

The Commission is composed of five members, one of whom is the Secretary of Transportation. The others are appointed by the Governor with the approval of two-thirds of the Senate.

The Commission maintains an Other Postemployment Welfare Plan Program (the Plan), for the purpose of providing benefits to eligible retirees and their dependents. The Plan is a single-employer, defined benefit plan. The Commission established the Pennsylvania Turnpike Commission Retiree Medical Trust (the Trust) on May 30, 2008 as an irrevocable trust, tax-exempt under Section 115 of the Internal Revenue Code, to provide funding of the Plan's other postemployment benefits (OPEB). The Trust is administered by Trustees who are appointed by and serve at the pleasure of the Commission. The chairman and vice chairman of the Trust are appointed by the Trustees and serve two-year terms. In accordance with GASB Statement No. 84, *Fiduciary Activities*, the Plan is a fiduciary component unit of the Commission.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (GASB), the Commission has determined that it has no other component units.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission's business-type activities (enterprise fund) and fiduciary activities (fiduciary fund) have been prepared in conformity with U.S. GAAP as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described in the following paragraphs:

Basis of Accounting

The Commission's enterprise and fiduciary fund financial statements (the financial statements) are presented on the accrual basis of accounting.

Accounting Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

Reclassifications

Certain amounts presented in fiscal year 2023 have been reclassified to confirm to the fiscal year 2024 financial statement presentation.

Cash Equivalents

The Commission considers all highly liquid debt investment securities that mature within three months of acquisition to be cash equivalents.

Investments

Investments are stated at fair value, except for the following: money market investments are reported at cost which does not materially differ from fair value, certain nonparticipating contracts such as repurchase agreements and other agreements structured as repurchase agreements are reported at cost which does not materially differ from fair value and guaranteed investment contracts are stated at contract value. The Commission categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 4 for further discussion.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Accounts Receivable

Accounts receivable consist primarily of toll revenue receivables from customers and other E-ZPass agencies, fee revenue receivables from customers and reimbursement receivables from other governments. An allowance for uncollectible accounts receivable is established based on specific identification and historical experience.

Restricted Assets

In accordance with Trust Agreements and Trust Indentures, the Commission has established and maintains certain restricted accounts. Funds have been deposited in these accounts and are restricted for major capital replacements, improvements, betterments, enlargements, capital additions or the payment of debt service related to bonds.

Restricted assets as of May 31, 2024 were as follows:

	Restricted for:		Total
	Construction	Debt Service	
	<i>(in thousands)</i>		
Cash and cash equivalents	\$ 200,152	\$ 717,283	\$ 917,435
Current investments	305,588	373,901	679,489
Accounts receivable	9,607	-	9,607
Accrued interest receivable	1,059	16,808	17,867
Noncurrent investments	117,420	444,267	561,687
Total	<u>\$ 633,826</u>	<u>\$ 1,552,259</u>	<u>\$ 2,186,085</u>

Restricted assets as of May 31, 2023 were as follows:

	Restricted for:		Total
	Construction	Debt Service	
	<i>(in thousands)</i>		
Cash and cash equivalents	\$ 318,228	\$ 564,922	\$ 883,150
Current investments	200,610	487,381	687,991
Accounts receivable	13,908	-	13,908
Accrued interest receivable	1,351	14,811	16,162
Noncurrent investments	198,288	458,298	656,586
Total	<u>\$ 732,385</u>	<u>\$ 1,525,412</u>	<u>\$ 2,257,797</u>

Utilization of Resources

When both restricted and unrestricted resources are available for use, the Commission's policy is to use restricted resources first and then unrestricted resources as needed.

Inventories

Inventories are valued at average cost. The cost of inventory is expensed upon use (consumption method).

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Capital Assets

Capital assets consist of land and intangible assets (right-of-way easements), assets under construction, buildings, improvements, equipment, right-to-use – subscriptions and infrastructure. Infrastructure assets are typically items that are immovable such as highways, bridges, and tunnels. Capital assets are stated at cost. Donated capital assets and capital assets received in a service concession arrangement are measured at acquisition value. Effective for the fiscal year ended May 31, 2024, acquisitions of capital assets valued at \$100,000 or greater are capitalized. Previously, acquisitions of capital assets valued at \$15,000 or greater were capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset. Intangible assets have an indefinite life and, thus, are not depreciated/amortized. The following useful lives and subscription terms are used:

Buildings	10 – 45 years
Improvements other than buildings	15 – 20 years
Equipment	3 – 40 years
Infrastructure	10 – 50 years
Right-to-use – subscriptions	2 – 3 years

Leases

The Commission is the lessor for advertising, cell tower, gas royalty and other miscellaneous leases. The miscellaneous category includes, but is not limited to, leases such as commercial, residential, agricultural and license agreements. The Commission recognizes a lease receivable and deferred inflows of resources related to leases in the financial statements.

At the commencement of a lease, the Commission initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Commission determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Commission uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITAs)

The Commission has entered into several software contracts that meet the criteria for subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96. Contracts that convey control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction are required to be recognized as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The Commission recognizes the subscription liability at the commencement of the subscription term, —which is when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the Commission's incremental borrowing rate. Amortization of the discount on the subscription liability is recognized as interest expense in subsequent financial reporting periods. The subscription asset is initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT asset.

Debt Premium/Discount and Prepaid Insurance Costs

Debt premium/discount is being amortized using the effective interest rate method over the varying terms of the bonds issued. Prepaid bond insurance costs (incurred through bond issuances) are being amortized using the straight-line method over the varying terms of the bonds issued.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Unearned Income

Unearned income is primarily related to E-ZPass customer deposits. E-ZPass customers of the Commission are required to deposit funds in advance of anticipated travel. Since this money is collected prior to the customers' travel and revenue recognition, it is recorded as unearned income. The Commission had \$127.9 million and \$122.5 million classified as unearned income for the fiscal years ended May 31, 2024 and 2023, respectively. Additionally, the Commission had \$6.6 million and \$5.2 million classified as accounts payable and accrued liabilities for the fiscal years ended May 31, 2024 and 2023, respectively.

Arbitrage Payable

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The Commission had a total arbitrage liability of \$8.2 million and \$0.4 for fiscal years ended May 31, 2024 and 2023, respectively. The arbitrage liability recorded as accounts payable and accrued liabilities was \$0.4 million and \$0.2 million as of May 31, 2024 and 2023, respectively. The arbitrage liability recorded as other noncurrent liabilities was \$7.8 million and \$0.2 million as of May 31, 2024 and 2023, respectively.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pennsylvania State Employees' Retirement System (SERS) and additions to/deductions from SERS's fiduciary net position have been determined on the same basis as they are reported by SERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Pennsylvania Turnpike Commission's Other Postemployment Welfare Plan Program (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at cost.

Deferred Outflows/Inflows of Resources

The Statements of Net Position report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Commission has six items that qualify for reporting in these categories: deferred outflows/inflows from its hedging derivative instruments, deferred inflows from its service concession arrangements, deferred outflows/inflows from refunding bonds, deferred outflows/inflows related to pensions, deferred outflows/inflows related to other postemployment benefits and deferred inflows related to leases.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Deferred Outflows/Inflows of Resources (*continued*)

The deferred outflows/inflows of resources related to hedging derivative instruments represent the cumulative change in their fair values. Deferred inflows from the Commission's service concession arrangements represent unamortized capital contributions from service plaza operators and the present value of minimum guaranteed rent payments. Deferred outflows/inflows from refundings are the result of differences in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows/inflows of resources related to pensions are described further in Note 10. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all SERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on SERS investments is amortized over a five-year closed period, beginning the year in which the difference occurs (current year). Deferred outflows/inflows of resources related to OPEB are described further in Note 13. Investment (gains)/losses are recognized in OPEB expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members. Deferred inflows of resources related to leases represent the unearned revenues for all leases in which the Commission is the lessor.

Net Position

U.S. GAAP requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Net Position (*continued*)

Restricted – This component of net position consists of restricted assets and deferred outflows of resources reduced by liabilities and deferred inflows of resources related to those assets. The restrictions would be imposed by:

- External parties such as creditors, grantors and contributors,
- Laws or regulations of other governments, or
- Restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Operating Revenues

Revenues associated with operations of the Turnpike System are considered operating revenues. The principal operating revenues of the Commission are fare revenues from customers, offset by discounts, toll-related bad debt and other adjustments. Other operating revenues include service station, restaurant, property and other rental income, as well as revenue from various sponsorship agreements. Also included are electronic toll collection fees related to E-ZPass and Toll-By-Plate (TBP) programs, as well as related bad debt expense.

Fare Revenues

Fare revenues are recognized when vehicles exit the Turnpike System.

The Commission has installed E-ZPass, a form of electronic toll collection, throughout the Turnpike System. As customers drive through a toll point with an E-ZPass transponder, toll equipment captures the trip information, calculates the toll, and deducts it from the customer's E-ZPass pre-paid account balance. Toll-By-Plate (TBP) is supplemental to E-ZPass toll collections and utilizes technology where cameras read the license plates of all non-E-ZPass customers, as they pass through each toll gantry. The registered owner of the vehicle is then invoiced for the assessed tolls. For fiscal years 2024 and 2023, approximately 16.3% and 16.0%, respectively, of the fare revenues were realized through TBP, which are included as a part of all-electronic tolling.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating Expenses

Operating expenses relate directly to operating and maintaining the Turnpike System. The principal operating expenses of the Commission are cost of services and depreciation/amortization. Other expenses are considered nonoperating expenses.

Cost of Services

Cost of services includes wages and salaries, benefits, utilities, fuels, professional fees and services, PA State Police services, and purchased goods, including materials and supplies.

Nonoperating Revenues (Expenses)

Nonoperating revenues include net investment earnings and other miscellaneous revenues not associated with the operations of the Turnpike System. Nonoperating expenses include: Act 44 and Act 89 payments to PennDOT, capital assets transferred to the Commonwealth, interest and bond expenses, and other miscellaneous expenses not associated with the operations of the Turnpike System.

Nonoperating Revenues (Expenses) *(continued)*

Act 44 and Act 89 Payments to PennDOT

The Commission and PennDOT entered into a Lease and Funding Agreement, as amended, as required under the terms of Act 44 and Act 89. See Note 11 for more information regarding Act 44 and Act 89.

Capital Assets Transferred to the Commonwealth of Pennsylvania

The Commission did not transfer any capital assets to PennDOT during the fiscal year ended May 31, 2024.

During the fiscal year ended May 31, 2023, the Commission transferred IT equipment related to the I-95 project to PennDOT. The book value of the equipment was \$1.3 million. The Commission also transferred Dynamic Message System signs to PennDOT during the fiscal year ended May 31, 2023. The book value of the signs was \$1.6 million.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Capital Contributions

Capital contributions include: Oil Company Franchise Tax revenues, Motor License Registration Fee revenues, grants from other governments for reimbursement of capital costs for various highway construction projects, capital assets received from other third parties and amortization of deferred inflows of resources for service concession agreements.

Oil Company Franchise Tax Revenues

The Commission receives 14% of the additional 55 mills of the Commonwealth's Oil Company Franchise Tax revenues pursuant to Act 26 established in 1991. The revenues totaled \$135.2 million and \$132.3 million for the fiscal years ended May 31, 2024 and 2023, respectively. These revenues are kept in a separate fund as required by the applicable bond indenture.

Motor License Registration Fee Revenues

The Commission received \$28.0 million in registration fee revenue during each of the fiscal years ended May 31, 2024 and 2023 from the Commonwealth's Motor License Fund. These revenues are kept in a separate fund as required by the applicable bond indenture.

Reimbursements from Other Governments

The Commission receives grants from other governments for reimbursement of costs for various highway construction projects. The Commission did not receive any capital contributions from other governments during the fiscal year ended May 31, 2024. During the fiscal year ended May 31, 2023, the Commission recognized \$5.2 million as capital contributions from the other governments which was received from the Federal government.

Other Capital Contributions

The Commission entered into agreements with a food and a fuel provider to totally reconstruct the service plazas. The service plaza operators provided the capital for the reconstruction in exchange for lower rental rates. The Commission recognized capital contribution revenues of \$4.8 million related to these agreements for both fiscal years ended May 31, 2024 and 2023. See Note 6 for further discussion on service plazas.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*Adoption of Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, with the intention of improving accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Commission adopted Statement No. 87 in these financial statements for its fiscal year ended May 31, 2023. The Commission recorded the cumulative effect of applying this Statement as of June 1, 2021 (the beginning of the previous financial statement period); there was no effect on beginning net position. The effect on beginning balances on the Statement of Net Position were as follows:

Description	May 31, 2021 as Previously Reported	Beginning Balance Restatement	June 1, 2021 as Restated
		<i>(in thousands)</i>	
		<i>[Debits / (Credits)]</i>	
Statement of Net Position			
Accounts receivable (unrestricted)	\$ 118,340	\$ 749	\$ 119,089
Other assets	27,084	39,704	66,788
Unearned income	(105,702)	90	(105,612)
Other noncurrent liabilities	(278,928)	384	(278,544)
Deferred inflows of resources from leases	-	(40,927)	(40,927)
Net position	7,274,968	-	7,274,968

The adjustment to accounts receivable and other assets are related to the current and noncurrent portions of the lease receivable, respectively. The adjustment to unearned income and other noncurrent liabilities were related to prepaid rent amounts that were reclassified to deferred inflows of resources from leases.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Adoption of Accounting Pronouncements *(continued)*

The effect of adopting GASB Statement No. 87 on the Statement of Net Position as of May 31, 2022, and on the Statement of Changes in Net Position for the year ended May 31, 2022, were as follows:

Description	May 31, 2022 as Previously Reported	Beginning Balance Restatement	FY22 Restatement Activity	May 31, 2022 as Restated
			<i>(in thousands)</i>	
			<i>[Debits / (Credits)]</i>	
Statement of Net Position				
Accounts receivable (unrestricted)	\$ 125,931	\$ 749	\$ 10	\$ 126,690
Other assets	27,581	39,704	(706)	66,579
Unearned income	(117,989)	90	7	(117,892)
Other noncurrent liabilities	(149,588)	384	(110)	(149,314)
Deferred inflows of resources from leases	-	(40,927)	1,653	(39,274)
Net position	7,737,808	-	(854)	7,736,954
Statement of Changes in Net Position				
Other operating revenue	(47,603)	-	320	(47,283)
Investment (earnings) loss	72,757	-	(1,166)	71,591
Other nonoperating (revenues) expenses	(21,495)	-	(8)	(21,503)
Net position	7,737,808	-	(854)	7,736,954

See the additional disclosures in Note 7 as required by this Statement.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, with the intention of improving financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)Adoption of Accounting Pronouncements (*continued*)

The Commission adopted Statement No. 96 in these financial statements for its fiscal year ended May 31, 2024. There was no effect on beginning net position as of June 1, 2022. The effect of adopting GASB Statement No. 96 on the Statement of Net Position as of May 31, 2023, and on the Statement of Changes in Net Position for the year ended May 31, 2023, were as follows:

Description	May 31, 2023 as Previously Reported	FY23 Restatement Activity	May 31, 2023 as Restated
	<i>(in thousands)</i>		
	<i>[Debits / (Credits)]</i>		
Statement of Net Position			
Right-to-use - subscriptions	\$ -	\$ 6,723	\$ 6,723
Accumulated depreciation/amortization	(7,346,262)	(1,158)	(7,347,420)
Accounts payable and accrued liabilities	(631,735)	(1,904)	(633,639)
Other noncurrent liabilities	(105,509)	(3,136)	(108,645)
Net position	7,584,615	(525)	7,584,090
Statement of Changes in Net Position			
Cost of services	536,313	(1,755)	534,558
Depreciation/amortization	408,785	1,158	409,943
Other nonoperating revenues (expenses)	(12,728)	72	(12,656)
Net position	7,584,615	(525)	7,584,090

See the additional disclosures in Note 8 as required by this Statement.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The Commission adopted the portions of Statement No. 99 related to leases, PPPs, and SBITAs for the fiscal year ending May 31, 2024. The adoption of these portions of this Statement were incorporated into the Commission's financial statements for the fiscal year ended May 31, 2024.

Accounting Pronouncements Not Yet Adopted

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The Commission is required to adopt the remaining portions of Statement No. 99 related to related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 for the fiscal year ending May 31, 2025.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*. The Commission is required to adopt Statement No. 100 for the fiscal year ending May 31, 2025.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Accounting Pronouncements Not Yet Adopted (*continued*)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The Commission is required to adopt Statement No. 101 for the fiscal year ending May 31, 2025.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The Commission is required to adopt Statement No. 102 for the fiscal year ending May 31, 2026.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The Commission is required to adopt Statement No. 102 for the fiscal year ending May 31, 2027.

The Commission has not yet completed the various analyses required to estimate the financial statement impact of these new pronouncements.

NOTE 3 INDENTURE REQUIREMENTS AND RESTRICTIONS

The Commission's debt has been issued under the provisions of five separate Trust Indentures (collectively referred to as Indentures):

- A Senior Trust Indenture dated July 1, 1986, which was amended and restated as of March 1, 2001, as supplemented, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee;
- An Oil Franchise Tax Trust Indenture, dated August 1, 1998, as supplemented, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee;
- A Registration Fee Revenue Trust Indenture, dated August 1, 2005, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee;
- A Subordinate Trust Indenture, dated April 1, 2008 as supplemented, between the Commission and Computershare Trust Company, N.A., as successor Trustee; and
- A Special Obligation Trust Indenture, dated September 1, 2014, between the Commission and U.S. Bank Trust Company, N.A., as successor Trustee.

Accordingly, certain activities of the Commission are restricted by these Indentures.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENTS

The following table is a summary of cash and cash equivalents and investments by type:

	May 31,	
	2024	2023
	<i>(In thousands)</i>	
<i>Cash and cash equivalents and investment types</i>		
U.S. Treasuries	\$ 1,523,808	\$ 1,589,975
GNMA mortgages	391	458
Government agency securities	40,244	110,714
Municipal bonds	21,072	27,316
Corporate obligations	138,154	176,008
	<hr/>	<hr/>
Total investment securities	1,723,669	1,904,471
Investment derivatives	4,758	2,493
Cash and cash equivalents	1,273,422	1,177,701
	<hr/>	<hr/>
Total cash and cash equivalents and investments	\$ 3,001,849	\$ 3,084,665

Cash and Cash Equivalents

Cash and cash equivalents are held in various financial institutions. Cash and cash equivalents are comprised of demand deposits, money market funds, and other highly liquid investments that mature within three months of acquisition. The demand deposits are secured under Pennsylvania Act 72 which secures public deposits in excess of the FDIC insurance limits. Cash equivalents consist of permitted investments in accordance with the Indentures as noted under cash equivalents and investment securities.

The following table is a summary of the Commission's cash and cash equivalents:

	Bank Balance	Book Balance
	<i>(In thousands)</i>	
<i>May 31, 2024</i>		
Demand deposits	\$ 21,571	\$ 19,045
Money market funds	992,383	992,383
Cash equivalents	261,994	261,994
	<hr/>	<hr/>
Total cash and cash equivalents	\$ 1,275,948	\$ 1,273,422
	<hr/>	<hr/>
<i>May 31, 2023</i>		
Demand deposits	\$ 30,863	\$ 29,164
Money market funds	889,458	889,458
Cash equivalents	259,079	259,079
	<hr/>	<hr/>
Total cash and cash equivalents	\$ 1,179,400	\$ 1,177,701
	<hr/>	<hr/>

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENTS (*continued*)

Cash Equivalents and Investment Securities

The following is a description of the valuation methodologies used for investment securities measured at fair value:

- As of May 31, 2024 and 2023, U.S. Treasuries of \$1,523.8 million and \$1,590.0 million, respectively, categorized as Level 1 are valued using quoted market prices.
- As of May 31, 2024 and 2023, GNMA mortgages of \$0.4 million and \$0.5 million, respectively, categorized as Level 2 are valued using models based on spreads of comparable securities.
- As of May 31, 2024 and 2023, government agency securities of \$40.2 million and \$110.7 million, respectively, categorized as Level 2 are valued using various market and industry inputs. Callable agency-issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The fair value of agency mortgage pass-through pool securities is model-driven based on spreads of a comparable security. Collateralized mortgage obligations are valued using quoted market prices and trade data adjusted by subsequent changes in related indices for identical or comparable securities.
- As of May 31, 2024 and 2023, municipal bonds of \$21.1 million and \$27.3 million, respectively, categorized as Level 2 are valued using recently executed transactions, market price quotations, and pricing models that factor in, where applicable, interest rates, bond or credit default swap spreads, and volatility.
- As of May 31, 2024 total corporate obligations were \$138.2 million and are categorized as Level 2. As of May 31, 2023, total corporate obligations were \$176.0 million. Of this amount, \$18.2 million was a guaranteed investment contract, which was valued at the contract value. The remaining \$157.8 million was categorized as Level 2. These level 2 investments are valued using recently executed transactions, market price quotations (where observable), bond spreads, credit default swap spreads at the money volatility and/or volatility skew obtained from independent external parties, such as vendors and brokers adjusted for any basis difference between cash and derivative instruments. The spread data used are for the same maturity as the bond.
- As of May 31, 2024 and 2023, investment derivative instruments of \$4.8 million and \$2.5 million, respectively, categorized as Level 2 are valued using discounted future net cash flows, mid-market values, nonperformance risk, and bid/offer spreads. See Note 11 for further discussion.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

The Indentures (as listed in Note 3) permit investments in obligations of, or are guaranteed by, the United States of America, its agencies, and its instrumentalities (United States Government obligations); 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 Investors Service (Moody's), Standard & Poor's Ratings Group (S&P) and Fitch Investors Service (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.

The Commission has an investment policy that defines guidelines and operational factors governing the investment of financial assets. The policy generally has the same restrictions regarding permitted investments as the Indentures. Permitted investments include:

- U.S. Treasury Bills, Notes, Bonds, Strips;
- Time Deposits issued by a banking association organized and doing business under the laws of the United States of America or of any state that may have a combined capital and surplus of at least \$50.0 million;
- Certificates of Deposit that are fully collateralized and issued by a bank, savings and loan or trust company organized under the laws of the United States or any state thereof;
- Investment Agreements with a bank, a bank holding company or a financial institution that has outstanding unsecured obligations or uncollateralized long-term debt obligations rated in the 'AA' category or better by at least two of the three rating agencies (S&P, Moody's, and Fitch);
- Obligations of any federal agencies which obligations are backed by the full faith and credit of the United States of America;
- Senior debt obligations rated a minimum 'AA' by S&P and 'Aa2' by Moody's issued by the following government-sponsored enterprises: Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association;

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENTS (*continued*)

Cash Equivalents and Investment Securities (*continued*)

- Mortgage-backed securities issued by an approved federal agency and collateralized mortgage obligations, so long as such securities are rated a minimum of 'Aa2' by Moody's and 'AA' by S&P;
- Debt obligations of any state or local government entity, whether for itself, or as a conduit issuer, provided that the securities are rated in the 'Aa/AA' category by at least two of S&P, Moody's, and Fitch and do not have a rating from any of S&P, Moody's, and Fitch below the 'Aa/AA' category (without regard to subcategories of ratings), and provided that if a short-term rating is provided for the securities that they are rated in the top tier by at least two of the three of S&P ('A-1' or better), Moody's ('VMIG1' or 'P1'), and Fitch ('F1') and do not have a rating from any of the three rating agencies below such levels.
- Commercial paper rated by at least two of S&P, Moody's, and Fitch and not less than 'A-1/P-1/F-1' by S&P, Moody's, and Fitch, respectively;
- Corporate bonds rated 'Aa3/AA-' or better by Moody's and S&P;
- Asset-backed securities rated 'AAA' by Moody's and S&P;
- Repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York, collateralized by investments with a minimum 102% valuation in securities of U.S. Treasury bills, notes, bonds, strips, or obligations of any federal agencies or senior debt obligations described above; and
- Share or Certificates in any short-term investment fund that invests not less than 90% of its assets in obligations of U.S. Treasury bills, notes, bonds, strips, or time deposits.

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. Investments are generally purchased with the intent of holding to maturity, but the Portfolio Managers have the flexibility to restructure and rebalance portfolio holdings to manage risk and take advantage of market opportunities. The investment policy imposes the following diversifications:

- No limitations are placed on investments carrying the full faith and credit of the U.S. Government, including repurchase agreements collateralized by such investments.
- Investments in any single federal agency, not carrying the full faith and credit of the U.S. Government, are limited to 35% of the portfolio.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENTS (*continued*)

Cash Equivalents and Investment Securities (*continued*)

- Investments in certificates of deposit and investment agreements in total are limited to 30% of the portfolio.
- Combined exposure to commercial paper, corporate bonds, and asset-backed securities 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 Commission's Investment Policy also states that at the time of purchase, the maturity of each security in the Portfolio may not exceed five (5) years, taking into account any call, put, prepayment, or other features that may impact maturity. Similarly, the weighted average life of mortgages and asset-backed securities may not be more than five years. As of May 31, 2024 and 2023, the Commission did not hold any securities that were not in compliance with the Investment Policy guidelines.

Credit Risk

The Commission's exposure to credit risk for investment securities is as follows:

Investment Type	Quality Rating as of May 31, 2024					Total
	AAA	AA	A	A-1	Below A	
	<i>(In thousands)</i>					
Government agency securities	\$ 319	\$ 39,925	\$ -	\$ -	\$ -	\$ 40,244
Municipal bonds	8,131	7,662	5,279	-	-	21,072
Corporate obligations	22,610	97,683	2,955	14,871	35	138,154
	<u>\$ 31,060</u>	<u>\$ 145,270</u>	<u>\$ 8,234</u>	<u>\$ 14,871</u>	<u>\$ 35</u>	<u>\$ 199,470</u>

Investment Type	Quality Rating as of May 31, 2023					Total
	AAA	AA	A	A-1	Below A	
	<i>(In thousands)</i>					
Government agency securities	\$ 16,607	\$ 94,107	\$ -	\$ -	\$ -	\$ 110,714
Municipal bonds	7,878	8,061	11,377	-	-	27,316
Corporate obligations	75,678	77,395	8,016	14,878	41	176,008
	<u>\$ 100,163</u>	<u>\$ 179,563</u>	<u>\$ 19,393</u>	<u>\$ 14,878</u>	<u>\$ 41</u>	<u>\$ 314,038</u>

Investments guaranteed by the full faith of the U.S. Government, such as U.S. Treasuries and GNMA mortgages, are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Credit Risk

As of May 31, 2024 and 2023, the Commission did not have any investments that violated the 5% limit for a single issuer or the other concentration of credit risk limitations in the Commission's investment policy noted above.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENTS *(continued)*Interest Rate Risk

The effective duration of the Commission's investments, by type, is as follows:

<u>Investment Type</u>	<u>As of May 31, 2024</u>	
	<u>Fair Value</u> <i>(In thousands)</i>	<u>Effective Duration</u> <i>(In years)</i>
U.S. Treasuries	\$ 1,523,808	1.1281
GNMA mortgages	391	4.3053
Government agency securities	40,244	1.8012
Municipal bonds	21,072	0.9854
Corporate obligations	138,154	1.2765
Total investment securities	\$ 1,723,669	

<u>Investment Type</u>	<u>As of May 31, 2023</u>	
	<u>Fair Value</u> <i>(In thousands)</i>	<u>Effective Duration</u> <i>(In years)</i>
U.S. Treasuries	\$ 1,589,975	1.2825
GNMA mortgages	458	4.3989
Government agency securities	110,714	0.9176
Municipal bonds	27,316	1.4869
Corporate obligations	176,008	1.2794
Total investment securities	\$ 1,904,471	

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of May 31, 2024 and 2023, \$21.1 million and \$30.4 million, respectively, of the Commission's 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 not in the Commission's name. None of the Commission's investments were exposed to custodial credit risk as of May 31, 2024 or 2023.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 4 CASH AND INVESTMENTS (*continued*)

Investment Derivative Instruments

The following table is a summary of the Commission's investment derivative instruments as of May 31, 2024:

**	Notional Amount (thousands)	Weighted Avg. Mat. (years)	Effective Date	Maturity Date	Terms*	Fair Value (in thousands)	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
	\$ 112,000					\$ (1,546)	JPMorgan Chase Bank	Aa2/A+/AA
	48,000					(660)	Bank of New York Mellon	Aa2/AA-/AA
A	160,000	5.1	8/14/2003	12/1/2032	Pay SIFMA, receive 63% SOFR + 0.0721% +0.20%	(2,206)		
	80,000					(753)	JPMorgan Chase Bank	Aa2/A+/AA
	80,000					(753)	Royal Bank of Canada	Aa1/AA-/AA-
B	160,000	5.0	9/19/2006	11/15/2032	Pay 67% SOFR + 0.0767%, receive 60.15% of the 10 year Fallback Rate	(1,506)		
C	107,375	8.5	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% SOFR + 0.2608%	8,470	Goldman Sachs MMDP	Aa2/AA-/NR
						\$ 4,758		

Secured Overnight Financing Rate (SOFR) was 5.34% as of May 31, 2024.
10-year maturity of the USD-ISDA Fallback swap rate was 4.40268% as of May 31, 2024.
SIFMA was 3.36% as of May 31, 2024.

* LIBOR was permanently discontinued on June 30, 2023. Therefore, LIBOR was replaced by SOFR Fallback Rates for the applicable swap agreements, which is equal to SOFR compounded over the relevant term plus the adjustment spread determined by ISDA.

** Letters are used as references in Note 11 (Commitments and Contingencies).

The following table is a summary of the Commission's investment derivative instruments as of May 31, 2023:

**	Notional Amount (thousands)	Weighted Avg. Mat. (years)	Effective Date	Maturity Date	Terms	Fair Value (in thousands)	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
	\$ 112,000					\$ (2,204)	JPMorgan Chase Bank	Aa2/A+/AA
	48,000					(939)	Bank of New York Mellon	Aa2/AA-/AA
A	160,000	6.1	8/14/2003	12/1/2032	Pay SIFMA, receive 63% of 1-month LIBOR + 20 bps	(3,143)		
	80,000					(657)	JPMorgan Chase Bank	Aa2/A+/AA
	80,000					(657)	Royal Bank of Canada	Aa1/AA-/AA-
B	160,000	6.0	9/19/2006	11/15/2032	Pay 67% of 1-month LIBOR receive 60.15% of the 10 year maturity of the USD-ISDA Swap Rate	(1,314)		
C	111,695	9.2	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% of 3-month LIBOR	6,950	Goldman Sachs MMDP	Aa2/AA-/NR
						\$ 2,493		

1-month LIBOR was 5.193% as of May 31, 2023.
3-month LIBOR was 5.51671% as of May 31, 2023.
10-year maturity of the USD-ISDA swap rate was 3.68% as of May 31, 2023.
SIFMA was 3.56% as of May 31, 2023.

* LIBOR was permanently discontinued on June 30, 2023. Therefore, LIBOR has been replaced subsequent to the fiscal 2023 year-end for applicable swap agreements.

