PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania

Annual Comprehensive Financial Report
Fiscal Years Ended May 31, 2023 and 2022
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, 2023 and 2022

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INTRODUCTORY SECTION

Pennsylvania Turnpike Commission
PO Box 67676
Harrisburg PA 17106-7676
717.939.9551

October 6, 2023

To the 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, 2023, 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, 2023, 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 Interstate Route 76 (I-76). In addition, the Turnpike Mainline between the New Stanton and Breezewood Interchanges has been designated as Interstate Route 70 (I-70). The Northeast Extension has been designated as 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 Valley Forge 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.

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 using 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 costs of non-payment associated with Toll By Plate.

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 was initially scheduled to commence on a portion of the Turnpike System from the Reading Interchange to the New Jersey border in October 2022. However, as result of reductions in spending under the Fiscal Year 2021 Capital Plan, ORT conversion was deferred to January 2025. Conversion to ORT for the balance of the Mainline west of the Reading Interchange is scheduled for completion in January 2027. Existing toll booths would be decommissioned and removed from service at locations in which ORT is implemented.

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 2023, E-ZPass customers traveling in 19 other states that have implemented E-ZPass technology are able to use E-ZPass in those states.

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 DelDOT 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.

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). 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.

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 2024 Operating Budget was approved for $437.7 million on May 2, 2023.

The Commission prepares the 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 2024 was adopted by the Commission on May 2, 2023. 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 obligations. 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 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 Financial Plan for Fiscal Year 2024 on June 1, 2023.

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 10 (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 the Pennsylvania Department of Transportation 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 section of the southern section was bid in December 2022, and a notice to proceed was given in January 2023. 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 Commission completed the first of three phases of its Pennsylvania Turnpike/I-95 Interchange Project in September 2018. 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, both of 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 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 was included in the Fiscal Year 2024 Capital Plan.

Economic Outlook

Pennsylvania benefits from a highly diversified economy with a mix of industries. No single employment sector dominates Pennsylvania. The state includes two of the larger metro areas in the country in Philadelphia and Pittsburgh, with the remainder of the state featuring smaller cities and towns that support both service and goods-producing sectors. The state's education providers, especially its notable research universities, not only provide jobs on campus but also help develop new businesses. As of January 2023, Pennsylvania total nonfarm employment was up 0.8 percent from 2022 levels. The expected pullback in the national economy is projected to cause a gradual decrease in payrolls across the country in 2023. As a result, total nonfarm payrolls in the state are projected to drop by 1.0 percent over the period from Q1 2023 to Q1 2024.

Natural gas production in Pennsylvania has shown little growth for several months despite historically high output prices. The rapid increase in production over the last decade or so spurred a wave of pipeline-building to move the gas to markets, but that buildout has since stalled, creating a firm ceiling on output in the short-to-medium term. The state's massive reserve of natural gas in the Marcellus and Utica Shales also led to construction of a large plant in western Pennsylvania by Royal Dutch Shell. Part of the plant's activity includes turning natural gas liquids into 1.6 million metric tons of pellets to be used in producing plastics. The plant began production in late 2022 and employs 600. The state is also pursuing projects in developing hydrogen production and carbon capture and storage, part of the ongoing evolution of the energy sector.

The state's high-tech sectors continue to make immense contributions to Pennsylvania's economic growth. Pittsburgh has emerged as a leading center of research into commercial development of robotics, advanced manufacturing, artificial intelligences, and related technologies. Philadelphia's life science sector, in the meantime, is seeing a resurgence of investment in development and manufacturing of new technologies. Children's Hospital of Philadelphia is set to begin construction of a 290,000-square-foot research center on the east bank of the Schuylkill River. The new facility will continue the hospital's work in cell-and-gene therapy. Pittsburgh International Airport's cargo facility will undergo an expansion and upgrade that will bring new technology and increased capacity.

Pennsylvania has posted steady employment gains over the past year. However, health care services, notably in hospitals, nursing homes, and daycare centers, have had more difficulty in restoring jobs than initially anticipated. High-tech fields such as artificial intelligence, industrial automation, and biosciences will see the most growth, while more traditional fields such as legal services will see more moderate gains.

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, 2022. This was the 35th 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, 2023. The independent public accountants' report on the financial statements is included in the financial section of this report.

Acknowledgments

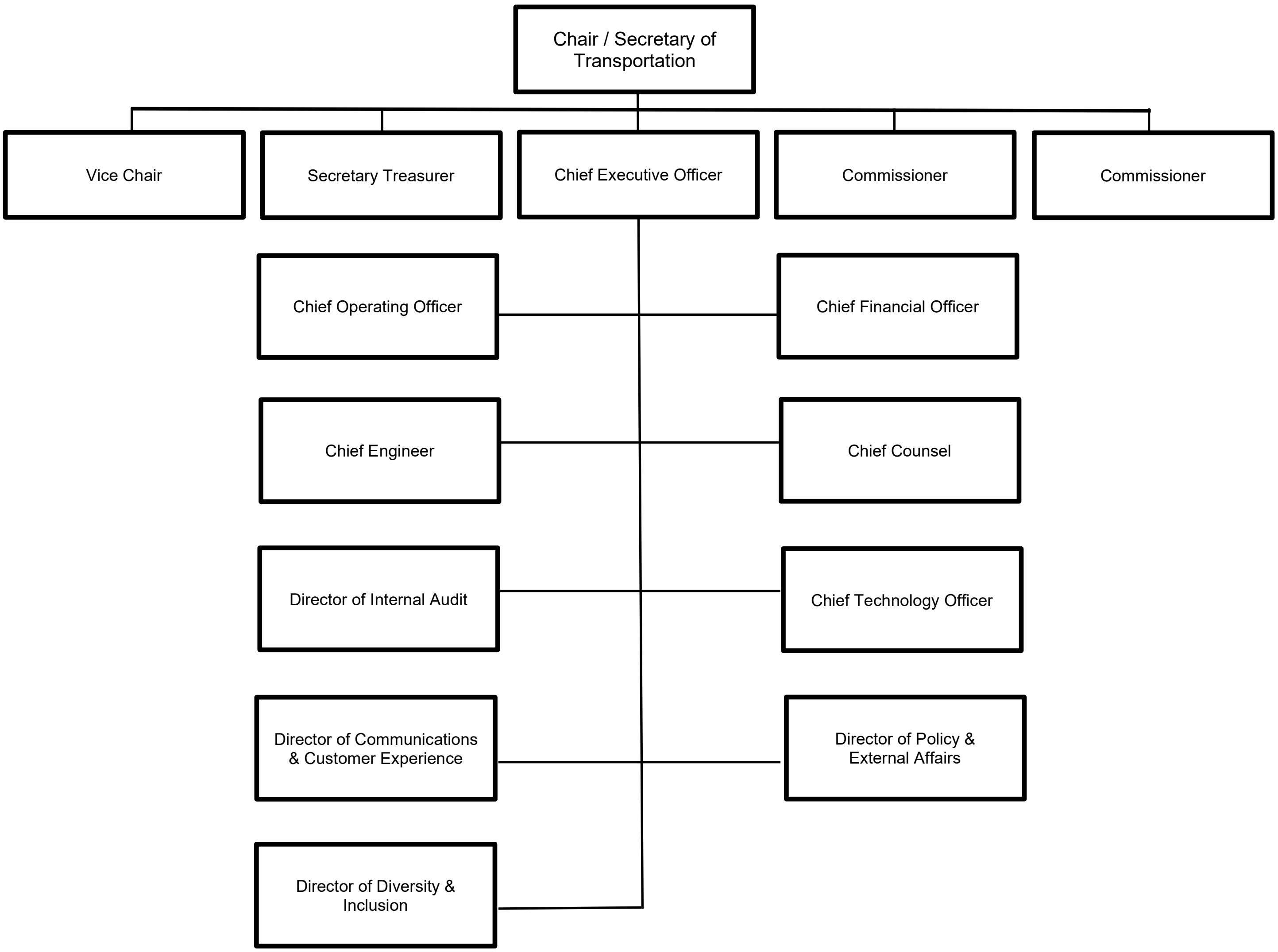
We wish to express our sincere appreciation to the staff of the Accounting and Financial Reporting and Finance departments whose time and dedicated effort made this report possible.

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.

Richard C Dreher

Digitally signed by Richard C Dreher
Date: 2023.10.06 13:58:32 -04'00'

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Organization Chart
As of May 31, 2023



PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
List of Principal Officials
As of May 31, 2023

Title	Name
Commission Chair / Secretary of Transportation	Michael Carroll
Commission Vice Chair	William K. Lieberman
Commission Secretary Treasurer[1]	Sean Logan
Commissioner	Pasquale T. Deon, Sr.
Commissioner	Wadud Ahmad, Esq.[1]
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 J. Taylor, P.E., PTOE
Director of Communications & Customer Experience	Carl E. Defebo, Jr.
Director of Policy & External Affairs	Kelli E. Roberts
Director of Internal Audit	Joan Resek
Director of Diversity & Inclusion	Catherine Clements-Jenkins

[1] On June 6, 2023, Commissioner Ahmad resigned. On June 27, 2023, Dr. Keith Leaphart was confirmed by the Pennsylvania State Senate to fill the vacancy. Subsequently, at Dr. Leaphart's first Commission meeting (July 5, 2023), the Commissioners reorganized. Dr. Leaphart was elected as the Secretary Treasurer.

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, 2022

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

SB & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

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 Pennsylvania Turnpike Commission (the Commission), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended May 31, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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 audit. 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, 2021, the Commission adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease 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.

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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's Contributions to the Other Postemployment Welfare Plan Program on pages 17 through 30 and pages 118 through 123 be presented to supplement the basic financial statements.

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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 124 through 137 is presented for purposes of additional analysis and are 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.

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 6, 2023

SB & Company, LLC

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, 2023 and 2022, which should be read in conjunction with the Commission's financial statements.

Financial Highlights

- 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.
- In July 2021, the Commission made its final $450.0 million payment to PennDOT, as mandated by Act 44 and Act 89.
- Opened the Southern Beltway in October 2021 which resulted in $681.4 million in assets under construction being moved to infrastructure assets.

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.

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

	May 31		
	2023	2022 *(RESTATED)*	2021
		(In thousands)	
Assets and deferred outflows of resources			
Current assets	$ 2,239,543	$ 2,234,990	$ 1,460,205
Noncurrent investments	1,037,627	1,298,734	1,255,843
Capital assets, net of accumulated depreciation	7,164,775	6,771,182	6,676,046
Other assets	178,831	222,001	32,620
Total assets	10,620,776	10,526,907	9,424,714
Total deferred outflows of resources	399,559	382,926	545,956
Total assets and deferred outflows of resources	11,020,335	10,909,833	9,970,670
Liabilities and deferred inflows of resources			
Current liabilities	1,282,098	1,002,358	1,135,109
Debt, net of unamortized premium	16,566,893	16,843,788	15,323,360
Net pension/OPEB liability	331,574	219,303	303,263
Other noncurrent liabilities	105,509	149,314	278,928
Total liabilities	18,286,074	18,214,763	17,040,660
Total deferred inflows of resources	318,876	432,024	204,978
Total liabilities and deferred inflows of resources	18,604,950	18,646,787	17,245,638
Net position			
Net investment in capital assets	(1,476,501)	(1,422,146)	(1,115,845)
Restricted for construction purposes	320,558	311,045	276,847
Restricted for debt service	84,920	64,781	45,913
Unrestricted	(6,513,592)	(6,690,634)	(6,481,883)
Total net position	$ (7,584,615)	$ (7,736,954)	$ (7,274,968)

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

Financial Analysis *(continued)*

Comparative Condensed Statements of Net Position *(continued)*

The Commission's total net position increased $152.3 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. The Commission's total net position decreased $462.0 million for the fiscal year ended May 31, 2022. This decrease in net position was mostly due to the requirements of Act 44, Act 89 and the Amended Funding Agreement between the Commission and Pennsylvania Department of Transportation (PennDOT) and costs associated with the related debt. Please refer to Note 10, 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 8, 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.

The Commission's total assets and deferred outflows of resources increased by $110.5 million in fiscal year 2023. This 2023 increase is mostly related to increases in capital assets of $393.6 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 $806.9 million, offset by $408.8 million of depreciation 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 $41.8 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 8, Debt, for additional information regarding debt activity. Please refer to Note 10, 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.

Financial Analysis *(continued)*

Comparative Condensed Statements of Net Position *(continued)*

The Commission's total assets and deferred outflows of resources increased by $939.2 million in fiscal year 2022. This 2022 increase is mostly related to increases in cash and investments of $813.3 million, capital assets of $95.1 million and other assets of $189.4 million. These increases were offset by a decrease in deferred outflows of resources of $163.0 million. The increase in cash and investments is the primarily the result of new money bond issuances for Mainline Senior and Oil Franchise which increased the balances in their construction accounts by approximately $653.2 million. The increase in capital assets is mostly related to capital asset additions of $578.2 million, offset by $431.2 million of depreciation expense. The increase in other assets is due to the net OPEB liability becoming a net OPEB asset based on the most recent actuarial valuation as described in Note 12 as well as the implementation of GASB Statement No. 87 which restated fiscal year 2022 balances. The decrease in deferred outflows of resources is mostly related to decreases in deferred outflows of resources from hedging derivatives which is the result of the cumulative change in fair values and a decrease in deferred outflows of resources from refunding bonds which is the result of refunding Mainline Senior, Mainline Subordinate and Oil Franchise debt and the related amortization.

Total liabilities and deferred inflows of resources increased by $1,401.1 million in fiscal year 2022. The increase for fiscal year 2022 was mainly related to the issuance of Mainline Senior, Mainline Subordinate and Oil Franchise debt. See Note 8, Debt, for additional information regarding the new issuances of debt. Please refer to Note 10, 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.

Financial Analysis *(continued)*

Comparative Statements of Revenues, Expenses, and Changes in Net Position

	Year ended May 31		
	2023	**2022 *(RESTATED)***	**2021**
		(In thousands)	
Operating revenues			
Fares	$ 1,540,705	$ 1,459,916	$ 1,190,419
Other	55,942	47,283	41,130
Total operating revenues	1,596,647	1,507,199	1,231,549
Operating expenses			
Cost of services	536,313	438,923	509,381
Depreciation	408,785	431,195	373,924
Total operating expenses	945,098	870,118	883,305
Operating income	651,549	637,081	348,244
Nonoperating revenue (expenses)			
Investment (loss) earnings	55,950	(71,591)	15,336
Other nonoperating revenue	12,728	21,503	12,996
Act 44 payments to PennDOT	(50,000)	(450,000)	(450,000)
Capital assets transferred to Commonwealth	(2,852)	(51,908)	(2,769)
Interest and bond expense	(685,346)	(716,212)	(671,774)
Nonoperating expenses, net	(669,520)	(1,268,208)	(1,096,211)
Loss before capital contributions	(17,971)	(631,127)	(747,967)
Capital contributions	170,310	169,141	164,147
Increase (decrease) in net position	152,339	(461,986)	(583,820)
Net position at beginning of year, as restated[1]	(7,736,954)	(7,274,968)	(6,691,148)
Net position at end of year, as restated[1]	$ (7,584,615)	$ (7,736,954)	$ (7,274,968)

[1] The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 balances that were restated.