** Letters are used as references in Note 11 (Commitments and Contingencies).

See Note 11 for additional disclosures regarding derivative instruments, including a rollforward from the prior-year balances.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 5 CAPITAL ASSETS

Summaries of changes to capital assets for the years ended May 31, 2024 and 2023 are as follows:

	Balance May 31, 2023 RESTATED	Additions	Transfers (In thousands)	Reductions	Balance May 31, 2024
<i>Capital assets not being depreciated/amortized (cost)</i>					
Land and intangibles	\$ 475,462	\$ 9,581	\$ -	\$ -	\$ 485,043
Assets under construction	1,481,794	1,107,850	(479,368)	14,158	2,096,118
Total capital assets not being depreciated/amortized	1,957,256	1,117,431	(479,368)	14,158	2,581,161
<i>Capital assets being depreciated/amortized (cost)</i>					
Buildings	1,099,651	-	76,630	-	1,176,281
Improvements other than buildings	190,080	-	6,343	-	196,423
Equipment	650,946	2,925	16,682	6,538	664,015
Infrastructure	10,613,104	-	379,713	127,883	10,864,934
Right to use - subscriptions ¹	6,723	6,207	-	-	12,930
Total capital assets being depreciated/amortized	12,560,504	9,132	479,368	134,421	12,914,583
<i>Less accumulated depreciation/amortization for</i>					
Buildings	531,862	28,278	-	-	560,140
Improvements other than buildings	113,063	8,664	-	-	121,727
Equipment ¹	517,085	37,293	-	6,526	547,852
Infrastructure	6,184,440	339,644	-	127,883	6,396,201
Right to use - subscriptions ¹	970	3,153	-	-	4,123
Total accumulated depreciation/amortization	7,347,420	417,032	-	134,409	7,630,043
Total capital assets being depreciated/amortized, net	5,213,084	(407,900)	479,368	12	5,284,540
Total capital assets	\$ 7,170,340	\$ 709,531	\$ -	\$ 14,170	\$ 7,865,701
	Balance May 31, 2022	Additions	Transfers (In thousands)	Reductions	Balance May 31, 2023 RESTATED
<i>Capital assets not being depreciated/amortized (cost)</i>					
Land and intangibles	\$ 460,908	\$ 14,554	\$ -	\$ -	\$ 475,462
Assets under construction	1,369,762	777,092	(665,060)	-	1,481,794
Total capital assets not being depreciated/amortized	1,830,670	791,646	(665,060)	-	1,957,256
<i>Capital assets being depreciated/amortized (cost)</i>					
Buildings	1,034,358	-	65,293	-	1,099,651
Improvements other than buildings	189,597	-	483	-	190,080
Equipment	626,570	15,243	13,764	4,631	650,946
Infrastructure	10,107,010	-	585,520	79,426	10,613,104
Right to use - subscriptions ¹	-	6,723	-	-	6,723
Total capital assets being depreciated/amortized	11,957,535	21,966	665,060	84,057	12,560,504
<i>Less accumulated depreciation/amortization for</i>					
Buildings	506,685	25,177	-	-	531,862
Improvements other than buildings	104,547	8,516	-	-	113,063
Equipment ¹	481,076	39,352	-	3,343	517,085
Infrastructure	5,924,715	335,928	-	76,203	6,184,440
Right to use - subscriptions ¹	-	970	-	-	970
Total accumulated depreciation/amortization	7,017,023	409,943	-	79,546	7,347,420
Total capital assets being depreciated/amortized, net	4,940,512	(387,977)	665,060	4,511	5,213,084
Total capital assets	\$ 6,771,182	\$ 403,669	\$ -	\$ 4,511	\$ 7,170,340

¹ The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for the further discussion on fiscal year 2023 balances that were restated.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 6 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 Commission 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, which is discussed in Note 7. The Commission has no responsibility for maintaining the service plazas under the agreements. The Commission 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 Commission as rental payments. Upon completion of construction, the reconstructed assets were recognized by the Commission.

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 Commission 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.

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 Commission 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.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 6 SERVICE CONCESSION ARRANGEMENTS (*continued*)

As of May 31, 2024, the Commission had capitalized \$125.4 million in capital assets representing all 17 service plazas that had fully completed construction and recorded deferred inflows of resources of \$58.9 million related to these assets. Also, as of May 31, 2024, the Commission recognized a receivable and deferred inflow of resources in the amount of \$23.7 million for the present value of guaranteed minimum rent payments. The Commission also recognized \$2.2 million of restaurant revenue and \$2.6 million of service station revenue for the fiscal year ended May 31, 2024 related to these agreements.

As of May 31, 2023, the Commission had capitalized \$125.4 million in capital assets representing all 17 service plazas that had fully completed construction and recorded deferred inflows of resources of \$63.7 million related to these assets. Also, as of May 31, 2023, the Commission recognized a receivable and deferred inflow of resources in the amount of \$25.7 million for the present value of guaranteed minimum rent payments. The Commission also recognized \$2.2 million of restaurant revenue and \$2.6 million of service station revenue for the fiscal year ended May 31, 2023 related to these agreements.

NOTE 7 LEASES

The Commission is the lessor for advertising, cell tower, gas royalty and other miscellaneous leases. The miscellaneous category includes, but is not limited to, leases such as commercial, residential, agricultural and license agreements. The lease terms range from one month to 70 years. The most common lease term is ten years. Most of the leases have fixed percentage rent increases but some are based on the Consumer Price Index. One cell tower lease has a variable sublease component of which the Commission receives a fixed percentage of revenue generated by the subtenants. Two cell tower leases are currently in rent abatement status, with one scheduled to end in 2025 and the other in 2027. Gas royalty revenues are variable based on oil and gas production volumes. Therefore, revenues will fluctuate based on changes in production volumes. During the fiscal year ended May 31, 2024, one gas royalty lease and two amendments to existing leases were executed that included upfront payments. One miscellaneous lease includes a variable component related to sublots which requires the lessee to pay the greater of a minimum lease payment (included in the lease receivable) or a fixed percentage of the gross rental income received from the sublots.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 7 LEASES (*continued*)

For the fiscal year ended May 31, 2024, the Commission recognized \$5.8 million in lease revenue and \$1.4 million in interest revenue related to these leases. For the fiscal year ended May 31, 2023, the Commission recognized \$6.3 million in lease revenue and \$1.2 million in interest revenue related to these leases. The Commission's total receivable for lease payments was \$48.2 million as of May 31, 2024 of which \$1.6 million is considered short term. The Commission's receivable for lease payments was \$39.7 million as of May 31, 2023 of which \$0.8 million is considered short term. The Commission also recorded deferred inflows of resources associated with these leases that will be recognized as revenue over the lease term. As of May 31, 2024 and 2023, the balance of the deferred inflows of resources was \$47.0 million and \$38.4 million, respectively.

NOTE 8 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The Commission has entered into several software contracts that meet the criteria for subscription-based information technology arrangements (SBITAs) under GASB Statement No. 96. These software contracts convey control of the right to use a vendor's IT software for a period of time in an exchange or exchange-like transaction. The Commission is required to recognize these SBITAs as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. The subscription terms of the software contracts range from two to ten years with most being three years.

One contract has a variable component in which the Commission has a minimum usage commitment that is included as part of the subscription liability. The Commission paid \$6,500 above the minimum commitment for this contract during the fiscal year ended May 31, 2024. No variable payments were made during the fiscal year ended May 31, 2023.

As of May 31, 2024, the Commission recognized right-to-use subscription assets of \$12.9 million, \$4.1 million of accumulated amortization related to the right-to-use subscription assets and a total liability of \$5.7 million of which \$3.0 million is considered short term. For the fiscal year ended May 31, 2024, the Commission recognized \$3.2 million in amortization expense and \$0.2 million of interest expense related to the right-to-use subscription assets.

As of May 31, 2023, as restated, the Commission recognized right-to-use subscription assets of \$6.7 million, \$1.0 million of accumulated amortization related to the right-to-use subscription assets and a total liability of \$5.0 million of which \$1.9 million is considered short term. For the fiscal year ended May 31, 2023, the Commission recognized \$1.0 million in amortization expense and \$0.1 million of interest expense related to the right-to-use subscription assets.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 8 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(continued)

Principal and interest requirements to maturity, related to the May 31, 2024 subscription liability of \$5.7 million, are as follows:

<u>Year Ending</u> <u>May 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<i>(in thousands)</i>		
2025	\$ 3,001	\$ 196	\$ 3,197
2026	1,356	98	1,454
2027	346	55	401
2028	305	40	345
2029	320	26	346
2030-2034	362	11	373
	<u>\$ 5,690</u>	<u>\$ 426</u>	<u>\$ 6,116</u>

As of May 31, 2024, the Commission has entered into two software contracts for which the SBITA term has not yet commenced. The two contracts total \$4.3 million of which \$1.0 million is included in assets under construction. The future commitment on these contracts not yet included in the subscription liability is \$3.3 million.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT

The following table is a summary of debt outstanding:

	May 31,	
	2024	2023
	<i>(In Thousands)</i>	
<i>Mainline Senior Debt</i>		
<i>Mainline Senior Bonds</i>		
2009 Series A Build America Bonds: Issued \$275,000 in July 2009 at 6.105%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1.	\$ 275,000	\$ 275,000
2010 Series B Build America Bonds: Issued \$600,000 in September 2010 at 5.5%, due in varying installments through December 1, 2049. Interest paid each June 1 and December 1.	600,000	600,000
2011 Series A: Issued \$68,660 in April 2011 at 4.00% to 5.00% due in varying installments through December 1, 2023. Interest paid each June 1 and December 1. Partially defeased in May 2019 and November 2020. Partially refunded in November 2021.	-	10,000
2012 Series A: Issued \$200,215 in July 2012 at 3.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in October 2017, December 2017 and January 2020. Partially defeased in May 2019 and November 2020.	5,680	10,670
2013 Series C: Issued \$222,935 in August 2013 at 3.00% to 5.50%, due in varying installments through December 1, 2043. Interest paid each June 1 and December 1. Partially refunded in October 2017, December 2017, January 2020, September 2022 and September 2023. Partially defeased in November 2020.	-	18,605
2014 Series A: Issued \$236,115 in April 2014 at 4.00% to 5.00%, due in varying installments through December 1, 2044. Interest paid each June 1 and December 1. Partially refunded in October 2017 and September 2022. Partially defeased in November 2020.	212,145	213,955
2014 Series Refunding: Issued \$239,620 in November 2014 at 5.00%, due in varying installments through December 1, 2034. Interest paid each June 1 and December 1. Partially refunded in September 2022.	98,790	98,790
2014 Series C: Issued \$294,225 in December 2014 at 2.25% to 5.00%, due in varying installments through December 1, 2044. Interest paid each June 1 and December 1. Partially refunded in October 2017 and September 2022. Partially defeased in November 2020.	235,355	235,405
2015 Series A-1: Issued \$385,095 in June 2015 at 4.00% to 5.00%, due in varying installments through December 1, 2045. Interest paid each June 1 and December 1. Partially defeased in November 2020. Partially refunded in September 2022.	313,445	338,450
2015 Series B: Issued \$304,005 in December 2015 at 2.50% to 5.00%, due in varying installments through December 1, 2045. Interest paid each June 1 and December 1. Partially defeased in November 2020. Partially refunded in September 2022.	288,605	291,505
2016 Series A-1: Issued \$447,850 in June 2016 at 3.00% to 5.00% due in varying installments through December 1, 2046. Interest is paid each June 1 and December 1. Partially defeased in November 2020.	441,705	444,310
2017 Series A-1: Issued \$365,895 in October 2017 at 3.00% to 5.00% due in varying installments through December 1, 2047. Interest is paid each June 1 and December 1. Partially defeased in November 2020.	327,515	334,665
2017 Series A-2 Refunding: Issued \$133,060 in October 2017 at 5.00% due in varying installments through December 1, 2030. Interest is paid each June 1 and December 1.	133,060	133,060
2018 Series A-1: Issued \$182,455 in June 2018 at a variable rate (based on SIFMA + .35% to .60%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2023. Partially refunded in June 2020 and July 2021. Fully refunded in November 2023.	-	117,745
2018 Series A-2: Issued \$307,935 in June 2018 at 5% due in varying installments through December 1, 2048. Interest is paid each June 1 and December 1.	305,845	307,110
2018 Series B: Issued \$141,200 in November 2018 at a variable rate (based on SIFMA + .50% to .70 %, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2023. Partially refunded in July 2021. Fully refunded in November 2023.	-	71,200
2019 First Series: Issued \$84,365 in February 2019 at 5% due in varying installments through December 1, 2033. Interest is paid each June 1 and December 1.	84,365	84,365
2019 Second Series: Issued \$139,815 in June 2019 at a variable rate (determined by the Remarketing Agent in accordance with the procedures detailed in the Bond Official Statement, paid the 1st of each month). Due in one installment on December 1, 2038.	139,815	139,815
2019 Series A: Issued \$341,325 in August 2019 at 2.00% to 5.00% due in varying installments through December 1, 2049. Interest is paid each June 1 and December 1. Partially defeased in November 2020.	318,035	324,290
2019 Forward Delivery Series: Issued \$179,815 in September 2019 at 5.00% due in varying installments through December 1, 2025. Interest is paid each June 1 and December 1. Partially defeased in November 2020.	65,835	96,435
2020 First Series: Issued \$234,320 in January 2020 at 1.81% to 3.44% due in varying installments through December 1, 2043. Interest is paid each June 1 and December 1. Partially refunded in September 2022.	209,900	210,775

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

The following table is a summary of debt outstanding: *(continued)*

	May 31,	
	2024	2023
	<i>(In Thousands)</i>	
<i>Mainline Senior Debt (continued)</i>		
<i>Mainline Senior Bonds (continued)</i>		
2020 Second Series: Issued \$225,820 in June 2020 at a variable rate (determined by the Remarketing Agent in accordance with the procedures detailed in the Bond Official Statement, paid the 1st of each month). Due in one installment on December 1, 2039.	\$ 225,820	\$ 225,820
2020 Series A: Issued \$100,500 in August 2020 at a variable rate (determined by the Remarketing Agent in accordance with the procedures detailed in the Bond Official Statement, paid the 1st of each month). Due in varying installments through December 1, 2050.	93,540	95,920
2020 Series B: Issued \$241,625 in October 2020 at 5.00% due in varying installments through December 1, 2050. Interest is paid each June 1 and December 1.	237,490	241,625
2021 Series A: Issued \$250,000 in April 2021 at 3.00% to 5.00% due in varying installments through December 1, 2051. Interest is paid each June 1 and December 1.	241,555	245,840
2021 Series B: Issued \$385,800 in July 2021 at 4.00% to 5.00% due in varying installments through December 1, 2051. Interest is paid each June 1 and December 1.	376,265	381,150
2021 Series C: Issued \$275,000 in November 2021 at 3.00% to 5.00% due in varying installments through December 1, 2051. Interest is paid each June 1 and December 1.	254,560	269,055
2022 Series A: Issued \$254,730 in September 2022 at 4.125% to 5.00% due in varying installments through December 1, 2041. Interest is paid each June 1 and December 1.	254,730	254,730
2022 Series B: Issued \$293,840 in December 2022 at 5.00% to 5.25% due in varying installments through December 1, 2052. Interest is paid each June 1 and December 1.	289,395	293,840
2023 Series A: Issued \$400,000 in September 2023 at 4.25% to 5.25% due in varying installments through December 1, 2053. Interest is paid each June 1 and December 1.	400,000	-
2023 Series B: Issued \$190,125 in November 2023 at a variable rate (determined by the Remarketing Agent in accordance with the procedures detailed in the Bond Official Statement, paid the 1st of each month). Due in varying installments through December 1, 2043.	190,125	-
2024 Series A: Issued \$205,835 in January 2024 at 5.00% due in varying installments through December 1, 2044. Interest is paid each June 1 and December 1.	205,835	-
Total Mainline Senior Bonds	6,824,410	6,364,130
<i>Mainline Senior Direct Placements & Direct Borrowings</i>		
2018 EB-5 Loan (2nd Tranche): Issued \$45,000 in November 2018 at 2.00% due on November 12, 2023. Interest is paid each June 1 and December 1. Fully refunded in September 2023.	-	45,000
2019 EB-5 Loan (3rd Tranche): Issued \$52,000 in November 2019 at 2.00% due on November 5, 2024. Interest is paid each June 1 and December 1.	52,000	52,000
2020 EB-5 Loan (4th Tranche): Issued \$36,500 in January 2020 at 2.00% due on January 21, 2025. Interest is paid each June 1 and December 1.	36,500	36,500
2024 Series B: Issued \$90,000 in February 2024 at 2.00% to 4.00% due in varying installments through on December 1, 2054. Interest is paid each June 1 and December 1.	90,000	-
Total Mainline Senior Direct Placements & Direct Borrowings	178,500	133,500
Total Mainline Senior Debt	7,002,910	6,497,630
<i>Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)</i>		
<i>Mainline Subordinate Revenue Debt</i>		
<i>Mainline Subordinate Bonds</i>		
2009 Series C Subordinate Revenue: Issued \$99,998 in July 2009 at 6.25%, due in varying installments through June 1, 2033. Interest compounded semi-annually until June 1, 2016, thereafter paid each June 1 and December 1. Series C issued as Capital Appreciation Bonds (CABs). Compounded interest to be paid at maturity or earlier redemption. Partially refunded in March 2023.	126,080	126,080
2009 Series E Subordinate Revenue: Issued \$200,005 in October 2009 at 6.00% to 6.375%, due in varying installments through December 1, 2038. Interest compounded semi-annually until December 1, 2017, thereafter paid each June 1 and December 1. Series E issued as CABs. The compounded interest to be paid at maturity or earlier redemption. Partially refunded in March 2023.	281,625	281,625

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

The following table is a summary of debt outstanding: *(continued)*

	May 31,	
	2024	2023
	<i>(In Thousands)</i>	
<i>Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)</i>		
<i>Mainline Subordinate Revenue Debt (continued)</i>		
Mainline Subordinate Bonds (continued)		
2010 Sub-Series C-1, C-2, C-3 Subordinate Revenue: Issued \$138,916 in October 2010 at 4.25% to 5.45%. Sub-Series C-1 due in varying installments through December 1, 2040. Sub-Series C-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub Series C-3 issued as CABs with interest paid at maturity or earlier redemption. Sub-series C-2 partially refunded in June 2016, July 2017 and final refunding in November 2017. Sub-Series C-1 partially refunded in December 2017 and final refunding in November 2019. Sub-Series C-3 partially defeased in November 2020.	\$ 8,866	\$ 12,987
2012 Series B Subordinate Revenue: Issued \$121,065 in October 2012 at 2.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in December 2017, November 2019 and February 2020. Partially defeased in November 2020.	40,075	43,950
2013 Series A Subordinate Revenue: Issued \$71,702 in April 2013 at 3.125% to 5.00%, due in varying installments through December 1, 2043. Sub-Series A-1 Serial bond interest paid each June 1 and December 1. Sub-Series A-1 Term bond interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2018, thereafter paid each June 1 and December 1. Partially refunded February 2020. Partially defeased in November 2020.	46,720	48,400
2013 Sub-Series B-1, B-2, B-3 Subordinate Revenue: Issued \$108,708 in October 2013 at 2.00% to 6.10%, due in varying installments through December 1, 2043. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2028, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 interest paid each June 1 and December 1. Sub-Series B-3 partially refunded in December 2017, February 2020 and March 2023. Sub Series B-1 partially refunded in February 2020. Sub Series B-1 partially defeased in November 2020.	84,839	84,770
2014 Sub-Series A-1, A-2, A-3 Subordinate Revenue: Issued \$148,300 in April 2014 at 2.00% to 5.44%, due in varying installments through December 1, 2043. Sub-Series A-1 interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest to be compounded semi-annually until June 1, 2024, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 issued as CABs with interest paid at maturity or earlier redemption. Sub-Series A-1 partially defeased in November 2020. Sub-Series A-1 partially refunded in March 2023.	129,167	126,411
2014 Series B Subordinate Revenue: Issued \$201,395 in October 2014 at 5.00% to 5.25% due in varying installments through December 1, 2044. Interest paid each June 1 and December 1. Partially refunded in March 2023.	136,215	136,215
2015 Series A-1 Subordinate Revenue: Issued \$209,010 in April 2015 at 3.00% to 5.25% due in varying installments through December 1, 2045. Interest is paid each June 1 and December 1. Partially refunded in March 2023.	180,000	181,900
2015 Series B Subordinate Revenue: Issued \$192,215 in October 2015 at 4.00% to 5.00% due in varying installments through December 1, 2045. Interest is paid each June 1 and December 1. Partially refunded in July 2017, November 2017 and December 2017. Partially defeased in November 2020. Partially refunded in March 2023.	104,145	105,660
2016 First Series Subordinate Revenue Refunding: Issued \$360,990 in February 2016 at 3.00% to 5.00% due in varying installments through June 1, 2038. Interest is paid each June 1 and December 1. Partially defeased in May 2020. Partially refunded in March 2023.	190,200	202,100
2016 Series A-1 Subordinate Revenue: Issued \$203,700 in April 2016 at 3.00% to 5.00% due in varying installments through December 1, 2046. Interest is paid each June 1 and December 1. Partially defeased in November 2020. Partially refunded in March 2023.	176,965	178,430
2016 Series A-2 Subordinate Revenue: Issued \$185,455 in April 2016 at 5.00% due in varying installments through June 1, 2033. Interest is paid each June 1 and December 1.	156,950	185,455
2016 Second Series Subordinate Revenue Refunding: Issued \$649,545 in June 2016 at 3.00% to 5.00% due in varying installments through June 1, 2039. Interest is paid each June 1 and December 1.	583,295	615,670
2016 Third Series Sub-Series A Subordinate Revenue Refunding: Issued \$255,455 in October 2016 at 3.375% to 5.00% due in varying installments through December 1, 2041. Interest is paid each June 1 and December 1.	255,455	255,455
2016 Third Series Sub-Series B Subordinate Revenue Refunding (Federally Taxable): Issued \$75,755 in October 2016 at 1.175% to 2.928% due in varying installments through December 1, 2025. Interest is paid each June 1 and December 1.	20,160	29,840
2017 Series A Subordinate Revenue: Issued \$284,275 in January 2017 at 4.00% to 5.50% due in varying installments through December 1, 2046. Interest is paid each June 1 and December 1. Partially refunded in March 2023.	204,515	206,010
2017 Series B-1 Subordinate Revenue: Issued \$379,115 in July 2017 at 5.00% To 5.25%. Due in varying installments through June 1, 2047. Interest paid each June 1 and December 1.	377,830	378,805
2017 Series B-2 Subordinate Revenue: Issued \$371,395 in July 2017 at 4.00% to 5.00%. Due in varying installments through June 1, 2039. Interest paid each June 1 and December 1. Partially defeased in May 2020.	368,315	370,335

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

The following table is a summary of debt outstanding: *(continued)*

	May 31,	
	2024	2023
	<i>(In Thousands)</i>	
<i>Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)</i>		
<i>Mainline Subordinate Revenue Debt (continued)</i>		
Mainline Subordinate Bonds (continued)		
2017 Second Series Subordinate Revenue Refunding: Issued \$150,425 in November 2017 at 5.00%. Due in varying installments through December 1, 2037. Interest paid each June 1 and December 1.	\$ 150,425	\$ 150,425
2017 Third Series Subordinate Revenue Refunding: Issued \$143,585 in December 2017 at 4.00% to 5.00%. Due in varying installments through December 1, 2040. Interest paid each June 1 and December 1.	143,585	143,585
2019 Series A Subordinate Revenue: Issued \$722,970 in June 2019 at 4.00% to 5.00%. Due in varying installments through December 1, 2049. Interest paid each June 1 and December 1.	722,970	722,970
2019 First Series Subordinate Revenue Refunding (Federally Taxable): Issued \$86,730 in November 2019 at 2.16% to 3.78%. Due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially defeased in November 2020. Partially refunded in March 2023.	78,690	79,125
2020 First Series Subordinate Revenue Refunding (Federally Taxable): Issued \$134,310 in February 2020 at 1.81% to 3.45%. Due in varying installments through December 1, 2043. Interest paid each June 1 and December 1. Partially defeased in November 2020. Partially refunded in March 2023.	115,985	116,320
2021 Series A Subordinate Revenue: Issued \$465,730 in January 2021 at 3.00% to 4.00%. Due in varying installments through December 1, 2050. Interest paid each June 1 and December 1.	465,730	465,730
2021 Series B Subordinate Revenue: Issued \$393,790 in July 2021 at 3.00% to 5.00%. Due in varying installments through December 1, 2051. Interest paid each June 1 and December 1.	393,790	393,790
2023 First Series Subordinate Revenue Refunding: Issued \$343,800 in March 2023 at 5.00%. Due in varying installments through December 1, 2043. Interest paid each June 1 and December 1.	343,800	343,800
Total Mainline Subordinate Bonds	5,886,392	5,985,843
<i>Mainline Subordinate Direct Placements & Direct Borrowings</i>		
2022 First Series Subordinate Revenue Refunding: Issued \$291,850 in April 2022 at a variable rate (based on SIFMA + .37% reset weekly, paid the 1st of each month commencing on June 1, 2022). Due in varying installments through December 1, 2041.	291,850	291,850
Total Mainline Subordinate Direct Placements & Direct Borrowings	291,850	291,850
Total Mainline Subordinate Debt	6,178,242	6,277,693

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

The following table is a summary of debt outstanding: *(continued)*

	May 31,	
	2024	2023
	<i>(In Thousands)</i>	
<i>Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)</i>		
<i>Mainline Subordinate Revenue Debt (continued)</i>		
<i>Motor License Fund-Enhanced Subordinate Special Revenue Debt</i>		
2010 Sub-Series A-1, A-2, A-3 Motor License Fund-Enhanced Subordinate Special Revenue: Issued \$187,816 in July 2010 at 4.50% to 5.50%. Sub-Series A-1 due in varying installments through December 1, 2038. Interest paid each June 1 and December 1. Sub-Series A-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series A-3 issued as CABs. Compounded interest to be paid at maturity or earlier redemption. Sub-Series A-2 was partially refunded in October 2016 and final refunding in November 2017. Sub-Series A-1 was partially refunded in November 2017 and final refunding in December 2017.	\$ 53,620	\$ 50,884
2010 Sub-Series B-1, B-2, B-3 Motor License Fund-Enhanced Subordinate Special Revenue: Issued \$105,299 in October 2010 at 3.95% to 5.125%, due in varying installments through December 1, 2040. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 issued as CABs with interest paid at maturity or earlier redemption. Sub-Series B-2 was partially refunded in October 2016 and July 2017 and final refunding in November 2017. Sub-Series B-1 was partially refunded in December 2017, November 2019 and fully refunded in February 2020.	9,049	13,278
2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue: Issued \$92,780 in October 2012 at 3.00% to 5.00%, due in varying installments through December 1, 2042. Interest paid each June 1 and December 1. Partially refunded in July 2017 and December 2017, November 2019 and February 2020.	12,025	13,795
2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue: Issued \$92,465 in April 2013 at 3.00% to 5.00%, due in varying installments through December 1, 2043. Interest paid each June 1 and December 1. Partially refunded in July 2017, November 2017, December 2017, November 2019 and February 2020.	500	2,495
2013 Sub-Series B-1, B-2, B-3 Motor License Fund-Enhanced Subordinate Special Revenue: Issued \$101,731 in October 2013 at 2.00% to 5.875%, due in varying installments through December 1, 2043. Sub-Series B-1 interest paid each June 1 and December 1. Sub-Series B-2 issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2028, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption. Sub-Series B-3 interest paid each June 1 and December 1. Partially refunded in July 2017, November 2017, December 2017 and February 2020.	46,620	46,768
2014 Series A Motor License Fund-Enhanced Subordinate Special Revenue: Issued \$59,740 in April 2014 at 4.50% to 4.90%, due in varying installments through December 1, 2044. Series A were issued as convertible CABs. Interest to be compounded semi-annually until December 1, 2021, thereafter paid each June 1 and December 1. Compound interest paid at maturity or earlier redemption.	84,940	84,940
2016 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding: Issued \$79,865 in October 2016 at 5.00% due in varying installments through December 1, 2036. Interest is paid each June 1 and December 1.	73,975	76,990
2017 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding: Issued \$45,390 in July 2017 at 5.00%, due in varying installments through June 1, 2028. Interest due each June 1	42,570	45,390
2017 Second Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding: Issued \$243,675 in November 2017 at 5.00%, due in varying installments through December 1, 2041. Interest due each June 1 and December 1.	243,675	243,675

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

The following table is a summary of debt outstanding: *(continued)*

	May 31,	
	2024	2023
	<i>(In Thousands)</i>	
<i>Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)</i>		
<i>Mainline Subordinate Revenue Debt (continued)</i>		
<i>Motor License Fund-Enhanced Subordinate Special Revenue Debt (continued)</i>		
2017 Third Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding: Issued \$164,240 in December 2017 at 4.00% to 5.00%, due in varying installments through December 1, 2040. Interest due each June 1 and December 1.	\$ 164,240	\$ 164,240
2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding (Federally Taxable): Issued \$151,130 in November 2019 at 2.01% to 3.58%, due in varying installments through December 1, 2043. Interest due each June 1 and December 1.	148,945	149,595
2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding (Federally Taxable): Issued \$92,750 in February 2020 at 1.76% to 3.25%, due in varying installments through December 1, 2043. Interest due each June 1 and December 1.	90,530	90,930
Total Motor License Fund-Enhanced Subordinate Special Revenue Debt	970,689	982,980
Total Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)	7,148,931	7,260,673
Total Mainline Senior and Subordinate Debt	14,151,841	13,758,303
<i>Oil Franchise Tax Senior Debt</i>		
2009 Series A, B, C Oil Franchise Tax Revenue: Issued \$164,181 in October 2009. Series A issued at 2.00% to 5.85%, due in varying installments through December 1, 2023. Series B (Build America Bonds, Issuer Subsidy, Federally Taxable) issued at 5.85%, due in varying installments through December 1, 2037. Interest paid each June 1 and December 1. Series C issued as CABs at 5.30%. Interest on the CABs is deferred until maturity on December 1, 2039. Sub-Series A-2 partially refunded in September 2016. Sub Series A-1 fully refunded in September 2021.	160,411	158,716
2013 Series A Oil Franchise Tax Revenue Refunding: Issued \$27,785 in October 2013 at 2.50% to 5.00%, due in varying installments through December 1, 2024. Interest paid each June 1 and December 1.	9,895	9,895
2016 Series A Oil Franchise Tax Revenue Refunding: Issued \$198,595 in September 2016 at 4.00% to 5.00% due in varying installments through December 1, 2032. Interest paid each June 1 and December 1.	140,455	152,680
2018 Series A Oil Franchise Tax Revenue: Issued \$231,385 in June 2018 at 5.00% to 5.25% due in varying installments through December 1, 2048. Interest paid each June 1 and December 1.	231,385	231,385
2021 Series A Oil Franchise Tax Revenue: Issued \$327,520 in September 2021 at 3.00% to 5.00% due in varying installments through December 1, 2051. Interest paid each June 1 and December 1.	318,225	322,955
Total Oil Franchise Tax Senior Debt	860,371	875,631
<i>Oil Franchise Tax Subordinate Debt</i>		
2009 Series D, E Subordinate Oil Franchise Tax Revenue: Issued \$134,065 in October 2009. Series D issued at 2.00% to 5.00%, due in varying installments through December 1, 2027. Series E (Build America Bonds, Issuer Subsidy, Federally Taxable) issued at 6.378%, due in varying installments through December 1, 2037. Sub-Series D-2 partially refunded in September 2016. Sub-Series D-1 and D-2 fully refunded in September 2021.	102,505	102,505
2013 Series B Subordinate Oil Franchise Tax Revenue: Issued \$32,035 in October 2013 at 2.00% and 5.00%, due in varying installments through December 1, 2025. Interest paid each June 1 and December 1.	13,450	13,450
2016 Series B Subordinate Oil Franchise Tax Revenue Refunding: Issued \$115,395 in September 2016 at 4.00% to 5.00% due in varying installments through December 1, 2032. Interest paid each June 1 and December 1.	75,850	84,605
2018 Series B Subordinate Oil Franchise Tax Revenue: Issued \$210,480 in June 2018 at 5.00% to 5.25% due in varying installments through December 1, 2048. Interest paid each June 1 and December 1.	210,480	210,480
2021 Series B Subordinate Oil Franchise Tax Revenue: Issued \$201,480 in September 2021 at 3.00% to 5.00% due in varying installments through December 1, 2053. Interest paid each June 1 and December 1.	197,680	199,610
Total Oil Franchise Tax Subordinate Debt	599,965	610,650
Total Oil Franchise Tax Senior and Subordinate Debt	1,460,336	1,486,281

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

The following table is a summary of debt outstanding: *(continued)*

	May 31,	
	2024	2023
	<i>(In Thousands)</i>	
<i>Motor License Registration Fee Debt</i>		
<i>Motor License Registration Fee Bonds</i>		
2005 Series A: Issued \$234,135 in August 2005 at 3.25% to 5.25%, due in varying installments through July 15, 2030. Interest paid each January 15 and July 15. Partially defeased in March 2019.	\$ 87,110	\$ 98,235
2023 Revenue Refunding: Issued \$231,425 in September 2023 at a variable rate (based on SIFMA + .85%, reset weekly, paid the 15th of each month), due in varying installments through July 15, 2041.	231,425	-
Total Motor License Registration Fee Bonds	318,535	98,235
<i>Motor License Registration Fee Direct Placement & Direct Borrowings</i>		
2005 Series B, C, D: Issued \$231,425 in August 2005 and remarketed in October 2015 to a direct placement; modified interest rate in July 2018 and February 2019; current interest rate is a variable rate (based SIFMA + .875%, reset weekly, paid 15th of each month), due in varying installments through July 15, 2041. Fully refunded September 2023.	-	231,425
Total Motor License Registration Fee Direct Placement & Direct Borrowings	-	231,425
Total Motor License Registration Fee Debt Payable	318,535	329,660
Total Debt Payable	15,930,712	15,574,244
Unamortized premium/discount	1,498,515	1,520,549
Total debt, net of unamortized premium/discount	17,429,227	17,094,793
Less: Current portion	411,085	527,900
Debt, noncurrent portion	\$ 17,018,142	\$ 16,566,893

As of May 31, 2024, the Commission had \$470,350 in outstanding Direct Placements and Direct Borrowings. SIFMA was 3.36% on May 31, 2024.

As of May 31, 2023, the Commission had \$656,775 in outstanding Direct Placements and Direct Borrowings. SIFMA was 3.56% on May 31, 2023.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT (*continued*)

The tables below summarize the total additions and total reductions in debt during fiscal years 2024 and 2023. Additions are the result of new debt issuances and bond accretion related to capital appreciation bonds. Reductions are the result of principal payments and bond refundings/defeasances.

	<u>Balance at May 31, 2023</u>	<u>Additions</u>	<u>Reductions</u> <i>(In thousands)</i>	<u>Balance at May 31, 2024</u>	<u>Due Within One Year</u>
<i>Mainline debt</i>					
Mainline bonds *	\$ 13,332,953	\$ 808,568	\$ 460,030	\$ 13,681,491	\$ 281,850
Mainline direct placements and borrowings	425,350	90,000	45,000	470,350	88,500
Total Mainline debt	13,758,303	898,568	505,030	14,151,841	370,350
<i>Oil Franchise Tax debt</i>					
Oil Franchise Tax bonds **	1,486,281	1,695	27,640	1,460,336	29,020
Total Oil Franchise Tax debt	1,486,281	1,695	27,640	1,460,336	29,020
<i>Motor License Registration Fee debt</i>					
Motor License Registration Fee bonds ***	98,235	231,425	11,125	318,535	11,715
Motor License Registration Fee direct placements and borrowings	231,425	-	231,425	-	-
Total Motor License Registration Fee debt	329,660	231,425	242,550	318,535	11,715
Total Debt Payable	15,574,244	1,131,688	775,220	15,930,712	411,085
Premium (discount), net	1,520,549	55,769	77,803	1,498,515	-
Total Debt Payable, net of premium (discount)	\$ 17,094,793	\$ 1,187,457	\$ 853,023	\$ 17,429,227	\$ 411,085

* Mainline bonds FY24 additions related to bond issuances were \$885,960 and FY24 additions related to bond accretions were \$12,608.

** Oil Franchise Tax bonds FY24 additions related to bond accretions were \$1,695.

*** Motor License Registration bonds FY24 additions related to bond issuances were \$231,425.

	<u>Balance at May 31, 2022</u>	<u>Additions</u>	<u>Reductions</u> <i>(In thousands)</i>	<u>Balance at May 31, 2023</u>	<u>Due Within One Year</u>
<i>Mainline debt</i>					
Mainline bonds *	\$ 13,286,192	\$ 904,726	\$ 857,965	\$ 13,332,953	\$ 444,135
Mainline direct placements and borrowings	475,350	-	50,000	425,350	45,000
Total Mainline debt	13,761,542	904,726	907,965	13,758,303	489,135
<i>Oil Franchise Tax debt</i>					
Oil Franchise Tax bonds **	1,511,058	1,608	26,385	1,486,281	27,640
Total Oil Franchise Tax debt	1,511,058	1,608	26,385	1,486,281	27,640
<i>Motor License Registration Fee debt</i>					
Motor License Registration Fee bonds	108,810	-	10,575	98,235	11,125
Motor License Registration Fee direct placements and borrowings	231,425	-	-	231,425	-
Total Motor License Registration Fee debt	340,235	-	10,575	329,660	11,125
Total Debt Payable	15,612,835	906,334	944,925	15,574,244	527,900
Premium (discount), net	1,544,693	93,943	118,087	1,520,549	-
Total Debt Payable, net of premium (discount)	\$ 17,157,528	\$ 1,000,277	\$ 1,063,012	\$ 17,094,793	\$ 527,900

* Mainline bonds FY23 additions related to bond issuances were \$892,370 and FY23 additions related to bond accretions were \$12,356.

** Oil Franchise Tax bonds FY23 additions related to bond accretions were \$1,608.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

Debt service requirements subsequent to May 31, 2024 related to all sections of debt are as follows:

Year Ending May 31	Bonds			Direct Borrowings and Direct Placements			Total Debt		
	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total
	<i>(In thousands)</i>								
2025	\$ 322,585	\$ 720,583	\$ 1,043,168	\$ 88,500	\$ 15,023	\$ 103,523	\$ 411,085	\$ 735,606	\$ 1,146,691
2026	354,955	709,277	1,064,232	-	14,647	14,647	354,955	723,924	1,078,879
2027	391,280	690,942	1,082,222	-	15,157	15,157	391,280	706,099	1,097,379
2028	394,060	673,273	1,067,333	-	15,176	15,176	394,060	688,449	1,082,509
2029	429,764	655,784	1,085,548	-	15,139	15,139	429,764	670,923	1,100,687
2030 - 2034	2,655,756	2,972,781	5,628,537	-	75,786	75,786	2,655,756	3,048,567	5,704,323
2035 - 2039	3,666,546	2,230,451	5,896,997	63,845	71,194	135,039	3,730,391	2,301,645	6,032,036
2040 - 2044	3,694,361	1,411,075	5,105,436	228,005	32,688	260,693	3,922,366	1,443,763	5,366,129
2045 - 2049	2,640,545	545,983	3,186,528	-	18,000	18,000	2,640,545	563,983	3,204,528
2050-2054	910,510	88,022	998,532	66,160	15,423	81,583	976,670	103,445	1,080,115
2055-2059	-	-	-	23,840	954	24,794	23,840	954	24,794
	<u>\$ 15,460,362</u>	<u>\$ 10,698,171</u>	<u>\$ 26,158,533</u>	<u>\$ 470,350</u>	<u>\$ 289,187</u>	<u>\$ 759,537</u>	<u>\$ 15,930,712</u>	<u>\$ 10,987,358</u>	<u>\$ 26,918,070</u>

The Commission's purpose for issuing debt is as follows:

- Mainline Senior Debt is issued for the purpose of financing the costs of various capital projects in the Commission's Ten-Year Capital Plan and for refunding outstanding Mainline Senior Debt.

In fiscal year 2024, the Commission issued \$885,960,000 of Mainline Senior Debt; \$634,786,548 was issued to finance the costs of various capital projects and \$251,173,452 was issued to refund and repay outstanding Mainline Senior Debt.

In fiscal year 2023, the Commission issued \$548,570,000 of Mainline Senior Debt; \$244,068,986 was issued to finance the costs of various capital projects and \$304,501,014 was issued to refund and repay outstanding Mainline Senior Debt.

- Mainline Subordinate Debt is issued for the purpose of financing a portion of the costs of making payments to the Pennsylvania Department of Transportation in accordance with Act 44 and Act 89 and for refunding outstanding Subordinate Debt. See Note 11 for additional information regarding Act 44 and Act 89.

The Commission did not issue any Mainline Subordinate Debt during fiscal year ended May 31, 2024.

In fiscal year 2023, the Commission issued \$343,800,000 of Mainline Subordinate Debt to refund and repay outstanding Mainline Subordinate Debt.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 9 DEBT (*continued*)

- Oil Franchise Tax Debt and Motor License Registration Fee Debt are issued for the purpose of financing the costs of capital expenditures related to the Mon/Fayette and Southern Beltway expansion projects and to refund outstanding Oil Franchise Tax Debt and Motor License Registration Fee Debt.

The Commission did not issue any Oil Franchise Tax Debt during the fiscal years ended May 31, 2024, or May 31, 2023.

In fiscal year 2024, the Commission issued \$231,425,000 of Motor License Registration Fee Debt; \$231,425,000 was issued to refund and repay outstanding Motor License Registration Fee Debt. The Commission did not issue any Motor License Registration Fee Debt during the fiscal year ended May 31, 2023.

The issuance of new debt is conducted in accordance with the terms of the applicable Trust Indenture and approval of the Commissioners.

Mainline Debt Requirements and Recent Activity

The Amended and Restated Trust Indenture of 2001 requires that tolls be adequate to provide funds to cover current expenses and: (1) provide funds in an amount not less than the greater of 130% of the maximum principal and interest requirements for the succeeding year, or (2) 100% of the maximum principal and interest payments for the next fiscal year plus the amount required for maintenance of the Turnpike System as determined by the Commission's Consulting Engineer. If any deficiencies occur, the Commission is obligated to raise tolls accordingly.

As disclosed in Note 3, the Commission's Trust Indentures impose certain restrictions and requirements. The Commission's Trust Indenture for the Turnpike Subordinate Revenue Bonds requires that the Commission establish and maintain schedules of tolls for traffic over the Turnpike System as required by the Senior Indenture and, in addition, the amount paid into the General Reserve Fund of the Senior Indenture in each fiscal year and for each Commission Payment, will be at least sufficient to provide funds in an amount not less than: (1) 115% of the Annual Debt Service for each fiscal year on account of all outstanding Revenue Bonds and Revenue Bonds Parity Obligations; (2) 100% of the Annual Debt Service for such fiscal year on account of all Outstanding Guaranteed Bonds, Guaranteed Bonds Parity Obligations and Subordinated Indebtedness; and (3) any payment by the Commission required by the Subordinate Indenture for restoring a deficiency in the Debt Service Fund within an 18-month period.

The Commission's Mainline Senior Debt (including Direct Placements and Borrowings) contains a provision that in an unresolved event of default and following a vote of the bondholders, outstanding amounts become immediately due if the Commission is unable to make payment.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In fiscal year 2017, the Commission entered into a loan agreement to borrow, over a possible eight-year period, up to \$800.0 million in 16 tranches of up to \$50.0 million each through the Immigrant Investor Program (known as the EB-5 visa program) administered by the U.S. Citizenship and Immigration Services. The Commission is borrowing this money to fund a portion of the costs of certain capital projects included in the Commission's current Ten-Year Capital Plan. Such debt is issued under the Senior Indenture on parity with the Turnpike Revenue Bonds. The outstanding principal related to these EB-5 borrowings was \$88.5 million and \$133.5 million as of May 31, 2024 and 2023, respectively.

In June 2020, the Commission secured a \$200.0 million revolving line of credit from PNC Bank, N. A. with a one-year term. The Commission was authorized to draw this money for general working capital purposes, funding/reimbursing necessary reserves and the payment of debt service on Bonds under the Senior Indenture. The Commission renewed the line of credit in fiscal year 2023 and again in fiscal year 2024, but did not draw on the line of credit in either of these fiscal years. As of May 31, 2024 and 2023, there was no outstanding principal related to this Line of Credit.

In December 2022, the Commission entered into, as a Direct Placement, a Bond Purchase Agreement of \$233,015,000 Series of 2024 Forward Delivery Refunding Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2037. The Series of 2024 Forward Delivery Refunding Senior Revenue Bonds will be issued to refund a portion of the Series 2014 Refunding Senior Revenue Bonds (\$98,790,000), 2014 Series A Senior Revenue Bonds (\$59,535,000), and 2014 Series C Senior Revenue Bonds (\$74,690,000) and paying the costs of issuing the Series of 2024 Forward Delivery Refunding Senior Revenue Bonds. The Series of 2024 Forward Delivery Refunding Senior Revenue Bonds will be delivered on October 23, 2024. As of May 31, 2024, the Commission does not have outstanding principal related to this transaction.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

Under the Commonwealth's Act 44 of 2007, the Commission may issue up to \$5.0 billion of Special Revenue Bonds guaranteed by the Commonwealth's Motor License Fund. The Special Revenue Bonds authorized by Act 44 are subject to various limitations, including, among others, the following: the aggregate amount of such Special Revenue Bonds is limited to \$5.0 billion; no more than \$600.0 million of Special Revenue Bonds may be issued in any calendar year; debt service on the Special Revenue Bonds shall be payable from any available funds of the Commission, but are additionally secured by amounts payable from the Commonwealth's Motor License Fund which is required to pay any debt service shortfall. All Special Revenue Bond debt service payments are subordinate obligations of the Commission payable solely from certain money in, or periodically released from, the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, insurance policies, liquidity policies or agreements in effect at the Commission. Pursuant to the Commonwealth's Act 89 of 2013, Special Revenue Bonds may not be issued by the Commission to fund any portion of its annual payment obligation to PennDOT after July 1, 2014, although Special Revenue Refunding Bonds may be issued. The outstanding principal related to these Special Revenue Bonds was \$970.7 million and \$983.0 million as of May 31, 2024 and 2023, respectively.

The commitment of the Commonwealth's Motor License Fund to provide additional security to pay any Special Revenue Bond debt service shortfall shall continue until the retirement or defeasance of any Special Revenue Bonds or until October 13, 2057, whichever is sooner. To date, the Commission 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 Commission and PennDOT, requires the Commission to reimburse the Motor License Fund for any Special Revenue Bond debt service payments plus interest accruing to the date of the Commission's failure to pay the debt service. The obligation of the Commission to reimburse the Motor License Fund for any Special Revenue Bond debt service payment is a subordinate obligation of the Commission and is payable only from amounts, if any, in the Commission's General Reserve Fund as permitted by any Commission financing documents, financial covenants, insurance policies, liquidity policies, or agreements in effect at the Commission.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 9 **DEBT** *(continued)*Mainline Debt Requirements and Recent Activity *(continued)*

In September 2022, the Commission issued \$254,730,000 of 2022 Series A Senior Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2041. The 2022 Series A Senior Revenue Refunding Bonds were issued pursuant to the Tender Offer to refund a portion of the 2013 Series C Senior Revenue Bonds (\$23,875,000), 2014 Series A Senior Revenue Bonds (\$15,295,000), 2014 Series C Senior Revenue Bonds (\$43,055,000), 2014 Series Refunding Senior Revenue Bonds (\$140,830,000), 2015 Series A-1 Senior Revenue Bonds (\$23,475,000), 2015 Series B Senior Revenue Bonds (\$5,885,000), and 2020 First Series Senior Revenue Refunding Bonds (\$21,405,000) and paying for the costs of issuing the 2022 Series A Senior Revenue Refunding Bonds. The refunding of the 2013 Series C Senior Revenue Bonds, 2014 Series A Senior Revenue Bonds, 2014 Series C Senior Revenue Bonds, 2014 Series Refunding Senior Revenue Bonds, 2015 Series A-1 Senior Revenue Bonds, 2015 Series B Senior Revenue Bonds, and 2020 First Series Senior Revenue Refunding Bonds allowed the Commission to reduce its debt service by approximately \$27.3 million. The transaction resulted in an economic gain of \$16.8 million.

In December 2022, the Commission issued \$293,840,000 of 2022 Series B Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2052. The 2022 Series B Senior Revenue Bonds were issued to finance the costs of various capital expenditures set forth in the Commission's current ten-year capital plan, including any amendments 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; to refund the 2018 EB-5 Loan 1st Tranche (\$50,000,000) and the payment of the costs of issuing the 2022 Series B Senior Revenue Bonds.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 9 **DEBT** *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In March 2023, the Commission issued \$343,800,000 of 2023 First Series Subordinate Revenue Refunding Bonds at a fixed rate with a maturity date of December 1, 2043. The 2023 First Series Subordinate Revenue Refunding Bonds were issued pursuant to the Tender Offer to refund a portion of the 2009 Series C Subordinate Revenue Bonds (\$26,275,000), 2009 Series E Subordinate Revenue Bonds (\$48,350,000), 2013 Series B-3 Subordinate Revenue Bonds (\$295,000), 2014 Series A-1 Subordinate Revenue Bonds (\$34,210,000), 2014 Series B Subordinate Revenue Bonds (\$65,180,000), 2015 Series A-1 Subordinate Revenue Bonds (\$23,485,000), 2015 Series B Subordinate Revenue Bonds (\$23,145,000), 2016 Refunding Subordinate Revenue Bonds (\$24,410,000), 2016 Series A-1 Subordinate Revenue Bonds (\$23,090,000), 2017 Series A Subordinate Revenue Bonds (\$76,870,000), 2019 First Series Subordinate Revenue Refunding Bonds (\$6,555,000), and 2020 First Series Subordinate Revenue Refunding Bonds (\$5,500,000) and paying for the costs of issuing the 2023 First Series Subordinate Revenue Refunding Bonds. The refunding of the 2009 Series C Subordinate Revenue Bonds, 2009 Series E Subordinate Revenue Bonds, 2013 Series B-3 Subordinate Revenue Bonds, 2014 Series A-1 Subordinate Revenue Bonds, 2014 Series B Subordinate Revenue Bonds, 2015 Series A-1 Subordinate Revenue Bonds, 2015 Series B Subordinate Revenue Bonds, 2016 Refunding Subordinate Revenue Bonds, 2016 A-1 Subordinate Revenue Bonds, 2017 Series A Subordinate Revenue Bonds, 2019 First Series Subordinate Revenue Refunding Bonds, and 2020 First Series Subordinate Revenue Refunding Bonds allowed the Commission to reduce its debt service by approximately \$40.6 million. The transaction resulted in an economic gain of \$29.4 million.

In September 2023, the Commission issued \$400,000,000 of 2023 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2053. The 2023 Series A Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the Commission'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, to refund a portion of the 2013 Series C Senior Revenue Bonds (\$15,895,000) and the 2018 EB-5 Loan 2nd Tranche (\$45,000,000), and for paying the costs of issuing the 2023 Series A Senior Revenue Bonds. The current refunding of the 2013 Series C Senior Revenue Bonds and the 2018 EB-5 Loan 2nd Tranche allowed the Commission to reduce its debt service by approximately \$1.9 million. The transaction resulted in an economic gain of \$1.4 million.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In November 2023, the Commission issued \$190,125,000 of 2023 Series B Senior Revenue Refunding Bonds at a variable rate with a maturity of December 1, 2043. The 2023 Series B Senior Revenue Refunding Bonds were primarily issued to refund the 2018 Series A-1 Senior Revenue Bonds (\$117,745,000) and 2018 Series B Senior Revenue Bonds (\$71,200,000), obtain the TD Letter of Credit as a Credit Facility in connection with the 2023 Series B Senior Revenue Refunding Bonds and for paying the costs of issuing the 2023 Series B Senior Revenue Refunding Bonds.

In January 2024, the Commission issued \$205,835,000 of 2024 Series A Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2044. The 2024 Series A Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the Commission'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 A Senior Revenue Bonds.

In February 2024, the Commission issued \$90,000,000, as a Direct Placement, 2024 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2054. The 2024 Series B Senior Revenue Bonds were primarily issued to finance the cost of various capital expenditures set forth in the Commission'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 B Senior Revenue Bonds.

Debt service requirements subsequent to May 31, 2024 related to the Mainline debt are as follows:

Year Ending May 31	Bonds			Direct Borrowings and Direct Placements			Total Debt		
	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total
	<i>(In thousands)</i>								
2025	\$ 281,850	\$ 635,976	\$ 917,826	\$ 88,500	\$ 15,023	\$ 103,523	\$ 370,350	\$ 650,999	\$ 1,021,349
2026	312,135	626,767	938,902	-	14,647	14,647	312,135	641,414	953,549
2027	346,245	610,641	956,886	-	15,157	15,157	346,245	625,798	972,043
2028	346,710	595,269	941,979	-	15,176	15,176	346,710	610,445	957,155
2029	379,989	580,249	960,238	-	15,139	15,139	379,989	595,388	975,377
2030 - 2034	2,377,861	2,635,909	5,013,770	-	75,786	75,786	2,377,861	2,711,695	5,089,556
2035 - 2039	3,337,309	1,963,162	5,300,471	63,845	71,194	135,039	3,401,154	2,034,356	5,435,510
2040 - 2044	3,360,522	1,204,875	4,565,397	228,005	32,688	260,693	3,588,527	1,237,563	4,826,090
2045 - 2049	2,266,365	445,243	2,711,608	-	18,000	18,000	2,266,365	463,243	2,729,608
2050-2054	672,505	63,957	736,462	66,160	15,423	81,583	738,665	79,380	818,045
2055-2059	-	-	-	23,840	954	24,794	23,840	954	24,794
	<u>\$ 13,681,491</u>	<u>\$ 9,362,048</u>	<u>\$ 23,043,539</u>	<u>\$ 470,350</u>	<u>\$ 289,187</u>	<u>\$ 759,537</u>	<u>\$ 14,151,841</u>	<u>\$ 9,651,235</u>	<u>\$ 23,803,076</u>

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

Oil Franchise Tax Debt Requirements and Recent Activity

The Oil Franchise Tax Revenue Bonds are secured by a pledge and assignment by the Commission to the Trustee of: (1) all proceeds from the Commission's allocation of the Commonwealth's Oil Company Franchise Tax; (2) the Commission's right to receive its allocation of the Oil Company Franchise Tax and any portion of the allocation actually received by the Commission; (3) all monies deposited into accounts or funds created by the 1998 Indenture, as supplemented; and, (4) all investment earnings on all monies held in accounts and funds established by the 1998 Indenture.

The 1998 Indenture requires the Commission to petition the General Assembly of the Commonwealth of Pennsylvania for additional funds in the event that the Commission's allocation of the Oil Company Franchise Tax is inadequate to pay maximum principal and interest payments for the succeeding year.

The Commission's Oil Franchise Tax Debt contains a provision that in an unresolved event of default and following a vote of the bondholders, outstanding amounts become immediately due if the Commission is unable to make payment.

Debt service requirements subsequent to May 31, 2024 related to Oil Franchise Tax debt are as follows:

Year Ending May 31	Bonds			Direct Borrowings and Direct Placements			Total Debt		
	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total
	<i>(In thousands)</i>								
2025	\$ 29,020	\$ 70,463	\$ 99,483	\$ -	\$ -	\$ -	\$ 29,020	\$ 70,463	\$ 99,483
2026	30,490	68,997	99,487	-	-	-	30,490	68,997	99,487
2027	32,060	67,452	99,512	-	-	-	32,060	67,452	99,512
2028	33,690	65,828	99,518	-	-	-	33,690	65,828	99,518
2029	35,400	64,122	99,522	-	-	-	35,400	64,122	99,522
2030 - 2034	203,290	290,559	493,849	-	-	-	203,290	290,559	493,849
2035 - 2039	224,842	241,332	466,174	-	-	-	224,842	241,332	466,174
2040 - 2044	259,359	202,391	461,750	-	-	-	259,359	202,391	461,750
2045 - 2049	374,180	100,740	474,920	-	-	-	374,180	100,740	474,920
2050-2054	238,005	24,065	262,070	-	-	-	238,005	24,065	262,070
	<u>\$ 1,460,336</u>	<u>\$ 1,195,949</u>	<u>\$ 2,656,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,460,336</u>	<u>\$ 1,195,949</u>	<u>\$ 2,656,285</u>

Motor License Registration Fee Debt Requirements and Recent Activity

Pursuant to Section 20 of Act 3, the Commonwealth appropriates \$28.0 million of Act 3 revenues to the Commission annually. The \$28.0 million is payable to the Commission in the amount of \$2.3 million per month. The Motor License Registration Fee Revenue Bonds are secured by a pledge and assignment by the Commission to the Trustee of any receipts, revenues and other moneys received by the Trustee on or after the date of the Indenture from the Commission's allocation of Act 3 revenues and any income earned on any fund or account established pursuant to the Indenture.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT (*continued*)

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt debt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The Commission had a total arbitrage liability of \$8.2 million and \$0.4 million for fiscal years ended May 31, 2024 and 2023, respectively. The arbitrage liability recorded as accounts payable and accrued liabilities was \$0.4 million and \$0.2 million as of May 31, 2024 and 2023, respectively. The arbitrage liability recorded as other noncurrent liabilities was \$7.8 million and \$0.2 million as of May 31, 2024 and 2023, respectively.

Swap Payments and Associated Debt

Net swap payments and related debt service requirements for hedged debt related to all sections subsequent to May 31, 2024, assuming current interest rates remain the same for the term of the agreements, are as follows:

Year Ending May 31	Bonds				Direct Borrowings and Direct Placements				Total Debt			
	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total
	(in thousands)											
2025	\$ 11,640	\$ 27,955	\$ 6,347	\$ 45,942	\$ -	\$ 11,539	\$ (6,298)	\$ 5,241	\$ 11,640	\$ 39,494	\$ 49	\$ 51,183
2026	12,136	27,575	6,142	45,853	-	11,557	(6,298)	5,259	12,136	39,132	(156)	51,112
2027	12,648	27,161	5,972	45,781	-	11,557	(6,298)	5,259	12,648	38,718	(326)	51,040
2028	12,905	26,782	5,643	45,330	-	11,576	(6,330)	5,246	12,905	38,368	(687)	50,576
2029	13,951	26,268	5,295	45,514	-	11,539	(6,298)	5,241	13,951	37,807	(1,003)	50,755
2030 - 2034	96,655	121,472	19,242	237,369	-	57,786	(31,524)	26,262	96,655	179,258	(12,282)	263,631
2035 - 2039	269,238	95,108	6,294	370,640	63,845	53,194	(29,021)	88,018	333,083	148,302	(22,727)	458,658
2040 - 2044	319,118	14,311	(2,006)	331,423	228,005	14,688	(8,032)	234,661	547,123	28,999	(10,038)	566,084
2045 - 2049	21,370	3,379	(1,380)	23,369	-	-	-	-	21,370	3,379	(1,380)	23,369
2050-2054	9,332	314	(129)	9,517	-	-	-	-	9,332	314	(129)	9,517
	<u>\$ 778,993</u>	<u>\$ 370,325</u>	<u>\$ 51,420</u>	<u>\$ 1,200,738</u>	<u>\$ 291,850</u>	<u>\$ 183,436</u>	<u>\$ (100,099)</u>	<u>\$ 375,187</u>	<u>\$ 1,070,843</u>	<u>\$ 553,761</u>	<u>\$ (48,679)</u>	<u>\$ 1,575,925</u>

Mainline net swap payments and related debt service requirements for hedged debt subsequent to May 31, 2024 for 2019 Second Series Senior Revenue Bonds, 2020 Second Series Senior Revenue Bonds, 2020 Series A Senior Revenue Bonds, 2022 First Series Subordinate Revenue Refunding Bonds (Direct Placement), and 2023 Series B Senior Revenue Refunding Bonds are as follows:

Year Ending May 31	Bonds				Direct Borrowings and Direct Placements				Total Debt			
	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total
	(in thousands)											
2025	\$ 11,640	\$ 18,077	\$ 4,386	\$ 34,103	\$ -	\$ 11,539	\$ (6,298)	\$ 5,241	\$ 11,640	\$ 29,616	\$ (1,912)	\$ 39,344
2026	12,136	17,697	4,195	34,028	-	11,557	(6,298)	5,259	12,136	29,254	(2,103)	39,287
2027	12,648	17,283	4,024	33,955	-	11,557	(6,298)	5,259	12,648	28,840	(2,274)	39,214
2028	12,905	16,876	3,709	33,490	-	11,576	(6,330)	5,246	12,905	28,452	(2,621)	38,736
2029	13,951	16,390	3,334	33,675	-	11,539	(6,298)	5,241	13,951	27,929	(2,964)	38,916
2030 - 2034	44,105	76,101	10,304	130,510	-	57,786	(31,524)	26,262	44,105	133,887	(21,220)	156,772
2035 - 2039	164,843	69,151	1,183	235,177	63,845	53,194	(29,021)	88,018	228,688	122,345	(27,838)	323,195
2040 - 2044	244,638	10,502	(2,753)	252,387	228,005	14,688	(8,032)	234,661	472,643	25,190	(10,785)	487,048
2045 - 2049	21,370	3,379	(1,380)	23,369	-	-	-	-	21,370	3,379	(1,380)	23,369
2050-2054	9,332	314	(129)	9,517	-	-	-	-	9,332	314	(129)	9,517
	<u>\$ 547,568</u>	<u>\$ 245,770</u>	<u>\$ 26,873</u>	<u>\$ 820,211</u>	<u>\$ 291,850</u>	<u>\$ 183,436</u>	<u>\$ (100,099)</u>	<u>\$ 375,187</u>	<u>\$ 839,418</u>	<u>\$ 429,206</u>	<u>\$ (73,226)</u>	<u>\$ 1,195,398</u>

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 9 DEBT *(continued)*

Swap Payments and Associated Debt *(continued)*

Motor License net swap payments and related debt service requirements for hedged debt subsequent to May 31, 2024 for the 2023 Motor License Registration Fee Bonds are as follows:

Year Ending May 31	Bonds				Direct Borrowings and Direct Placements				Total Debt			
	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total
	<i>(In thousands)</i>											
2025	\$ -	\$ 9,878	\$ 1,961	\$ 11,839	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,878	\$ 1,961	\$ 11,839
2026	-	9,878	1,947	11,825	-	-	-	-	-	9,878	1,947	11,825
2027	-	9,878	1,948	11,826	-	-	-	-	-	9,878	1,948	11,826
2028	-	9,906	1,934	11,840	-	-	-	-	-	9,906	1,934	11,840
2029	-	9,878	1,961	11,839	-	-	-	-	-	9,878	1,961	11,839
2030 - 2034	52,550	45,371	8,938	106,859	-	-	-	-	52,550	45,371	8,938	106,859
2035 - 2039	104,395	25,957	5,111	135,463	-	-	-	-	104,395	25,957	5,111	135,463
2040 - 2044	74,480	3,809	747	79,036	-	-	-	-	74,480	3,809	747	79,036
	<u>\$ 231,425</u>	<u>\$ 124,555</u>	<u>\$ 24,547</u>	<u>\$ 380,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,425</u>	<u>\$ 124,555</u>	<u>\$ 24,547</u>	<u>\$ 380,527</u>

As rates vary, variable rate bond interest payments and net swap payments will vary.