For the fiscal years ended May 31, 2023 and 2022, operating and nonoperating revenues totaled $1,665.3 million and $1,457.1 million, respectively, while operating and nonoperating expenses totaled $1,683.3 million and $2,088.2 million, respectively.

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.

Financial Analysis *(continued)*

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

Total operating and nonoperating revenues for fiscal year 2022 were $197.2 million, or 15.7% higher than fiscal year 2021. The increase is due primarily to a $275.7 million increase in operating revenue that was the result of the increase in traffic as the impact of the COVID-19 pandemic had diminished along with the January 2022 toll increase of 5.0% for all customers except those travelling on the Southern Beltway, as well as the full-year impact of the January 2021 toll increase of 6.0% for all customers. This was partially offset by the $86.9 million change from investment earnings to investment loss.

Total operating and nonoperating expenses for fiscal year 2023 were $404.9 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 10, 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.

Total operating and nonoperating expenses for fiscal year 2022 were $80.4 million higher than fiscal year 2021. This is primarily due to a $57.3 million increase in depreciation expense, a $44.4 million increase in interest and bond expenses and a $49.1 million increase in capital assets transferred to the Commonwealth. These changes are offset with a $70.5 million decrease in cost of services.

Capital contributions increased by $1.2 million in fiscal year 2023 due to a $2.9 million increase in Federal reimbursements offset with a $1.0 million decrease in Oil Company Franchise Tax revenues. Capital contributions decreased by $5.0 million in fiscal year 2022 due to a $9.2 million increase in Oil Company Franchise Tax revenues offset with a $3.8 million decrease in Federal reimbursements. See Note 2.

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 and infrastructure. Infrastructure assets are typically items that are immovable such as highways, bridges and tunnels.

	Year ended May 31		
	2023	2022	2021
		(In thousands)	
Capital assets not being depreciated	$ 1,957,256	$ 1,830,670	$ 2,730,566
Capital assets being depreciated	12,553,781	11,957,535	10,694,766
Accumulated depreciation	7,346,262	7,017,023	6,749,286
Total capital assets being depreciated, net	5,207,519	4,940,512	3,945,480
Total capital assets	$ 7,164,775	$ 6,771,182	$ 6,676,046

The Commission's investment in capital assets as of May 31, 2023 amounted to $14.5 billion of gross asset value with accumulated depreciation of $7.3 billion, leaving a net book value of $7.2 billion. The net book value of capital assets as of May 31, 2022 was $6.8 billion. Capital assets represented 65.0% and 62.1% of the Commission's total assets and deferred outflows of resources as of May 31, 2023 and 2022, respectively.

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. Assets under construction at the end of fiscal year 2022 were $1,369.8 million, which was $918.5 million lower than in fiscal year 2021. 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 $29.8 million and $31.2 million in fiscal years 2023 and 2022, respectively.

The Commission's Ten-Year Capital Plan (i) continues the Commission's efforts for total roadway reconstruction and resurfacing, (ii) continues the rehabilitation of structurally deficient bridges, (iii) provides for the renovation of various tunnels, (iv) continue to provide for the implementation of Open Road Tolling, and (v) provides for 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 23 miles are in construction and approximately 81 miles are in design. Also, the Commission completed two miles of brand-new roadway and 61 miles of roadway resurfacing during fiscal year 2023, helping to maintain a quality-riding surface with a Turnpike System-wide median IRI (International Roughness Index) of 65, which is rated as good.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

In fiscal year 2023, 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, 865 bridges that are inspected biennially, 1.9% are rated structurally deficient which is below the national average of 6.9%. All 15 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 is currently going through a complete rehabilitation and will be completed the end of 2023. Blue 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. The new Eastern Training Facility and Devault Maintenance Facility are both in construction. Design has started on the new Bowmansville, Harrison City and New Cumberland Maintenance Facilities. Design for a new Trades Building and Pennsylvania State Police Barracks in District 3 has also begun.

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.

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 preliminary design for the remainder of the Mon/Fayette Expressway project, extending from PA Route 51 to Interstate Route 376 in Pittsburgh, has been completed. The current estimates to complete the final 14 miles of the Mon/Fayette Expressway to Interstate Route 376 are in excess of $2.0 billion. Limited funding provided through Act 89 will be used to advance this project.

The Southern Beltway is a series of three independent projects that extend from the Mon/Fayette Expressway near Finleyville to Interstate 376 (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.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

The Commission completed the first of three phases of its Pennsylvania Turnpike/I-95 Interchange Project in September 2018. 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 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 2024 Capital Plan.

The above paragraphs describe the changes in capital assets occurring during the fiscal years ended May 31, 2023 and 2022. 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 July 2021, the Commission issued $385,800,000 of 2021 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series B Senior Revenue Bonds were issued to refund a portion of the 2014 Series B-1 Senior Revenue Bonds ($150,000,000), 2018 Series A-1 Senior Revenue Bonds ($39,710,000), 2018 Series B Senior Revenue Bonds ($70,000,000), 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 2021 Series B Senior Revenue Bonds.

In July 2021, the Commission issued $393,790,000 of 2021 Series B Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2051. The 2021 Series B Subordinate Revenue Bonds were issued primarily to finance a portion of the cost of making payments to PennDOT in accordance with Act 44 and Act 89 and paying the cost of issuing the 2021 Series B Subordinate Revenue Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In November 2021, the Commission issued $275,000,000 of 2021 Series C Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series C Senior Revenue Bonds were primarily issued to refund a portion of the 2011 Series A Senior Revenue Bonds ($8,445,000), 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 2021 C Senior Revenue Bonds.

In November 2021, the Commission cash defeased the December 1, 2022 and December 1, 2023 maturities of the Commission's 2011 Series B Subordinate Revenue Bonds ($7,560,000) and 2012 Series A Subordinate Revenue Bonds ($5,620,000).

In November 2021, the Commission cash defeased the December 1, 2022 through December 1, 2024 maturities of the Commission's 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($1,845,000) and 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($2,340,000).

In April 2022, the Commission issued, as a Direct Placement, $291,850,000 of 2022 First Series Subordinate Revenue Refunding Bonds at a variable rate with a maturity of December 1, 2041. The 2022 First Series Subordinate Revenue Refunding Bonds were primarily issued to refund the 2017 First Series Subordinate Revenue Refunding Bonds and for paying the costs of issuing the 2022 First Series Subordinate Revenue Refunding Bonds.

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 ($23,475,00), 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.

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 ($65,180,00), 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.

Debt Administration – Oil Franchise Tax

In September 2021, the Commission issued $327,520,000 2021 Series A Oil Franchise Tax Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2051. The 2021 Series A Oil Franchise Tax Senior Revenue Bonds were issued primarily to provide funds for the refunding of the Commission's 2009 Series A-1 Oil Franchise Tax Senior Revenue Bonds ($3,855,000), financing the 2021 Construction Project and paying the costs of issuing the 2021 Series A Oil Franchise Tax Senior Revenue Bonds.

In September 2021, the Commission issued $201,480,000 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2053. The 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds were issued primarily to provide funds for the refunding of the Commission's 2009 Series D-1 Oil Franchise Tax Subordinate Revenue Bonds ($19,070,000), 2009 Series D-2 Oil Franchise Tax Subordinate Revenue Bonds ($405,000), financing the 2021 Construction Project, and paying the costs of issuing the 2021 Series B Oil Franchise Tax Subordinate Revenue 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+'.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration - Bond Ratings (continued)

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.

The preceding paragraphs describe debt activity occurring during the fiscal years ended May 31, 2023 and 2022. 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.

Events That Will Impact Financial Position *(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, 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, 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.

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 shall be paid from then current revenues of the Commission. Act 89 further provided 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.

Events That Will Impact Financial Position *(continued)*

The provisions of Act 44 and the Amended Funding Agreement require the Commission to provide a financial plan to the Secretary of the Budget of the Commonwealth 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 revenue and expenditures for the ensuing fiscal year. Act 44 requires that the financial plan demonstrate that the operation of the Commission can reasonably be anticipated to result in having sufficient funds to make payments due to PennDOT pursuant to the Amended 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 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.

The Commission delivered to the Secretary of the Budget its Financial Plan for Fiscal Year 2024 on June 1, 2023. The Fiscal Year 2024 Financial Plan indicated that in fiscal year 2023, 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 Fiscal Year 2024 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, and includes the adoption of the Commission's Fiscal Year 2024 Ten-Year Capital Plan which was adopted by the Commission in May 2023. The Fiscal Year 2024 Financial Plan indicates that in fiscal year 2023, the Commission was able to meet all of its financial covenants and obligations under the Enabling Acts. A copy of the Fiscal Year 2024 Financial Plan is available on the Commission's website.

Additionally, the Fiscal Year 2024 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 maintain in a state of good repair, meet debt service requirements, fund required Act 44/Act 89 Payments and maintain internal liquidity. While the Commission's Fiscal Year 2024 Financial Plan is based on reasonable financial assumptions, it is important to recognize that there are inherent uncertainties in projecting resources and obligations over an extended 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, variations in relevant econometrics, and/or greater than projected operating and/or capital costs.

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 10) 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 2023-2024 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, 2023 and 2022
(in thousands)

	2023	2022 (RESTATED)
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	$ 294,551	$ 318,158
Investments	181,346	46,881
Accounts receivable - net of allowance of $546.6 million and $400.7 million as of May 31, 2023 and 2022, respectively	137,083	126,690
Accrued interest receivable	2,205	1,656
Inventories	23,147	20,408
Restricted current assets		
Cash and cash equivalents	883,150	917,325
Investments	687,991	786,877
Accounts receivable	13,908	13,420
Accrued interest receivable	16,162	3,575
Total current assets	2,239,543	2,234,990
Noncurrent assets		
Investments		
Investments	381,041	458,258
Investments restricted	656,586	840,476
Total investments	1,037,627	1,298,734
Capital assets not being depreciated		
Land and intangibles	475,462	460,908
Assets under construction	1,481,794	1,369,762
Capital assets being depreciated		
Buildings	1,099,651	1,034,358
Improvements other than buildings	190,080	189,597
Equipment	650,946	626,570
Infrastructure	10,613,104	10,107,010
Total capital assets before accumulated depreciation	14,511,037	13,788,205
Less: Accumulated depreciation	7,346,262	7,017,023
Total capital assets after accumulated depreciation	7,164,775	6,771,182
Other assets		
Prepaid bond insurance costs	4,626	5,198
Net OPEB asset	109,651	150,224
Other assets	64,554	66,579
Total other assets	178,831	222,001
Total noncurrent assets	8,381,233	8,291,917
Total assets	10,620,776	10,526,907
Deferred outflows of resources from hedging derivatives	25,860	38,424
Deferred outflows of resources from refunding bonds	239,751	254,237
Deferred outflows of resources from pensions	87,942	39,629
Deferred outflows of resources from OPEB	46,006	50,636
Total deferred outflows of resources	399,559	382,926
Total assets and deferred outflows of resources	$ 11,020,335	$ 10,909,833

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, 2023 and 2022
(in thousands)

	2023	2022 *(RESTATED)*
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities		
Accounts payable and accrued liabilities	$ 631,735	$ 570,726
Current portion of debt	527,900	313,740
Unearned income	122,463	117,892
Total current liabilities	1,282,098	1,002,358
Noncurrent liabilities		
Debt, less current portion, net of unamortized premium of $1,520.5 million and $1,544.7 million in 2023 and 2022, respectively	16,566,893	16,843,788
Net pension liability	331,574	219,303
Other noncurrent liabilities	105,509	149,314
Total noncurrent liabilities	17,003,976	17,212,405
Total liabilities	18,286,074	18,214,763
Deferred inflows of resources from hedging derivatives	76,625	53,070
Deferred inflows of resources from service concession arrangements	89,344	96,037
Deferred inflows of resources from refunding bonds	22,591	11,364
Deferred inflows of resources from pensions	38,230	109,329
Deferred inflows of resources from OPEB	53,646	122,950
Deferred inflows of resources from leases	38,440	39,274
Total deferred inflows of resources	318,876	432,024
Total liabilities and deferred inflows of resources	18,604,950	18,646,787
NET POSITION		
Net investment in capital assets	(1,476,501)	(1,422,146)
Restricted for construction purposes	320,558	311,045
Restricted for debt service	84,920	64,781
Unrestricted	(6,513,592)	(6,690,634)
Total net position	$ (7,584,615)	$ (7,736,954)

Note: The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 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, 2023 and 2022
(in thousands)

	2023	2022 *(RESTATED)*
Operating revenues		
Fares - net of discounts, adjustments and bad debt expense of $121.0 million and $109.1 million for the years ended May 31, 2023 and 2022, respectively	$ 1,540,705	$ 1,459,916
Other	55,942	47,283
Total operating revenues	1,596,647	1,507,199
Operating expenses		
Cost of services	536,313	438,923
Depreciation	408,785	431,195
Total operating expenses	945,098	870,118
Operating income	651,549	637,081
Nonoperating revenues (expenses)		
Investment (losses) earnings	55,950	(71,591)
Other nonoperating revenues	12,728	21,503
Act 44 and Act 89 payments to PennDOT	(50,000)	(450,000)
Capital assets transferred to the Commonwealth	(2,852)	(51,908)
Interest and bond expense	(685,346)	(716,212)
Nonoperating expenses, net	(669,520)	(1,268,208)
Loss before capital contributions	(17,971)	(631,127)
Capital contributions	170,310	169,141
Increase (decrease) in net position	152,339	(461,986)
Net position at beginning of year, as restated[1]	(7,736,954)	(7,274,968)
Net position at end of year, as restated[1]	$ (7,584,615)	$ (7,736,954)

[1] The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 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, 2023 and 2022
(in thousands)

	2023	2022
		(RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customer tolls and deposits	$ 1,579,233	$ 1,500,901
Cash payments for goods and services	(414,633)	(363,502)
Cash payments to employees	(144,767)	(140,139)
Cash received from other operating activities	11,312	9,960
Net cash provided by operating activities	1,031,145	1,007,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,676,592	4,271,332
Interest received on investments	37,082	22,627
Purchase of investments	(4,437,514)	(4,774,434)
Net cash provided by (used in) investing activities	276,160	(480,475)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received from other governments	5,212	6,501
Proceeds from Motor License Registration fees	28,000	28,000
Proceeds from Oil Company Franchise Tax	130,812	136,522
Construction and acquisition of capital assets	(756,833)	(595,008)
Proceeds from sale of capital assets	1,014	1,657
Payments for bond and swap expenses	(7,385)	(9,504)
Payments for debt refundings	(341,272)	(291,931)
Payments for bond maturities	(150,480)	(104,775)
Interest paid on debt	(389,112)	(352,301)
Interest subsidy from Build America Bonds	10,554	21,110
Upfront swap payments	-	3,590
Proceeds from debt issuances	601,826	1,456,590
Net cash (used in) provided by capital and related financing activities	(867,664)	300,451
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments to PennDOT	(50,000)	(450,000)
Payments for bond and swap expenses	(3,513)	(2,586)
Payments for cash defeasances	-	(17,730)
Payments for debt refundings	(386,473)	(291,850)
Payments for debt maturities	(113,260)	(113,330)
Interest paid on debt	(328,664)	(317,350)
Proceeds from debt issuances	384,487	773,965
Net cash used in noncapital financing activities	(497,423)	(418,881)
(Decrease) increase in cash and cash equivalents	(57,782)	408,315
Cash and cash equivalents at beginning of year	1,235,483	827,168
Cash and cash equivalents at end of year	$ 1,177,701	$ 1,235,483

Note: The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 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, 2023 and 2022
(in thousands)

	2023	2022 (RESTATED)
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 651,549	$ 637,081
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	408,785	431,195
Change in operating assets and liabilities		
Accounts receivable	(12,576)	(6,515)
Inventories	(2,739)	(1,205)
Other assets	138	9
Net OPEB asset	40,573	(165,015)
Deferred outflows of resources from pensions	(48,313)	11,047
Deferred outflows of resources from OPEB	4,630	20,038
Accounts payable and accrued liabilities	19,327	5,686
Net pension liability	112,272	(69,169)
Other noncurrent liabilities	(1,263)	115
Deferred inflows of resources from pensions	(71,099)	25,766
Deferred inflows of resources from OPEB	(69,305)	118,666
Deferred inflows of resources from leases	(834)	(479)
Net cash provided by operating activities	$ 1,031,145	$ 1,007,220
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	$ 294,551	$ 318,158
Restricted cash and cash equivalents	883,150	917,325
Total cash and cash equivalents	$ 1,177,701	$ 1,235,483

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

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded net increase of $13.4 million and a net decrease of $100.4 million in the fair value of its investments not reported as cash equivalents for the years ended May 31, 2023 and 2022, respectively.