NOTE 10 RETIREMENT BENEFITS

General Information about the Pension Plan

Plan Description

Pennsylvania State Employees' Retirement System (SERS) is the administrator of the State Employees' Retirement Fund (Defined Benefit Plan), which is a cost-sharing multiple-employer defined benefit pension plan. SERS is also the administrator of the State Employees' Defined Contribution Plan (Defined Contribution Plan), which was established as part of Act 2017-5. The Defined Contribution Plan opened for enrollment on January 1, 2019. Both the Defined Benefit Plan and Defined Contribution Plan were established by the Commonwealth of Pennsylvania (Commonwealth) to provide retirement benefits for employees of state government and certain independent agencies. The Defined Benefit and Defined Contribution Plans operate under separate trusts. The assets of the Defined Benefit Plan are held in the State Employees' Retirement Fund (pension fund). Assets in the Defined Contribution Plan (investment plan) are held in individual member investment accounts.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS *(continued)*

General Information about the Pension Plan *(continued)*

Plan Description (continued)

Membership in SERS is mandatory for most Commission (and other state) employees. Act 2017-5 changed the benefit structure for most new employees effective January 1, 2019, which created a hybrid plan with two class of service options (defined benefit/defined contribution) as well as a defined contribution-only plan option. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly. Separately issued financial statements for SERS can be obtained at www.sers.pa.gov.

Benefits Provided

SERS provides retirement, death, and disability benefits. Member retirement benefits of the pension plan are determined by taking years of credited service multiplied by final average salary multiplied by the annual accrual rate. Commission employees participate in one of the following class of service categories: Class A, Class AA, Class A3, Class A4, Class A5 or Class A6. Class A5 and Class A6 became effective January 1, 2019. These classes are considered part of the Hybrid Plan as they include participation in both the pension fund and the investment plan. Employees are also eligible to elect participation solely in the investment plan, under the 401(a) DC class of service. According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

SERS retirement code (71 Pa. C.S.) requires that all SERS participating employers make contributions to the pension fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS retirement code requires that all SERS-participating employers make contributions to the investment plan on behalf of all active participants. The SERS funding policy, as set by the State Employees' Retirement Board (SERB), provides for periodic active member/participant contributions at statutory rates for both the pension fund and investment plan. The Defined Benefit Plan funding policy also provides for periodic employer contributions at actuarially determined rates based on Defined Benefit Plan funding valuation, expressed as a percentage of annual retirement covered payroll, such that they, along with employee contributions and an actuarially determined investment rate of return, are adequate to accumulate assets to pay benefits when due.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS *(continued)*General Information about the Pension Plan *(continued)**Contributions (continued)*

The Commission's retirement contribution, as a percentage of covered payroll, by class is as follows:

Year Ended June 30	Class A	Class AA	Class A3	Class A4	Class A5	Class A6	401(a) DC
2024	32.24%	41.09%	27.60%	27.60%	19.65%	19.65%	19.60%
2023	30.44%	38.82%	26.05%	26.05%	18.43%	18.43%	18.37%
2022	29.98%	37.46%	25.90%	25.90%	19.93%	19.93%	19.88%

Contributions to the pension fund from the Commission were \$34.8 million and \$32.7 million for the fiscal years ended May 31, 2024 and 2023, respectively. Contributions to the investment plan from the Commission were \$346,000 and \$205,200 for the fiscal years ended May 31, 2024 and 2023, respectively. With the passing of Act 2020-94, forfeitures after July 1, 2020 are used to offset future administrative costs of the investment plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of May 31, 2024, the Commission reported a liability of \$296.6 million for its proportionate share of the net pension liability of the pension fund. The net pension liability was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projected-contribution method. This methodology applies the most recently calculated contribution rates for Commonwealth fiscal year 2024-2025, from the December 31, 2023 funding valuation, to the expected funding payroll. As of December 31, 2023, the Commission's proportionate share of the net pension liability was 1.40%, which was a decrease of 0.05% from its proportion measured as of December 31, 2022.

For the fiscal year ended May 31, 2024, the Commission recognized pension expense of \$17.5 million related to the pension fund. For the fiscal year ended May 31, 2024, the Commission recognized pension expense of \$358,200 related to the investment plan.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS (*continued*)Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (*continued*)

As of May 31, 2024, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<i>(In thousands)</i>	
Differences between expected and actual experience	\$ 8,373	\$ 603
Net difference between projected and actual investment earnings on pension plan investments	23,301	-
Changes of assumptions	12,781	-
Differences between employer contributions and proportionate share of contributions	706	651
Changes in proportion	-	28,540
Commission contributions subsequent to measurement date	16,642	-
	<u>\$ 61,803</u>	<u>\$ 29,794</u>

The \$16.6 million reported as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending May 31, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as net (decreases) increases in pension expense as follows:

Year Ending May 31	
	<i>(In thousands)</i>
2025	\$ (1,750)
2026	5,049
2027	17,554
2028	(5,453)
2029	(33)
	<u>\$ 15,367</u>

As of May 31, 2023, the Commission reported a liability of \$331.6 million for its proportionate share of the net pension liability of the pension fund. The net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on a projected-contribution method. This methodology applies the most recently calculated contribution rates for Commonwealth fiscal year 2023-2024, from the December 31, 2022 funding valuation, to the expected funding payroll. As of December 31, 2022, the Commission's proportionate share of the net pension liability was 1.45%, which was a decrease of 0.06% from its proportion measured as of December 31, 2021.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS (*continued*)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (*continued*)

For the fiscal year ended May 31, 2023, the Commission recognized pension expense of \$25.5 million related to the pension fund. For the fiscal year ended May 31, 2023, the Commission recognized pension expense of \$224,700 related to the investment plan.

As of May 31, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	<i>(In thousands)</i>	
Differences between expected and actual experience	\$ 4,818	\$ 920
Net difference between projected and actual investment earnings on pension plan investments	45,038	-
Changes of assumptions	22,363	-
Differences between employer contributions and proportionate share of contributions	534	961
Changes in proportion	-	36,349
Commission contributions subsequent to measurement date	15,189	-
	<u>\$ 87,942</u>	<u>\$ 38,230</u>

Actuarial Method and Assumptions

Every five years, 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 oversight of the Pennsylvania State Employees' Retirement Board (SERB), 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 SERB in July 2020, and the recommended assumption changes were effective with the December 31, 2020 valuation. The study can be viewed at www.SERS.pa.gov.

The actuary and SERB 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 2023, the SERB deliberated and decided to maintain the 6.875% Defined Benefit Plan investment rate of return assumption for the December 31, 2023 valuation.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS (*continued*)

Actuarial Methods and Assumptions (*continued*)

The following methods and assumptions were used in the actuarial valuation for the December 31, 2023 and 2022 measurement dates:

	December 31, 2023	December 31, 2022
Actuarial cost method	Entry age	Entry age
Amortization method	Straight-line amortization of investments over five years and amortization of assumption changes and non-investment gains/losses over the average expected remaining service lives of all employees that are provided benefits	Straight-line amortization of investments over five years and amortization of assumption changes and non-investment gains/losses over the average expected remaining service lives of all employees that are provided benefits
Investment rate of return	6.875% net of manager fees, including inflation	6.875% net of manager fees, including inflation
Projected salary increases	Average of 4.55% with range of 3.30% - 6.95%, including inflation	Average of 4.55% with range of 3.30% - 6.95%, including inflation
Asset valuation method	Fair (market) value	Fair (market) value
Inflation	2.50%	2.50%
Mortality rate	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement	Projected PubG-2010 and PubNS-2010 Mortality Tables adjusted for actual plan experience and future improvement
Cost-of-living adjustments (COLA)	Ad hoc	Ad hoc

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS *(continued)*Actuarial Methods and Assumptions *(continued)*

The long-term expected real rate of return on pension plan investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) 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 pension plan's current and target asset allocation as of December 31, 2023 and 2022 are summarized in the following tables:

As of December 31, 2023:

Asset Class	Target Allocation	Long-term Expected Rate
Private Equity	16.00%	6.00%
Real Estate	7.00%	4.80%
U.S. Equity	31.00%	4.85%
International Developed Markets Equity	14.00%	4.75%
Emerging Markets Equity	5.00%	4.95%
Fixed Income	22.00%	1.75%
Inflation Protection (TIPS)	3.00%	1.50%
Cash	2.00%	0.25%
Total	100.00%	

As of December 31, 2022:

Asset Class	Target Allocation	Long-term Expected Rate
Private Equity	16.00%	5.75%
Real Estate	7.00%	5.12%
U.S. Equity	31.00%	4.35%
International Developed Markets Equity	14.00%	4.25%
Emerging Markets Equity	5.00%	4.65%
Fixed Income	22.00%	-0.50%
Inflation Protection (TIPS)	3.00%	-1.00%
Cash	2.00%	-1.05%
Total	100.00%	

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS *(continued)*Discount Rate

The discount rate, or investment rate of return, used to measure the total pension liability was 6.875% in 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that contributions from pension plan members will be made at the current contribution rates and that contributions from participating employers will be made at actuarially determined rates as set by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Commission's Proportionate Share of the Net Pension Liability to Change in the Discount Rate

The following schedule presents the Commission's proportionate share of the 2023 and 2022 net pension liability calculated using the discount rate of 6.875% for both years. It also shows what the Commission's proportionate share of the net pension 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 rate:

	<u>1.0% Decrease to 5.875%</u>	<u>Current Discount Rate of 6.875%</u>	<u>1.0% Increase to 7.875%</u>
	<i>(In thousands)</i>		
Commission's share of the net pension liability as of the 12/31/23 measurement date	\$ 389,200	\$ 296,572	\$ 218,352
Commission's share of the net pension liability as of the 12/31/22 measurement date	\$ 425,028	\$ 331,574	\$ 252,646

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial statements for SERS.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 10 RETIREMENT BENEFITS (*continued*)

Payables to the Pension Plan

As of May 31, 2024 and 2023, the Commission reported a \$1.4 million and \$7.3 million liability, respectively, within accounts payable and accrued liabilities on the Statement of Net Position for the Commission's share of contributions that had not yet been paid to SERS. As of May 31, 2024 and 2023, \$0.02 million and \$0.02 million, respectively, of the amount payable to SERS was allocated to the investment plan with the remainder allocated to the pension fund.

NOTE 11 COMMITMENTS AND CONTINGENCIES

The Commission is a defendant in a number of legal proceedings pertaining to matters normally incidental to routine operations. Such litigation includes, but is not limited to, claims asserted against the Commission arising from alleged torts, alleged breaches of contracts, and condemnation proceedings. Tort claims against the Commission are generally barred by sovereign immunity, except as waived by statute. Further, to the extent waived, damages for any loss are limited by sovereign immunity to \$250,000 for each person and \$1,000,000 for each accident. Based on the current status of these legal proceedings, it is the opinion of Commission management and counsel that they will not have a material effect on the Commission's financial position.

Act 44 and Act 89

On July 18, 2007, Act 44 was enacted, creating a "public-public partnership" between the Commission and PennDOT to provide funding for roads, bridges and transit throughout the Commonwealth. Subsequently, in order to, among other things, effectuate the provisions of Act 44 requiring the Commission to make substantial annual payments to PennDOT as described in the following paragraphs, the Commission and PennDOT entered into a Lease and Funding Agreement (the Act 44 Funding Agreement), incorporating many of the terms of Act 44.

The Act 44 Funding Agreement also granted the Commission the option to lease the portion of Interstate 80 (I-80) located in the Commonwealth from PennDOT upon, among other things, the approval of the Federal Highway Administration (FHWA) of the conversion of such portion into a toll road (the Conversion). The Conversion was not approved by FHWA and neither the Commission nor PennDOT appealed the decision. The Commission did not exercise its option to lease such portion of I-80, and the period during which the Commission could exercise its option under the Act 44 Funding Agreement lapsed on October 14, 2010 without the Commission effectuating the Conversion or having the ability to do so in the future, leaving all legal, financial and operational responsibility for I-80 solely with PennDOT.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES (*continued*)

Act 44 and Act 89 (*continued*)

Pursuant to Act 44 and the Act 44 Funding Agreement, the Commission is obligated to make scheduled annual payments to PennDOT (*Act 44/Act 89 Payments*). Previously, aggregate annual payments in the amount of \$450.0 million were due through 2057, payable in equal quarterly installments, with \$200.0 million of the scheduled annual payments supporting road and bridge projects and \$250.0 million supporting transit projects throughout the Commonwealth. However, commencing with fiscal year 2023, the Commission's current annual Act 44/Act 89 Payment obligation was reduced to \$50.0 million. See the following paragraphs for more information on the total amount paid by the Commission under the Amended Funding Agreement.

On November 25, 2013, Act 89 was enacted to provide (i) substantial revenue enhancements to support investment in the Commonwealth's aging transportation infrastructure, and (ii) substantial reductions in the Commission's obligations with respect to the Act 44/Act 89 Payments. The revenue enhancements providing additional funds each year for investment in the Commonwealth's transportation infrastructure were fully implemented in fiscal year 2018.

Revisions to the Commission's Act 44/Act 89 Payment obligations enacted under Act 89 were implemented by Amendment Number One to Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Original Amended Funding Agreement*) executed by the Commission and PennDOT on April 4, 2014.

In accordance with Act 89 and the Original Amended Funding Agreement, the Commission's aggregate annual Act 44/Act 89 Payment to PennDOT for fiscal year 2014 through fiscal year 2022 was \$450.0 million, with at least \$30.0 million of such annual amount required to be paid from current revenues, and the remainder funded by the proceeds of bonds issued under the Subordinate Revenue Indenture.

The Original Amended Funding Agreement was subsequently further amended, on July 31, 2018, by Amendment Number Two to Lease and Funding Agreement (the *Amendment Two*) and on June 11, 2020, by Amendment Number Three to the Lease and Funding Agreement (the *Amendment Three*, and together with the Original Amended Funding Agreement and Amendment Two, the *Amended Funding Agreement*) both of which were executed by all parties to provide current year adjustments for certain due dates for Act 44/Act 89 Payments in fiscal years 2019 through 2021.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES *(continued)*

Act 44 and Act 89 *(continued)*

Act 89 relieved the Commission from over \$15.0 billion in future Act 44/Act 89 Payments to PennDOT during fiscal years 2023 through 2057 (the term of the Amended Funding Agreement), by reducing the Commission's aggregate annual Act 44/Act 89 Payments to PennDOT to \$50.0 million, which amount must be paid from current revenues of the Commission.

The Commission is required by the terms of the Amended Funding Agreement and Act 44 to fix and adjust tolls at levels that will generate revenues (together with other available moneys) sufficient to pay, among other things, amounts to PennDOT pursuant to the Amended Funding Agreement when due and other obligations of the Commission, and the Commission has covenanted in the Subordinate Revenue Indenture to set tolls at a level sufficient to meet its coverage obligations taking into account any additional debt incurred in order to make such payments.

Act 44 and Act 89 provide that all Act 44/Act 89 Payments shall be subordinate obligations of the Commission payable solely from the General Reserve Fund after meeting all other Commission requirements pursuant to any financial documents, financial covenants, liquidity policies or agreements in effect at the Commission.

Open Purchase Order Commitments

The Commission had open purchase order commitments of approximately \$2.1 billion and \$2.6 billion as of May 31, 2024 and 2023, respectively.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES (*continued*)

Interest Rate Swaps

The fair value and notional amounts of derivative instruments outstanding as of May 31, 2024 and 2023, classified by type and the changes in fair value of such derivative instruments for the years then ended as reported in the fiscal year 2024 and 2023 financial statements are as follows:

	<u>May 31, 2023</u>	<u>Changes in Fair Value</u>		<u>Fair Value at May 31, 2024</u>		<u>Notional</u>
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<i>Cash flow hedges</i>						
Pay-fixed interest rate swap	\$ 50,765	Deferred (outflows)/inflows	\$ 58,959	Noncurrent liabilities	\$ 109,724	\$ 1,070,843
<i>Investment derivative instruments</i>						
Basis swaps	2,493	Investment earnings/(losses)	2,265	Noncurrent investments	4,758	427,375
Total PTC	<u>\$ 53,258</u>		<u>\$ 61,224</u>		<u>\$ 114,482</u>	

	<u>May 31, 2022</u>	<u>Changes in Fair Value</u>		<u>Fair Value at May 31, 2023</u>		<u>Notional</u>
		<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	
<i>Cash flow hedges</i>						
Pay-fixed interest rate swap	\$ 14,646	Deferred (outflows)/inflows	\$ 36,119	Noncurrent liabilities	\$ 50,765	\$ 1,073,223
<i>Investment derivative instruments</i>						
Basis swaps	(1,159)	Investment earnings/(losses)	3,652	Noncurrent investments	2,493	431,695
Total PTC	<u>\$ 13,487</u>		<u>\$ 39,771</u>		<u>\$ 53,258</u>	

Fair Values

As of May 31, 2024 and 2023, the fair values of the Commission's derivative instruments were estimated beginning with the mid-market valuation. The mid-market valuation of the Commission's derivative instruments was estimated using the zero-coupon discounting method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bonds due on the date of each future net settlement payments on the swaps.

The fair value is then incorporated into the previously described mid-market valuation: 1) the credit risk of either the Commission or its counterparty (for a liability position or asset position, respectively) i.e. nonperformance risk; and 2) the bid/offer spread that would be charged to the Commission in order to transact. As the valuations are based on discounting future net cash flows to a single current amount, the approach being utilized is the income approach. The fair values rely primarily on Level 2 Inputs (observable inputs) – such as SOFR rates to build the yield curve.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES *(continued)*Interest Rate Swaps *(continued)**Recent Activity – Cash Flow Hedges*

On February 28, 2023, the Mainline and Motor License Registration Fee SIFMA Fixed Payer swaps previously assigned to Merrill Lynch were novated to Bank of America. The Bank of America ISDA was amended to remove the guarantee of Merrill Lynch Derivatives Products (MLDP). Going forward, Bank of America is the swap counterparty under both Mainline and Motor License Registration Fee ISDAs. These novations were not considered termination events. The notional amount of the Mainline SIFMA Fixed Payer is \$100.0 million. The notional amount of the Motor License Registration Fee SIFMA Fixed Payer is \$57.9 million.

On September 6, 2023, the 2005 Series B, C and D Motor License Registration Fee Revenue Bonds were refunded by the Commission's 2023 Series Motor License Registration Fee Revenue Refunding Bonds. The SIFMA Fixed Payer swaps previously associated with the 2005 Series B, C and D Motor License Registration Fee Revenue Bonds were deemed terminated and reassigned to the 2023 Series Motor License Registration Fee Revenue Refunding Bonds. There was no change in the notional amounts of these swap agreements (see (1) hedging derivative instruments listed in Note 11). The fair values at the time of deemed termination were negative \$0.2 million with respect to the Bank of New York swap, negative \$5.1 million with respect to the JP Morgan swap, negative \$5.1 million with respect to the Bank of America swap and negative \$5.1 million with respect to the Morgan Stanley swap. These amounts are being amortized until July 15, 2041, which is the final maturity of the swap.

On November 9, 2023, the 2018 Series A-1 Senior Revenue Bonds and 2018 Series B Senior Revenue Bonds were refunded by the Commission's 2023 Series B Senior Revenue Refunding Bonds. The swaps previously associated with the 2018 Series A-1 Senior Revenue Bonds and 2018 Series B Senior Revenue Bonds were deemed terminated and reassigned to the 2023 Series B Senior Revenue Refunding Bonds. There was no change in the notional amounts of these swap agreements (see (3) and (4) hedging derivative instruments listed in Note 11). The fair values at the time of deemed termination were:

<i>(in millions)</i>	Total	Goldman Sachs	Bank of America	Morgan Stanley	Bank of New York	JP Morgan
2018 A-1	\$ 2.1	\$ 0.7	\$ 0.7	\$ 0.7	n/a	n/a
2018 B	\$ 2.4	n/a	\$ 0.6	n/a	\$ 0.6	\$ 1.2

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Recent Activity – Cash Flow Hedges

The 2018 A-1 amounts are being amortized until December 1, 2038, which is the final maturity of the swap. The 2018 B amounts are being amortized until December 1, 2030, which is the final maturity of the swap.

On December 8, 2023, the Commission amended its existing ISDA/CSA Agreement and fixed-payer callable interest rate swap with Barclays Bank PLC. Since the transaction has been positive to the Commission, the Commission elected to amend the CSA threshold for Barclays to \$25.0 million at ratings of A+/A1 and above. (Under the ISDA, the Commission does not post collateral). In exchange, the fixed swap rate payable by the Commission was lowered by 4.5 bps (from 1.995% to 1.95%) up until the swap's first optional cancellation date of 9/3/2030.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES (*continued*)

Interest Rate Swaps (*continued*)

Following is a summary of the hedging derivative instruments in place as of May 31, 2024 and 2023. All items are fixed interest rate swap types. These hedging derivative instruments contain risks and collateral requirements as described below (in thousands).

As of May 31, 2024:

Objective	Notional Amount	Effective Date	Maturity Date	Terms*	Counterparty	Moody's/ S&P/Fitch	Book Fair Value
1. Hedge of changes of cash flows on the Series of 2023 Bonds (formerly 2005 Series B, C, D, Bonds)	\$ 57,860 57,845 57,860 57,860 <u>231,425</u>	9/6/2023 9/6/2023 9/6/2023 9/6/2023	7/15/2041 7/15/2041 7/15/2041 7/15/2041	Pay 4.2015%, receive SIFMA	Bank of New York Mellon JPMorgan Chase Bank Bank of America Morgan Stanley CS ^	Aa2/AA-/AA Aa2/A+/AA Aa1/A+/AA Aa3/A+/NR	\$ (73) (73) (73) (73) <u>(292)</u>
2. Hedge of changes of cash flows of First Series of 2022 Sub Bonds (formerly 2017 Series A Sub Bonds)	291,850	4/28/2022	12/1/2041	Pay 1.8265%; receive 70.00% SOFR + 0.1831%	Royal Bank of Canada	Aa1/AA-/AA-	43,073
3. Hedge of changes of cash flows of 2023 Series B Bonds (formerly 2018 A-1, 2014 B-1, 2008 B-1 & 2011 C Bonds)	5,732 5,732 5,731 <u>17,195</u>	11/9/2023 11/9/2023 11/9/2023	12/1/2038 12/1/2038 12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP Bank of America Morgan Stanley CS ^	Aa2/AA-/NR Aa1/A+/AA Aa3/A+/NR	(82) (82) (82) <u>(246)</u>
4. Hedge of changes of cash flows of 2023 Series B Bonds (formerly 2018 B, 2017 B-2, 2016 A-2, 2014 B-2 & 2012 B Bonds)	17,806 17,806 35,588 <u>71,200</u>	11/9/2023 11/9/2023 11/9/2023	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% SOFR + 0.0769%	Bank of America Bank of New York Mellon JPMorgan Chase Bank	Aa1/A+/AA Aa2/AA-/AA Aa2/A+/AA	(13) (13) (25) <u>(51)</u>
5. Hedge of changes of cash flow on the 2nd Series of 2019 (formerly 2014 B-1, formerly 2008 B-1 & 2011 C Bonds)	46,605 46,605 46,605 <u>139,815</u>	6/4/2019 6/4/2019 6/4/2019	12/1/2038 12/1/2038 12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP Bank of America Morgan Stanley CS ^	Aa2/AA-/NR Aa1/A+/AA Aa3/A+/NR	6,887 6,904 6,907 <u>20,698</u>
6. Hedge of changes of cash flows on the Series of 2020 Bonds (formerly 2013 Series B, 2009 Series C & 2011 Series D)	20,714 20,714 41,402 <u>82,830</u>	6/23/2020 6/23/2020 6/23/2020	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% SOFR + 0.0769%	Bank of America Bank of New York Mellon JPMorgan Chase Bank	Aa1/A+/AA Aa2/AA-/AA Aa2/A+/AA	1,776 1,780 3,556 <u>7,112</u>
7. Hedge of changes of cash flow on the Series of 2020 (formerly 2014 B-1, formerly 2008 B-1 & 2011 C Bonds)	47,663 47,663 47,664 <u>142,990</u>	6/23/2020 6/23/2020 6/23/2020	12/1/2038 12/1/2038 12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP Bank of America Morgan Stanley CS ^	Aa2/AA-/NR Aa1/A+/AA Aa3/A+/NR	8,627 8,646 8,651 <u>25,924</u>
8. Hedge of changes of cash flows on the 2020 Series A Bonds (new money)	93,538	8/20/2020	12/1/2050	Pay 1.950% until 9/3/2030, 1.995% thereafter; receive SIFMA	Barclay's	A1/A+/A+	13,506
Total	\$ 1,070,843						\$ 109,724

Secured Overnight Financing Rate (SOFR) was 5.34% as of May 31, 2024.
SIFMA was 3.36% as of May 31, 2024.

* LIBOR was permanently discontinued on June 30, 2023. Therefore, LIBOR was replaced by SOFR for the applicable swap agreements.

^ Guaranteed by Morgan Stanley & Co. whose credit ratings at May 31, 2024 were 'A1/A-/A+' (Moody's/S&P/Fitch).

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements (*continued*)
Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES (*continued*)

Interest Rate Swaps (*continued*)

As of May 31, 2023:

Objective	Notional Amount	Effective Date	Maturity Date	Terms*	Counterparty	Moody's/S&P/Fitch	Book Fair Value
1. Hedge of changes of cash flows on the 2005 Series B, C, D, Bonds	\$ 57,860 57,845 57,860 57,860 <u>231,425</u>	12/20/2013 8/17/2005 8/17/2005 8/17/2005	7/15/2041 7/15/2041 7/15/2041 7/15/2041	Pay 4.2015%, receive SIFMA	Bank of New York Mellon JPMorgan Chase Bank Bank of America Morgan Stanley CS ^	Aa2/AA-/AA Aa2/A+/AA Aa1/A+/AA Aa3/A+/NR	\$ (2,740) (7,706) (7,706) (7,708) <u>(25,860)</u>
2. Hedge of changes of cash flows of First Series of 2022 Bonds (formerly 2017 Series A Sub Bonds)	291,850	4/28/2022	12/1/2041	Pay 2.5125% to 06/01/22. 1.8265% thereafter; receive 70.00% of 3-month LIBOR	Royal Bank of Canada	Aa1/AA-/AA	14,286
3. Hedge of changes of cash flows of 2018 Series A-1 Bonds (formerly 2014 Series B-1, 2008 Series B-1 & 2011 Series C Bonds)	5,732 5,732 5,731 <u>17,195</u>	6/28/2018 6/28/2018 6/28/2018	12/1/2038 12/1/2038 12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP Bank of America Morgan Stanley CS ^	Aa2/AA-/NR Aa1/A+/AA Aa3/A+/NR	469 468 474 <u>1,411</u>
4. Hedge of changes of cash flows of 2018 Series B Bonds (formerly 2017 Series B-2, 2016 Series A-2, 2014 Series B-2 & 2012 Series B Bonds)	17,806 17,806 35,588 <u>71,200</u>	11/6/2018 11/6/2018 11/6/2018	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America Bank of New York Mellon JPMorgan Chase Bank	Aa1/A+/AA Aa2/AA-/AA Aa2/A+/AA	285 285 572 <u>1,142</u>
5. Hedge of changes of cash flow on the 2nd Series of 2019 (formerly 2014 B-1, formerly 2008 B-1 & 2011 C Bonds)	46,605 46,605 46,605 <u>139,815</u>	6/4/2019 6/4/2019 6/4/2019	12/1/2038 12/1/2038 12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP Bank of America Morgan Stanley CS ^	Aa2/AA-/NR Aa1/A+/AA Aa3/A+/NR	6,037 6,031 6,100 <u>18,168</u>
6. Hedge of changes of cash flows on the Series of 2020 Bonds (formerly 2013 Series B, 2009 Series C & 2011 Series D)	20,714 20,714 41,402 <u>82,830</u>	6/23/2020 6/23/2020 6/23/2020	12/1/2030 12/1/2030 12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America Bank of New York Mellon JPMorgan Chase Bank	Aa1/A+/AA Aa2/AA-/AA Aa2/A+/AA	1,879 1,888 3,616 <u>7,383</u>
7. Hedge of changes of cash flow on the Series of 2020 (formerly 2014 B-1, formerly 2008 B-1 & 2011 C Bonds)	47,663 47,663 47,664 <u>142,990</u>	6/23/2020 6/23/2020 6/23/2020	12/1/2038 12/1/2038 12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP Bank of America Morgan Stanley CS ^	Aa2/AA-/NR Aa1/A+/AA Aa3/A+/NR	7,917 7,907 7,999 <u>23,823</u>
8. Hedge of changes of cash flows on the 2020 Series A Bonds (new money)	95,918	8/20/2020	12/1/2050	Pay 1.995%, receive SIFMA	Barclay's	A1/A/A+	10,412
Total	\$ 1,073,223						\$ 50,765

1-month LIBOR was 5.193% as of May 31, 2023.
3-month LIBOR was 5.51671% as of May 31, 2023.
SIFMA was 3.56% as of May 31, 2023.

* LIBOR was permanently discontinued on June 30, 2023. Therefore, LIBOR has been replaced subsequent to the fiscal 2023 year-end for applicable swap agreements.

^ Guaranteed by Morgan Stanley & Co. whose credit ratings at May 31, 2023 were 'A1/A-/A' (Moody's/S&P/Fitch).

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES (*continued*)

Interest Rate Swaps (*continued*)

- **Credit Risk** – The Commission is at risk that a counterparty will not fulfill their obligations under the agreement. Specifically, the Commission is exposed to credit risk for hedging derivative instruments that have positive full values from the counterparty and investment derivative instruments (see Note 4) that have positive fair values. As of May 31, 2024, the Commission has credit risk exposure with respect to the (2) and (8) hedging derivative instruments listed in Note 11 and with respect to the (C) investment derivative instrument listed in Note 4. However, should interest rates change and the fair values of the other swaps become positive, the Commission would have additional credit risk exposure.