The Commission recorded $75.6 million and $72.4 million for the amortization of bond premiums for the years ended May 31, 2023 and 2022, respectively.

As indicated in Note 8, the Commission refunded various bonds in both fiscal years 2023 and 2022. 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. The fiscal year 2022 refundings and cash defeasances resulted in a $1.0 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings. Additionally, the Commission recorded $20.1 million and $57.5 million in expenses for amortization of deferred outflows/inflows of resources from refunding bonds for the years ended May 31, 2023 and 2022, respectively.

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

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, 2023 and 2022.

The Commission recorded an interest expense reduction of $6.7 million and $7.4 million for the years ended May 31, 2023 and 2022, respectively, related to terminated derivative instruments.

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. The Commission recognized total capital contributions of $169.1 million for the fiscal year ended May 31, 2022. Cash received of $171.0 million for the fiscal year ended May 31, 2022 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 $7.4 million decrease in receivables related to these capital contributions offset by a $5.5 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), 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 Commission made the following transfers during the fiscal year ended May 31, 2022: infrastructure assets with a net book value of $51.6 million to PennDOT, drones with a net book value of $0.1 million to the Pennsylvania State Police, and a traffic signal with a net book value of $0.2 million to Bristol Township (PA).

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Fiduciary Net Position – OPEB Trust Fund
May 31, 2023 and 2022

	2023	2022
	(in thousands)	
ASSETS		
Cash and cash equivalents	$ 6,900	$ 3,790
Interest and dividends receivable	590	429
Investments		
Equity – stocks	12,202	14,734
Equity – mutual funds	207,497	259,696
Fixed income – mutual funds	72,116	28,655
Fixed income – mortgages	208	-
Fixed income – U.S. Treasuries	43,130	51,228
Fixed income – U.S. Government agency securities	26,111	11,315
Corporate obligations	21,949	28,904
Limited partnerships		
Real estate	64,255	67,089
Commodities	32,994	29,556
Global tactical asset allocation	26,737	35,198
Private debt	16,439	10,399
Private equity	5,390	3,124
Total limited partnerships	145,815	145,366
Hedge fund of funds	23,600	29,412
Total investments	552,628	569,310
Total assets	560,118	573,529
LIABILITIES		
Benefits payable	277	652
Other liabilities	167	264
Total liabilities	444	916
Net position – restricted for OPEB	$ 559,674	$ 572,613

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, 2023 and 2022

	2023	2022
	(in thousands)	
ADDITIONS		
Employer contributions	$ 14,652	$ 13,746
Net investment income (loss)		
Interest, dividends, and capital gains income	11,128	18,760
Change in fair value of investments	(16,346)	(38,889)
Investment fees	(928)	(960)
Total net investment loss	(6,146)	(21,089)
Total additions	8,506	(7,343)
DEDUCTIONS		
Benefit payments	21,431	21,344
Administrative expenses	14	2
Total deductions	21,445	21,346
Change in fiduciary net position	(12,939)	(28,689)
Net position – restricted for OPEB		
Beginning of year	572,613	601,302
End of year	$ 559,674	$ 572,613

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

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.

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.

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.

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.

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 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. Acquisitions of capital assets valued at $15,000 or greater are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Intangible assets have an indefinite life and, thus, are not depreciated. The following lives are used:

Buildings	10 – 45 years
Improvements other than buildings	15 – 20 years
Equipment	3 – 40 years
Infrastructure	10 – 50 years

Inventories

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

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.

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.

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, 2023 were as follows:

	Restricted for:		
	Construction	**Debt Service**	**Total**
		(in thousands)	
Cash & cash equivalents	$ 318,228	$ 564,922	$ 883,150
Short-term investments	200,610	487,381	687,991
Accounts receivable	13,908	-	13,908
Interest receivable	1,351	14,811	16,162
Long-term investments	198,288	458,298	656,586
Total	$ 732,385	$ 1,525,412	$ 2,257,797

Restricted assets as of May 31, 2022 were as follows:

	Restricted for:		
	Construction	**Debt Service**	**Total**
		(in thousands)	
Cash & cash equivalents	$ 228,430	$ 688,895	$ 917,325
Short-term investments	578,804	208,073	786,877
Accounts receivable	13,420	-	13,420
Interest receivable	833	2,742	3,575
Long-term investments	242,312	598,164	840,476
Total	$ 1,063,799	$ 1,497,874	$ 2,561,673

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.

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 $122.5 million and $117.9 million classified as unearned income for the fiscal years ended May 31, 2023 and 2022 (as restated), respectively. Additionally, the Commission had $5.2 million and $3.2 million classified as accounts payable and accrued liabilities for the fiscal years ended May 31, 2023 and 2022 (as restated), 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 $0.4 million and $45,800 for fiscal years ended May 31, 2023 and 2022, respectively. The arbitrage liability recorded as accounts payable and accrued liabilities was $0.2 million for May 31, 2023. The arbitrage liability recorded as other noncurrent liabilities was $0.2 million and $45,800 as of May 31, 2023 and 2022, respectively.

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.

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.

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.

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 8. 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 12. 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, 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.

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 2023 and 2022, approximately 16.0% and 16.5%, respectively, of the fare revenues were realized through TBP, which are included as a part of all-electronic tolling.

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. 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.

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.

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.

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 10 for more information regarding Act 44 and Act 89.

Capital Assets Transferred to the Commonwealth of Pennsylvania

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.

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

Nonoperating Revenues (Expenses) *(continued)*

Capital Assets Transferred to the Commonwealth of Pennsylvania (continued)

The Commission and PennDOT entered into an agreement regarding ownership of overhead bridges that carry state roads. Per the agreement, once the Commission replaces these overhead bridges, and after final inspections and supplemental agreements are signed by both parties, ownership and maintenance responsibilities of the bridges are transferred from the Commission to PennDOT. The Commission transferred assets with a net book value of $51.6 million to PennDOT during the fiscal year ended May 31, 2022.

Also, during the fiscal year ended May 31, 2022, the Commission transferred a traffic signal to Bristol Township (PA). The book value of the traffic signal transferred was $0.2 million. In addition, during the fiscal year ended May 31, 2022, the Commission transferred drones to the Pennsylvania State Police. The book value of the drones transferred was $0.1 million.

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 $132.3 million and $133.3 million for the fiscal years ended May 31, 2023 and 2022, 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, 2023 and 2022 from the Commonwealth's Motor License Fund. These revenues are kept in a separate fund as required by the applicable bond indenture.

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

Capital Contributions *(continued)*

Reimbursements from Other Governments

The Commission receives grants from other governments for reimbursement of costs for various highway construction projects. During the fiscal years ended May 31, 2023 and 2022, the Commission recognized $5.2 million and $2.3 million, respectively, as capital contributions from the other governments. During both fiscal years, all of the reimbursements were 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 and $5.5 million related to these agreements for fiscal years ended May 31, 2023 and 2022, respectively. See Note 6 for further discussion on service plazas.

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.

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

Adoption of Accounting Pronouncements *(continued)*

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
		(in thousands) *[Debits / (Credits)]*	
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.

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
		(in thousands) *[Debits / (Credits)]*		
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.

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

Adoption of Accounting Pronouncements *(continued)*

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The Commission adopted Statement No. 91 for the fiscal year ending May 31, 2023. The adoption of this Statement had no impact on the Commission's financial statements for fiscal year ended May 31, 2023.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The Commission adopted Statement No. 92 for the fiscal year ending May 31, 2023. Except for the effective date of GASB 87, the adoption of this Statement had no impact on the Commission's financial statements for fiscal year ended May 31, 2023.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The Commission adopted Statement No. 93 for the fiscal year ending May 31, 2023, with the exception of paragraph 11b which was adopted for the fiscal year ending May 31, 2022. The adoption of this Statement had no impact on the Commission's financial statements for fiscal years ended May 31, 2023 and 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The Commission adopted Statement No. 94 for the fiscal year ending May 31, 2023. The adoption of this Statement had no impact on the Commission's financial statements for fiscal years ended May 31, 2023. See Note 6 for disclosures required by this Statement.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. Paragraphs 4 and 5 of this Statement were effective immediately and were included with the other Statement No. 84 disclosures in the Commission's financial statements as of May 31, 2021. The Commission adopted the remainder of Statement No. 97 for the fiscal year ending May 31, 2023. The adoption of this Statement had no impact on the Commission's financial statements for fiscal year ended May 31, 2023.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The Commission adopted required portions of Statement No. 99 for its fiscal year ended May 31, 2022. The adoption of the portions of this Statement had no impact on the Commission's financial statements for fiscal year ended May 31, 2022. The remaining portions of this Statement will be adopted in the required fiscal years.

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

Accounting Pronouncements Not Yet Adopted

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Commission is required to adopt Statement No. 96 for the fiscal year ending May 31, 2024.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The Commission is required to adopt the portions of Statement No. 99 related to leases, PPPs, and SBITAs for the fiscal year ending May 31, 2024. The Commission is required to adopt the 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.

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.

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

NOTE 3 INDENTURE REQUIREMENTS AND RESTRICTIONS *(continued)*

- 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.

NOTE 4 CASH AND INVESTMENTS

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

	May 31,	
	2023	**2022**
	(In thousands)	
Cash and cash equivalent and investment types		
U.S. Treasuries	$ 1,589,975	$ 1,956,254
GNMA mortgages	458	580
Government agency securities	110,714	11,316
Municipal bonds	27,316	32,641
Corporate obligations	176,008	132,860
Total investment securities	1,904,471	2,133,651
Investment derivatives	2,493	(1,159)
Cash and cash equivalents	1,177,701	1,235,483
Total cash and cash equivalents and investments	$ 3,084,665	$ 3,367,975

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.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash and Cash Equivalents *(continued)*

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

	Bank Balance	Book Balance
	(In thousands)	
May 31, 2023		
Demand deposits	$ 30,863	$ 29,164
Money market funds	889,458	889,458
Cash equivalents	259,079	259,079
Total cash and cash equivalents	$ 1,179,400	$ 1,177,701
May 31, 2022		
Demand deposits	$ 36,044	$ 35,716
Money market funds	993,357	993,357
Cash equivalents	206,410	206,410
Total cash and cash equivalents	$ 1,235,811	$ 1,235,483

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, 2023 and 2022, U.S. Treasuries of $1,590.0 million and $1,956.3 million, respectively, categorized as Level 1 are valued using quoted market prices.

- As of May 31, 2023 and 2022, GNMA mortgages of $0.5 million and $0.6 million, respectively, categorized as Level 2 are valued using models based on spreads of comparable securities.

- As of May 31, 2023 and 2022, government agency securities of $110.7 million and $11.3 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.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

- As of May 31, 2023 and 2022, municipal bonds of $27.3 million and $32.6 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, 2023 and 2022, total corporate obligations were $176.0 million and $132.9 million, respectively. Of the May 31, 2023 and 2022 amounts, $18.2 million is a guaranteed investment contract, which is valued at the contract value. The remaining $157.8 million and $114.7 million as of May 31, 2023 and 2022, respectively, categorized as Level 2 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, 2023 and 2022, investment derivative instruments of $2.5 million and $(1.2) 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 10 for further discussion.

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.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

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;
- 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;

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

- 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 diversification:

- 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.

- 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.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

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, 2023 and 2022, 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:

	Quality Rating as of May 31, 2023					
Investment Type	**AAA**	**AA**	**A**	**A-1**	**Below A**	**Total**
			(In thousands)			
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
	$ 100,163	$ 179,563	$ 19,393	$ 14,878	$ 41	$ 314,038

	Quality Rating as of May 31, 2022					
Investment Type	**AAA**	**AA**	**A**	**A-1**	**Below A**	**Total**
			(In thousands)			
Government agency securities	$ 1,589	$ 9,727	$ -	$ -	$ -	$ 11,316
Municipal bonds	13,117	6,976	12,548	-	-	32,641
Corporate obligations	39,433	70,020	8,481	14,878	48	132,860
	$ 54,139	$ 86,723	$ 21,029	$ 14,878	$ 48	$ 176,817

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, 2023 and 2022, 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.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Interest Rate Risk

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

	As of May 31, 2023	
Investment Type	**Fair Value**	**Effective Duration**
	(In thousands)	*(In years)*
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	

	As of May 31, 2022	
Investment Type	**Fair Value**	**Effective Duration**
	(In thousands)	*(In years)*
U.S. Treasuries	$ 1,956,254	1.6113
GNMA mortgages	580	4.0850
Government agency securities	11,316	1.2724
Municipal bonds	32,641	1.9012
Corporate obligations	132,860	2.0297
Total investment securities	$ 2,133,651	

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, 2023 and 2022, $30.4 million and $35.5 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, 2023 or 2022.

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, 2023:

**	Notional Amount *(thousands)*	Weighted Avg. Mat. *(years)*	Effective Date	Maturity Date	Terms*	Fair Value *(thousands)*	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
	$ 112,000				Pay SIFMA, receive 63% of 1-month LIBOR + 20 bps	$ (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		(3,143)		
	80,000				Pay 67% of 1-month LIBOR receive 60.15% of the 10 year maturity of the USD-ISDA Swap Rate	(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		(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
D	*Terminated on 06/30/21*					-		
						$ 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 year-end for applicable swap agreements.
** Letters are used as references in Note 10 (Commitments and Contingencies).