To mitigate the exposure to credit risk, the swap agreements include collateral provisions in the event of downgrades to the swap counterparties' credit ratings along with the values of the swaps exceeding certain thresholds specified in the swap agreement. The Commission's derivative instrument agreements contain netting provisions, under which transactions executed with a single counterparty within a credit are netted to determine collateral amounts. Collateral would be posted with a bank custodian and would be in the form of cash, U.S. Treasury Obligations, or U.S. Government Agency Securities. As of May 31, 2024, the Commission had net credit risk exposure to two counterparties pursuant to the provisions of the respective derivative instrument agreements. Neither counterparty was required to post collateral either due to its credit ratings or because the swap value at year end was below the collateral threshold levels.

- **Interest Rate Risk** – The Commission will be exposed to variable interest rates if the swap provider for a variable-to-fixed swap agreement defaults or if a variable-to-fixed swap is terminated.
- **Market-access Risk** – The Commission is not exposed to market-access risk as of May 31, 2024 because none of the maturity dates of the hedging derivative instruments extend past the maturity date of the related debt.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES (*continued*)

Interest Rate Swaps (*continued*)

- **Basis Risk** – The Commission is exposed to basis risk on its basis swaps because the variable-rate payments received by the Commission on these derivative instruments are based on rates other than the interest rates the Commission pays on these derivative instruments. See the investment derivative instrument schedule in Note 4 for the terms of the interest rate swap agreements. The Commission’s exposure to basis risk for the swaps listed in Note 4 is as follows:
 - (A) – To the extent SIFMA exceeds 63% of SOFR + 0.0721%+0.20%
 - (B) – To the extent 67% of SOFR + 0.0767% exceeds 60.15% of the 10-year maturity of the USD-ISDA Fallback Swap Rate
 - (C) – To the extent SIFMA exceeds 99.68% of SOFR + 0.2608%
- **Termination Risk** – The swap agreements may be terminated due to a number of circumstances and the Commission retains the option to terminate the swaps at any time. If a swap agreement is terminated (by either party), the respective variable-rate bond would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, the swap had a negative fair value, the Commission would be liable to the swap counterparty for a liability equal to the swap’s full value. It is generally the Commission’s intent at the time of swap execution to maintain the swap transactions for the life of the financing.
- **Collateral Requirements** – The Commission’s derivative instruments related to its Mainline Turnpike Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its senior credit rating falls below specified thresholds. These thresholds vary from agreement to agreement, with most in the ‘A3’ (Moody’s) and ‘A-’ (S&P and Fitch) levels. The Commission’s Mainline Senior Bond rating was ‘Aa3’ from Moody’s, ‘AA-’ from S&P and ‘AA-’ from Fitch as of May 31, 2024. The Commission’s Mainline Subordinate Bond rating was ‘A2’ from Moody’s, ‘A+’ from S&P and ‘A’ from Fitch as of May 31, 2024. Based on May 31, 2024 full values, the Commission could be required to post \$36.5 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 11 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

The Commission's derivative instruments related to its Oil Franchise Tax Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its credit rating falls below specified thresholds. These thresholds vary from agreement to agreement, with most in the 'A3' (Moody's) and 'A-' (S&P and Fitch) levels. The Commission's Oil Franchise Tax Senior Bond rating was 'Aa3' from Moody's, 'AA-' from S&P and 'AA-' from Fitch as of May 31, 2024. Based on May 31, 2024 full values, the Commission could be required to post \$3.8 million in collateral for its derivative instruments if its ratings fall below the agreements thresholds.

The Commission's derivative instruments related to its Motor License Registration Fee Revenue Bonds require the Commission to post collateral in the form of eligible securities or cash if its credit rating falls below specified thresholds and/or in the event of certain uncured insurer events of default. These thresholds vary from agreement to agreement. The Commission's Motor License Registration Fee Revenue Bond rating was 'A1' from Moody's, 'AA-' from S&P and 'AA-' from Fitch as of May 31, 2024. Based on May 31, 2024 full values, the Commission could be required to post \$19.9 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

NOTE 12 RELATED-PARTY TRANSACTIONS

The Commission incurred charges, from the Commonwealth's State Police, of \$75.7 million and \$65.8 million, respectively, for the fiscal years ended May 31, 2024 and 2023. These charges are primarily related to patrolling of the Turnpike System.

During fiscal year ended May 31, 2024, the Commission contributed \$1.3 million to PennDOT for construction projects related to pollutant reduction plan obligations in selected Pennsylvania watersheds.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Commission maintains an Other Postemployment Welfare Plan Program (the Plan), for the purpose of providing benefits to eligible retirees and their dependents. The Plan is a single employer, defined benefit plan. The Commission established the Pennsylvania Turnpike Commission Retiree Medical Trust (the Trust) on May 30, 2008 as an irrevocable trust, tax-exempt under Section 115 of the Internal Revenue Code, to provide funding of the Plan's other postemployment benefits (OPEB).

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS

Plan Description (*continued*)

The Trust is administered by Trustees who are appointed by and serve at the pleasure of the Commission. The chairman and vice chairman of the Trust are appointed by the Trustees and serve two-year terms. PNC Bank serves as custodian of the assets of the Plan. Disbursement of Plan assets are made by the custodian at the direction of the Trustees. The Plan's financial statements are not included in the financial statements of a public employee retirement system. The Plan issues a stand-alone financial report, which can be obtained by contacting the Commission's Accounting & Financial Reporting Department.

Plan benefit provisions and retiree and dependent contribution rates are established and may be amended by the Commission.

Management and Supervisory Union Employees/Retirees

The benefits funded by the Trust include certain postemployment medical, prescription drug, dental and vision benefits to management and supervisory union employees based upon their age, date of hire and Pennsylvania State Employees' Retirement System (SERS) credited service. Credited Service is defined as one year of service earned when an employee works 1,650 hours or more in a calendar year and includes Pennsylvania Public School Employees' Retirement System (PSERS) and military service. Any participation in SERS establishes an employee's SERS footprint. Eligibility categories include:

- Employees hired before March 1, 2016 or after with a SERS footprint, who have reached 20 years of service and are under age 60; benefit eligibility changes from 20 to 10 years for retirees 60 years of age or older. The last five years of service must be with the Commission.
- Employees hired on or after March 1, 2016 without a SERS footprint, who have reached 30 years of service and are under age 60; benefit eligibility changes from 30 to 25 years for retirees 60 years of age or older. The last 10 years of service must be with the Commission. (Some current and previous Commonwealth of Pennsylvania employees hired on or after this date would be grandfathered under the first eligibility category.)

Prior to May 20, 2020, the same coverage and cost was provided to surviving spouses or domestic partners and dependents of management and supervisory union retirees who retired after March 1, 2001. Surviving spouses or domestic partners of retirees who retired on or prior to March 1, 2001, may purchase medical, prescription, dental and/or vision coverage at the group rate and dependents are offered coverage under COBRA. Medicare Part B premiums are paid by the retiree, spouse or dependent if age 65 or over, or under age 65 and disabled. Effective May 20, 2020, domestic partners are no longer eligible to enroll.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Plan Description *(continued)*

Non-Supervisory Union Employees/Retirees

The benefits also include certain postemployment medical and prescription drug benefits to non-supervisory union employees who have satisfied the age and years of SERS Credited Service eligibility requirements in the applicable collective bargaining agreement. Credited Service is defined as one year of service earned when an employee works 1,650 hours or more in a calendar year and includes PSERS and military service. Eligibility categories include:

- For Local 30 Professionals who were hired prior to January 1, 2011, and retired after February 1, 2005, and for Local 250 and 77 employees who were hired prior to January 27, 2016, and retired after February 1, 2005, the earlier of completion of 20 years of Credited Service or the later of attainment of age 60 and completion of 10 years of Credited Service. The last five years of Credited Service must be with the Commission.
- For Local 30 professionals who were hired on or after January 1, 2011, and for Local 250 and 77 employees who were hired on or after January 27, 2016, the earlier of completion of 30 years of Credited Service or the later of attainment of age 60 and completion of 25 years of Credited Service. The last 10 years of Credited Service must be with the Commission. (Some current and previous Commonwealth of Pennsylvania employees hired on or after this date for Local 30 professionals would be grandfathered under the first eligibility category.)

The same coverage is provided to spouses or domestic partners and dependents of eligible non-supervisory union retirees until the death of the retiree. Surviving spouses or domestic partners are required to contribute the full cost of medical and prescription coverage and dependents are offered coverage under COBRA.

Employees Covered by Benefit Terms

As of May 31 (the measurement date), the following employees were covered by the benefit terms.

	<u>2023</u>	<u>2022</u>
Inactive plan members or beneficiaries currently receiving benefit payments	1,772	1,897
Inactive plan members entitled to but not yet receiving benefit payments	109	120
Active plan members	1,335	1,179
Total	<u>3,216</u>	<u>3,196</u>

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (*continued*)

Contributions

The Commission adopted a Retiree Medical Trust Funding Policy, effective September 2008 and amended in June 2020, whereby the Commission anticipated approving an annual contribution to the Trust in the amount of the Actuarially Determined Contribution (ADC), as determined by the Commission's actuary, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the approval of its annual operating budget.

A second revision to the policy was approved in April 2023. Under the new revision, the Commission anticipates approving an annual operating budget that includes annual contributions to the Trust. The Commission may take into consideration the following factors when determining the annual contribution: funded status of the Trust, estimated actuarially determined contribution, estimated service cost, current market conditions, OPEB expense projections, projected cash balances and other pertinent factors.

Retiree and spouse contribution rates as of May 31, 2023 and 2022 are as follows:

- Management and supervisory union employees who retired prior to July 1, 1998, and union employees who retired prior to October 1, 1997 – the retiree/spouse contributes the full cost of coverage less the Commission's monthly subsidy of \$19.28 once the retiree reaches age 65.
- Management and supervisory union employees who retired on July 1, 1998 or later – the retiree/spouse has no contribution once the retiree reaches age 65.
- Union employees who retired on October 1, 1997 or later – the retiree/spouse contributes the full cost of coverage, less the Commission's monthly subsidy of \$73.50 when the retiree or spouse reaches age 65.
- Beginning September 1, 2020, all management and supervisory union, Local 250, Local 77 and Local 30 professional retirees less than age 65 must contribute \$38.68 monthly towards medical and prescription coverage.
- Surviving spouses and domestic partners are paying 100% of the premiums, except for surviving spouses of management and supervisory union employees who retired after March 1, 2001.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS *(continued)*Net OPEB Asset/Liability

The Commission recorded a net OPEB asset of \$173.5 million and \$109.7 million as of May 31, 2024 and 2023, respectively.

Actuarial Assumptions and Discount Rate

The total OPEB liability reported as of May 31, 2024 was determined by an actuarial valuation as of May 31, 2023 which was calculated based on the discount rate and actuarial assumptions below. The total OPEB liability reported as of May 31, 2023 was determined by an actuarial valuation as of the valuation date (May 31, 2021), calculated based on the discount rate and actuarial assumptions below, and was then projected forward, using update procedures, to the measurement date (May 31, 2022). There have been no significant changes between the valuation dates and the fiscal year ends.

	<u>May 31, 2023</u>	<u>May 31, 2022</u>
Discount rate	5.5%	5.5%
Long-term expected rate of return, net of investment expense	5.5%	5.5%

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the long-term expected rate of return.

An actuarial analysis of claims and enrollment data, related to the Plan's population, for the period September 1, 2021 through August 31, 2023 was performed and the claims cost method was adjusted based on this analysis. As stated in Note 10, Commission employees/retirees are also members of SERS. Every five years, 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 oversight of the Pennsylvania State Employees' Retirement Board (SERB), 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 January 1, 2015 – December 31, 2019 was released and approved by the SERB in July 2020. Many of the actuarial assumptions for the Plan were based on this SERS experience study (i.e. Salary, Withdrawal, Retirement, etc.).

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Net OPEB Asset/Liability *(continued)*

Actuarial Assumptions and Discount Rate (continued)

Measurement date	May 31, 2023	May 31, 2022
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.5%	2.5%
Salary increases for union members	2.8% plus 0.5%- 4.15% merit	3.0%
Salary increases for management members	2.8% plus 0.5%- 4.15% merit	3.3%
Amortization method	Level dollar amortization over a period of 10 years	
Asset valuation method	Market value plus receivable contributions made attributable to a prior fiscal year	

The healthcare cost trend assumption is based on the Society of Actuaries Long-Run Medical Cost Trend, utilizing the baseline assumptions included in the model for medical and prescription drug benefits.

The health cost trend assumption for benefits at sample years is as follows:

Valuation Year	Rate
2023	7.00%
2024	6.50
2025	6.00
2026	5.50
2027	5.40
2028	5.30
2029	5.20
2030 – 2031	5.10
2032	5.00
2033 – 2037	4.80
2038 – 2050	4.70
2051 – 2065	4.60
2066 – 2067	4.50
2068 – 2069	4.40
2070 – 2072	4.30
2073 – 2074	4.20
2075+	4.10

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS *(continued)*Net OPEB Asset/Liability *(continued)**Actuarial Assumptions and Discount Rate (continued)*

Mortality rates were based on the PubG-2010 mortality table adjusted to reflect Mortality Improvement Scale MP-2021 and projected forward on a generational basis (based on recommendation of Society of Actuaries' Retirement Plans Experience Committee), with employee rates before benefit commencement and healthy annuitant rates after benefit commencement and reflecting mortality improvements both before and after the valuation date.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	27%	4.81%
International equity	18	5.97
Rates/credit	25	1.82
Real assets	19	3.67
Multi-asset	10	2.14
Cash	1	0.20

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (*continued*)

Changes in the Net OPEB Asset/Liability

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) – (b)
	<i>(In thousands)</i>		
Balances as of May 31, 2022	\$ 462,962	\$ 572,613	\$ (109,651)
<i>Changes for the year</i>			
Service cost	8,850	-	8,850
Interest on OPEB liability	25,311	-	25,311
Differences between expected and actual experience	72,694	-	72,694
Changes of assumptions	(162,169)	-	(162,169)
Benefit payments	(21,431)	(21,431)	-
Employer contributions	-	14,652	(14,652)
Net investment income	-	(6,146)	6,146
Administrative expenses	-	(14)	14
Balances as of May 31, 2023	\$ 386,217	\$ 559,674	\$ (173,457)

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) – (b)
	<i>(In thousands)</i>		
Balances as of May 31, 2021	\$ 451,078	\$ 601,302	\$ (150,224)
<i>Changes for the year</i>			
Service cost	8,583	-	8,583
Interest on OPEB liability	24,645	-	24,645
Benefit payments	(21,344)	(21,344)	-
Employer contributions	-	13,746	(13,746)
Net investment income	-	(21,089)	21,089
Administrative expenses	-	(2)	2
Balances as of May 31, 2022	\$ 462,962	\$ 572,613	\$ (109,651)

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS *(continued)*Changes in the Net OPEB Liability *(continued)**Sensitivity Analysis*

The following presents the net OPEB (asset) liability of the Commission, calculated using the current discount rate of the respective fiscal year, as well as what the Commission's net OPEB (asset) 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.

	<u>1% Decrease</u> <u>(4.5%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(5.5%)</u>	<u>1% Increase</u> <u>(6.5%)</u>
		<i>(In thousands)</i>	
Net OPEB (asset) liability as of May 31, 2023	\$ (127,972)	\$ (173,457)	\$ (211,591)
Net OPEB (asset) liability as of May 31, 2022	\$ (53,008)	\$ (109,651)	\$ (156,370)

The following presents the net OPEB (asset) liability of the Commission, calculated using the current healthcare cost trend rates as well as what the net OPEB (asset) liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the current trend rates.

	<u>1% Decrease</u>	<u>Current Trend</u> <u>Rate</u>	<u>1% Increase</u>
		<i>(In thousands)</i>	
Net OPEB (asset) liability as of May 31, 2023	\$ (213,671)	\$ (173,457)	\$ (124,496)
Net OPEB (asset) liability as of May 31, 2022	\$ (163,604)	\$ (109,651)	\$ (43,059)

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS *(continued)*Changes in the Net OPEB Liability *(continued)**OPEB Plan Fiduciary Net Position*

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position as of and for the fiscal year ended May 31, 2024 are presented in the Basic Financial Statements section of this report. Further detailed information about the OPEB plan's fiduciary net position is available in the separately issued Pennsylvania Turnpike Commission Other Postemployment Welfare Plan Program financial statements. The stand-alone Plan financial statements can be obtained by contacting the Commission's Accounting & Financial Reporting Department.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2024, the Commission recognized an OPEB benefit (negative expense) of \$15.1 million. As of May 31, 2024, the Commission 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
	<i>(In thousands)</i>	
Differences between expected and actual experience	\$ 59,569	\$ 34,537
Changes of assumptions	16,324	130,461
Net difference between projected and actual earnings on OPEB plan investments	32,768	-
Contributions subsequent to measurement date	13,419	-
	<u>\$ 122,080</u>	<u>\$ 164,998</u>

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS *(continued)*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB *(continued)*

The \$13.4 million reported as deferred outflows of resources related to OPEB, resulting from Commission contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability during the fiscal year ending May 31, 2025. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as net increases/(decreases) in OPEB expense as follows:

<u>Year Ending May 31</u>		<i>(In thousands)</i>
2025	\$	(21,543)
2026		(24,776)
2027		386
2028		(10,404)
Thereafter		-
	<u>\$</u>	<u>(56,337)</u>

For the year ended May 31, 2023, the Commission recognized an OPEB benefit (negative expense) of \$9.4 million. As of May 31, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	<i>(In thousands)</i>	
Differences between expected and actual experience	\$ 2,829	\$ 52,193
Changes of assumptions	24,486	1,453
Net difference between projected and actual earnings on OPEB plan investments	4,039	-
Contributions subsequent to measurement date	14,652	-
	<u>\$ 46,006</u>	<u>\$ 53,646</u>

The \$14.7 million reported as deferred outflows of resources related to OPEB, resulting from Commission contributions subsequent to the measurement date, was recognized as a reduction of the net OPEB liability during the fiscal year ending May 31, 2024.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 14 SELF-INSURANCE

The Commission is exposed to various risks of losses such as theft of, damage to, and destruction of assets, errors and omissions, torts, injuries to employees and natural disasters. The Commission has purchased commercial all risk property insurance and stop loss insurance for employee medical and prescription benefits coverage. The Commission remains self-insured for torts, injuries to employees, and dental and vision benefits as well as medical and prescription benefits up to stop loss coverages. No settlements exceeded insurance coverage for each of the past three years.

The Commission recorded a liability of \$37.0million and \$37.6 million for loss and loss adjustment expenses for claims relating to workers' compensation, motor vehicle and tort self-insurance that have been incurred and for claims incurred but not reported as of May 31, 2024 and 2023, respectively. The workers' compensation, motor vehicle and tort self-insurance liabilities recorded as accounts payable and accrued liabilities are \$6.5 million and \$3.8 million as of May 31, 2024 and 2023, respectively. The workers' compensation, motor vehicle and tort self-insurance liabilities recorded as other noncurrent liabilities are \$30.5 million and \$33.8 million as of May 31, 2024 and 2023, respectively. This liability is based on GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires that a liability for claims be recorded if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is calculated based on the Commission's past loss experience. The liability for vehicle and general tort was not discounted. The liability for workers' compensation was discounted using a rate of 1.5% for both fiscal years ended May 31, 2024 and 2023. The liability includes amounts for claims adjustment expense and is net of any recoveries and subrogation. Recoveries and subrogation were not material for the years ended May 31, 2024 and 2023. The Commission believes the liability established is reasonable and appropriate to provide for settlement of losses and related loss adjustment expenses.

Management believes that its reserve for claims incurred but not reported is determined in accordance with generally accepted actuarial principles and practices. However, estimating the ultimate liability is a complex and judgmental process since the amounts are based on management's informed estimates and judgments using data currently available. As additional experience and data become available regarding claim payments and reporting patterns, legislative developments and economic conditions, the estimates are revised accordingly, and the impact is reflected currently in the Commission's financial statements.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Notes to the Financial Statements *(continued)*
Years Ended May 31, 2024 and 2023

NOTE 14 SELF-INSURANCE *(continued)*

The following tables provide aggregated information on self-insurance liabilities:

	May 31, 2023 Liability	Effects of Discount as of June 1, 2023	Incurred Claims		Paid Claims		Effects of Discount as of May 31, 2024	May 31, 2024 Liability
			Current Year	Prior Years	Current Year	Prior Years		
<i>(in thousands)</i>								
<i>Year ended May 31, 2024</i>								
Workers' compensation	\$ 8,531	\$ 585	\$ 812	\$ 796	\$ (370)	\$ (1,804)	\$ (557)	\$ 7,993
Motor vehicle/general tort	29,091	-	870	(94)	(44)	(857)	-	28,966
	<u>\$ 37,622</u>	<u>\$ 585</u>	<u>\$ 1,682</u>	<u>\$ 702</u>	<u>\$ (414)</u>	<u>\$ (2,661)</u>	<u>\$ (557)</u>	<u>\$ 36,959</u>

	May 31, 2022 Liability	Effects of Discount as of June 1, 2022	Incurred Claims		Paid Claims		Effects of Discount as of May 31, 2023	May 31, 2023 Liability
			Current Year	Prior Years	Current Year	Prior Years		
<i>(in thousands)</i>								
<i>Year ended May 31, 2023</i>								
Workers' compensation	\$ 8,839	\$ 643	\$ 930	\$ 752	\$ (406)	\$ (1,642)	\$ (585)	\$ 8,531
Motor vehicle/general tort	29,932	-	850	(900)	(84)	(707)	-	29,091
	<u>\$ 38,771</u>	<u>\$ 643</u>	<u>\$ 1,780</u>	<u>\$ (148)</u>	<u>\$ (490)</u>	<u>\$ (2,349)</u>	<u>\$ (585)</u>	<u>\$ 37,622</u>

The foregoing reflects an adjustment for an increase of \$0.7 million and a decrease of \$0.1 million for the fiscal years ended May 31, 2024 and 2023, respectively, in the provision for events of prior fiscal years (Incurred Claims – Prior Years) that resulted from a change in estimate as more information became available.

NOTE 15 COMPENSATED ABSENCES

Sick leave is earned at a rate of 3.08 hours every two weeks, or 10 days per year. Unused sick leave may be carried over from year to year, up to a maximum of 18 days for Management/Local 30S/Local 30P employees and 20 days for Local 77/250 employees. In November of each year, active employees are reimbursed for all accumulated unused sick leave above the maximum. Sick leave payouts to active employees were \$1.7 million during each of the fiscal years ended May 31, 2024 and 2023.

Vacation leave is earned at varying rates, depending on years of service. Management and supervisory union employees earn between 4.62 and 8.93 hours every two weeks. Non-supervisory union employees earn between 3.08 and 7.70 hours every two weeks.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 15 COMPENSATED ABSENCES *(continued)*

Upon termination of employment, all unused sick and vacation leave is paid to the employee. The compensated absences liabilities were \$17.7 million and \$17.5 million for each of the fiscal years ended May 31, 2024 and 2023, respectively. The compensated absences liabilities recorded as accounts payable and accrued liabilities were \$9.8 million and \$9.6 million as of May 31, 2024 and 2023 respectively. The compensated absences liabilities recorded as other noncurrent liabilities were \$7.9 million and \$7.9 million as of May 31, 2024 and 2023, respectively.

A summary of changes to compensated absences for the years ended May 31, 2024 and 2023 is as follows:

<u>Fiscal Year</u> <u>Ended May 31</u>	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
			<i>(In thousands)</i>		
2024	\$ 17,511	\$ 11,955	\$ 11,737	\$ 17,729	\$ 9,751
2023	17,831	10,962	11,282	17,511	9,631

NOTE 16 LETTERS OF CREDIT

Pennsylvania insurance law requires a letter of credit, surety bond, or escrow from entities that self-insure their Workers' Compensation. As of May 31, 2024, the Commission has two standby letters of credit to satisfy the PA Turnpike's collateral requirement under the expired Owner Controlled Insurance Program (OCIP); there have been no draws against the letters of credit. The first Letter of Credit is \$185,000 with Wells Fargo Bank, N.A. for beneficiary Zurich American Insurance for the Uniontown to Brownsville Phase II OCIP. In March 2023, the Commission entered into a second Letter of Credit for \$7.0 million with PNC Bank, N.A. for beneficiary The Travelers Indemnity Co for the Mon/Fayette Expressway OCIP.

In May 2017, in lieu of a letter of credit, the Commission placed \$2.0 million into an escrow account with Wells Fargo, now held by ComputerShare as trustee, (naming Liberty Mutual as beneficiary) for the new OCIP on the U.S. 22 to I-79 portion of the Southern Beltway, which opened on October 15, 2021.

Supplemental Trust Indenture No. 50 dated as of June 1, 2019, amendment and restatement of the Amended and Restated Indenture of Trust dated as of March 1, 2001, between the Commission and U.S. Bank National Association required a Letter of Credit to be established for the 2019 Second Series Senior Revenue Bonds. The Commission entered into a Letter of Credit with TD Bank, N.A. in the amount of up to \$142.2 million for purposes of paying debt service obligations on the bonds. On April 22, 2024, the Commission entered into an extension of that Letter of Credit with a new termination date of June 1, 2028. There were no outstanding draws against the Letter of Credit as of May 31, 2024 and 2023.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 16 LETTERS OF CREDIT (*continued*)

Supplemental Trust Indenture No. 55 dated as of June 1, 2020, amendment and restatement of the Amended and Restated Indenture of Trust dated as of March 1, 2001, between the Commission and U.S. Bank National Association required a Letter of Credit to be established for the 2020 Series Senior Revenue Bonds. The Commission entered into a Letter of Credit with TD Bank, N.A in the amount of up to \$229.7 million for purposes of paying debt service obligations on the bonds. There were no outstanding draws against the Letter of Credit as of May 31, 2024 and 2023.

Supplemental Trust Indenture No. 56 dated as of August 1, 2020, amendment and restatement of the Amended and Restated Indenture of Trust dated as of March 1, 2001, between the Commission and U.S. Bank National Association required a Letter of Credit to be established for the 2020 Series A Senior Revenue Bonds. The Commission entered into a Letter of Credit with Barclays Bank PLC in the amount of up to \$102.2 million for purposes of paying debt service obligations on the bonds. On June 12, 2023, the Commission entered into an extension of that Letter of Credit with a new termination date of June 12, 2026. There were no outstanding draws against the Letter of Credit as of May 31, 2024 and 2023.

Supplemental Trust Indenture No. 71 dated as of November 1, 2023, amendment and restatement of the Amended and Restated Indenture of Trust dated as of March 1, 2001, between the Commission and U.S. Bank National Association required a Letter of Credit to be established for the 2023 Series B Senior Revenue Bonds. The Commission entered into a Letter of Credit with TD Bank, N.A in the amount of up to \$193.4 million for purposes of paying debt service obligations on the bonds. There were no outstanding draws against the Letter of Credit as of May 31, 2024 and 2023.

NOTE 17 SUBSEQUENT EVENTS

On June 20, 2024, the Commission executed a new \$200,000,000 line of credit with PNC Bank, N.A. The Commission secured this line of credit as a continuing liquidity safeguard and because the 2023 Line of Credit expired on June 17, 2024.

On June 27, 2024, the Commission issued \$300,000,000 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 Commission'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.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements *(continued)*

Years Ended May 31, 2024 and 2023

NOTE 17 SUBSEQUENT EVENTS *(continued)*

On August 6, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Senior Revenue Bonds or Notes and Subordinate Revenue Bonds or Notes in an aggregate principal amount not to exceed \$650,000,000 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 certain outstanding Senior Indenture Turnpike Revenue Bonds and/or Subordinate Indenture Turnpike Revenue Bonds, funding of any necessary reserves and funding of the costs of issuance of such bonds.

On September 3, 2024, the Commission approved the Amendment of the authorized not-to-exceed aggregate principal amount from \$250,000,000 to \$600,000,000 for one or more series or sub-series of Pennsylvania Turnpike Commission's Turnpike Subordinate Revenue Refunding Bonds, approved by Resolution of the Pennsylvania Turnpike Commission adopted October 3, 2023.

On September 4, 2024, the Commission issued \$280,495,000 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 (\$5,680,000), a portion of the 2014 Series A Senior Revenue Bonds (\$150,275,000), and the 2014 Series C Senior Revenue Bonds (\$160,305,000), and for paying the costs of issuing the 2024 First Series Senior Revenue Refunding Bonds.

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Senior Revenue Bonds in an aggregate principal amount not to exceed \$650,000,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the costs of various capital expenditures for the Pennsylvania Turnpike System set forth in the Commission's current Ten Year Capital Plan, the refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Senior Revenue Bonds designated by the Commission, 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.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 17 SUBSEQUENT EVENTS (*continued*)

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Senior Revenue Refunding Bonds in an aggregate principal amount not to exceed \$250,000,000 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 certain outstanding fixed rate and/or variable rate Turnpike Senior Revenue Refunding Bonds designated by the Commission, including the modification and/or termination of related swap agreements, the funding of necessary reserves, and the obtaining and funding of costs one or more credit facilities to provide credit enhancement or liquidity support in connection with the issuance of the bonds, and the costs of issuance of such Turnpike Senior Revenue Refunding Bonds.

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's revolving line of credit, 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 \$200,000,000, in a single issuance or from time to time, for the purpose of funding or refinancing costs including general working capital needs of the Commission, including funding/reimbursing necessary reserves and the payment of debt service on outstanding Turnpike Revenue Bonds.

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's Registration Fee Revenue Refunding Bonds, in one or more series or sub-series, in an aggregate principal amount not to exceed \$250,000,000, to finance the costs of the current refunding of the Commission's 2023 Registration Fee Revenue Refunding Bonds, the funding of debt service reserves, entering into one or more credit facilities in connection with the issuance of the bonds, and funding the costs of issuance of such Turnpike Registration Fee Revenue Bonds, including any payments due upon amendment or termination of any existing swaps.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 17 SUBSEQUENT EVENTS (*continued*)

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's fixed and/or variable rate Turnpike Senior Revenue Bonds in an aggregate principal amount not to exceed \$600,000,000 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 Commission's current Ten Year Capital Plan, refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Senior Revenue Bonds designated by the Commission, including the modification and/or termination of related swap agreements, funding of necessary reserves, and funding of the costs of issuance of such Turnpike Senior Revenue Bonds; authorizing the issuance of any bonds on a forward delivery basis; authorizing a tender and exchange program with respect to the refunding of any such prior bonds issued by the Pennsylvania Turnpike Commission and authorizing the defeasance of a portion of prior bonds issued by the Pennsylvania Turnpike Commission with not to exceed \$50,000,000 in available moneys of the Pennsylvania Turnpike Commission.

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Oil Franchise Tax Revenue Bonds in an aggregate principal amount not to exceed \$250,000,000 in one or more series or sub-series, taxable and/or tax-exempt, senior and/or subordinate for the purpose of financing the costs of various capital expenditures for the Pennsylvania Turnpike System set forth in the Commission'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 the refunding of all or a portion of certain outstanding Oil Franchise Tax Revenue Bonds, including the funding of necessary reserves.

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's subordinate indenture bonds or notes, including Subordinate Revenue Bonds, bond anticipation notes and special revenue bonds, in one or more series or sub-series, fixed rate or variable rate, taxable or tax-exempt, in an aggregate initial principal amount not to exceed \$600,000,000, to finance or refinance the costs of, (a) advance or currently refunding all or a portion of any series or maturities of any bond anticipation notes, other short-term indebtedness or subordinate indenture bonds, including special revenue bonds, previously issued by the Pennsylvania Turnpike Commission, (b) any debt service reserve or similar funds, credit facility costs or capitalized interest related to such bonds; and (c) issuance of such bonds; authorizing the issuance of any bonds on a forward delivery basis; and authorizing a tender and exchange program with respect to the refunding of any of the prior bonds.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Notes to the Financial Statements (*continued*)

Years Ended May 31, 2024 and 2023

NOTE 17 SUBSEQUENT EVENTS (*continued*)

On September 17, 2024, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's (i) senior indenture bonds or notes, including bond anticipation notes, and (ii) subordinate indenture bonds or notes, including Subordinate Revenue Bonds, bond anticipation notes and special revenue bonds, each in one or more series or sub-series, fixed rate, multi-modal or variable rate, taxable and/or tax-exempt, in an aggregate initial principal amount not to exceed \$500,000,000, to finance the costs of (a) currently or advance refunding all or a portion of any bond anticipation notes, other short-term indebtedness, senior indenture bonds or subordinate indenture bonds, including special revenue bonds, previously issued by the Pennsylvania Turnpike Commission, (b) any debt service reserve or similar funds or credit facility costs related to such bonds, and (c) issuance of such bonds; authorizing the issuance of any bonds on a forward delivery basis; and authorizing a tender and exchange program with respect to the refunding of any such prior bonds issued by the Pennsylvania Turnpike Commission and providing for the appointment of professionals and authorizing documents with respect thereto.

On October 8, 2024, the Commission 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 (\$5,045,000), 2009 Series E Subordinate Revenue Bonds (\$26,040,000), 2016 Third Series A Subordinate Revenue Refunding Bonds (\$53,250,000), 2016 Series A-2 Subordinate Revenue Bonds (\$39,310,000), 2016 Second Subordinate Revenue Refunding Bonds (\$128,450,000), 2017 Series A Subordinate Revenue Bonds (\$14,145,000), 2017 Series B-1 Subordinate Revenue Bonds (\$29,795,000), 2017 Series B-2 Subordinate Revenue Bonds (\$63,425,000), 2019 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) (\$30,325,000), and 2020 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) (\$7,750,000); defeasing and redeeming the Defeased Refunded Bonds of the 2012 Series B Subordinate Revenue Bonds (\$36,125,000), 2013 Series A Subordinate Revenue Bonds (\$580,000), 2013 Series B-1 Subordinate Revenue Bonds (\$11,005,000), 2013 Series B-3 Subordinate Revenue Bonds (\$17,925,000), 2014 Series A-1 Subordinate Revenue Bonds (\$61,130,000), 2014 Series B Subordinate Revenue Bonds (\$136,215,000); and paying for the costs of issuing the 2024 First Series Subordinate Revenue Refunding Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Schedule of Commission's Proportionate Share of the Net Pension Liability –
Pennsylvania State Employees' Retirement System – Pension Fund (Unaudited)

Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	<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>	<u>2015</u>
Commission's proportion of the net pension liability	1.40316068%	1.45120227%	1.50512333%	1.57665712%	1.81091910%	1.85214667%	1.90329134%	1.96867410%	1.90799267%	1.99409814%
Commission's proportionate share of the net pension liability	\$ 296,572	\$ 331,574	\$ 219,303	\$ 288,472	\$ 329,189	\$ 385,821	\$ 329,112	\$ 379,173	\$ 346,946	\$ 296,271
Commission's covered payroll	102,236	99,939	102,582	108,555	121,643	121,127	120,641	123,365	121,085	121,579
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	290.09%	331.78%	213.78%	265.74%	270.62%	318.53%	272.80%	307.36%	286.53%	243.69%
Plan fiduciary net position as a percentage of the total pension liability	65.3%	61.5%	76.0%	67.0%	63.1%	56.4%	63.0%	57.8%	58.9%	64.8%

* The amounts presented for each fiscal year were determined as of the measurement date (12/31) that occurred within the Commission's fiscal year.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Schedule of Commission's Contributions –
Pennsylvania State Employees' Retirement System – Pension Fund (Unaudited)

Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	<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>	<u>2015</u>
Contractually required contribution	\$ 34,826	\$ 32,654	\$ 31,250	\$ 30,785	\$ 37,699	\$ 37,771	\$ 38,073	\$ 33,303	\$ 27,864	\$ 22,588
Contributions in relation to the contractually required contribution	<u>(34,826)</u>	<u>(32,654)</u>	<u>(31,250)</u>	<u>(30,785)</u>	<u>(37,699)</u>	<u>(37,771)</u>	<u>(38,073)</u>	<u>(33,303)</u>	<u>(27,864)</u>	<u>(22,588)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered payroll [^]	\$ 109,388	\$ 101,311	\$ 96,882	\$ 97,446	\$ 120,107	\$ 122,145	\$ 122,654	\$ 121,778	\$ 121,060	\$ 121,009
Contributions as a percentage of covered payroll	31.84%	32.23%	32.26%	31.59%	31.39%	30.92%	31.04%	27.35%	23.02%	18.67%

* The amounts presented for each fiscal year were determined as of the measurement date (12/31) that occurred within the Commission's fiscal year.

[^] Classes A5 and A6 became effective on January 1, 2020 and are now included in covered payroll due to the Hybrid plan including a pension fund contribution component.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Schedule of Changes in the Commission's Net OPEB Liability and Related Ratios (Unaudited)

Last 10 Fiscal Years*

(Dollar Amounts in Thousands)

<i>Fiscal Year Ended</i>	05/31/24	05/31/23	05/31/22	05/31/21	05/31/20	05/31/19
<i>Measurement Date</i>	05/31/23	05/31/22	05/31/21	05/31/20	05/31/19	05/31/18
Total OPEB liability						
Service cost	\$ 8,850	\$ 8,583	\$ 11,492	\$ 11,141	\$ 11,254	\$ 10,926
Interest on total OPEB liability	25,311	24,645	28,834	27,723	26,371	25,431
Changes of benefit terms	-	-	(3,563)	-	-	-
Differences between expected and actual experience	72,694	-	(86,127)	-	8,487	(2,671)
Changes of assumptions	(162,169)	-	40,809	-	(4,358)	-
Benefit payments	(21,431)	(21,344)	(20,582)	(20,848)	(17,032)	(17,984)
Net change in total OPEB liability	(76,745)	11,884	(29,137)	18,016	24,722	15,702
Total OPEB liability, beginning	462,962	451,078	480,215	462,199	437,477	421,775
Total OPEB liability, ending (a)	386,217	462,962	451,078	480,215	462,199	437,477
Plan fiduciary net position						
Employer contributions	14,652	13,746	47,250	11,730	46,056	28,171
Net investment income	(6,146)	(21,089)	109,214	14,196	6,789	34,322
Benefit payments	(21,431)	(21,344)	(20,582)	(20,848)	(17,032)	(17,984)
Administrative expenses	(14)	(2)	(4)	(8)	(2)	(11)
Net change in plan fiduciary net position	(12,939)	(28,689)	135,878	5,070	35,811	44,498
Plan fiduciary net position, beginning	572,613	601,302	465,424	460,354	424,543	380,045
Plan fiduciary net position, ending (b)	559,674	572,613	601,302	465,424	460,354	424,543
Commission's net OPEB (asset) liability, ending = (a) - (b)	\$ (173,457)	\$ (109,651)	\$ (150,224)	\$ 14,791	\$ 1,845	\$ 12,934
Plan fiduciary net position as a % of total OPEB liability	144.9%	123.7%	133.3%	96.9%	99.6%	97.0%
Covered-employee payroll	\$ 102,207	\$ 97,486	\$ 100,154	\$ 118,560	\$ 119,730	\$ 119,391
Commission's net OPEB (asset) liability as a % of covered payroll	(169.7)%	(112.5)%	(150.0)%	12.5%	1.5%	10.8%

* The Commission adopted GASB Statement No. 75 in fiscal year 2019; therefore, only the available years are presented in the above schedule.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Schedule of Commission Contributions to the Other Postemployment Welfare Plan Program (Unaudited)

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	<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>	<u>2015</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 14,012	\$ 11,729	\$ 13,970	\$ 8,384	\$ 11,121	\$ 11,368	\$ 12,683
Contributions in relation to the actuarially determined contribution	<u>13,419</u>	<u>14,652</u>	<u>13,746</u>	<u>47,250</u>	<u>11,730</u>	<u>46,056</u>	<u>28,171</u>	<u>28,176</u>	<u>28,143</u>	<u>46,180</u>
Contribution (excess) deficiency	<u>\$ (13,419)</u>	<u>\$ (14,652)</u>	<u>\$ (13,746)</u>	<u>\$ (33,238)</u>	<u>\$ (1)</u>	<u>\$ (32,086)</u>	<u>\$ (19,787)</u>	<u>\$ (17,055)</u>	<u>\$ (16,775)</u>	<u>\$ (33,497)</u>
Covered-employee payroll	\$ 106,651	\$ 102,207	\$ 97,486	\$ 100,154	\$ 118,560	\$ 119,730	\$ 119,391	\$ 117,818	\$ 117,391	\$ 116,829
Contributions as a % of covered-employee payroll	12.6%	14.3%	14.1%	47.2%	9.9%	38.5%	23.6%	23.9%	24.0%	39.5%

Notes to Schedule

Full actuarial valuations are performed every other year.

The Actuarially Determined Contribution for the fiscal year ended May 31, 2024 was calculated based on a May 31, 2023 full valuation. See Note 13 to the financial statements for more information.

The Actuarially Determined Contribution for the fiscal year ended May 31, 2023 was calculated based on a May 31, 2021 full valuation and then projected forward to the May 31, 2022 measurement date. See Note 13 to the financial statements for more information.

The Actuarially Determined Contribution for the fiscal year ended May 31, 2022 was calculated based on a May 31, 2021 full valuation.

The Actuarially Determined Contribution for the fiscal year ended May 31, 2021 was calculated based on a May 31, 2019 full valuation and then projected forward to the May 31, 2020 measurement date.

The Actuarially Determined Contribution for the fiscal year ended May 31, 2020 was calculated based on a May 31, 2019 full valuation.

The Actuarially Determined Contribution for the fiscal year ended May 31, 2019 was calculated based on a June 1, 2017 full valuation and then projected forward to the May 31, 2018 measurement date.

The Actuarially Determined Contribution (formerly Annual Required Contribution) for the fiscal year ended May 31, 2018 was calculated based on a January 1, 2017 interim valuation that was rolled forward from the January 1, 2016 full valuation.

The Actuarially Determined Contribution (formerly Annual Required Contribution) for the fiscal year ended May 31, 2017 was calculated based on a January 1, 2016 full valuation.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Schedule of Commission Contributions to the Other Postemployment Welfare Plan Program (Unaudited) *(continued)*

Notes to Schedule *(continued)*

A summary of the actuarial methods and assumptions used in the full valuations are as follows:

	May 31, 2023 Full Valuation	May 31, 2021 Full Valuation	May 31, 2019 Full Valuation	June 1, 2017 Full Valuation	January 1, 2016 Full Valuation
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected-unit credit
Discount rate	5.5%	5.5%	6.0%	6.0%	6.5%
Rate of return on assets	5.5%	5.5%	6.0%	6.0%	6.5%
Inflation rate	2.5%	2.5%	2.5%	2.3%	2.5%
Amortization method	Level dollar amortization over a period of 10 years	Level dollar amortization over a period of 10 years	Level dollar amortization over a period of 10 years	Level dollar amortization over a period of 10 years	Level dollar
<i>Amortization period</i>					
▪ - UAAL as of March 1, 2012	N/A	N/A	N/A	N/A	
▪ - Subsequent changes	N/A	N/A	N/A	N/A	10 years (closed)
Asset valuation method	Market value plus receivable contributions made attributable to a prior fiscal year	Market value plus receivable contributions made attributable to a prior fiscal year	Market value plus receivable contributions made attributable to a prior fiscal year	Market value plus receivable contributions made attributable to a prior fiscal year	10 years (open) Fair value
Health cost trend rates	Varying rates between 4.1% and 7.0% for Plan benefits.	Varying rates between 4.0% and 5.5% for Plan benefits.	Varying rates between 4.3% and 5.6% for Plan benefits.	Varying rates between 4.3% and 6.3% for medical and pharmacy benefits. 4.0% for dental and vision benefits.	Varying rates between 4.6% and 6.2% for medical and pharmacy benefits. 4.0% for dental and vision benefits.
Salary increases	2.8% plus 0.5-4.15% merit	Union – 3.0%, Management – 3.3%	Union – 3.0%, Management – 3.3%	Union – 3.0%, Management – 3.3%	Not considered as OPEB benefits are not based upon pay.
Mortality	PubG-2010 mortality table adjusted to reflect Mortality Improvement Scale MP-2021 and projected forward on a generational basis, with employee rates before benefit commencement and healthy annuitant rates after benefit commencement, and reflecting mortality improvements both before and after the valuation date.	PubG-2010 mortality table adjusted to reflect Mortality Improvement Scale MP-2020 and projected forward on a generational basis, with employee rates before benefit commencement and healthy annuitant rates after benefit commencement, and reflecting mortality improvements both before and after the valuation date.	RPH-2014 total Dataset Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2018 and projected forward on a generational basis, with employee rates before benefit commencement and healthy annuitant rates after benefit commencement, and reflecting mortality improvements both before and after the valuation date.	RPH-2014 total Dataset Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2017 from 2006 base year and projected forward on a generational basis, with employee rates before benefit commencement and healthy annuitant rates after benefit commencement, and reflecting mortality improvements both before and after the valuation date.	RP-2000 Healthy Annuitant Mortality Table projected on a generational basis using Scale AA to allow for past and future improvements in mortality. The Employee table is used for pre-retirement. Rates vary by age and gender.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Schedule of Commission Contributions to the Other Postemployment Welfare Plan Program (Unaudited) *(continued)*

Other Significant Changes

The January 1, 2015 interim valuation used a discount rate of 6.5%. The January 1, 2014 and March 1, 2012 full valuations used a discount rate of 7.0%. The March 1, 2010 and 2008 full valuations used a discount rate of 8.0%. The discount rate and rate of return on assets were equal for all years noted.

OTHER SUPPLEMENTARY INFORMATION

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Section Information

For accounting purposes, the Commission maintains its records in three sections: Mainline, Oil Franchise, and Motor License. These sections are based on the types of revenues and the associated bond issues.

The Mainline section consists of income and expenses directly associated with the operations of the Turnpike System. In addition, all bonds pledged against this revenue source are included in this section.

The Oil Franchise section consists of revenues received from the Commission's allocation of the Commonwealth's Oil Company Franchise Tax. This revenue is pledged against the Oil Franchise Tax Debt as listed in Note 9 to the financial statements.

The Motor License section consists of an annual income of \$28.0 million, which has been provided to the Commission pursuant to Section 20 of Act 3 of the Commonwealth of Pennsylvania. This income is pledged against the Motor License Registration Fee Debt as listed in Note 9 to the financial statements.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Net Position – Business-type activities

	May 31, 2024			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In thousands)</i>			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 355,987	\$ -	\$ -	\$ 355,987
Investments	224,582	-	-	224,582
Accounts receivable	158,966	-	-	158,966
Accrued interest receivable	2,181	-	-	2,181
Inventories	25,025	-	-	25,025
<i>Restricted current assets</i>				
Cash and cash equivalents	770,886	131,172	15,377	917,435
Investments	391,268	286,839	1,382	679,489
Accounts receivable	367	9,240	-	9,607
Accrued interest receivable	14,618	3,213	36	17,867
Total current assets	<u>1,943,880</u>	<u>430,464</u>	<u>16,795</u>	<u>2,391,139</u>
<i>Noncurrent assets</i>				
<i>Investments</i>				
Investments	262,669	-	-	262,669
Investments restricted	456,450	81,140	24,097	561,687
Total investments	<u>719,119</u>	<u>81,140</u>	<u>24,097</u>	<u>824,356</u>
<i>Capital assets not being depreciated/amortized</i>				
Land and intangibles	485,043	-	-	485,043
Assets under construction	2,096,118	-	-	2,096,118
<i>Capital assets being depreciated/amortized</i>				
Buildings	1,176,281	-	-	1,176,281
Improvements other than buildings	196,423	-	-	196,423
Equipment	664,015	-	-	664,015
Infrastructure	10,864,934	-	-	10,864,934
Right-to-use - subscriptions	12,930	-	-	12,930
Total capital assets before accumulated depreciation/amortization	15,495,744	-	-	15,495,744
Less: Accumulated depreciation/amortization	<u>7,630,043</u>	<u>-</u>	<u>-</u>	<u>7,630,043</u>
Total capital assets after accumulated depreciation/amortization	<u>7,865,701</u>	<u>-</u>	<u>-</u>	<u>7,865,701</u>
<i>Other assets</i>				
Prepaid bond insurance costs	3,510	-	214	3,724
Net OPEB asset	173,457	-	-	173,457
Other assets	70,329	-	-	70,329
Total other assets	<u>247,296</u>	<u>-</u>	<u>214</u>	<u>247,510</u>
Total noncurrent assets	<u>8,832,116</u>	<u>81,140</u>	<u>24,311</u>	<u>8,937,567</u>
Total assets	<u>10,775,996</u>	<u>511,604</u>	<u>41,106</u>	<u>11,328,706</u>
Deferred outflows of resources from hedging derivatives	296	-	293	589
Deferred outflows of resources from refunding bonds	199,985	7,057	25,601	232,643
Deferred outflows of resources from pensions	61,803	-	-	61,803
Deferred outflows of resources from OPEB	122,080	-	-	122,080
Total deferred outflows of resources	<u>384,164</u>	<u>7,057</u>	<u>25,894</u>	<u>417,115</u>
Total assets and deferred outflows of resources	\$ 11,160,160	\$ 518,661	\$ 67,000	\$ 11,745,821

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Net Position – Business-type activities *(continued)*

	May 31, 2024			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In thousands)</i>			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
<i>Current liabilities</i>				
Accounts payable and accrued liabilities	\$ 654,365	\$ 52,080	\$ 2,206	\$ 708,651
Current portion of debt	370,350	29,020	11,715	411,085
Unearned income	127,894	-	-	127,894
Total current liabilities	<u>1,152,609</u>	<u>81,100</u>	<u>13,921</u>	<u>1,247,630</u>
<i>Noncurrent liabilities</i>				
Debt, less current portion, net of unamortized premium	15,087,008	1,618,319	312,815	17,018,142
Net pension liability	296,572	-	-	296,572
Other noncurrent liabilities	29,988	6,379	21,175	57,542
Total noncurrent liabilities	<u>15,413,568</u>	<u>1,624,698</u>	<u>333,990</u>	<u>17,372,256</u>
Total liabilities	<u>16,566,177</u>	<u>1,705,798</u>	<u>347,911</u>	<u>18,619,886</u>
Deferred inflows of resources from hedging derivatives	110,313	-	-	110,313
Deferred inflows of resources from service concession arrangements	82,600	-	-	82,600
Deferred inflows of resources from refunding bonds	20,719	150	-	20,869
Deferred inflows of resources from pensions	29,794	-	-	29,794
Deferred inflows of resources from OPEB	164,998	-	-	164,998
Deferred inflows of resources from leases	46,992	-	-	46,992
Total deferred inflows of resources	<u>455,416</u>	<u>150</u>	<u>-</u>	<u>455,566</u>
Total liabilities and deferred inflows of resources	<u>17,021,593</u>	<u>1,705,948</u>	<u>347,911</u>	<u>19,075,452</u>
NET POSITION				
Net investment in capital assets	430,108	(1,439,070)	(319,522)	(1,328,484)
Restricted for construction purposes	-	240,710	38,611	279,321
Restricted for debt service	80,202	11,073	-	91,275
Restricted for OPEB	173,457	-	-	173,457
Unrestricted	(6,545,200)	-	-	(6,545,200)
Total net position	<u>\$ (5,861,433)</u>	<u>\$ (1,187,287)</u>	<u>\$ (280,911)</u>	<u>\$ (7,329,631)</u>

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Revenues, Expenses, and Changes in Net Position – Business-type activities

	May 31, 2024			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In thousands)</i>			
<i>Operating revenue</i>				
Net fares	\$ 1,608,793	\$ -	\$ -	\$ 1,608,793
Other	58,078	-	-	58,078
Total operating revenue	<u>1,666,871</u>	<u>-</u>	<u>-</u>	<u>1,666,871</u>
<i>Operating expenses</i>				
Cost of services	553,873	2,364	-	556,237
Depreciation/amortization	417,032	-	-	417,032
Total operating expenses	<u>970,905</u>	<u>2,364</u>	<u>-</u>	<u>973,269</u>
Operating income (loss)	<u>695,966</u>	<u>(2,364)</u>	<u>-</u>	<u>693,602</u>
<i>Nonoperating revenue (expenses)</i>				
Investment earnings	102,484	25,761	3,490	131,735
Other nonoperating revenue	3,516	4,612	-	8,128
Act 44 and Act 89 payments to PennDOT	(50,000)	-	-	(50,000)
Capital assets transferred to the Commonwealth	-	-	-	-
Interest and bond expense	(609,428)	(68,785)	(18,847)	(697,060)
Nonoperating expenses, net	<u>(553,428)</u>	<u>(38,412)</u>	<u>(15,357)</u>	<u>(607,197)</u>
Income (loss) before capital contributions	142,538	(40,776)	(15,357)	86,405
Capital contributions	4,806	135,248	28,000	168,054
Increase in net position	147,344	94,472	12,643	254,459
Net position, at beginning of year, as restated ¹	(6,258,501)	(1,055,890)	(269,699)	(7,584,090)
Intersection transfers	249,724	(225,869)	(23,855)	-
Net position, at end of year	<u>\$ (5,861,433)</u>	<u>\$ (1,187,287)</u>	<u>\$ (280,911)</u>	<u>\$ (7,329,631)</u>

¹ The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Cash Flows – Business-type activities

	May 31, 2024			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In thousands)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	\$ 1,663,003	\$ -	\$ -	\$ 1,663,003
Cash payments for goods and services	(434,403)	(1,583)	-	(435,986)
Cash payments to employees	(161,448)	(728)	-	(162,176)
Cash received from other operating activities	6,623	-	-	6,623
Net cash provided by (used in) operating activities	<u>1,073,775</u>	<u>(2,311)</u>	<u>-</u>	<u>1,071,464</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	4,079,533	1,340,860	21,647	5,442,040
Interest received on investments	39,979	9,957	896	50,832
Purchases of investments	<u>(3,881,704)</u>	<u>(1,290,526)</u>	<u>(33,810)</u>	<u>(5,206,040)</u>
Net cash provided by (used in) investing activities	<u>237,808</u>	<u>60,291</u>	<u>(11,267)</u>	<u>286,832</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received from other governments	641	-	-	641
Proceeds from Motor License Registration fees	-	-	28,000	28,000
Proceeds from Oil Company Franchise Tax	-	137,513	-	137,513
Intersection cash transfer for debt related activity	-	(2,261)	2,261	-
Construction and acquisition of capital assets	(822,922)	(245,462)	-	(1,068,384)
Proceeds from sale of capital assets	1,646	-	-	1,646
Payments for bond and swap expenses	(9,090)	(40)	(2,350)	(11,480)
Payments for debt refundings	(249,993)	-	(231,425)	(481,418)
Payments for bond maturities	(130,840)	(27,640)	(11,125)	(169,605)
Interest paid on debt	(315,029)	(73,496)	(16,619)	(405,144)
Interest subsidy from Build America Bonds	16,498	4,613	-	21,111
Proceeds from debt issuances	941,729	-	231,425	1,173,154
Net cash (used in) provided by capital and related financing activities	<u>(567,360)</u>	<u>(206,773)</u>	<u>167</u>	<u>(773,966)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash payments to PennDOT	(50,000)	-	-	(50,000)
Payments for debt maturities	(124,350)	-	-	(124,350)
Interest paid on debt	<u>(314,259)</u>	<u>-</u>	<u>-</u>	<u>(314,259)</u>
Net cash used in noncapital financing activities	<u>(488,609)</u>	<u>-</u>	<u>-</u>	<u>(488,609)</u>
Increase (decrease) in cash and cash equivalents	255,614	(148,793)	(11,100)	95,721
Cash and cash equivalents at beginning of year	<u>871,259</u>	<u>279,965</u>	<u>26,477</u>	<u>1,177,701</u>
Cash and cash equivalents at end of year	<u>\$ 1,126,873</u>	<u>\$ 131,172</u>	<u>\$ 15,377</u>	<u>\$ 1,273,422</u>

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Cash Flows – Business-type activities *(continued)*

	May 31, 2024			Total
	Mainline	Oil Franchise	Motor License	
<i>(In thousands)</i>				
<i>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</i>				
Operating income (loss)	\$ 695,966	\$ (2,364)	\$ -	\$ 693,602
<i>Adjustments to reconcile operating income to net cash provided by operating activities</i>				
Depreciation/amortization	417,032	-	-	417,032
<i>Change in operating assets and liabilities</i>				
Accounts receivable	(19,696)	-	-	(19,696)
Inventories	(1,878)	-	-	(1,878)
Other assets	(2)	-	-	(2)
Net OPEB asset	(63,806)	-	-	(63,806)
Deferred outflows of resources from pensions	26,139	-	-	26,139
Deferred outflows of resources from OPEB	(76,074)	-	-	(76,074)
Accounts payable and accrued liabilities	22,788	53	-	22,841
Net pension liability	(35,002)	-	-	(35,002)
Other noncurrent liabilities	(3,160)	-	-	(3,160)
Deferred inflows of resources from pensions	(8,436)	-	-	(8,436)
Deferred inflows of resources from OPEB	111,352	-	-	111,352
Deferred inflows of resources from leases	8,552	-	-	8,552
Net cash provided by (used in) operating activities	\$ 1,073,775	\$ (2,311)	\$ -	\$ 1,071,464
<i>Reconciliation of cash and cash equivalents to the statements of net position</i>				
Cash and cash equivalents	\$ 355,987	\$ -	\$ -	\$ 355,987
Restricted cash and cash equivalents	770,886	131,172	15,377	917,435
Total cash and cash equivalents	\$ 1,126,873	\$ 131,172	\$ 15,377	\$ 1,273,422

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of \$75.5 million in the fair value of its investments not reported as cash equivalents for the year ended May 31, 2024. Increases by section were: Mainline, \$57.2 million; Oil Franchise, \$17.8 million; and Motor License, \$0.5 million.

The Commission recorded \$77.6 million for the amortization of bond premium for the year ended May 31, 2024. Amortization by section was: Mainline, \$65.6 million; Oil Franchise, \$11.0 million; and Motor License, \$1.0 million.

As indicated in Note 9, the Commission refunded various bonds in fiscal year 2024. The fiscal year 2024 refundings resulted in a \$0.2 million reclassification from Mainline bond premiums (discounts) to deferred outflows of resources from refundings. Additionally, the Commission recorded \$16.5 million for the amortization of deferred outflows/inflows of resources from refunding bonds for the year ended May 31, 2024. Amortization by section was: Mainline, \$14.4 million; Oil Franchise, \$0.5 million; and Motor License, \$1.6 million.

The Commission recorded \$0.3 million for the amortization of prepaid bond insurance costs for the year ended May 31, 2024. Amortization by section was: Mainline, \$0.2 million; and Motor License, \$0.1 million.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Cash Flows – Business-type activities *(continued)*

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities *(continued)*

The Commission recorded an interest expense reduction of \$6.4 million in the Mainline section and \$0.7 million in the Motor License section for the year ended May 31, 2024 related to terminated derivative instruments.

The Commission recognized total capital contributions of \$168.1 million for fiscal year ended May 31, 2024. Cash received of \$166.2 million for fiscal year ended May 31, 2024 is reported in the capital and related financing activities of this schedule. The \$1.9 million difference between capital contributions and cash received is the primarily the result of a \$2.3 million decrease in Oil Franchise receivables and a \$0.6 million decrease in Mainline receivables related to these capital contributions offset by a \$4.8 million Mainline noncash capital contribution related to capital assets provided by service plaza operators. The Commission entered into agreements with a food and fuel provider to totally reconstruct the service plazas; the service plaza operators provided the capital for the reconstruction in exchange for lower rental rates. See Note 2 to the financial statements for further discussion on capital contributions and Note 6 to the financial statements for further discussion on the service plazas.