The following table is a summary of the Commission's investment derivative instruments as of May 31, 2022:

**	Notional Amount *(thousands)*	Weighted Avg. Mat. *(years)*	Effective Date	Maturity Date	Terms	Fair Value *(thousands)*	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
	$ 112,000				Pay SIFMA, receive 63% of 1-month LIBOR + 20 bps	$ (3,952)	JPMorgan Chase Bank	Aa2/A+/AA
	48,000					(1,693)	Bank of New York Mellon	Aa2/AA-/AA
A	160,000	7.1	8/14/2003	12/1/2032		(5,645)		
	80,000				Pay 67% of 1-month LIBOR receive 60.15% of the 10 year maturity of the USD-ISDA Swap Rate	545	JPMorgan Chase Bank	Aa2/A+/AA
	80,000					557	Royal Bank of Canada	Aa1/AA-/AA-
B	160,000	7.0	9/19/2006	11/15/2032		1,102		
C	115,810	9.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% of 3-month LIBOR	3,384	Goldman Sachs MMDP	Aa2/AA-/NR
D	*Terminated on 06/30/21*					-		
						$ (1,159)		

1-month LIBOR was 1.11986% as of May 31, 2022.
3-month LIBOR was 1,61071% as of May 31, 2022.
10-year maturity of the USD-ISDA swap rate was 2.951% as of May 31, 2022.
SIFMA was 0.79% as of May 31, 2022.
** Letters are used as references in Note 10 (Commitments and Contingencies).

See Note 10 for additional disclosures regarding derivative instruments, including a rollforward from the prior-year balances.

NOTE 5 CAPITAL ASSETS

Summaries of changes to capital assets for the years ended May 31, 2023 and 2022 are as follows:

	Balance May 31, 2022	Additions	Transfers (In thousands)	Reductions	Balance May 31, 2023
Capital assets not being depreciated (cost)					
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	1,830,670	791,646	(665,060)	-	1,957,256
Capital assets being depreciated (cost)					
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
Total capital assets being depreciated	11,957,535	15,243	665,060	84,057	12,553,781
Less accumulated depreciation for					
Buildings	506,685	25,177	-	-	531,862
Improvements other than buildings	104,547	8,516	-	-	113,063
Equipment	481,076	39,164	-	3,343	516,897
Infrastructure	5,924,715	335,928	-	76,203	6,184,440
Total accumulated depreciation	7,017,023	408,785	-	79,546	7,346,262
Total capital assets being depreciated, net	4,940,512	(393,542)	665,060	4,511	5,207,519
Total capital assets	$ 6,771,182	$ 398,104	$ -	$ 4,511	$ 7,164,775

	Balance May 31, 2021	Additions	Transfers (In thousands)	Reductions	Balance May 31, 2022
Capital assets not being depreciated (cost)					
Land and intangibles	$ 442,257	$ 18,651	$ -	$ -	$ 460,908
Assets under construction	2,288,309	547,051	(1,465,598)	-	1,369,762
Total capital assets not being depreciated	2,730,566	565,702	(1,465,598)	-	1,830,670
Capital assets being depreciated (cost)					
Buildings	987,325	-	47,033	-	1,034,358
Improvements other than buildings	160,973	-	28,662	38	189,597
Equipment	581,800	12,544	38,721	6,495	626,570
Infrastructure	8,964,668	-	1,351,182	208,840	10,107,010
Total capital assets being depreciated	10,694,766	12,544	1,465,598	215,373	11,957,535
Less accumulated depreciation for					
Buildings	482,206	24,479	-	-	506,685
Improvements other than buildings	96,473	8,112	-	38	104,547
Equipment	452,419	34,795	-	6,138	481,076
Infrastructure	5,718,188	363,809	-	157,282	5,924,715
Total accumulated depreciation	6,749,286	431,195	-	163,458	7,017,023
Total capital assets being depreciated, net	3,945,480	(418,651)	1,465,598	51,915	4,940,512
Total capital assets	$ 6,676,046	$ 147,051	$ -	$ 51,915	$ 6,771,182

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.

NOTE 6 SERVICE CONCESSION ARRANGEMENTS *(continued)*

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.

As of May 31, 2022, 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 $68.4 million related to these assets. Also, as of May 31, 2022, the Commission recognized a receivable and deferred inflow of resources in the amount of $27.6 million for the present value of guaranteed minimum rent payments. The Commission also recognized $2.2 million of restaurant revenue and $2.8 million of service station revenue for the fiscal year ended May 31, 2022 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. Two cell tower leases are currently in rent abatement status which is scheduled to end in 2027. Gas royalty revenues are variable based on the underlying oil and gas production. One gas royalty lease was executed during fiscal year 2023 that included an upfront payment. One miscellaneous lease has a variable supplementary rent component.

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. For the fiscal year ended May 31, 2022, the Commission recognized $6.0 million in lease revenue and $1.2 million in interest revenue related to these leases. The Commission's total receivable for lease payments was $39.7 million as of May 31, 2023 of which $0.8 million is considered short term. The Commission's receivable for lease payments was $39.8 million as of May 31, 2022 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, 2023 and 2022, the balance of the deferred inflows of resources was $38.4 million and $39.3 million, respectively.

NOTE 8 DEBT

The following table is a summary of debt outstanding:

	May 31, 2023	May 31, 2022
	(In Thousands)	
Mainline Senior Debt		
Mainline Senior Bonds		
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	27,565
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.	10,670	15,420
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, and September 2022. Partially defeased in November 2020.	18,605	44,750
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.	213,955	230,575
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	239,620
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.	235,405	279,005
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.	338,450	383,585
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.	291,505	299,720
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.	444,310	446,160
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.	334,665	341,485
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.	117,745	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.	307,110	307,935
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	71,200	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.	324,290	330,245
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.	96,435	126,125
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.	210,775	233,040

NOTE 8 DEBT *(continued)*

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

	May 31, 2023	May 31, 2022
Mainline Senior Debt (continued)	*(In Thousands)*	
Mainline Senior Bonds (continued)		
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.	95,920	98,240
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.	241,625	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.	245,840	250,000
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.	381,150	385,800
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.	269,055	275,000
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	-
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.	293,840	-
Total Mainline Senior Bonds	6,364,130	6,202,900
Mainline Senior Direct Placements & Direct Borrowings		
2018 EB-5 Loan (1st Tranche): Issued $50,000 in February 2018 at 2.00% due on February 20, 2023. Interest is paid each June 1 and December 1. Fully refunded in December 2022.	-	50,000
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.	45,000	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
Total Mainline Senior Direct Placements & Direct Borrowings	133,500	183,500
Total Mainline Senior Debt	6,497,630	6,386,400
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)		
Mainline Subordinate Revenue Debt		
Mainline Subordinate Bonds		
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	152,355
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. Parially refunded in March 2023.	281,625	329,975
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.	12,987	16,921

NOTE 8 DEBT *(continued)*

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

	May 31, 2023	May 31, 2022
	(In Thousands)	
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)		
Mainline Subordinate Revenue Debt (continued)		
Mainline Subordinate Bonds (continued)		
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.	$ 43,950	$ 47,755
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.	48,400	50,105
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.	84,770	84,709
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.	126,411	157,387
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	201,395
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.	181,900	207,110
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.	105,660	129,920
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.	202,100	269,140
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.	178,430	202,600
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.	185,455	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.	615,670	637,615
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.	29,840	45,410
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.	206,010	283,830
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.	378,805	379,115
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.	370,335	370,570
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

NOTE 8 DEBT *(continued)*

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

	May 31, 2023	May 31, 2022
	(In Thousands)	
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt) (continued)		
Mainline Subordinate Revenue Debt (continued)		
Mainline Subordinate Bonds (continued)		
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.	79,125	86,110
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.	116,320	122,150
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	-
Total Mainline Subordinate Bonds	5,985,843	6,091,582
Mainline Subordinate Direct Placements & Direct Borrowings		
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	6,277,693	6,383,432

NOTE 8 DEBT *(continued)*

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

	May 31, 2023	May 31, 2022
	(In Thousands)	
Motor License Fund-Enhanced Subordinate Special Revenue Debt		
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.	$ 50,884	$ 48,286
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.	13,278	17,328
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.	13,795	15,365
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.	2,495	4,335
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.	46,768	46,726
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.	76,990	79,865
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	45,390	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

NOTE 8 DEBT *(continued)*

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

	May 31, 2023	May 31, 2022
	(In Thousands)	
Motor License Fund-Enhanced Subordinate Special Revenue Debt (continued)		
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.	149,595	150,235
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.	90,930	91,325
Total Motor License Fund-Enhanced Subordinate Special Revenue Debt	982,980	991,710
Total Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)	7,260,673	7,375,142
Total Mainline Senior and Subordinate Debt	13,758,303	13,761,542
Oil Franchise Tax Senior Debt		
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.	158,716	157,108
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.	152,680	164,305
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.	322,955	327,520
Total Oil Franchise Tax Senior Debt	875,631	890,213
Oil Franchise Tax Subordinate Debt		
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.	84,605	92,930
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

NOTE 8 DEBT *(continued)*

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

	May 31, 2023	May 31, 2022
	(In Thousands)	
Oil Franchise Tax Subordinate Debt (continued)		
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.	$ 199,610	$ 201,480
Total Oil Franchise Tax Subordinate Debt	610,650	620,845
Total Oil Franchise Tax Senior and Subordinate Debt	1,486,281	1,511,058
Motor License Registration Fee Debt		
Motor License Registration Fee Bonds		
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.	98,235	108,810
Total Motor License Registration Fee Bonds	98,235	108,810
Motor License Registration Fee Direct Placement & Direct Borrowings		
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 weeekly, paid 15th of each month), due in varying installments through July 15, 2041.	231,425	231,425
Total Motor License Registration Fee Direct Placement & Direct Borrowings	231,425	231,425
Total Motor License Registration Fee Debt Payable	329,660	340,235
Total Debt Payable	15,574,244	15,612,835
Unamortized premium/discount	1,520,549	1,544,693
Total debt, net of unamortized premium/discount	17,094,793	17,157,528
Less: Current portion	527,900	313,740
Debt, noncurrent portion	$ 16,566,893	$ 16,843,788

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.

As of May 31, 2022, the Commission had $706,775 in outstanding Direct Placements and Direct Borrowings. SIFMA was 0.79% on May 31, 2022.

NOTE 8 DEBT *(continued)*

The tables below summarize the total additions and total reductions in debt during fiscal years 2023 and 2022. 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.

	Balance at May 31, 2022	Additions	Reductions *(In thousands)*	Balance at May 31, 2023	Due Within One Year
Mainline debt					
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
Oil Franchise Tax debt					
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
Motor License Registration Fee debt					
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.

	Balance at May 31, 2021	Additions	Reductions *(In thousands)*	Balance at May 31, 2022	Due Within One Year
Mainline debt					
Mainline bonds *	$ 12,693,813	$ 1,068,644	$ 476,265	$ 13,286,192	$ 226,780
Mainline direct placements and borrowings	475,350	291,850	291,850	475,350	50,000
Total Mainline debt	13,169,163	1,360,494	768,115	13,761,542	276,780
Oil Franchise Tax debt					
Oil Franchise Tax bonds **	1,021,176	530,527	40,645	1,511,058	26,385
Total Oil Franchise Tax debt	1,021,176	530,527	40,645	1,511,058	26,385
Motor License Registration Fee debt					
Motor License Registration Fee bonds	118,855	-	10,045	108,810	10,575
Motor License Registration Fee direct placements and borrowings	231,425	-	-	231,425	-
Total Motor License Registration Fee debt	350,280	-	10,045	340,235	10,575
Total Debt Payable	14,540,619	1,891,021	818,805	15,612,835	313,740
Premium (discount), net	1,262,911	355,115	73,333	1,544,693	-
Total Debt Payable, net of premium (discount)	$ 15,803,530	$ 2,246,136	$ 892,138	$ 17,157,528	$ 313,740

* Mainline bonds FY22 additions related to bond issuances were $1,054,590 and FY22 additions related to bond accretions were $14,054.
** Oil Franchise Tax bonds FY22 additions related to bond issuances were $529,000 and additions related to bond accretions were $1,527.

NOTE 8 DEBT *(continued)*

Debt service requirements subsequent to May 31, 2023 related to all sections of debt are as follows:

Year Ending May 31	Bonds: Principal Maturities	Bonds: Interest	Bonds: Total	Direct Borrowings and Direct Placements: Principal Maturities	Direct Borrowings and Direct Placements: Interest	Direct Borrowings and Direct Placements: Total	Total Debt: Principal Maturities	Total Debt: Interest	Total Debt: Total
					(In thousands)				
2024	$ 482,900	$ 689,081	$ 1,171,981	$ 45,000	$ 25,232	$ 70,232	$ 527,900	$ 714,313	$ 1,242,213
2025	314,030	677,462	991,492	88,500	24,339	112,839	402,530	701,801	1,104,331
2026	344,286	665,773	1,010,059	-	22,559	22,559	344,286	688,332	1,032,618
2027	381,195	646,723	1,027,918	-	22,559	22,559	381,195	669,282	1,050,477
2028	364,680	629,436	994,116	-	22,607	22,607	364,680	652,043	1,016,723
2029 - 2033	2,305,013	2,894,949	5,199,962	34,265	110,762	145,027	2,339,278	3,005,711	5,344,989
2034 - 2038	3,169,857	2,225,414	5,395,271	137,230	90,433	227,663	3,307,087	2,315,847	5,622,934
2039 - 2043	3,616,078	1,505,543	5,121,621	351,780	32,601	384,381	3,967,858	1,538,144	5,506,002
2044 - 2048	2,758,165	621,625	3,379,790	-	-	-	2,758,165	621,625	3,379,790
2049 - 2053	1,153,215	115,321	1,268,536	-	-	-	1,153,215	115,321	1,268,536
2054 - 2058	28,050	1,122	29,172	-	-	-	28,050	1,122	29,172
	$ 14,917,469	$ 10,672,449	$ 25,589,918	$ 656,775	$ 351,092	$ 1,007,867	$ 15,574,244	$ 11,023,541	$ 26,597,785

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 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.

  In fiscal year 2022, the Commission issued $660,800,000 of Mainline Senior Debt; $433,890,000 was issued to finance the costs of various capital projects and $226,910,000 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 10 for additional information regarding Act 44 and Act 89.

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

  In fiscal year 2022, the Commission issued $685,640,000 of Mainline Subordinate Debt; $393,790,000 was issued to finance the costs of Act 44 and Act 89 and $291,850,000 was issued as a Direct Placement to refund and repay outstanding Mainline Subordinate Debt.

NOTE 8 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 or Motor License Registration Fee Debt during the fiscal year ended May 31, 2023.

  In fiscal year 2022, the Commission issued $529,000,000 of Oil Franchise Tax Debt; $511,085,000 was issued to finance costs of capital expenditures related to the Mon/Fayette and Southern Beltway expansion projects and $17,915,000 was issued to refund and repay outstanding Oil Franchise Tax Debt. The Commission did not issue any Motor License Registration Fee Debt during the fiscal year ended May 31, 2022.

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.

NOTE 8 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 $133.5 million and $183.5 million as of May 31, 2023 and 2022, 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 2022 and again in fiscal year 2023, but did not draw on the line of credit in either of these fiscal years. As of May 31, 2023 and 2022, 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, 2023, the Commission does not have outstanding principal related to this transaction.

NOTE 8 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 $983.0 million and $991.7 million as of May 31, 2023 and 2022, 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.

NOTE 8 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In July 2021, the Commission issued $385,800,000 of 2021 Series B Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series B Senior Revenue Bonds were issued to refund a portion of the 2014 Series B-1 Senior Revenue Bonds ($150,000,000), 2018 Series A-1 Senior Revenue Bonds ($39,710,000), 2018 Series B Senior Revenue Bonds ($70,000,000), 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 2021 Series B Senior Revenue Bonds.

In July 2021, the Commission issued $393,790,000 of 2021 Series B Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2051. The 2021 Series B Subordinate Revenue Bonds were issued primarily to finance a portion of the cost of making payments to PennDOT in accordance with Act 44 and Act 89 and paying the cost of issuing the 2021 Series B Subordinate Revenue Bonds.

In November 2021, the Commission issued $275,000,000 of 2021 Series C Senior Revenue Bonds at a fixed rate with a maturity of December 1, 2051. The 2021 Series C Senior Revenue Bonds were primarily issued to refund a portion of the 2011 Series A Senior Revenue Bonds ($8,445,000), 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 2021 C Senior Revenue Bonds. The current refunding of the 2011 Series A Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $0.7 million. The transaction resulted in an economic gain of $0.6 million.

In November 2021, the Commission cash defeased the December 1, 2022 and December 1, 2023 maturities of the Commission's 2011 Series B Subordinate Revenue Bonds ($7,560,000) and 2012 Series A Subordinate Revenue Bonds ($5,620,000). This cash defeasance of the Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $14.2 million.

In November 2021, the Commission cash defeased the December 1, 2022 through December 1, 2024 maturities of the Commission's 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($1,845,000) and 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($2,340,000). This cash defeasance of the Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the Commission to reduce its debt service by approximately $4.5 million.

NOTE 8 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In April 2022, the Commission issued, as a Direct Placement, $291,850,000 of 2022 First Series Subordinate Revenue Refunding Bonds at a variable rate with a maturity of December 1, 2041. The 2022 First Series Subordinate Revenue Refunding Bonds were primarily issued to refund the 2017 First Series Subordinate Revenue Refunding Bonds and for paying the costs of issuing the 2022 First Series Subordinate Revenue Refunding Bonds.

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 ($23,475,00), 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 $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.

NOTE 8 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 ($65,180,00), 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 $29.4 million.

Debt service requirements subsequent to May 31, 2023 related to the Mainline debt are as follows:

	Bonds			Direct Borrowings and Direct Placements			Total Debt		
Year Ending May 31	Principal Maturities	Interest	Total	Principal Maturities	Interest *(In thousands)*	Total	Principal Maturities	Interest	Total
2024	$ 444,135	$ 612,409	$ 1,056,544	$ 45,000	$ 14,785	$ 59,785	$ 489,135	$ 627,194	$ 1,116,329
2025	273,295	602,733	876,028	88,500	13,921	102,421	361,795	616,654	978,449
2026	301,466	593,141	894,607	-	12,141	12,141	301,466	605,282	906,748
2027	336,160	576,301	912,461	-	12,141	12,141	336,160	588,442	924,602
2028	317,330	561,337	878,667	-	12,160	12,160	317,330	573,497	890,827
2029 - 2033	2,072,673	2,590,756	4,663,429	-	60,685	60,685	2,072,673	2,651,441	4,724,114
2034 - 2038	2,938,072	1,987,661	4,925,733	37,290	58,392	95,682	2,975,362	2,046,053	5,021,415
2039 - 2043	3,386,807	1,275,514	4,662,321	254,560	25,061	279,621	3,641,367	1,300,575	4,941,942
2044 - 2048	2,401,795	503,228	2,905,023	-	-	-	2,401,795	503,228	2,905,023
2049 - 2053	861,220	79,434	940,654	-	-	-	861,220	79,434	940,654
	$ 13,332,953	$ 9,382,514	$ 22,715,467	$ 425,350	$ 209,286	$ 634,636	$ 13,758,303	$ 9,591,800	$ 23,350,103

NOTE 8 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.

In September 2021, the Commission issued $327,520,000 2021 Series A Oil Franchise Tax Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2051. The 2021 Series A Oil Franchise Tax Senior Revenue Bonds were issued primarily to provide funds for the refunding of the Commission's 2009 Series A-1 Oil Franchise Tax Senior Revenue Bonds ($3,855,000), financing the 2021 Construction Project and paying the costs of issuing the 2021 Series A Oil Franchise Tax Senior Revenue Bonds. The refunding of the 2009 Series A-1 Oil Franchise Tax Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $0.2 million. The transaction resulted in an economic gain of approximately $0.2 million.

In September 2021, the Commission issued $201,480,000 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2053. The 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds were issued primarily to provide funds for the refunding of the Commission's 2009 Series D-1 Oil Franchise Tax Subordinate Revenue Bonds ($19,070,000), 2009 Series D-2 Oil Franchise Tax Subordinate Revenue Bonds ($405,000), financing the 2021 Construction Project, and paying the costs of issuing the 2021 Series B Oil Franchise Tax Subordinate Revenue Bonds. The refunding of the 2009 Series D-1 Oil Franchise Tax Subordinate Revenue Bonds and 2009 Series D-2 Oil Franchise Tax Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $3.4 million. The transaction resulted in an economic gain of approximately $3.1 million.

NOTE 8 DEBT *(continued)*

Oil Franchise Tax Debt Requirements and Recent Activity *(continued)*

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, 2023 related to Oil Franchise Tax debt are as follows:

	Bonds			Direct Borrowings and Direct Placements			Total Debt		
Year Ending May 31	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total	Principal Maturities	Interest	Total
					(In thousands)				
2024	$ 27,640	$ 71,807	$ 99,447	$ -	$ -	$ -	$ 27,640	$ 71,807	$ 99,447
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 - 2033	195,910	301,715	497,625	-	-	-	195,910	301,715	497,625
2034 - 2038	231,785	237,753	469,538	-	-	-	231,785	237,753	469,538
2039 - 2043	229,271	230,029	459,300	-	-	-	229,271	230,029	459,300
2044 - 2048	356,370	118,397	474,767	-	-	-	356,370	118,397	474,767
2049 - 2053	291,995	35,887	327,882	-	-	-	291,995	35,887	327,882
2054 - 2058	28,050	1,122	29,172	-	-	-	28,050	1,122	29,172
	$ 1,486,281	$ 1,269,450	$ 2,755,731	$ -	$ -	$ -	$ 1,486,281	$ 1,269,450	$ 2,755,731

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.

The Commission's Motor License Registration Fee 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.

NOTE 8 DEBT *(continued)*

Motor License Registration Fee Debt Requirements and Recent Activity *(continued)*

Debt service requirements subsequent to May 31, 2023 related to Motor License Registration Fee debt are as follows:

Year Ending May 31	Bonds Principal Maturities	Bonds Interest	Bonds Total	Direct Borrowings and Direct Placements Principal Maturities	Direct Borrowings and Direct Placements Interest	Direct Borrowings and Direct Placements Total	Total Debt Principal Maturities	Total Debt Interest	Total Debt Total
					(In thousands)				
2024	$ 11,125	$ 4,865	$ 15,990	$ -	$ 10,447	$ 10,447	$ 11,125	$ 15,312	$ 26,437
2025	11,715	4,266	15,981	-	10,418	10,418	11,715	14,684	26,399
2026	12,330	3,635	15,965	-	10,418	10,418	12,330	14,053	26,383
2027	12,975	2,970	15,945	-	10,418	10,418	12,975	13,388	26,363
2028	13,660	2,271	15,931	-	10,447	10,447	13,660	12,718	26,378
2029 - 2033	36,430	2,478	38,908	34,265	50,077	84,342	70,695	52,555	123,250
2034 - 2038	-	-	-	99,940	32,041	131,981	99,940	32,041	131,981
2039 - 2043	-	-	-	97,220	7,540	104,760	97,220	7,540	104,760
	$ 98,235	$ 20,485	$ 118,720	$ 231,425	$ 141,806	$ 373,231	$ 329,660	$ 162,291	$ 491,951

Defeased Bonds

In both the current and prior years, the Commission defeased certain revenue bonds by placing funds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds were not included in the Commission’s financial statements. As of May 31, 2023 and 2022, the Commission had $443.8 million and $818.6 million, respectively, of defeased bonds outstanding.

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 $0.4 million and $45,800 for fiscal years ended May 31, 2023 and 2022, respectively. The arbitrage liability recorded as accounts payable and accrued liabilities was $0.2 million for May 31, 2023. The arbitrage liability recorded as other noncurrent liabilities was $0.2 million and $45,800 as of May 31, 2023 and 2022, respectively.

NOTE 8 DEBT *(continued)*

<u>Swap Payments and Associated Debt</u>

Net swap payments and related debt service requirements related to all sections subsequent to May 31, 2023, assuming current interest rates remain the same for the term of the agreements, are as follows:

	Bonds				Direct Borrowings and Direct Placements				Total Debt			
Year Ending May 31	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total
						(In thousands)						
2024	$ 191,325	$ 20,103	$ 3,890	$ 215,318	$ -	$ 22,607	$ (4,653)	$ 17,954	$ 191,325	$ 42,710	$ (763)	$ 233,272
2025	2,440	16,055	3,877	22,372	-	22,540	(4,592)	17,948	2,440	38,595	(715)	40,320
2026	2,505	15,987	3,662	22,154	-	22,559	(4,606)	17,953	2,505	38,546	(944)	40,107
2027	2,565	15,898	3,467	21,930	-	22,559	(4,607)	17,952	2,565	38,457	(1,140)	39,882
2028	2,635	15,828	3,144	21,607	-	22,607	(4,653)	17,954	2,635	38,435	(1,509)	39,561
2029 - 2033	14,230	77,564	9,601	101,395	34,265	110,762	(23,342)	121,685	48,495	188,326	(13,741)	223,080
2034 - 2038	16,160	74,920	1,469	92,549	137,230	90,432	(24,765)	202,897	153,390	165,352	(23,296)	295,446
2039 - 2043	383,975	22,075	(3,274)	402,776	351,780	32,601	(11,529)	372,852	735,755	54,676	(14,803)	775,628
2044 - 2048	20,835	4,292	(1,916)	23,211	-	-	-	-	20,835	4,292	(1,916)	23,211
2049 - 2053	13,830	736	(328)	14,238	-	-	-	-	13,830	736	(328)	14,238
	$ 650,500	$ 263,458	$ 23,592	$ 937,550	$ 523,275	$ 346,667	$ (82,747)	$ 787,195	$ 1,173,775	$ 610,125	$ (59,155)	$ 1,724,745

Mainline net swap payments and related debt service requirements subsequent to May 31, 2023 for the 2018 Series A-1 Senior Revenue Bonds, 2018 Series B Senior Revenue Bonds, 2019 Second Series Senior Revenue Bonds, 2020 Second Series Senior Revenue Bonds, 2020 Series A Senior Revenue Bonds and 2022 First Series Subordinate Revenue Refunding Bonds (Direct Placement) are as follows:

	Bonds				Direct Borrowings and Direct Placements				Total Debt			
Year Ending May 31	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total
						(In thousands)						
2024	$ 191,325	$ 20,103	$ 3,890	$ 215,318	$ -	$ 12,160	$ (6,123)	$ 6,037	$ 191,325	$ 32,263	$ (2,233)	$ 221,355
2025	2,440	16,055	3,877	22,372	-	12,122	(6,091)	6,031	2,440	28,177	(2,214)	28,403
2026	2,505	15,987	3,662	22,154	-	12,141	(6,091)	6,050	2,505	28,128	(2,429)	28,204
2027	2,565	15,898	3,467	21,930	-	12,141	(6,091)	6,050	2,565	28,039	(2,624)	27,980
2028	2,635	15,828	3,144	21,607	-	12,160	(6,123)	6,037	2,635	27,988	(2,979)	27,644
2029 - 2033	14,230	77,564	9,601	101,395	-	60,685	(30,487)	30,198	14,230	138,249	(20,886)	131,593
2034 - 2038	16,160	74,920	1,469	92,549	37,290	58,391	(29,326)	66,355	53,450	133,311	(27,857)	158,904
2039 - 2043	383,975	22,075	(3,274)	402,776	254,560	25,061	(12,600)	267,021	638,535	47,136	(15,874)	669,797
2044 - 2048	20,835	4,292	(1,916)	23,211	-	-	-	-	20,835	4,292	(1,916)	23,211
2049 - 2053	13,830	736	(328)	14,238	-	-	-	-	13,830	736	(328)	14,238
	$ 650,500	$ 263,458	$ 23,592	$ 937,550	$ 291,850	$ 204,861	$ (102,932)	$ 393,779	$ 942,350	$ 468,319	$ (79,340)	$ 1,331,329

Motor License net swap payments and related debt service requirements subsequent to May 31, 2023 for the 2005 Series B, C, and D Motor License Registration Fee Bonds (Direct Placement) are as follows:

	Bonds				Direct Borrowings and Direct Placements				Total Debt			
Year Ending May 31	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total	Principal Maturities	Interest	Hedging	Total
						(In thousands)						
2024	$ -	$ -	$ -	$ -	$ -	$ 10,447	$ 1,470	$ 11,917	$ -	$ 10,447	$ 1,470	$ 11,917
2025	-	-	-	-	-	10,418	1,499	11,917	-	10,418	1,499	11,917
2026	-	-	-	-	-	10,418	1,485	11,903	-	10,418	1,485	11,903
2027	-	-	-	-	-	10,418	1,484	11,902	-	10,418	1,484	11,902
2028	-	-	-	-	-	10,447	1,470	11,917	-	10,447	1,470	11,917
2029 - 2033	-	-	-	-	34,265	50,077	7,145	91,487	34,265	50,077	7,145	91,487
2034 - 2038	-	-	-	-	99,940	32,041	4,561	136,542	99,940	32,041	4,561	136,542
2039 - 2043	-	-	-	-	97,220	7,540	1,071	105,831	97,220	7,540	1,071	105,831
	$ -	$ -	$ -	$ -	$ 231,425	$ 141,806	$ 20,185	$ 393,416	$ 231,425	$ 141,806	$ 20,185	$ 393,416

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

NOTE 9 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.

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 years of service 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.

NOTE 9 RETIREMENT BENEFITS *(continued)*

General Information about the Pension Plan *(continued)*

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. SERS funding policy, as set by the State Employees' Retirement Board (SERB), provides for periodic active member 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 rate of investment return, are adequate to accumulate assets to pay benefits when due. 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
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%
2021	29.48%	36.84%	25.47%	25.47%	19.59%	19.59%	19.56%

Contributions to the pension fund from the Commission were $32.7 million and $31.3 million for the fiscal years ended May 31, 2023 and 2022, respectively. Contributions to the investment plan from the Commission were $205,200 and $116,900 for the fiscal years ended May 31, 2023 and 2022, respectively. With the passing of Act 2020-94, forfeitures after July 1, 2020 are used to offset future administrative costs of the investment plan.

NOTE 9 RETIREMENT BENEFITS *(continued)*

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

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 for the allocation of the 2022 amounts. 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.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands)	
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	-
	$ 87,942	$ 38,230

NOTE 9 RETIREMENT BENEFITS *(continued)*

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

The $15.2 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, 2024. 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	*(In thousands)*
2024	$ (5,141)
2025	4,394
2026	11,185
2027	23,973
2028	113
	$ 34,524

As of May 31, 2022, the Commission reported a liability of $219.3 million for its proportionate share of the net pension liability of the pension fund. The net pension liability was measured as of December 31, 2021, 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 2022-2023, from the December 31, 2021 funding valuation, to the expected funding payroll for the allocation of the 2021 amounts. As of December 31, 2021, the Commission's proportionate share of the net pension liability was 1.51%, which was a decrease of 0.07% from its proportion measured as of December 31, 2020.