The Commission records intersection activity related to revenue, expense, asset and liability transfers between its sections. Some of the intersection entries are related to cash transfers; others are noncash transfers as required. Net intersection transfers for the year ended May 31, 2024 were: to Mainline, \$249.7 million; from Oil Franchise, \$225.9 million; and from Motor License, \$23.8 million.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Net Position – Business-type activities

	May 31, 2023 (RESTATED)			
	Mainline	Oil Franchise	Motor License	Total
	<i>(In thousands)</i>			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
<i>Current assets:</i>				
Cash and cash equivalents	\$ 294,551	\$ -	\$ -	\$ 294,551
Investments	181,346	-	-	181,346
Accounts receivable	137,083	-	-	137,083
Accrued interest receivable	2,205	-	-	2,205
Inventories	23,147	-	-	23,147
<i>Restricted current assets</i>				
Cash and cash equivalents	576,708	279,965	26,477	883,150
Investments	473,008	208,039	6,944	687,991
Accounts receivable	2,403	11,505	-	13,908
Accrued interest receivable	12,682	3,503	(23)	16,162
Total current assets	<u>1,703,133</u>	<u>503,012</u>	<u>33,398</u>	<u>2,239,543</u>
<i>Noncurrent assets</i>				
<i>Investments</i>				
Investments	381,041	-	-	381,041
Investments restricted	466,465	160,154	29,967	656,586
Total investments	<u>847,506</u>	<u>160,154</u>	<u>29,967</u>	<u>1,037,627</u>
<i>Capital assets not being depreciated/amortized</i>				
Land and intangibles	475,462	-	-	475,462
Assets under construction	1,481,794	-	-	1,481,794
<i>Capital assets being depreciated/amortized</i>				
Buildings	1,099,651	-	-	1,099,651
Improvements other than buildings	190,080	-	-	190,080
Equipment	650,946	-	-	650,946
Infrastructure	10,613,104	-	-	10,613,104
Right-to-use - subscriptions	6,723	-	-	6,723
Total capital assets before accumulated depreciation/amortization	14,517,760	-	-	14,517,760
Less: Accumulated depreciation/amortization	7,347,420	-	-	7,347,420
Total capital assets after accumulated depreciation/amortization	<u>7,170,340</u>	<u>-</u>	<u>-</u>	<u>7,170,340</u>
<i>Other assets</i>				
Prepaid bond insurance costs	3,742	-	884	4,626
Net OPEB Asset	109,651	-	-	109,651
Other assets	64,554	-	-	64,554
Total other assets	<u>177,947</u>	<u>-</u>	<u>884</u>	<u>178,831</u>
Total noncurrent assets	<u>8,195,793</u>	<u>160,154</u>	<u>30,851</u>	<u>8,386,798</u>
Total assets	<u>9,898,926</u>	<u>663,166</u>	<u>64,249</u>	<u>10,626,341</u>
Deferred outflows of resources from hedging derivatives	-	-	25,860	25,860
Deferred outflows of resources from refunding bonds	220,812	7,920	11,019	239,751
Deferred outflows of resources from pensions	87,942	-	-	87,942
Deferred outflows of resources from OPEB	46,006	-	-	46,006
Total deferred outflows of resources	<u>354,760</u>	<u>7,920</u>	<u>36,879</u>	<u>399,559</u>
Total assets and deferred outflows of resources	<u>\$ 10,253,686</u>	<u>\$ 671,086</u>	<u>\$ 101,128</u>	<u>\$ 11,025,900</u>

Note: The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Net Position – Business-type activities *(continued)*

	May 31, 2023 (RESTATED)			Total
	Mainline	Oil Franchise	Motor License	
	<i>(In thousands)</i>			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
<i>Current liabilities</i>				
Accounts payable and accrued liabilities	\$ 589,062	\$ 42,203	\$ 2,374	\$ 633,639
Current portion of debt	489,135	27,640	11,125	527,900
Unearned income	122,463	-	-	122,463
Total current liabilities	<u>1,200,660</u>	<u>69,843</u>	<u>13,499</u>	<u>1,284,002</u>
<i>Noncurrent liabilities</i>				
Debt, less current portion, net of unamortized premium	14,584,746	1,656,644	325,503	16,566,893
Net pension liability	331,574	-	-	331,574
Other noncurrent liabilities	76,820	-	31,825	108,645
Total noncurrent liabilities	<u>14,993,140</u>	<u>1,656,644</u>	<u>357,328</u>	<u>17,007,112</u>
Total liabilities	<u>16,193,800</u>	<u>1,726,487</u>	<u>370,827</u>	<u>18,291,114</u>
Deferred inflows of resources from hedging derivatives	76,625	-	-	76,625
Deferred inflows of resources from service concession arrangements	89,344	-	-	89,344
Deferred inflows of resources from refunding bonds	22,102	489	-	22,591
Deferred inflows of resources from pensions	38,230	-	-	38,230
Deferred inflows of resources from OPEB	53,646	-	-	53,646
Deferred inflows of resources from leases	38,440	-	-	38,440
Total deferred inflows of resources	<u>318,387</u>	<u>489</u>	<u>-</u>	<u>318,876</u>
Total liabilities and deferred inflows of resources	<u>16,512,187</u>	<u>1,726,976</u>	<u>370,827</u>	<u>18,609,990</u>
NET POSITION				
Net investment in capital assets	191,843	(1,332,089)	(330,690)	(1,470,936)
Restricted for construction purposes	-	259,567	60,991	320,558
Restricted for debt service	68,288	16,632	-	84,920
Restricted for OPEB	109,651	-	-	109,651
Unrestricted	(6,628,283)	-	-	(6,628,283)
Total net position	<u>\$ (6,258,501)</u>	<u>\$ (1,055,890)</u>	<u>\$ (269,699)</u>	<u>\$ (7,584,090)</u>

Note: The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Revenues, Expenses, and Changes in Net Position – Business-type activities

	May 31, 2023 (RESTATED)			Total
	Mainline	Oil Franchise	Motor License	
	<i>(In thousands)</i>			
<i>Operating revenue</i>				
Net fares	\$ 1,540,705	\$ -	\$ -	\$ 1,540,705
Other	55,942	-	-	55,942
Total operating revenue	1,596,647	-	-	1,596,647
<i>Operating expenses</i>				
Cost of services	529,787	4,771	-	534,558
Depreciation/amortization	409,943	-	-	409,943
Total operating expenses	939,730	4,771	-	944,501
Operating income (loss)	656,917	(4,771)	-	652,146
<i>Nonoperating revenue (expenses)</i>				
Investment earnings	41,160	14,106	684	55,950
Other nonoperating revenue	8,040	4,616	-	12,656
Act 44 and Act 89 payments to PennDOT	(50,000)	-	-	(50,000)
Capital assets transferred to the Commonwealth	(2,852)	-	-	(2,852)
Interest and bond expense	(605,078)	(63,371)	(16,897)	(685,346)
Nonoperating expenses, net	(608,730)	(44,649)	(16,213)	(669,592)
Income (loss) before capital contributions	48,187	(49,420)	(16,213)	(17,446)
Capital contributions	10,000	132,310	28,000	170,310
Increase in net position	58,187	82,890	11,787	152,864
Net position, at beginning of year, as restated ¹	(6,454,520)	(1,000,944)	(281,490)	(7,736,954)
Intersection transfers	137,832	(137,836)	4	-
Net position, at end of year	\$ (6,258,501)	\$ (1,055,890)	\$ (269,699)	\$ (7,584,090)

¹ The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Cash Flows – Business-type activities

	May 31, 2023 <i>(RESTATED)</i>			Total
	Mainline	Oil Franchise	Motor License	
	<i>(In Thousands)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	\$ 1,579,233	\$ -	\$ -	\$ 1,579,233
Cash payments for goods and services	(408,945)	(3,932)	-	(412,877)
Cash payments to employees	(143,952)	(815)	-	(144,767)
Cash received from other operating activities	11,312	-	-	11,312
Net cash provided by (used in) operating activities	<u>1,037,648</u>	<u>(4,747)</u>	<u>-</u>	<u>1,032,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	3,070,441	1,546,108	60,043	4,676,592
Interest received on investments	29,704	6,526	852	37,082
Purchases of investments	<u>(3,062,943)</u>	<u>(1,315,592)</u>	<u>(58,979)</u>	<u>(4,437,514)</u>
Net cash provided by investing activities	<u>37,202</u>	<u>237,042</u>	<u>1,916</u>	<u>276,160</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received from other governments	5,212	-	-	5,212
Proceeds from Motor License Registration fees	-	-	28,000	28,000
Proceeds from Oil Company Franchise Tax	-	130,812	-	130,812
Construction and acquisition of capital assets	(621,912)	(136,677)	-	(758,589)
Proceeds from sale of capital assets	1,014	-	-	1,014
Payments for bond and swap expenses	(7,345)	(40)	-	(7,385)
Payments for debt refundings	(341,272)	-	-	(341,272)
Payments for bond maturities	(113,520)	(26,385)	(10,575)	(150,480)
Interest paid on debt	(298,928)	(72,910)	(17,274)	(389,112)
Interest subsidy from Build America Bonds	8,249	2,305	-	10,554
Proceeds from debt issuances	601,826	-	-	601,826
Net cash (used in) provided by capital and related financing activities	<u>(766,676)</u>	<u>(102,895)</u>	<u>151</u>	<u>(869,420)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash payments to PennDOT	(50,000)	-	-	(50,000)
Payments for bond and swap expenses	(3,513)	-	-	(3,513)
Payments for debt refundings	(386,473)	-	-	(386,473)
Payments for debt maturities	(113,260)	-	-	(113,260)
Interest paid on debt	(328,664)	-	-	(328,664)
Proceeds from debt issuances	384,487	-	-	384,487
Net cash used in noncapital financing activities	<u>(497,423)</u>	<u>-</u>	<u>-</u>	<u>(497,423)</u>
(Decrease) increase in cash and cash equivalents	(189,249)	129,400	2,067	(57,782)
Cash and cash equivalents at beginning of year	<u>1,060,508</u>	<u>150,565</u>	<u>24,410</u>	<u>1,235,483</u>
Cash and cash equivalents at end of year	<u>\$ 871,259</u>	<u>\$ 279,965</u>	<u>\$ 26,477</u>	<u>\$ 1,177,701</u>

Note: The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Cash Flows – Business-type activities *(continued)*

	May 31, 2023 (RESTATED)			Total
	Mainline	Oil Franchise	Motor License	
<i>(In Thousands)</i>				
<i>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</i>				
Operating income (loss)	\$ 656,917	\$ (4,771)	\$ -	\$ 652,146
<i>Adjustments to reconcile operating income to net cash provided by (used in) operating activities</i>				
Depreciation/amortization	409,943	-	-	409,943
<i>Change in operating assets and liabilities</i>				
Accounts receivable	(12,576)	-	-	(12,576)
Inventories	(2,739)	-	-	(2,739)
Other assets	138	-	-	138
Net OPEB asset	40,573	-	-	40,573
Deferred outflows of resources from pensions	(48,313)	-	-	(48,313)
Deferred outflows of resources from OPEB	4,630	-	-	4,630
Accounts payable and accrued liabilities	19,303	24	-	19,327
Net pension liability	112,272	-	-	112,272
Other noncurrent liabilities	(1,262)	-	-	(1,262)
Deferred inflows of resources from pensions	(71,099)	-	-	(71,099)
Deferred inflows of resources from OPEB	(69,305)	-	-	(69,305)
Deferred inflows of resources from leases	(834)	-	-	(834)
Net cash provided by (used in) operating activities	\$ 1,037,648	\$ (4,747)	\$ -	\$ 1,032,901
 <i>Reconciliation of cash and cash equivalents to the statements of net position</i>				
Cash and cash equivalents	\$ 294,551	\$ -	\$ -	\$ 294,551
Restricted cash and cash equivalents	576,708	279,965	26,477	883,150
Total cash and cash equivalents	\$ 871,259	\$ 279,965	\$ 26,477	\$ 1,177,701

Note: The Commission adopted GASB Statement No. 96 for its fiscal year ended May 31, 2024. See Note 2 for further discussion on fiscal year 2023 balances that were restated.

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of \$13.4 million in the fair value of its investments not reported as cash equivalents for the year ended May 31, 2023. Increases (decreases) by section were: Mainline, \$6.5 million; Oil Franchise, \$7.1 million; and Motor License, \$(0.2) million.

The Commission recorded \$75.6 million for the amortization of bond premium for the year ended May 31, 2023. Amortization by section was: Mainline, \$63.6 million; Oil Franchise, \$11.0 million; and Motor License, \$1.0 million.

As indicated in Note 9, the Commission refunded various bonds in fiscal year 2023. The fiscal year 2023 refundings resulted in a \$34.9 million reclassification from Mainline bond premiums (discounts) to deferred inflows of resources from refundings and \$7.6 million reclassification from Mainline bond premiums (discounts) to deferred outflows of resources from refundings. Additionally, the Commission recorded \$20.1 million for the amortization of deferred outflows/inflows of resources from refunding bonds for the year ended May 31, 2023. Amortization by section was: Mainline, \$18.8 million; Oil Franchise, \$0.4 million; and Motor License, \$0.9 million.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedule of Cash Flows – Business-type activities *(continued)*

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities *(continued)*

The Commission recorded \$0.3 million for the amortization of prepaid bond insurance costs for the year ended May 31, 2023. Amortization by section was: Mainline, \$0.2 million; and Motor License, \$0.1 million.

The Commission recorded an interest expense reduction of \$6.5 million in the Mainline section and \$0.2 million in the Motor License section for the year ended May 31, 2023 related to terminated derivative instruments.

The Commission recognized total capital contributions of \$170.3 million for fiscal year ended May 31, 2023. Cash received of \$164.0 million for fiscal year ended May 31, 2023 is reported in the capital and related financing activities of this schedule. The \$6.3 million difference between capital contributions and cash received is the result of a \$1.5 million increase in Oil Franchise receivables related to these capital contributions and a \$4.8 million Mainline noncash capital contribution related to capital assets provided by service plaza operators. The Commission entered into agreements with a food and fuel provider to totally reconstruct the service plazas; the service plaza operators provided the capital for the reconstruction in exchange for lower rental rates. See Note 2 to the financial statements for further discussion on capital contributions and Note 6 to the financial statements for further discussion on the service plazas.

As discussed in Note 2 (Capital Assets Transferred to the Commonwealth of Pennsylvania section), during fiscal year 2023, the Commission transferred from its Mainline section IT equipment and Dynamic Message System signs with a net book value of \$2.9 million to PennDOT.

The Commission records intersection activity related to revenue, expense, asset and liability transfers between its sections. Some of the intersection entries are related to cash transfers; others are noncash transfers as required. Net intersection transfers for the year ended May 31, 2023 were: to Mainline, \$137.8 million and from Oil Franchise, \$137.8 million.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Section Information *(continued)*

Schedules of Cost of Services Detail

The following tables provide additional detail for the costs of services reported in the Statements of Revenues, Expenses, and Changes in Net Position.

Fiscal Year Ended May 31, 2024

	<u>Mainline Operating</u>	<u>Mainline Capital</u>	<u>Total Mainline</u>	<u>Oil Franchise</u>	<u>Motor License</u>	<u>Total</u>
	(in thousands)					
General and administrative	\$ 69,965	\$ 146,871	\$ 216,836	\$ 1,886	\$ -	\$ 218,722
Traffic engineering and operations	3,749	4,544	8,293	-	-	8,293
Service centers	72,570	-	72,570	-	-	72,570
Employee benefits	38,405	11,294	49,699	478	-	50,177
Toll collection	24,784	3,041	27,825	-	-	27,825
Normal maintenance	81,528	6,820	88,348	-	-	88,348
Facilities and energy mgmt. operations	11,461	9,402	20,863	-	-	20,863
Turnpike patrol	69,439	-	69,439	-	-	69,439
Total cost of services	\$ 371,901	\$ 181,972	\$ 553,873	\$ 2,364	\$ -	\$ 556,237

Fiscal Year Ended May 31, 2023

RESTATED	<u>Mainline Operating</u>	<u>Mainline Capital</u>	<u>Total Mainline</u>	<u>Oil Franchise</u>	<u>Motor License</u>	<u>Total</u>
	(in thousands)					
General and administrative	\$ 66,966	\$ 138,621	\$ 205,587	\$ 4,161	\$ -	\$ 209,748
Traffic engineering and operations	3,454	3,326	6,780	-	-	6,780
Service centers	70,033	-	70,033	-	-	70,033
Employee benefits	47,092	12,306	59,398	610	-	60,008
Toll collection	26,453	2,842	29,295	-	-	29,295
Normal maintenance	78,379	1,035	79,414	-	-	79,414
Facilities and energy mgmt. operations	12,402	6,374	18,776	-	-	18,776
Turnpike patrol	60,504	-	60,504	-	-	60,504
Total cost of services	\$ 365,283	\$ 164,504	\$ 529,787	\$ 4,771	\$ -	\$ 534,558

STATISTICAL SECTION

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Statistical Section

This part of the Commission's Annual Comprehensive Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, required supplementary information and the Commission's overall financial health.

Financial Trends

Pages 144-145

These schedules contain trend information to help the reader understand how the Commission's financial performance and viability have changed over time.

Debt Capacity

Pages 146-147

These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt.

Revenue Capacity

Pages 148-149

These schedules contain information to help the reader assess the Commission's most significant revenue source, fare revenues.

Demographic and Economic Information

Pages 150-152

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.

Operating Information

Pages 153-163

These schedules contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services it provides and the activities it performs.

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Summary of Revenues and Expenses

(000s Omitted)

Fiscal Years Ended May 31

	2015	2016	2017	2018	2019	2020 *	2021	2022 (RESTATED)	2023 (RESTATED)	2024
<i>Operating revenues</i>										
Net fares	\$ 932,146	\$ 1,030,115	\$ 1,111,061	\$ 1,196,606	\$ 1,327,031	\$ 1,247,779	\$ 1,190,419	\$ 1,459,916	\$ 1,540,705	\$ 1,608,793
Other	17,589	22,576	23,335	4,668	9,574	36,004	41,130	47,283	55,942	58,078
Total operating revenues	949,735	1,052,691	1,134,396	1,201,274	1,336,605	1,283,783	1,231,549	1,507,199	1,596,647	1,666,871
<i>Operating expenses</i>										
Cost of services	459,780	471,132	517,103	494,742	509,753	533,931	509,381	438,923	534,558	556,237
Depreciation/amortization	337,664	332,941	354,343	379,401	384,104	382,088	373,924	431,195	409,943	417,032
Total operating expenses	797,444	804,073	871,446	874,143	893,857	916,019	883,305	870,118	944,501	973,269
Operating income	152,291	248,618	262,950	327,131	442,748	367,764	348,244	637,081	652,146	693,602
<i>Nonoperating revenues (expenses)</i>										
Investment earnings (loss)	17,502	29,069	14,225	18,809	83,072	90,345	15,336	(71,591)	55,950	131,735
Other nonoperating revenues	55,992	21,651	21,532	22,303	22,572	22,693	12,996	21,503	12,656	8,128
Act 44 and Act 89 payments to PennDOT	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(50,000)	(50,000)
Capital assets transferred to Commonwealth	(4,499)	(40,937)	(54,724)	-	(162,982)	(294)	(2,769)	(51,908)	(2,852)	-
Interest and bond expense	(465,869)	(521,021)	(560,660)	(566,137)	(620,584)	(652,901)	(671,774)	(716,212)	(685,346)	(697,060)
Nonoperating expenses, net	(846,874)	(961,238)	(1,029,627)	(975,025)	(1,127,922)	(990,157)	(1,096,211)	(1,268,208)	(669,592)	(607,197)
Loss (income) before capital contributions	(694,583)	(712,620)	(766,677)	(647,894)	(685,174)	(622,393)	(747,967)	(631,127)	(17,446)	86,405
Capital contributions	146,472	180,906	214,664	207,804	229,386	173,486	164,147	169,141	170,310	168,054
(Decrease) increase in net position	\$ (548,111)	\$ (531,714)	\$ (552,013)	\$ (440,090)	\$ (455,788)	\$ (448,907)	\$ (583,820)	\$ (461,986)	\$ 152,864	\$ 254,459

* Approximately \$32.0 million of toll-related bad debt was reclassified from other operating revenues to fare revenues to conform to the fiscal year ended May 31, 2021, financial statement presentation amounts.

Note: The Commission implemented GASB 68 & 71 in 2015 and GASB 75 in 2019; prior years have not been adjusted to reflect the implementation of these standards. As discussed in Note 2, during fiscal year 2023, balances for fiscal year 2022 were restated for the implementation of GASB Statement No. 87, Leases. Also discussed in Note 2, balances for fiscal year 2023 were restated for the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Schedule of Net Position

(000s Omitted)

Fiscal Years Ended May 31

	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2015	\$ 271,187	\$ 311,924	\$ (4,698,056)	\$ (4,114,945)
2016	(24,520)	361,798	(4,983,937)	(4,646,659)
2017	(258,038)	374,775	(5,315,409)	(5,198,672)
2018	(250,112)	304,478	(5,693,128)	(5,638,762)
2019	(623,209)	382,601	(6,001,633)	(6,242,241)
2020	(903,089)	453,932	(6,241,991)	(6,691,148)
2021	(1,115,845)	322,760	(6,481,883)	(7,274,968)
2022*#	(1,422,146)	526,050	(6,840,858)	(7,736,954)
2023^#	(1,470,936)	515,129	(6,628,283)	(7,584,090)
2024	(1,328,484)	544,053	(6,545,200)	(7,329,631)

* As discussed in Note 2, in fiscal year 2023, balances for fiscal year 2022 were restated for the implementation of GASB Statement No. 87, Leases.

^ As discussed in Note 2, balances for fiscal year 2023 were restated for the implementation of GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

During fiscal year 2024, balances for fiscal year 2022 and 2023 were updated from their previous presentation to include a reclassification of restricted for OPEB as presented in these financial statements.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Debt Coverage – All Sections

(000s Omitted)

Fiscal Years Ended May 31

	2015	2016	2017	2018 *	2019	2020	2021	2022 (RESTATED)	2023 (RESTATED)	2024
<i>Revenues and capital contributions</i>										
Operating revenues	\$ 949,735	\$ 1,052,691	\$ 1,134,396	\$ 1,201,274	\$ 1,336,605	\$ 1,283,783	\$ 1,231,549	\$ 1,507,199	\$ 1,596,647	\$ 1,666,871
Investment earnings**	17,356	24,527	23,693	25,569	39,019	39,670	25,473	28,807	42,599	56,214
Other nonoperating revenues	55,992	21,651	21,532	22,303	22,572	22,693	12,996	21,503	12,656	8,128
Capital contributions	146,472	180,906	214,664	207,804	229,386	173,486	164,147	169,141	170,310	168,054
Total revenues and capital contributions	1,169,555	1,279,775	1,394,285	1,456,950	1,627,582	1,519,632	1,434,165	1,726,650	1,822,212	1,899,267
<i>Direct expenses</i>										
Cost of services	459,780	471,132	517,103	494,742	509,753	533,931	509,381	438,923	534,558	556,237
Bond and swap expenses	10,620	14,258	16,990	11,002	8,180	12,223	10,308	12,140	11,585	19,344
Total direct expenses	470,400	485,390	534,093	505,744	517,933	546,154	519,689	451,063	546,143	575,581
<i>Net revenues available for debt service payments</i>										
	\$ 699,155	\$ 794,385	\$ 860,192	\$ 951,206	\$ 1,109,649	\$ 973,478	\$ 914,476	\$ 1,275,587	\$ 1,276,069	\$ 1,323,686
<i>Debt service payments</i>										
Debt maturity payments	\$ 115,150	\$ 138,630	\$ 122,630	\$ 251,375	\$ 224,365	\$ 186,055	\$ 41,775	\$ 218,105	\$ 263,740	\$ 293,955
Interest payments	395,223	436,073	494,301	519,173	591,837	616,570	629,587	669,651	717,776	719,403
Total debt service payments	\$ 510,373	\$ 574,703	\$ 616,931	\$ 770,548	\$ 816,202	\$ 802,625	\$ 671,362	\$ 887,756	\$ 981,516	\$ 1,013,358
Coverage	1.37	1.38	1.39	1.23	1.36	1.21	1.36	1.44	1.30	1.31

Revenues and capital contributions, direct expenses, principal payments and interest payments listed on this schedule include all sections (Mainline, Oil Franchise, and Motor License) of the Pennsylvania Turnpike Commission. Amounts listed for the principal and interest payments are for all sections and include both senior and subordinate debt. BAB Interest Subsidy is included in other nonoperating revenues.

* During FY18, the Commission retired \$100.0 million of the 2013 Series A Senior debt that was scheduled to mature on December 1, 2017. This debt was originally expected to be refunded but the Commission chose to retire this debt due to its cash position. Had the Commission chose to refund this debt as originally planned, total debt service payments for FY18 would have been \$670,548 and the FY18 coverage would have been 1.42.

** Excludes change in fair value of investments.

Note: The Commission implemented GASB 68 and 71 in 2015 and GASB 75 in 2019; prior years have not been adjusted to reflect the implementation of these standards. The Commission implemented GASB 87 in 2023; 2022 was restated accordingly. The Commission implemented GASB 96 in 2024; 2023 was restated accordingly. Years prior to the restated years have not been adjusted to reflect the implementation of the standard.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
 Ratios of Mainline Outstanding Debt* and Debt Service Payments
 (000s Omitted)
 Fiscal Years Ended May 31

	Number of Vehicles ***	Mainline Outstanding Debt*	Oil Franchise Outstanding Debt*	Motor License Outstanding Debt*	Total Outstanding Debt*	Mainline Debt Service Payments	Oil Franchise Debt Service Payments	Motor License Debt Service Payments	Total Debt Service Payments	Mainline Outstanding Debt Per Vehicle**	Mainline Debt Service Payments Per Vehicle**
2015	197,501	\$ 9,254,750	\$ 751,955	\$ 428,703	\$ 10,435,408	\$ 430,138	\$ 53,888	\$ 26,347	\$ 510,373	\$ 46.86	\$ 2.18
2016	204,783	10,540,019	733,956	420,574	11,694,549	492,380	54,578	27,745	574,703	51.47	2.40
2017	207,142	11,436,677	720,245	412,080	12,569,002	534,190	54,885	27,856	616,931	55.21	2.58
2018	209,110	12,210,090	699,006	403,175	13,312,271	691,471	50,624	28,453	770,548	58.39	3.31
2019	213,292	12,354,555	1,182,302	379,752	13,916,609	725,630	61,372	29,200	816,202	57.92	3.40
2020	189,340	13,429,674	1,157,517	369,709	14,956,900	700,962	73,787	27,876	802,625	70.93	3.70
2021	169,601	14,311,272	1,133,066	359,192	15,803,530	572,429	71,104	27,829	671,362	84.38	3.38
2022	200,103	15,089,256	1,720,097	348,175	17,157,528	786,862	73,099	27,795	887,756	75.41	3.93
2023	206,253	15,073,881	1,684,284	336,628	17,094,793	854,372	99,295	27,849	981,516	73.08	4.14
2024	209,116	15,457,358	1,647,339	324,530	17,429,227	884,478	101,136	27,744	1,013,358	73.92	4.23

* Outstanding debt is reported net of unamortized premium/discount.

** Oil Franchise and Motor License debt outstanding and debt service payments are not included in the ratios as the related debt service payments are not associated with traffic volumes.

*** The number of vehicle transactions presented for fiscal years 2015 through 2020 are slightly less than originally presented. The slight decrease is the result of a change in methodology for reporting transactions that could not be correlated due to a missing entry or exit record for the transaction. The Commission implemented this change as part of a reporting enhancement project in fiscal year 2021. Prior years were restated; therefore, counts are consistent with the current methodology.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Traffic Statistics

(000s Omitted)

Fiscal Years Ended May 31

	Number of Vehicle Transactions*	Gross Fare Revenue	Gross Fare Revenue Per Vehicle Transaction
Passenger			
2015	170,371	\$ 533,054	\$ 3.13
2016	176,369	588,295	3.34
2017	178,244	638,787	3.58
2018	179,125	678,720	3.79
2019	181,946	740,205	4.07
2020	158,738	683,511	4.31
2021	137,714	610,353	4.43
2022	165,128	819,784	4.96
2023	170,355	868,352	5.10
2024	173,231	925,750	5.34
Commercial			
2015	27,130	\$ 401,198	\$ 14.79
2016	28,414	443,325	15.60
2017	28,898	476,189	16.48
2018	29,985	524,438	17.49
2019	31,346	595,180	18.99
2020	30,602	606,050	19.80
2021	31,887	648,458	20.34
2022	34,975	749,243	21.42
2023	35,898	793,355	22.10
2024	35,885	829,259	23.11
Total			
2015	197,501	\$ 934,252	\$ 4.73
2016	204,783	1,031,620	5.04
2017	207,142	1,114,976	5.38
2018	209,110	1,203,158	5.75
2019	213,292	1,335,385	6.26
2020	189,340	1,289,561	6.81
2021	169,601	1,258,811	7.42
2022	200,103	1,569,027	7.84
2023	206,253	1,661,707	8.06
2024	209,116	1,755,009	8.39

* The number of vehicle transactions presented for fiscal years 2015 through 2020 are slightly less than originally presented. The slight decrease is the result of a change in methodology for reporting transactions that could not be correlated due to a missing entry or exit record for the transaction. The Commission implemented this change as part of a reporting enhancement project in fiscal year 2021. Prior years were restated; therefore, counts are consistent with the current methodology.

Refer to page 154 for vehicle class definitions.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Traffic Statistics
Fiscal Years Ended May 31

Revenue Composition as a Percentage of Total Revenue

	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Electronic Toll Collection</u>		<u>Non-ETC</u>	<u>Total</u>
				<u>EZPass/VES</u>	<u>Toll By Plate</u>		
2015	57.06%	42.94%	100.00%	71.48%	0.00%	28.52%	100.00%
2016	57.03	42.97	100.00	74.28	0.26	25.46	100.00
2017	57.29	42.71	100.00	76.55	0.59	22.86	100.00
2018	56.41	43.59	100.00	78.86	0.81	20.33	100.00
2019	55.43	44.57	100.00	81.38	1.10	17.52	100.00
2020	53.00	47.00	100.00	84.00	2.80	13.20	100.00
2021	48.49	51.51	100.00	84.94	15.04	0.02	100.00
2022	52.25	47.75	100.00	83.47	16.53	0.00	100.00
2023	52.26	47.74	100.00	83.98	16.02	0.00	100.00
2024	52.75	47.25	100.00	83.69	16.31	0.00	100.00

Traffic Composition as a Percentage of Total Vehicles

	<u>Passenger</u>	<u>Commercial</u>	<u>Total</u>	<u>Electronic Toll Collection (ETC)</u>		<u>Non-ETC</u>	<u>Total</u>
				<u>EZPass/VES</u>	<u>Toll By Plate</u>		
2015	86.26%	13.74%	100.00%	74.95%	0.00%	25.05%	100.00%
2016	86.12	13.88	100.00	76.96	0.30	22.74	100.00
2017	86.05	13.95	100.00	79.00	0.76	20.24	100.00
2018	85.66	14.34	100.00	81.12	1.87	17.01	100.00
2019	85.30	14.70	100.00	82.58	3.03	14.39	100.00
2020	83.84	16.16	100.00	83.51	5.36	11.13	100.00
2021	81.20	18.80	100.00	77.28	22.68	0.04	100.00
2022	82.52	17.48	100.00	77.21	22.79	0.00	100.00
2023	82.60	17.40	100.00	77.40	22.60	0.00	100.00
2024	82.84	17.16	100.00	77.06	22.94	0.00	100.00

Note: The number of vehicle transactions presented for fiscal years 2015 through 2020 are slightly less than originally presented. The slight decrease is the result of a change in methodology for reporting transactions that could not be correlated due to a missing entry or exit record for the transaction. The Commission implemented this change as part of a reporting enhancement project in fiscal year 2021. Prior years were restated; therefore, counts are consistent with the current methodology.