For the fiscal year ended May 31, 2022, the Commission recognized pension benefit (negative expense) of $1.1 million related to the pension fund. For the fiscal year ended May 31, 2022, the Commission recognized pension expense of $141,400 related to the investment plan.

NOTE 9 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, 2022, 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
	(In thousands)	
Differences between expected and actual experience	$ 1,448	$ 1,262
Net difference between projected and actual investment earnings on pension plan investments	-	63,450
Changes of assumptions	22,571	-
Differences between employer contributions and proportionate share of contributions	834	1,271
Changes in proportion	-	43,346
Commission contributions subsequent to measurement date	14,776	-
	$ 39,629	$ 109,329

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.

The study recommended decreasing the investment rate of return and inflation assumptions. The assumptions from this study were effective with the December 31, 2020 valuation going forward unless changed by the SERB. 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 every year. In June 2022, the SERB approved a reduction in the Defined Benefit Plan investment rate of return to 6.875% for 2022 from 7.0% for 2021.

NOTE 9 RETIREMENT BENEFITS *(continued)*

Actuarial Methods and Assumptions *(continued)*

The following methods and assumptions were used in the actuarial valuation for the December 31, 2022 and 2021 measurement dates:

	December 31, 2022	**December 31, 2021**
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	7.00% net of manager fees, including inflation
Projected salary increases	Average of 4.55% with range of 3.30% - 6.95%, including inflation	Average of 4.60% 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

NOTE 9 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 manager fees and 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, 2022 and 2021 are summarized in the following tables:

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%	

As of December 31, 2021:

Asset Class	Target Allocation	Long-term Expected Rate
Private Equity	12.00%	6.00%
Private Credit	4.00%	4.25%
Real Estate	7.00%	3.75%
U.S. Equity	31.00%	4.60%
International Developed Markets Equity	14.00%	4.50%
Emerging Markets Equity	5.00%	4.90%
Fixed Income - Core	22.00%	-0.25%
Inflation Protection (TIPS)	3.00%	-0.30%
Cash	2.00%	-1.00%
Total	100.00%	

NOTE 9 RETIREMENT BENEFITS *(continued)*

Discount Rate

The discount rate used to measure the total pension liability was reduced to 6.875% as of December 31, 2022 from 7.0% as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed that employee contributions from pension plan members will be made at the current contribution rate 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 2022 and 2021 net pension liability calculated using the discount rate of 6.875% and 7.0%, respectively. 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:

	1.0% Decrease to 5.875%	Current Discount Rate of 6.875%	1.0% Increase to 7.875%
		(In thousands)	
Commission's share of the net pension liability as of the 12/31/22 measurement date	$ 425,028	$ 331,574	$ 252,646

	1.0% Decrease to 6.0%	Current Discount Rate of 7.0%	1.0% Increase to 8.0%
Commission's share of the net pension liability as of the 12/31/21 measurement date	$ 317,635	$ 219,303	$ 136,166

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.

NOTE 9 RETIREMENT BENEFITS *(continued)*

Payables to the Pension Plan

As of May 31, 2023 and 2022, the Commission reported a $7.3 million and $7.0 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, 2023 and 2022, $0.02 million and $0.01 million, respectively, of the amount payable to SERS was allocated to the investment plan with the remainder allocated to the pension fund.

NOTE 10 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.

All-Electronic Tolling Layoff

Due to the adverse impacts of COVID-19, the Commission determined to move to AET (All-Electronic Tolling) toll collection on March 16, 2020; removing toll collectors from toll booths and relying solely on AET In-Place and E-ZPass tolling across the System. Initially intended to be a temporary response to the COVID-19 pandemic, the Commissioners, on June 2, 2020, unanimously approved the permanent transition to AET toll collection operations. As part of the permanent transition to all-electronic toll collection operations, the Commission also approved the layoff of 492 Fare Collection Department and Ticket Systems Audit Department employees. The resulting layoff of approximately 492 bargaining unit employees was implemented, effective as of June 18, 2020. The Commission so informed representatives of Teamsters Local Union Nos. 77 and 250 (collectively the *Union*) on June 2, 2020. In accordance with terms negotiated with the Union, the laid off employees may receive severance based on their years of seniority upon execution of a release of claims.

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

<u>All-Electronic Tolling Layoff</u> *(continued)*

Laid off employees were eligible to apply for severance within 24 months of their layoff date. These laid off employees were also eligible to continue health benefit coverage in the Commission's group medical insurance plan for up to 24 months after their layoff date. The liabilities related to termination benefits recorded as accounts payable and accrued liabilities were $1.3 million as of May 31, 2022, respectively. As of May 31, 2022, this amount was comprised of $0.5 million for severance for employees pending termination and $0.8 million in medical benefits. No balances remain for termination benefits as of May 31, 2023. The effect on pension benefits were reflected in the SERS actuarial valuation as of December 31, 2021 through the change in allocation percentage, portion of the Commission's net pension liability and projected employer contributions, see Note 9. The effect on other postemployment benefits was included in the full actuarial valuation performed as of May 31, 2021.

<u>Act 44 and Act 89</u>

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.

NOTE 10 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, 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, 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.

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 shall be paid from then-current revenues of the Commission.

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Act 44 and Act 89 *(continued)*

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 $2.6 billion and $1.7 billion as of May 31, 2023 and 2022, respectively.

Interest Rate Swaps

The fair value and notional amounts of derivative instruments outstanding as of May 31, 2023 and 2022, classified by type and the changes in fair value of such derivative instruments for the years then ended as reported in the fiscal year 2023 and 2022 financial statements are as follows:

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

		Changes in Fair Value		Fair Value at May 31, 2022		
	May 31, 2022	Classification	Amount	Classification	Amount	Notional
			(In thousands)			
Cash flow hedges						
Pay-fixed interest rate swap	$ (111,370)	Deferred (outflows)/inflows	$ 126,016	Noncurrent liabilities	$ 14,646	$ 1,075,543
Investment derivative instruments						
Basis swaps	15,890	Investment earnings/(losses)	(17,049)	Noncurrent investments	(1,159)	435,810
Total PTC	$ (95,480)		$ 108,967		$ 13,487	

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Fair Values

As of May 31, 2023 and 2022, 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 LIBOR rates to build the yield curve.

Recent Activity – Cash Flow Hedges

On July 14, 2021, the Commission refunded the remaining entirety of the 2014 Series B-1 Senior Revenue Bonds with its 2021 Series B Senior Revenue Bonds. As a result, portions of PTC's Mainline SIFMA Fixed Payer swaps assigned to the 2014 Series B-1 Senior Revenue Bonds ($150.0 million notional amount) were deemed terminated and reassigned to the 2018 Series A-1 Senior Revenue Bonds ($6.3 million notional amount), 2nd Series of 2019 Senior Revenue Bonds ($100.7 million notional amount), and Series of 2020 Bonds ($43.0 million notional amount). The fair values at the time of deemed termination were as follows (in thousands):

	Total	Goldman Sachs	Merrill Lynch	Morgan Stanley
2018 A-1	$ (1,213)	$ (404)	$ (405)	$ (404)
2nd Series of 2019	(19,241)	(6,413)	(6,416)	(6,412)
Series of 2020	(8,217)	(2,739)	(2,740)	(2,738)
	$ (28,671)	$ (9,556)	$ (9,561)	$ (9,554)

These amounts are being amortized until December 1, 2038, which is the final maturity of the swaps.

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Recent Activity – Cash Flow Hedges (continued)

On July 14, 2021, the Commission refunded a portion of the 2018 Series B Senior Revenue Bonds with its 2021 Series B Senior Revenue Bonds. As a result, portions of PTC's Mainline LIBOR Fixed Payer swaps were deemed terminated and reassigned to the Series of 2020 Senior Revenue Bonds. The fair values at the time of deemed termination were negative \$0.3 million with respect to the Bank of America swap, negative \$0.3 million with respect to the Bank of New York Mellon swap and negative \$0.7 million with respect to the JP Morgan Chase swap. These amounts are being amortized until December 1, 2030, which is the final maturity of the swaps.

On April 28, 2022, the 2017 1st Series Subordinate Revenue Bonds were refunded by the Commission's 2022 1st Series Subordinate Revenue Bonds. The RBC swap previously associated with the 2017 1st Series Subordinate Revenue Bonds was deemed terminated and reassigned to the 2022 1st Series Subordinate Revenue Bonds. The fair value at the time of deemed termination was \$25.9 million with the amount being amortized until December 1, 2041, which is the final maturity of the swap.

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.

Recent Activity – Investment Derivative Instruments

On June 30, 2021, the Commission executed an unwind of the Mainline SIFMA/LIBOR Basis Swap with Deutsche Bank in exchange for receiving a termination amount of \$3.6 million. The notional amount of the Deutsche Bank swap at the time of termination was \$115.8 million.

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Following is a summary of the hedging derivative instruments in place as of May 31, 2023 and 2022. 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, 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	12/20/2013	7/15/2041	Pay 4.2015%, receive SIFMA	Bank of New York Mellon	Aa2/AA-/AA	$ (2,740)
	57,845	8/17/2005	7/15/2041		JPMorgan Chase Bank	Aa2/A+/AA	(7,706)
	57,860	8/17/2005	7/15/2041		Bank of America	Aa1/A+/AA	(7,706)
	57,860	8/17/2005	7/15/2041		Morgan Stanley CS ^	Aa3/A+/NR	(7,708)
	231,425						(25,860)
2. *Reassigned July 14, 2021 as noted under Recent Activity*							
3. 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
4. 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	6/28/2018	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	469
	5,732	6/28/2018	12/1/2038		Bank of America	Aa1/A+/AA	468
	5,731	6/28/2018	12/1/2038		Morgan Stanley CS ^	Aa3/A+/NR	474
	17,195						1,411
5. 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	11/6/2018	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America	Aa1/A+/AA	285
	17,806	11/6/2018	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	285
	35,588	11/6/2018	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	572
	71,200						1,142
6. 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	6/4/2019	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	6,037
	46,605	6/4/2019	12/1/2038		Bank of America	Aa1/A+/AA	6,031
	46,605	6/4/2019	12/1/2038		Morgan Stanley CS ^	Aa3/A+/NR	6,100
	139,815						18,168
7. Hedge of changes of cash flows on the Series of 2020 Bonds (formerly 2013 Series B, 2009 Series C & 2011 Series D	20,714	6/23/2020	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America	Aa1/A+/AA	1,879
	20,714	6/23/2020	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	1,888
	41,402	6/23/2020	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	3,616
	82,830						7,383
8. Hedge of changes of cash flow on the Series of 2020 (formerly 2014 B-1, formerly 2008 B-1 & 2011 C Bonds)	47,663	6/23/2020	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	7,917
	47,663	6/23/2020	12/1/2038		Bank of America	Aa1/A+/AA	7,907
	47,664	6/23/2020	12/1/2038		Morgan Stanley CS ^	Aa3/A+/NR	7,999
	142,990						23,823
9. 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 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).

NOTE 10 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

As of May 31, 2022:

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	12/20/2013	7/15/2041	Pay 4.2015%, receive SIFMA	Bank of New York Mellon	Aa2/AA-/AA	$ (4,731)
	57,845	8/17/2005	7/15/2041		JPMorgan Chase Bank	Aa2/A+/AA	(9,987)
	57,860	8/17/2005	7/15/2041		Merrill Lynch CS*	A2/A-/AA-	(9,996)
	57,860	8/17/2005	7/15/2041		Morgan Stanley CS ^	Aa3/A+/NR	(9,996)
	231,425						(34,710)
2. *Reassigned July 14, 2021 as noted under Recent Activity*							
3. 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	Aa2/AA-/AA	(2,634)
4. 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	6/28/2018	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	340
	5,732	6/28/2018	12/1/2038		Merrill Lynch CS*	A2/A-/AA-	344
	5,731	6/28/2018	12/1/2038		Morgan Stanley CS ^	Aa3/A+/NR	341
	17,195						1,025
5. 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	11/6/2018	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America*	Aa2/A+/AA	(270)
	17,806	11/6/2018	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	(269)
	35,588	11/6/2018	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	(540)
	71,200						(1,079)
6. 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	6/4/2019	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	5,204
	46,605	6/4/2019	12/1/2038		Merrill Lynch CS*	A2/A-/AA-	5,268
	46,605	6/4/2019	12/1/2038		Morgan Stanley CS ^	Aa3/A+/NR	5,222
	139,815						15,694
7. Hedge of changes of cash flows on the Series of 2020 Bonds (formerly 2013 Series B, 2009 Series C & 2011 Series D	20,714	6/23/2020	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America*	Aa2/A+/AA	1,471
	20,714	6/23/2020	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	1,485
	41,402	6/23/2020	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	2,945
	82,830						5,901
8. Hedge of changes of cash flow on the Series of 2020 (formerly 2014 B-1, formerly 2008 B-1 & 2011 C Bonds)	47,663	6/23/2020	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	7,234
	47,663	6/23/2020	12/1/2038		Merrill Lynch CS*	A2/A-/AA-	7,319
	47,664	6/23/2020	12/1/2038		Morgan Stanley CS ^	Aa3/A+/NR	7,258
	142,990						21,811
9. Hedge of changes of cash flows on the 2020 Series A Bonds (new money)	98,238	8/20/2020	12/1/2050	Pay 1.995%, receive SIFMA	Barclay's	A1/A/A+	8,638
Total	$ 1,075,543						$ 14,646

1-month LIBOR was 1.11986% as of May 31, 2022.
3-month LIBOR was 1.61071% as of May 31, 2022.
SIFMA was 0.79% as of May 31, 2022.

* On November 15, 2012, the Commission executed an amendment to the swap agreements to include Merrill Lynch Derivative Products as guarantor. Merrill Lynch Derivative Products credit ratings were Aa3/AA/NR (Moody's/S&P/Fitch) as of May 31, 2022.

^ Guaranteed by Morgan Stanley & Co. whose credit ratings at May 31, 2022 were ‘A1/A-/A’ (Moody's/S&P/Fitch).

NOTE 10 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, 2023, the Commission has credit risk exposure with respect to the (3) and (9) hedging derivative instruments listed in Note 10 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, 2023, the Commission had net credit risk exposure to two counterparties pursuant to the provisions of the respective derivative instrument agreements. One counterparty has posted collateral in the amount of $13.3 million. The other counterparty was not 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 will be exposed to market-access risk for the hedging derivative instruments 4 and 5 in the May 31, 2023 summary of hedging derivative instruments table because the maturity date of these derivative instruments is longer than the maturity date of the related debt.

NOTE 10 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 1-month LIBOR + 20 basis points

  (B) – To the extent 67% of 1-month LIBOR exceeds 60.15% of the 10-year maturity of the USD-ISDA Swap Rate

  (C) – To the extent SIFMA exceeds 99.68% of 3-month LIBOR

- ***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 'A1' from Moody's, 'AA-' from S&P and 'AA-' from Fitch as of May 31, 2023. The Commission's Mainline Subordinate Bond rating was 'A3' from Moody's, 'A+' from S&P and 'A' from Fitch as of May 31, 2023. Based on May 31, 2023 full values, the Commission could be required to post $58.6 million in collateral for its derivate instruments if its ratings fall below the agreement thresholds.

NOTE 10 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, 2023. Based on May 31, 2023 full values, the Commission could be required to post $4.6 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, 2023. Based on May 31, 2023 full values, the Commission could be required to post $32.3 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

NOTE 11 RELATED-PARTY TRANSACTIONS

The Commission incurred charges, from the Commonwealth's State Police, of $65.8 million and $58.5 million, respectively, for the fiscal years ended May 31, 2023 and 2022. These charges are primarily related to patrolling of the Turnpike System.

During fiscal year ended May 31, 2022, as part of the Scranton Beltway project, the Commission contributed $8.1 million for construction costs to a PennDOT project for reconstructing the bridge at Suscon Road. PennDOT will maintain ownership of this bridge throughout the project.

During fiscal year ended May 31, 2022, the Commission contributed $1.2 million to PennDOT for construction projects related to pollutant reduction plan obligations in selected Pennsylvania watersheds.

NOTE 12 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).

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. Eligibility categories include:

- Employees hired before March 1, 2016, 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, 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 employees hired on or after this date would be grandfathered under the first eligibility category.)

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Plan Description *(continued)*

Management and Supervisory Union Employees/Retirees (continued)

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.

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 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.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Employees Covered by Benefit Terms

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

	2022	2021
Inactive plan members or beneficiaries currently receiving benefit payments	1,897	1,816
Inactive plan members entitled to but not yet receiving benefit payments	120	92
Active plan members	1,179	1,256
Total	3,196	3,164

Contributions

The Commission adopted a Retiree Medical Trust Funding Policy, effective September 2008, whereby the Commission anticipated approving an annual contribution to the Trust in the amount of the Annual Required Contribution (ARC) as determined by the Commission's actuary in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the approval of its annual operating budget. With the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Commission revised the policy in June 2020 to refer to the Actuarially Determined Contribution (ADC) instead of the ARC.

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, 2022 and 2021 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.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Contributions *(continued)*

- 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.

Net OPEB Asset/Liability

The Commission recorded a net OPEB asset of $109.7 million and $150.2 million as of May 31, 2023 and 2022, respectively.

Actuarial Assumptions and Discount Rate

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

	May 31, 2022	May 31, 2021
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.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Net OPEB Asset/Liability *(continued)*

Actuarial Assumptions and Discount Rate (continued)

The Plan has not had a formal actuarial experience study performed.

Measurement date	May 31, 2022	May 31, 2021
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.5%	2.5%
Salary increases for union members	3.0%	3.0%
Salary increases for management members	3.3%	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
2021 – 2023	5.50%
2024 – 2025	5.40
2026 – 2027	5.30
2028 – 2050	5.20
2051	5.10
2052 – 2054	5.00
2055 – 2059	4.90
2060 – 2065	4.80
2066	4.70
2067	4.60
2068 – 2069	4.50
2070	4.40
2071	4.30
2072 – 2073	4.20
2074	4.10
2075+	4.00

NOTE 12 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-2020 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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

NOTE 12 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)**
		(In thousands)	
Balances as of May 31, 2021	$ 451,078	$ 601,302	$ (150,224)
Changes for the year			
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)

	Increases (Decreases)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (a) – (b)**
		(In thousands)	
Balances as of May 31, 2020	$ 480,215	$ 465,424	$ 14,791
Changes for the year			
Service cost	11,492	-	11,492
Interest on OPEB liability	28,834	-	28,834
Changes Benefit terms	(3,563)	-	(3,563)
Differences between expected and actual experience	(86,127)	-	(86,127)
Changes of assumptions	40,809	-	40,809
Benefit payments	(20,582)	(20,582)	-
Employer contributions	-	47,250	(47,250)
Net investment income	-	109,214	(109,214)
Administrative expenses	-	(4)	4
Balances as of May 31, 2021	$ 451,078	$ 601,302	$ (150,224)

NOTE 12 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.

	1% Decrease (4.5%)	**Current Discount Rate (5.5%)**	**1% Increase (6.5%)**
		(In thousands)	
Net OPEB (asset) liability as of May 31, 2022	$ (53,008)	$ (109,651)	$ (156,370)

	1% Decrease (4.5%)	**Current Discount Rate (5.5%)**	**1% Increase (6.5%)**
		(In thousands)	
Net OPEB (asset) liability as of May 31, 2021	$ (94,085)	$ (150,224)	$ (196,519)

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.

	1% Decrease	**Current Trend Rate**	**1% Increase**
		(In thousands)	
Net OPEB (asset) liability as of May 31, 2022	$ (163,604)	$ (109,651)	$ (43,059)
Net OPEB (asset) liability as of May 31, 2021	$ (199,807)	$ (150,224)	$ (89,178)

NOTE 12 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, 2023 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, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands)	
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	-
	$ 46,006	$ 53,646

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB *(continued)*

The $14.7 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, 2024. Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized as net increases/(decreases) in OPEB expense as follows:

Year Ending May 31	*(In thousands)*
2024	$ (7,572)
2025	(11,139)
2026	(14,371)
2027	10,790
Thereafter	-
	$ (22,292)

For the year ended May 31, 2022, the Commission recognized an OPEB benefit (negative expense) of $12.6 million. As of May 31, 2022, 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**
	(In thousands)	
Differences between expected and actual experience	$ 4,243	$ 69,849
Changes of assumptions	32,647	2,179
Net difference between projected and actual earnings on OPEB plan investments	-	50,922
Contributions subsequent to measurement date	13,746	-
	$ 50,636	$ 122,950

The $13.7 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, 2023.

NOTE 13 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 dental and vision benefits, torts and injuries to employees 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 $37.6 million and $38.8 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, 2023 and 2022, respectively. The workers' compensation, motor vehicle and tort self-insurance liabilities recorded as accounts payable and accrued liabilities are $3.8 million and $4.0 million as of May 31, 2023 and 2022, respectively. The workers' compensation, motor vehicle and tort self-insurance liabilities recorded as other noncurrent liabilities are $33.8 million and $34.8 million as of May 31, 2023 and 2022, 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, 2023 and 2022. 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, 2023 and 2022. 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.

NOTE 13 SELF-INSURANCE *(continued)*

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

	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		
Year ended May 31, 2023								
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
	$ 38,771	$ 643	$ 1,780	$ (148)	$ (490)	$ (2,349)	$ (585)	$ 37,622

	May 31, 2021 Liability	Effects of Discount as of June 1, 2021	Incurred Claims		Paid Claims		Effects of Discount as of May 31, 2022	May 31, 2022 Liability
			Current Year	Prior Years	Current Year	Prior Years		
Year ended May 31, 2022				*(In thousands)*				
Workers' compensation	$ 8,621	$ 654	$ 647	$ 1,985	$ (385)	$ (2,040)	$ (643)	$ 8,839
Motor vehicle/general tort	29,936	-	39	661	(26)	(678)	-	29,932
	$ 38,557	$ 654	$ 686	$ 2,646	$ (411)	$ (2,718)	$ (643)	$ 38,771

The foregoing reflects an adjustment for a decrease of $0.1 million and an increase of $2.6 million for the fiscal years ended May 31, 2023 and 2022, 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 14 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. 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, 2023 and 2022.

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 8.93 hours every two weeks.

NOTE 14 COMPENSATED ABSENCES *(continued)*

Upon termination of employment, all unused sick and vacation leave is paid to the employee. The compensated absences liabilities were $17.5 million and $17.8 million for each of the fiscal years ended May 31, 2023 and 2022, respectively. The compensated absences liabilities recorded as accounts payable and accrued liabilities were $9.6 million and $9.8 million as of May 31, 2023 and 2022 respectively. The compensated absences liabilities recorded as other noncurrent liabilities were $7.9 million and $8.0 million as of May 31, 2023 and 2022, respectively.

A summary of changes to compensated absences for the years ended May 31, 2023 and 2022 is as follows:

Fiscal Year Ended May 31	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
			(In thousands)		
2023	$ 17,831	$ 10,962	$ 11,282	$ 17,511	$ 9,631
2022	17,832	11,205	11,206	17,831	9,807

NOTE 15 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, 2023, 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 $200,000 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. There were no outstanding draws against the Letter of Credit as of May 31, 2023 and 2022.

NOTE 15 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, 2023 and 2022.

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. There were no outstanding draws against the Letter of Credit as of May 31, 2023 and 2022.

NOTE 16 SUBSEQUENT EVENTS

On June 12, 2023, the Commission entered into an extension of the Indenture No. 56 regarding the 2020 Series A Senior Letter of Credit with a new termination date of June 12, 2026.

On June 20, 2023, the Commission executed a new $200.0 million line of credit with PNC Bank, N.A. The Commission secured this line of credit as a continuing liquidity safeguard and because the 2022 Line of Credit expired on June 13, 2023.

On September 6, 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.

NOTE 16 SUBSEQUENT EVENTS *(continued)*

On September 7, 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.

On October 3, 2023, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike 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 refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Revenue Refunding Bonds, funding of any necessary reserves, funding of the costs of issuance of such Turnpike Revenue Bonds.

On October 3, 2023, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike 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 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 Revenue Refunding Bonds, funding of any necessary reserves, funding of the costs of issuance of such Turnpike Revenue Bonds.

On October 3, 2023, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed $500,000,000 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 Revenue Refunding Bonds, funding of any necessary reserves and funding of the costs of issuance of such Turnpike Revenue Bonds.

On October 3, 2023, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Subordinate Revenue 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 Revenue Refunding Bonds, funding of any necessary reserves and funding of the costs of issuance of such Turnpike Subordinate Revenue Bonds.

NOTE 16 SUBSEQUENT EVENTS *(continued)*

On October 3, 2023, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed $170,000,000 in one or more series or sub-series, taxable or tax-exempt, for the purpose of financing the current refunding of all or a portion of certain outstanding fixed rate and/or variable rate Turnpike Revenue Refunding Bonds, funding of any necessary reserves, the obtaining of one or more credit facilities to provide credit enhancement or liquidity support in connection with the issuance of the bonds and funding of the costs of issuance of such Turnpike Revenue Bonds.

On October 3, 2023, the Commission authorized the approval of the issuance of the Pennsylvania Turnpike Commission's variable and/or fixed rate Turnpike Revenue Bonds in an aggregate principal amount not to exceed $100,000,000 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, funding of any necessary reserves, funding interest and funding of the costs of issuance of such Turnpike Revenue 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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	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	$ 331,574	$ 219,303	$ 288,472	$ 329,189	$ 385,821	$ 329,112	$ 379,173	$ 346,946	$ 296,271
Commission's covered payroll	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	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	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. The Commission adopted GASB Statement No. 68 on a prospective basis in fiscal year 2015; 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's Contributions –
Pennsylvania State Employees' Retirement System – Pension Fund (Unaudited)

Last 10 Fiscal Years*
(Dollar Amounts in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 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	(32,654)	(31,250)	(30,785)	(37,699)	(37,771)	(38,073)	(33,303)	(27,864)	(22,588)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll^	$ 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	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. The Commission adopted GASB Statement No. 68 on a prospective basis in fiscal year 2015; therefore, only the available years are presented in the above schedule.

^ 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)

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ -	$ -	$ 14,012	$ 11,729	$ 13,970	$ 8,384	$ 11,121	$ 11,368	$ 12,683	$ 18,353
Contributions in relation to the actuarially determined contribution	14,652	13,746	47,250	11,730	46,056	28,171	28,176	28,143	46,180	44,228
Contribution deficiency (excess)	$ (14,652)	$ (13,746)	$ (33,238)	$ (1)	$ (32,086)	$ (19,787)	$ (17,055)	$ (16,775)	$ (33,497)	$ (25,875)
Covered-employee payroll	$ 102,207	$ 97,486	$ 100,154	$ 118,560	$ 119,730	$ 119,391	$ 117,818	$ 117,391	$ 116,829	$ 118,507
Contributions as a % of covered-employee payroll	14.3%	14.1%	47.2%	9.9%	38.5%	23.6%	23.9%	24.0%	39.5%	37.3%

Notes to Schedule

Full actuarial valuations are performed every other year.

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 12 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. See Note 12 to the financial statements for more information.

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.

Notes to Schedule *(continued)*

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

	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	Projected-unit credit
Discount rate	5.5%	6.0%	6.0%	6.5%
Rate of return on assets	5.5%	6.0%	6.0%	6.5%
Inflation rate	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 period				
- UAAL as of March 1, 2012	N/A	N/A	N/A	10 years (closed)
- Subsequent changes	N/A	N/A	N/A	10 years (open)
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	Fair value
Health cost trend rates	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	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-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.

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

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 8 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 8 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, 2023			
	Mainline	Oil Franchise	Motor License	Total
	(In thousands)			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
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
Restricted current assets				
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	1,703,133	503,012	33,398	2,239,543
Noncurrent assets				
Investments				
Investments	381,041	-	-	381,041
Investments restricted	466,465	160,154	29,967	656,586
Total investments	847,506	160,154	29,967	1,037,627
Capital assets not being depreciated				
Land and intangibles	475,462	-	-	475,462
Assets under construction	1,481,794	-	-	1,481,794
Capital assets being depreciated				
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
Total capital assets before accumulated depreciation	14,511,037	-	-	14,511,037
Less: Accumulated depreciation	7,346,262			7,346,262
Total capital assets after accumulated depreciation	7,164,775	-	-	7,164,775
Other assets				
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	177,947	-	884	178,831
Total noncurrent assets	8,190,228	160,154	30,851	8,381,233
Total assets	9,893,361	663,166	64,249	10,620,776
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	354,760	7,920	36,879	399,559
Total assets and deferred outflows of resources	$ 10,248,121	$ 671,086	$ 101,128	$ 11,020,335

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

	May 31, 2023			
	Mainline	Oil Franchise	Motor License	Total
		(In thousands)		
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities				
Accounts payable and accrued liabilities	$ 587,158	$ 42,203	$ 2,374	$ 631,735
Current portion of debt	489,135	27,640	11,125	527,900
Unearned income	122,463	-	-	122,463
Total current liabilities	1,198,756	69,843	13,499	1,282,098
Noncurrent liabilities				
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	73,684	-	31,825	105,509
Total noncurrent liabilities	14,990,004	1,656,644	357,328	17,003,976
Total liabilities	16,188,760	1,726,487	370,827	18,286,074
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	318,387	489	-	318,876
Total liabilities and deferred inflows of resources	16,507,147	1,726,976	370,827	18,604,950
NET POSITION				
Net investment in capital assets	186,278	(1,332,089)	(330,690)	(1,476,501)
Restricted for construction purposes	-	259,567	60,991	320,558
Restricted for debt service	68,288	16,632	-	84,920
Unrestricted	(6,513,592)	-	-	(6,513,592)
Total net position	$ (6,259,026)	$ (1,055,890)	$ (269,699)	$ (7,584,615)

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			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
		(In thousands)		
Operating revenue				
Net fares	$ 1,540,705	$ -	$ -	$ 1,540,705
Other	55,942	-	-	55,942
Total operating revenue	1,596,647	-	-	1,596,647
Operating expenses				
Cost of services	531,542	4,771	-	536,313
Depreciation	408,785	-	-	408,785
Total operating expenses	940,327	4,771	-	945,098
Operating income (loss)	656,320	(4,771)	-	651,549
Nonoperating revenue (expenses)				
Investment losses	41,160	14,106	684	55,950
Other nonoperating revenue	8,112	4,616	-	12,728
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	(608,658)	(44,649)	(16,213)	(669,520)
Income (loss) before capital contributions	47,662	(49,420)	(16,213)	(17,971)
Capital contributions	10,000	132,310	28,000	170,310
Increase in net position	57,662	82,890	11,787	152,339
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	$ (6,259,026)	$ (1,055,890)	$ (269,699)	$ (7,584,615)

[1] The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 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			
	Mainline	Oil Franchise	Motor License	Total
		(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	$ 1,579,233	$ -	$ -	$ 1,579,233
Cash payments for goods and services	(410,701)	(3,932)	-	(414,633)
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	1,035,892	(4,747)	-	1,031,145
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	(3,062,943)	(1,315,592)	(58,979)	(4,437,514)
Net cash provided by investing activities	37,202	237,042	1,916	276,160
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	(620,156)	(136,677)	-	(756,833)
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	(764,920)	(102,895)	151	(867,664)
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	(497,423)	-	-	(497,423)
(Decrease) increase in cash and cash equivalents	(189,249)	129,400	2,067	(57,782)
Cash and cash equivalents at beginning of year	1,060,508	150,565	24,410	1,235,483
Cash and cash equivalents at end of year	$ 871,259	$ 279,965	$ 26,477	$ 1,177,701

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			
	Mainline	Oil Franchise	Motor License	Total
	(In thousands)			
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 656,320	$ (4,771)	$ -	$ 651,549
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	408,785	-	-	408,785
Change in operating assets and liabilities				
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	(1,263)	-	-	(1,263)
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	$ 1,035,892	$ (4,747)	$ -	$ 1,031,145
Reconciliation of cash and cash equivalents to the statements of net position				
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

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 8, 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.