Refer to page 154 for vehicle class definitions.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Ten Largest Commercial Customers

(000s Omitted)

Fiscal Years Ended May 31

	<u>2024</u>		<u>2015</u>	
	<u>Annual</u>	<u>Rank</u>	<u>Annual</u>	<u>Rank</u>
	<u>Fares</u>		<u>Fares</u>	
Best Pass, Inc.	\$ 225,817	1	\$ 53,295	1
Prepass Safety Alliance (Previously HELP)	179,252	2	45,393	2
ECM Transport LLC	3,077	3	1,465	10
Acme Markets, Inc.	2,054	4		
Central Transport LLC	1,582	5		
Food Haulers, Inc.	1,246	6		
Giant Eagle/OK Grocery	755	7		
New Bern Transport Corp.	666	8		
Sheetz Distribution Services LLC	570	9		
Lindy Paving, Inc.	418	10		
FedEx Ground			4,382	3
United Parcel Service, Inc.			3,117	4
Pitt-Ohio Express, Inc.			2,548	5
J. B. Hunt Transport, Inc.			2,538	6
Estes Express Lines			2,169	7
Con-way Freight System, Inc.			1,908	8
ABF Freight System, Inc.			1,610	9
	<u>\$ 415,437</u>		<u>\$ 118,425</u>	

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Percentage of PA Turnpike ETC Traffic by IAG Agency

Fiscal Years Ended May 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Pennsylvania</i> ^	71.95%	71.58%	71.53%	71.01%	71.48%	71.98%	75.84%	75.22%	75.32%	75.53%
New Jersey Agencies*	13.67	13.49	13.33	11.87	12.95	12.75	10.93	10.97	10.27	9.97
MTA Bridges & Tunnels	1.97	2.25	2.33	2.21	2.51	2.47	2.28	2.55	2.54	2.52
New York State Thruway	2.92	2.98	2.87	2.59	2.40	2.33	1.86	1.98	2.31	2.25
Port Authority NY & NJ	2.04	1.96	2.07	2.15	2.19	2.25	1.96	2.17	2.17	2.16
Ohio Turnpike	0.83	1.03	1.13	1.12	1.31	1.34	1.24	1.30	1.40	1.44
Massachusetts Turnpike Authority	0.46	0.48	0.49	0.56	0.50	0.58	1.27	1.03	1.29	1.44
Maryland Transportation Authority	1.15	1.15	1.16	1.15	1.21	1.23	1.13	1.16	1.09	1.13
Illinois State Toll Highway Authority	1.08	1.11	1.12	1.09	1.30	1.34	1.25	1.13	1.06	1.00
Virginia DOT	0.79	0.90	0.93	0.86	0.97	0.97	0.87	0.97	0.94	0.95
Delaware DOT	0.94	0.98	0.97	0.85	0.89	0.88	0.79	0.80	0.77	0.77
Florida Turnpike	n/a	n/a	n/a	n/a	n/a	n/a	0.00	0.11	0.21	0.24
Central Florida Expressway Authority	n/a	n/a	n/a	n/a	n/a	0.01	0.03	0.06	0.09	0.10
Indiana DOT	0.11	0.11	0.11	0.14	0.10	0.09	0.08	0.08	0.07	0.07
West Virginia Parkways Authority	0.17	0.17	0.17	1.23	0.16	0.17	0.15	0.13	0.17	0.03
Rhode Island Toll & Bridge Authority	0.03	0.03	0.03	0.13	0.04	0.03	0.03	0.03	0.03	0.03
Delaware River Joint Toll Bridge										
Commission	0.98	0.82	0.72	0.57	0.44	0.12	0.09	0.07	0.04	0.02
Delaware River Port Authority	0.04	0.03	0.01	0.20	0.00	0.00	0.00	0.00	0.00	0.00
Other	0.87	0.93	1.03	2.27	1.55	1.46	0.20	0.24	0.23	0.35
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Includes: New Jersey Highway Authority, New Jersey Turnpike Authority, South Jersey Transportation Authority, and Burlington County Bridge Commission.

^ In FY21, amounts were updated to include TBP for 2016 and forward.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Employment by Nonfarm Related Industries – Demographic and Economic⁽¹⁾

Fiscal Years Ended May 31⁽²⁾

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>Employment by nonfarm related industries</i>										
<i>Private sector</i>										
<u>Goods producing</u>										
Mining and logging	37,800	34,000	25,000	26,700	28,700	28,900	23,200	21,700	22,200	22,300
Construction	229,100	235,500	239,200	249,200	255,900	261,200	241,600	254,800	259,100	259,500
Manufacturing	568,800	569,300	561,200	563,200	571,300	575,300	537,900	544,300	563,700	564,900
Total goods producing	835,700	838,800	825,400	839,100	855,900	865,400	802,700	820,800	845,000	846,700
<u>Service providing</u>										
Trade, transportation and utilities	1,102,900	1,114,000	1,118,500	1,117,800	1,123,800	1,123,400	1,059,000	1,101,900	1,141,700	1,143,000
Information	85,900	85,500	85,000	84,800	86,700	87,900	83,900	86,400	93,200	93,500
Financial activities	315,900	316,800	317,900	321,700	326,500	331,600	327,100	328,800	335,100	335,700
Professional and business services	764,900	783,100	797,200	802,400	806,300	815,200	770,300	802,500	842,100	843,400
Education and health services	1,180,800	1,192,400	1,218,900	1,245,800	1,274,800	1,295,800	1,228,800	1,228,900	1,260,700	1,265,300
Leisure and hospitality	537,700	545,400	557,500	566,800	571,900	578,000	424,400	478,400	537,300	540,300
Other services	253,400	254,700	259,300	259,700	261,000	262,400	223,900	236,100	250,900	251,700
Total service providing	4,241,500	4,291,900	4,354,300	4,399,000	4,451,000	4,494,300	4,117,400	4,263,000	4,461,000	4,472,900
Total private sector	5,077,200	5,130,700	5,179,700	5,238,100	5,306,900	5,359,700	4,920,100	5,083,800	5,306,000	5,319,600
<i>Government</i>	711,400	704,700	703,200	703,200	703,000	706,300	684,800	676,700	678,100	678,500
Total employment by nonfarm related industries	5,788,600	5,835,400	5,882,900	5,941,300	6,009,900	6,066,000	5,604,900	5,760,500	5,984,100	5,998,100

Notes: (1) Due to statutory requirements (confidentiality provisions), the Commonwealth of Pennsylvania cannot disclose the number employed by the ten largest employers. As an alternative comparison, this schedule presents the number employed by nonfarm related industries. The ten largest employers are nonfarm related; therefore, the number employed by those employers could be expected to fall within this schedule. Farming related employment is not included on this schedule because most farms are not large enough to be required to provide the necessary data to the Pennsylvania Department of Labor and Industry.

(2) Annual data provided by the Pennsylvania Department of Labor and Industry's Center for Workforce Information & Analysis website is on a calendar year basis. Therefore, the amounts presented for each fiscal year were determined for the calendar year ended (12/31) that occurred within the Commission's fiscal year. In addition, various calendar years may differ from the totals presented in the same table in the May 31, 2023, ACFR because of revised data provided on the website.

Source: Information obtained from the Pennsylvania Department of Labor and Industry's Center for Workforce Information & Analysis website (<https://www.workstats.dli.pa.gov/Research/Pages/default.aspx>).

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania

Number of Employees

Fiscal Years Ended May 31

Number of Employees - Union and Management

	<u>Management</u>	<u>Union</u>	<u>Total</u>
2015	435	1,626	2,061
2016	436	1,632	2,068
2017	440	1,589	2,029
2018	429	1,539	1,968
2019	432	1,492	1,924
2020	424	1,453	1,877
2021	387	967	1,354
2022	390	979	1,369
2023	426	959	1,385
2024	451	962	1,413

Bargaining Unit Affiliation: International Brotherhood of Teamsters, Chauffeurs, Warehousemen, and Helpers of America

Number of Employees - Functional Area

	<u>Toll Collection - Fares</u>	<u>Maintenance</u>	<u>Other</u>	<u>Total</u>
2015	740	724	597	2,061
2016	747	728	593	2,068
2017	715	723	591	2,029
2018	671	714	583	1,968
2019	637	701	586	1,924
2020	601	706	570	1,877
2021	91	723	540	1,354
2022	94	740	535	1,369
2023	92	737	556	1,385
2024	83	760	570	1,413

Note: In response to the public health concerns resulting from the 2020 COVID-19 pandemic, the Commission moved to AET collection, removed toll collectors from toll booths and transitioned to only utilizing Toll-By-Plate and E-ZPass toll collection across the System.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
 Vehicle Class Definitions
 (Class Determines Fare)












E-ZPASS / TOLL-BY-PLATE [^]

<u>Class</u>	<u>Weight Classification</u>
1	Passenger vehicles
2*	7,001 - 15,000 lbs.
3	15,001 - 19,000 lbs.
4	19,001 - 30,000 lbs.
5	30,001 - 45,000 lbs.
6	45,001 - 62,000 lbs.
7	62,001 - 80,000 lbs.
8	80,001 - 100,000 lbs.
9	100,001 lbs. and over or over dimensional

* Also includes any vehicle combination with more than two axles but weighing less than 7,000 lbs., except motorcycles with sidecar and/or trailer.

[^] Axle height definitions are used on the Southern Beltway, and at the Clarks Summit and Keyser Ave tolling points. All other TBP/AET In Place tolling points use classes listed above.

TOLL-BY-PLATE [^]

L is vehicle height of 7'6" or lower H is vehicle height of higher than 7'6"	
2L	2 axle, low profile 
3L	3 axle, low profile 
4L	4 axle, low profile 
5L	5 axle, low profile 
6L	6+ axle, low profile 
2H	2 axle, high profile 
3H	3 axle, high profile 
4H	4 axle, high profile 
5H	5 axle, high profile 
6H	6 axle, high profile 
7H	7+ axle, high profile 

Permits may be required. Permits are required if the vehicle exceeds any of the following:

- Length: 85 feet
- Weight: 100,000 lbs.
- Axle weight: 22,400 lbs.
- Height: 13 feet 6 inches
- Width: Over 10 feet to a maximum of 11 feet 6 inches
- Bumper Overhang: Over 5 ft. front or over 15 ft. rear

Note: Some exceptions may apply. For additional information regarding these exceptions, visit our website at www.paturnpike.com or call our Customer Assistance Center.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Miscellaneous Statistics
Fiscal Years Ended May 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<i>LENGTH OF HIGHWAY</i>										
Delaware River to Ohio Line	359	359	359	359	359	359	359	359	359	359
Northeast Extension	110	110	110	110	110	110	110	110	110	110
Southwestern Expansion	83	83	83	83	83	83	83	96	96	96
<i>NUMBER OF TOLL INTERCHANGES ^{1 2}</i>										
Mainline										
Staffed interchanges/barriers	30	28	27	27	25	-	-	-	-	-
Cashless Tolling/Ramps	2	3	5	5	7	32	32	36	36	36
Total	32	31	32	32	32	32	32	36	36	36
Northeast Extension										
Staffed interchanges/barriers	10	10	10	8	8	-	-	-	-	-
Cashless Tolling/Ramps	1	1	1	3	3	11	11	11	11	11
Total	11	11	11	11	11	11	11	11	11	11
Western Expansions										
Staffed interchanges/barriers	25	25	20	-	-	-	-	-	-	-
Cashless Tolling/Ramps	-	-	5	25	25	25	25	26	26	26
Total	25	25	25	25	25	25	25	26	26	26
<i>NUMBER OF SERVICE PLAZAS</i>										
Delaware River to Ohio Line	15	15	15	15	15	15	15	15	15	15
Northeast Extension	2	2	2	2	2	2	2	2	2	2
<i>NUMBER OF MAINTENANCE FACILITIES</i>										
	22	22	22	22	22	22	22	23	23	23

¹ Staffed interchanges/barriers include staffed interchanges, staffed barriers and staffed ramp locations. Cashless Tolling/Ramps include slip ramps, barriers and ramp locations that are not staffed. These cashless locations only collect tolls using automated money machines, E-ZPass, Toll-By-Plate or a combination of these methods.

² Effective March 16, 2020, due to the COVID-19 pandemic, the Commission implemented all-electronic tolling across the system.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Technical Data

<i>Right-of-way width</i>	Minimum	200 feet
<i>Turnpike width</i>	Delaware River to Ohio Line (4 lanes)	78 feet
	Northeastern Extension Junction to Philadelphia Interchange (6 lanes)	106 feet
	Northeastern Extension (4 lanes)	72 feet
	Southwestern Expansion	132 feet
	Totally Reconstructed Areas (various locations)	122 feet
<i>Lane width</i>	Standard	12 feet
	Northeastern Extension Junction to Philadelphia Interchange	12 feet
	Width of double lanes	24 feet
	Width of triple lanes	36 feet
<i>Curves</i>	Maximum (approximately 955 feet minimum radius) on Allegheny Mountain climbing lanes only	6 degrees
	Western Extension (Irwin - Ohio Line)	4 degrees
	Remainder of Turnpike	3 degrees
<i>Grades</i>	Mainline	3 percent
	Ramps	6 percent
	Extensions	5 percent
<i>Tunnels</i>	Allegheny	6,070 feet
	Tuscarora	5,326 feet
	Kittatinny	4,727 feet
	Lehigh	4,379 feet
	Blue Mountain	4,339 feet
<i>Major bridges</i>	Delaware River Bridge	6,571 feet
	Susquehanna River Bridges (EB/WB)*	5,918 feet
	Monongahela River Bridge	3,078 feet
	Joe Montana Bridges (NB/SB)*	2,516 feet
	Allegheny River Bridges (EB/WB)*	2,350 feet
	Park Avenue Bridges (NB/SB)*	1,788 feet
	Mahoning River Bridges (NB/SB)*	1,700 feet
	SR 51/SR 119 Interchange Bridges*	1,697 feet
	Dunlap Creek Bridges (NB/SB)*	1,675 feet
	Clarks Summit Bridge	1,627 feet
<i>Highest elevation</i>	Milepost 100.45	2,603 ft. above sea level

* When bridges are separated for directional purposes, the longer bridge length is reported.

The technical data presented does not change from year to year; therefore, a ten-year trend schedule is not presented.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Chronology, Turnpike Construction

<u>Turnpike Section</u>	<u>Length (Miles)</u>	<u>Construction Cost (Millions)</u>	<u>Bill Signed</u>	<u>Ground- breaking</u>	<u>Open to Traffic</u>
<i>Original Turnpike</i>					
Carlisle - Irwin	159	\$ 76	May 21, 1937	Oct. 27, 1938	Oct. 1, 1940
<i>Philadelphia Extension</i>					
Carlisle - Valley Forge	100	87	May 16, 1940	Sept. 28, 1948	Nov. 20, 1950
<i>Western Extension:</i>					
Irwin - Ohio Line	67	77.5	June 11, 1941	Oct. 24, 1949	Dec. 26, 1951
<i>Delaware River Extension:</i>					
Valley Forge - Delaware River	33	65	May 23, 1951	Nov. 20, 1952	Nov. 17, 1954
Delaware River Bridge	1.5	Not available	May 23, 1951	June 22, 1954	May 23, 1956
<i>Northeastern Extension:</i>					
East/West Turnpike to Scranton	110	233	Sept. 27, 1951	Mar. 25, 1954	Nov. 7, 1957
<i>Mon/Fayette Expressway -</i>					
California Interchange	6	7	Sept. 1985	June 9, 1988	Oct. 12, 1990
Beaver Valley Expressway	16	240	Sept. 1985	Oct. 20, 1989	Nov. 20, 1992
Mid-County Interchange	-	80	Sept. 1985	Dec. 20, 1989	Dec. 15, 1992
Amos K. Hutchinson Bypass	13	271	Sept. 1985	Aug. 20, 1990	Dec. 9, 1993
Keyser Avenue Interchange	-	47	Sept. 1985	Not available	Feb. 1, 1995
<i>Mon/Fayette Expressway -</i>					
Mason-Dixon Link	8	132	Sept. 1985	Nov. 1, 1994	Mar. 1, 2000
<i>Mon/Fayette Expressway - I-70</i>					
to Coyle Curtain Road	4	90	Sept. 1985	June 19, 1997	May 11, 2001
<i>Mon/Fayette Expressway - Coyle</i>					
Curtain Road to SR 51	13	604	Sept. 1985	Sept. 1997	Apr. 12, 2002
<i>Southern Beltway Findlay</i>					
Connector	6	234	Aug. 1991	Nov. 12, 2003	Oct. 11, 2006
<i>Mon/Fayette Expressway -</i>					
Uniontown to Brownsville		859	Sept. 1985		
Phase 1	8			April 1, 2006	Oct. 23, 2008
Phase 2	9			April 24, 2008	July 16, 2012
<i>Southern Beltway -</i>					
US 22 to I-79	13	800	Aug. 1991	December 2016	October 15, 2021

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Chronology, Turnpike Improvements

Date	Improvement
September 6, 1962	Groundbreaking on Laurel Hill Bypass and boring of second Allegheny Tunnel
October 30, 1964	Laurel Hill Bypass (3.1 miles) opened, eliminating two-lane, 4,541-foot-long Laurel Hill tunnel
March 15, 1965	Second Allegheny Tunnel opened; original tunnel closed for refurbishing
December 1965	Median barriers completed on entire east-west turnpike
April 1966	Work begins at second tunnels at Blue, Kittatinny, and Tuscarora Mountains
August 25, 1966	Original Allegheny Tunnel reopened
November 26, 1968	Sideling Hill Bypass (13.3 miles) opened, eliminating two two-lane tunnels: Ray's Hill (3,532 feet) and Sideling Hill (6,782 feet)
November 26, 1968	Second Blue, Kittatinny, and Tuscarora Tunnels opened
August 14, 1969	Median barrier completed on entire Turnpike
December 2, 1981	Completion of three climbing lane projects (Allegheny, Indian Creek, and Jacob's Creek)
May 20, 1982	Computerization and renovation of toll collection system begins
March 10, 1986	Six-lane widening project begins (junction of Northeastern Extension to Bensalem Interchange)
July 22, 1987	Computerized toll collection system placed into service
November 27, 1987	Opening of six-lane section near Philadelphia
June 9, 1988	Groundbreaking on the Mon/Fayette, six-mile link between I-70 and U.S. 40
February 14, 1989	Groundbreaking for second Lehigh Tunnel
October 20, 1989	Groundbreaking for Mahoning River Bridge
December 19, 1989	Groundbreaking for Mid-County Interchange
June 14, 1990	Groundbreaking for Beaver Valley Expressway
August 15, 1990	Groundbreaking for Amos K. Hutchinson Bypass
October 12, 1990	Opening of the first six-mile section of the Mon-Valley/Fayette Expressway linking I-70 and U.S. 40 in Washington County
November 22, 1991	Complete installation of call boxes along the Turnpike System
November 22, 1991	Opening of the second Lehigh Tunnel
November 20, 1992	Opening of the Beaver Valley Expressway (Toll 60, James E. Ross Highway), the world's first weigh barrier toll system
December 15, 1992	Opening of the new Mid-County Interchange
December 9, 1993	Opening of Amos K. Hutchinson Bypass
November 1, 1994	Groundbreaking on first section of the Mon/Fayette Expressway, at Fairchance
February 1, 1995	Opening of the Keyser Avenue Interchange
May 26, 1995	Opening of the Allentown and Sideling Hill Farmers' Markets
June 2, 1995	Groundbreaking on the Mon/Fayette I-70 to Route 51 Transportation project
November 1, 1996	Northeast Extension designated I-476
March 1, 2000	Opening of Mon/Fayette Expressway - Mason-Dixon Link
August 25, 2000	Completion of total reconstruction MP 94 - 99
December 2, 2000	Implementation of E-ZPass (electronic toll collection system) for passenger vehicles in southeastern and south central PA (interchanges 242-359)

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Chronology, Turnpike Improvements (*continued*)

<u>Date</u>	<u>Improvement</u>
May 7, 2001	Reopening of the newly renovated and expanded central office administration building in Highspire, PA
May 11, 2001	Opening of I-70 to Coyle Curtain Road section of the Mon/Fayette Expressway
May 19, 2001	Expansion of E-ZPass system to six additional interchanges, 226, 236, and 74 (Mahoning Valley) to 115 (Wyoming Valley) Toll Plaza on the Northeast Extension
August 17, 2001	Completion of total reconstruction MP 186 - 199
November 2001	Interchange dual-numbering system installation completed
December 15, 2001	E-ZPass lanes for passenger vehicles available at all of the Turnpike's Mainline Interchanges
April 12, 2002	Opening of Coyle Curtain Road to SR 51 section of the Mon/Fayette Expressway
June 1, 2002	Implementation of a Wide Area Network (WAN)
August 23, 2002	Completion of total reconstruction MP 75 - 85
December 15, 2002	E-ZPass lanes for commercial vehicles available at all of the Turnpike's Mainline Interchanges
June 1, 2003	Opening of the new Warrendale Interchange
November 12, 2003	Groundbreaking for Southern Beltway Findlay Connector (PA-60 to US 22)
June 2, 2004	Opening of the first express E-ZPass lane at Warrendale Interchange (eastbound)
June 26, 2004	Opening of the second express E-ZPass lane at Warrendale Interchange (westbound)
November 23, 2004	Expansion of E-ZPass system to two additional interchanges, 122-Keyser Avenue and 131-Clarks Summit on the Northeast extension
December 9, 2004	Electronic bar code scanners installed at all interchanges
January 19, 2005	Implementation of the Tag Teller program
April 1, 2005	Completion of total reconstruction MP 109 - 121
October 12, 2005	Express E-ZPass lanes opened at Mid County Interchange
November 28, 2005	Fog warning system between Breezewood Interchange and Sideling Hill Service Plaza installed
November 2005	Total Reconstruction of MP 38 - MP 40
December 2005	Total Reconstruction of MP 85 - MP 94
January 2, 2006	One way tolling (eastbound) at Gateway Interchange (free westbound)
April 1, 2006	Groundbreaking for Mon/Fayette Uniontown to Brownsville project
June 2, 2006	Expansion of E-ZPass system to the AKH Mainline interchange
June 2006	Total Reconstruction of MP 331 - MP 333 and addition of third travel lane
October 2006	Opening of Southern Beltway Findlay Connector
January 2007	Reconstruction of Norristown Interchange, MP 333.28
February 2007	Amos K. Hutchinson and Beaver Valley Expressway completely equipped with E-ZPass
May 2007	Opening of reconstructed Oakmont Service Plaza
June 2007	Opening of newly reconstructed Susquehanna River Bridge
June 2007	Gateway Express E-ZPass opened
August 2007	Reconstruction of Lebanon-Lancaster Interchange, MP 266.45
September 2007	Reconstruction of Gettysburg Interchange, MP 236.22
October 2007	Reconstruction of Harrisburg East Interchange, MP 247.38

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Chronology, Turnpike Improvements (*continued*)

Date	Improvement
May 2008	Opening of reconstructed Allentown, Sideling Hill and North Somerset Service Plazas
June 2008	Total Reconstruction of MP 245 - MP 247 and addition of third travel lane
October 2008	Completion of Phase I of Uniontown to Brownsville portion of Mon/Fayette
November 2008	Total Reconstruction of MP 326 - MP 331 and addition of third travel lane
November 2008	Total Reconstruction of MP 124 - MP 128 and addition of third lane westbound only
May 2009	Opening of reconstructed New Stanton Service Plaza
June 2009	Total Reconstruction of MP 0 - MP 10, and MP 210 - MP 215 and addition of third travel lane
November 2009	Total Reconstruction of MP 67 - MP 75 and addition of third travel lane
May 2010	Opening of reconstructed King of Prussia Service Plaza
October 2010	Opening of reconstructed Trevoise Maintenance Facility
November 2010	Total Reconstruction of MP 48 - MP 50 and addition of third travel lane
November 2010	Opening of reconstructed Hickory Run Service Plaza
November 2010	Opening of newly reconstructed Allegheny River Bridge
November 2010	Opening of all-electronic E-ZPass Only Street Road Interchange, MP 352
May 2011	Opening of reconstructed Bowmansville and Lawn Service Plazas
May 2012	Opening of newly constructed South Somerset Service Plaza
May 2012	Opening of reconstructed Cumberland Valley and Blue Mountain Service Plazas
July 2012	Completion of Phase 2 of Uniontown to Brownsville portion of Mon/Fayette (including Monongahela River Bridge)
November 2012	Opening of newly constructed Lehigh River & Pohopoco Creek Bridges
November 2012	Total Reconstruction of MP A73 - MP A75 and addition of third travel lane
December 2012	Opening of all-electronic E-ZPass Only SR29 Interchange, MP 320
December 2012	Total Reconstruction of MP 31 - MP 38, MP 319 - MP 320, MP 215 - MP 220 and addition of third travel lane
May 2013	Opening of reconstructed Highspire and South Midway Service Plazas
July 2013	Groundbreaking for Stage 1 of the Turnpike/I-95 Interchange project
August 2013	Total Reconstruction of MP 199 - MP 202 and addition of third travel lane
April 2014	Electric vehicle charging stations installed at Bowmansville and King of Prussia Service Plazas
May 2014	Opening of reconstructed Peter J. Camiel Service Plaza
October 2014	Total Reconstruction of MP A20-A26 and addition of third travel lane
November 2014	Compressed Natural Gas fueling dispensers installed at the New Stanton Service Plaza
December 2014	Total Reconstruction of MP 206 - 210 and addition of third travel lane
February 2015	Opening of reconstructed Somerset Maintenance and PSP Facilities
May 2015	Opening of reconstructed North Midway Service Plaza
June 2015	Opening of reconstructed Plymouth Meeting Maintenance Facility
July 2015	Opening of E-ZPass Only SR903 Interchange, MP 87 on the Northeast Extension
August 2015	Opening of reconstructed Valley Forge Service Plaza
November 2015	Total Reconstruction of MP 99 - 102 and addition of third travel lane

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Chronology, Turnpike Improvements (*continued*)

Date	Improvement
January 2016	Neshaminy Falls Toll Plaza, the new eastern-most start and end point of the ticket system opens and the Delaware Valley interchange and the Delaware River Bridge toll plazas are decommissioned
January 2016	Toll By Plate, a new westbound highway speed automatic cashless tolling location, opens near the Delaware River Bridge
April 2016	Total Reconstruction of MP 44 - 48 and addition of third travel lane
September 2016	Pavement Rehabilitation of MP A101 - A104
October 2016	Opening of newly reconstructed Swatara Creek Bridge
October 2016	Total Reconstruction of MP 250 - 252
December 2016	Groundbreaking for the US 22 to I-79 Section of the Southern Beltway
April 2017	Total Reconstruction of MP 220 - 227 and addition of third travel lane
April 2017	Opening of Toll By Plate cashless tolling along Beaver Valley Expressway
May 2017	Remediation of New Baltimore Slide, MP 128
November 2017	Total Reconstruction of MP A26 - A31 and addition of third travel lane
April 2018	Opening of Toll By Plate cashless tolling at Keyser Avenue/Clarks Summit
May 2018	Total Reconstruction of MP 242 - 245 and addition of third travel lane
June 2018	Total Reconstruction of MP 202 - 206 and addition of third travel lane
June 2018	Opening of Toll By Plate cashless tolling at Findlay Connector
September 2018	Opening of Stage 1 of I-95 Interchange Project connecting the Turnpike Mainline with I-95
January 2019	Conversion of Fort Littleton and Blue Mountain to cashless interchanges
July 2019	Construction starts on first major rehabilitation of the Tuscarora Tunnel
October 2019	Design and Construction starts on the installation of a Fiber Optic Network from MP 247 - H43 and from MP A20 - A131
October 2019	Total Reconstruction of MP 40 - 44 and addition of third travel lane
March 2020	Emergency conversion to All-Electronic Tolling interchanges systemwide
June 2020	Permanent conversion to All-Electronic Tolling interchanges systemwide
October 2021	Partial opening of Southern Beltway (US 22 to I-79)
November 2021	Total Reconstruction of MP A31 - A-38 and addition of third travel lane
October 2022	Total Reconstruction of MP 28 - 31 and addition of third travel lane
April 2023	Construction complete on the installation of the Fiber Optic Network from MP 247 - H43
November 2023	Construction complete on the installation of the Fiber Optic Network from MP A20 - A131
January 2024	Construction completed on first major rehabilitation of the Tuscarora Tunnel

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION
 A Component Unit of the Commonwealth of Pennsylvania
 Chronology, Speed Limits

Date	Speed Limit
October 1, 1940	No speed limit established by law
April 15, 1941	70 MPH; various lower commercial speeds depending on vehicle weight
December 1941	Wartime restriction of 35 MPH for all traffic
August 1945	Wartime restriction lifted. Speed limits revert to those of April 15, 1941
July 9, 1951	70 MPH for cars, buses, motorcycles
	50 MPH for all other traffic
January 15, 1953	<i>Gateway to Breezewood</i>
	60 MPH for cars, buses
	45 MPH for trucks
May 7, 1956	<i>Breezewood to Valley Forge</i>
	70 MPH for cars, buses
	50 MPH for trucks
	<i>Bridges</i>
	45 MPH for all traffic
July 24, 1966	65 MPH for cars, buses, motorcycles
	55 MPH for commercial vehicles
November 1973	55 MPH restriction nationwide, enforced on Turnpike beginning December 2, 1973
July 13, 1995	65 MPH for cars, buses, motorcycles, and commercial vehicles, except in urban areas where speed limit is 55 MPH
April 3, 2001	55 MPH from milepost 75 to milepost 130 for all vehicles
April 11, 2005	65 MPH for all vehicles, except tunnels, MP 122-130, and approaches to mainline toll plazas will remain at 55 MPH
July 2014	70 MPH for all vehicles between MP 201 - 298
May 2016	70 MPH for all vehicles in all areas that were previously 65 MPH

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION

A Component Unit of the Commonwealth of Pennsylvania
Chronology, Toll Rates

	Statewide Average Rate Increase (All Classes)		Total Cross-State Toll (Class 1)		Total Miles (East-West Mainline)	Average Cents Per Mile	
	Cash / TBP ^	E-ZPass	Cash / TBP ^	E-ZPass	Miles	Cash / TBP ^	E-ZPass
1956*	0%	0%	\$ 3.90	\$ 0.00	359	1.1¢	0.0¢
1969	82	0	7.10	0.00	359	2.0	0.0
1978	23	0	8.70	0.00	359	2.4	0.0
1987	30	0	11.30	0.00	359	3.1	0.0
1991	30	0	14.70	0.00	359	4.1	0.0
2004	42	0	21.25	21.25	359	5.9	5.9
2009**	25	25	28.45	28.45	359	7.9	7.9
2010**	3	3	29.35	29.35	359	8.1	8.1
2011**	10	3	32.30	30.17	359	9.0	8.4
2012**	10	0	35.55	30.17	359	9.9	8.4
2013**	10	2	39.15	30.77	359	10.9	8.6
2014**	12	2	43.90	31.38	359	12.3	8.7
2015**	5	5	46.10	32.95	359	12.8	9.2
2016**	6	6	48.90	34.93	359	13.6	9.7
2017**	6	6	51.85	37.03	359	14.4	10.3
2018**	6	6	55.00	39.25	359	15.3	10.9
2019**	6	6	58.30	41.70	359	16.2	11.6
2020**	6	6	65.70	44.30	359	18.3	12.3
2021** #	6	6	95.30	47.00	359	26.5	13.1
2022**	5	5	100.20	49.50	359	27.9	13.8
2023**	5	5	105.30	52.10	359	29.3	14.5
2024**	5	5	110.70	54.80	359	30.8	15.3

Total Cross-State Toll represents Eastbound Mainline Toll for Class 1 (Passenger) from Gateway (Exit #2) to Delaware River Bridge (Exit #43 [old #359]).

* Cross-State Toll Clarification: Although the PA Turnpike opened to traffic October 1, 1940, at the time it ran just 160 miles from Irwin, PA, to Middlesex, PA; therefore, the 1956 toll rate is used for comparison purposes as it represents the earliest, cross-state Turnpike toll.

** Eastbound cross-state motorists pay a “one-way” toll at the Gateway Toll Plaza (Exit #2) near the Ohio border implemented in 2006. Beginning in 2016, westbound cross-state motorists pay a “one-way” toll at the Delaware River Bridge (Exit #43 [old #359]). The ticket toll system begins at Warrendale (Exit # 30) and ends at Neshaminy Falls (Exit #353).

^ Effective March 16, 2020, due to the COVID-19 pandemic, the Commission implemented all-electronic tolling across the system. Tolls are collected via the Toll-By-Plate system at the cash rates.

An additional 45% increase over the 2020 cash rate for Toll-By-Plate motorists was implemented at most interchanges which reflects the higher cost of collections for this method.

Source: Pennsylvania Turnpike Commission.



PENNA

TURN

PIKE