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.

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

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)*
Schedule of Net Position – Business-type activities

	May 31, 2022 *(RESTATED)*			
	Mainline	Oil Franchise	Motor License	Total
		(In thousands)		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 318,158	$ -	$ -	$ 318,158
Investments	46,881	-	-	46,881
Accounts receivable	126,690	-	-	126,690
Accrued interest receivable	1,656	-	-	1,656
Inventories	20,408	-	-	20,408
Restricted current assets				
Cash and cash equivalents	742,350	150,565	24,410	917,325
Investments	404,825	377,614	4,438	786,877
Accounts receivable	238	13,182	-	13,420
Accrued interest receivable	2,627	890	58	3,575
Total current assets	1,663,833	542,251	28,906	2,234,990
Noncurrent assets				
Investments				
Investments	458,258	-	-	458,258
Investments restricted	595,970	210,790	33,716	840,476
Total investments	1,054,228	210,790	33,716	1,298,734
Capital assets not being depreciated				
Land and intangibles	460,908	-	-	460,908
Assets under construction	1,369,762	-	-	1,369,762
Capital assets being depreciated				
Buildings	1,034,358	-	-	1,034,358
Improvements other than buildings	189,597	-	-	189,597
Equipment	626,570	-	-	626,570
Infrastructure	10,107,010	-	-	10,107,010
Total capital assets before accumulated depreciation	13,788,205	-	-	13,788,205
Less: Accumulated depreciation	7,017,023	-	-	7,017,023
Total capital assets after accumulated depreciation	6,771,182	-	-	6,771,182
Other assets				
Prepaid bond insurance costs	4,244	-	954	5,198
Net OPEB Asset	150,224	-	-	150,224
Other assets	66,579	-	-	66,579
Total other assets	221,047	-	954	222,001
Total noncurrent assets	8,046,457	210,790	34,670	8,291,917
Total assets	9,710,290	753,041	63,576	10,526,907
Deferred outflows of resources from hedging derivatives	3,714	-	34,710	38,424
Deferred outflows of resources from refunding bonds	233,497	8,789	11,951	254,237
Deferred outflows of resources from pensions	39,629	-	-	39,629
Deferred outflows of resources from OPEB	50,636	-	-	50,636
Total deferred outflows of resources	327,476	8,789	46,661	382,926
Total assets and deferred outflows of resources	$ 10,037,766	$ 761,830	$ 110,237	$ 10,909,833

Note: The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 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, 2022 *(RESTATED)*			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
		(In thousands)		
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities				
Accounts payable and accrued liabilities	$ 526,405	$ 41,675	$ 2,646	$ 570,726
Current portion of debt	276,780	26,385	10,575	313,740
Unearned income	117,892	-	-	117,892
Total current liabilities	921,077	68,060	13,221	1,002,358
Noncurrent liabilities				
Debt, less current portion, net of unamortized premium	14,812,476	1,693,712	337,600	16,843,788
Net pension liability	219,303	-	-	219,303
Other noncurrent liabilities	108,408	-	40,906	149,314
Total noncurrent liabilities	15,140,187	1,693,712	378,506	17,212,405
Total liabilities	16,061,264	1,761,772	391,727	18,214,763
Deferred inflows of resources from hedging derivatives	53,070	-	-	53,070
Deferred inflows of resources from service concession arrangements	96,037	-	-	96,037
Deferred inflows of resources from refunding bonds	10,362	1,002	-	11,364
Deferred inflows of resources from pensions	109,329	-	-	109,329
Deferred inflows of resources from OPEB	122,950	-	-	122,950
Deferred inflows of resources from leases	39,274	-	-	39,274
Total deferred inflows of resources	431,022	1,002	-	432,024
Total liabilities and deferred inflows of resources	16,492,286	1,762,774	391,727	18,646,787
NET POSITION				
Net investment in capital assets	186,985	(1,267,666)	(341,465)	(1,422,146)
Restricted for construction purposes	-	251,070	59,975	311,045
Restricted for debt service	49,129	15,652	-	64,781
Unrestricted	(6,690,634)	-	-	(6,690,634)
Total net position	$ (6,454,520)	$ (1,000,944)	$ (281,490)	$ (7,736,954)

Note: The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 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, 2022 *(RESTATED)*			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
		(In thousands)		
Operating revenue				
Net fares	$ 1,459,916	$ -	$ -	$ 1,459,916
Other	47,283	-	-	47,283
Total operating revenue	1,507,199	-	-	1,507,199
Operating expenses				
Cost of services	435,263	3,660	-	438,923
Depreciation	431,195	-	-	431,195
Total operating expenses	866,458	3,660	-	870,118
Operating income (loss)	640,741	(3,660)	-	637,081
Nonoperating revenue (expenses)				
Investment losses	(51,752)	(17,879)	(1,960)	(71,591)
Other nonoperating revenue	16,891	4,612	-	21,503
Act 44 and Act 89 payments to PennDOT	(450,000)	-	-	(450,000)
Capital assets transferred to the Commonwealth	(51,908)	-	-	(51,908)
Interest and bond expense	(635,985)	(62,852)	(17,375)	(716,212)
Nonoperating expenses, net	(1,172,754)	(76,119)	(19,335)	(1,268,208)
Loss before capital contributions	(532,013)	(79,779)	(19,335)	(631,127)
Capital contributions	7,795	133,346	28,000	169,141
(Decrease) increase in net position	(524,218)	53,567	8,665	(461,986)
Net position, at beginning of year	(6,080,588)	(904,221)	(290,159)	(7,274,968)
Intersection transfers	150,286	(150,290)	4	-
Net position, at end of year, as restated[1]	$ (6,454,520)	$ (1,000,944)	$ (281,490)	$ (7,736,954)

[1] The Commission adopted GASB Statement No. 87 for its fiscal year ended May 31, 2023. See Note 2 for the further discussion on fiscal year 2022 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, 2022 *(RESTATED)*			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	$ 1,500,901	$ -	$ -	$ 1,500,901
Cash payments for goods and services	(360,791)	(2,711)	-	(363,502)
Cash payments to employees	(138,908)	(1,231)	-	(140,139)
Cash received from other operating activities	9,960	-	-	9,960
Net cash provided by (used in) operating activities	1,011,162	(3,942)	-	1,007,220
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	3,037,522	1,200,984	32,826	4,271,332
Interest received on investments	18,747	3,411	469	22,627
Purchases of investments	(3,101,244)	(1,649,651)	(23,539)	(4,774,434)
Net cash (used in) provided by investing activities	(44,975)	(445,256)	9,756	(480,475)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received from other governments	6,501	-	-	6,501
Proceeds from Motor License Registration fees	-	-	28,000	28,000
Proceeds from Oil Company Franchise Tax	-	136,522	-	136,522
Construction and acquisition of capital assets	(416,110)	(178,898)	-	(595,008)
Proceeds from sale of capital assets	1,657	-	-	1,657
Payments for bond and swap expenses	(6,623)	(2,881)	-	(9,504)
Payments for debt refundings	(268,324)	(23,607)	-	(291,931)
Payments for bond maturities	(77,415)	(17,315)	(10,045)	(104,775)
Interest paid on debt	(278,767)	(55,784)	(17,750)	(352,301)
Interest subsidy from Build America Bonds	16,498	4,612	-	21,110
Upfront swap payments	3,590	-	-	3,590
Proceeds from debt issuances	820,071	636,519	-	1,456,590
Net cash (used in) provided by capital and related financing activities	(198,922)	499,168	205	300,451
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash payments to PennDOT	(450,000)	-	-	(450,000)
Payments for bond and swap expenses	(2,586)	-	-	(2,586)
Payments for cash defeasances	(17,730)	-	-	(17,730)
Payments for debt refundings	(291,850)	-	-	(291,850)
Payments for debt maturities	(113,330)	-	-	(113,330)
Interest paid on debt	(317,350)	-	-	(317,350)
Proceeds from debt issuances	773,965	-	-	773,965
Net cash used in noncapital financing activities	(418,881)	-	-	(418,881)
Increase in cash and cash equivalents	348,384	49,970	9,961	408,315
Cash and cash equivalents at beginning of year	712,124	100,595	14,449	827,168
Cash and cash equivalents at end of year	$ 1,060,508	$ 150,565	$ 24,410	$ 1,235,483

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

	May 31, 2022 *(RESTATED)*			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ 640,741	$ (3,660)	$ -	$ 637,081
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	431,195	-	-	431,195
Change in operating assets and liabilities				
Accounts receivable	(6,515)	-	-	(6,515)
Inventories	(1,205)	-	-	(1,205)
Other assets	9	-	-	9
Net OPEB asset	(165,015)	-	-	(165,015)
Deferred outflows of resources from pensions	11,047	-	-	11,047
Deferred outflows of resources from OPEB	20,038	-	-	20,038
Accounts payable and accrued liabilities	5,967	(281)	-	5,686
Net pension liability	(69,169)	-	-	(69,169)
Other noncurrent liabilities	116	(1)	-	115
Deferred inflows of resources from pensions	25,766	-	-	25,766
Deferred inflows of resources from OPEB	118,666	-	-	118,666
Deferred inflows of resources from leases	(479)	-	-	(479)
Net cash provided by (used in) operating activities	$ 1,011,162	$ (3,942)	$ -	$ 1,007,220
Reconciliation of cash and cash equivalents to the statements of net position				
Cash and cash equivalents	$ 318,158	$ -	$ -	$ 318,158
Restricted cash and cash equivalents	742,350	150,565	24,410	917,325
Total cash and cash equivalents	$ 1,060,508	$ 150,565	$ 24,410	$ 1,235,483

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

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net decrease of $100.4 million in the fair value of its investments not reported as cash equivalents for the year ended May 31, 2022. Decreases by section were: Mainline, $74.9 million; Oil Franchise, $23.1 million; and Motor License, $2.4 million.

The Commission recorded $72.4 million for the amortization of bond premium for the year ended May 31, 2022. Amortization by section was: Mainline, $61.3 million; Oil Franchise, $10.1 million; and Motor License, $1.0 million.

As indicated in Note 8 to the financial statements (Debt), the Commission refunded and cash defeased various bonds in fiscal year 2022. The fiscal year 2022 refundings and cash defeasances resulted in a $1.0 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings. The reclassifications by section were: Mainline, $0.7 million and Oil Franchise, $0.3 million. Additionally, the Commission recorded $57.5 million for the amortization of deferred outflows/inflows of resources from refunding bonds for the year ended May 31, 2022. Amortization by section was: Mainline, $56.2 million; Oil Franchise, $0.4 million; and Motor License, $0.9 million.

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, 2022. Amortization by section was: Mainline, $0.2 million; and Motor License, $0.1 million.

The Commission recorded an interest expense reduction of $7.2 million in the Mainline section and $0.2 million in the Motor License section for the year ended May 31, 2022 related to terminated derivative instruments.

The Commission recognized total capital contributions of $169.1 million for fiscal year ended May 31, 2022. Cash received of $171.0 million for fiscal year ended May 31, 2022 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 result of a $4.2 million decrease in Mainline receivables and a $3.2 million decrease in Oil Franchise receivables related to these capital contributions offset by a $5.5 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), the Commission made the following transfers from its Mainline section during the fiscal year ended May 31, 2022: infrastructure assets with a net book value of $51.6 million to PennDOT, drones with a net book value of $0.1 million to the Pennsylvania State Police, and a traffic signal with a net book value of $0.2 million to Bristol Township (PA).

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, 2022 were: to Mainline, $150.3 million and from Oil Franchise, $150.3 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, 2023

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
			(in thousands)			
General and administrative	$ 68,162	$ 139,180	$ 207,342	$ 4,161	$ -	$ 211,503
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	$ 366,479	$ 165,063	$ 531,542	$ 4,771	$ -	$ 536,313

Fiscal Year Ended May 31, 2022

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
			(in thousands)			
General and administrative	$ 63,196	$ 102,183	$ 165,379	$ 2,994	$ -	$ 168,373
Traffic engineering and operations	3,471	3,807	7,278	-	-	7,278
Service centers	59,688	-	59,688	-	-	59,688
Employee benefits	16,100	9,051	25,151	666	-	25,817
Toll collection	26,236	1,210	27,446	-	-	27,446
Normal maintenance	78,068	1,581	79,649	-	-	79,649
Facilities and energy mgmt. operations	11,761	5,173	16,934	-	-	16,934
Turnpike patrol	53,738	-	53,738	-	-	53,738
Total cost of services	$ 312,258	$ 123,005	$ 435,263	$ 3,660	$ -	$ 438,923

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.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Summary of Revenues and Expenses
(000s Omitted)
Fiscal Years Ended May 31

	2014	2015	2016	2017	2018	2019	2020 *	2021	2022 (RESTATED)	2023
Operating revenues										
Net fares	$ 861,846	$ 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
Other	18,909	17,589	22,576	23,335	4,668	9,574	36,004	41,130	47,283	55,942
Total operating revenues	880,755	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
Operating expenses										
Cost of services	438,981	459,780	471,132	517,103	494,742	509,753	533,931	509,381	438,923	536,313
Depreciation	324,010	337,664	332,941	354,343	379,401	384,104	382,088	373,924	431,195	408,785
Total operating expenses	762,991	797,444	804,073	871,446	874,143	893,857	916,019	883,305	870,118	945,098
Operating income	117,764	152,291	248,618	262,950	327,131	442,748	367,764	348,244	637,081	651,549
Nonoperating revenues (expenses)										
Investment earnings (loss)	27,570	17,502	29,069	14,225	18,809	83,072	90,345	15,336	(71,591)	55,950
Other nonoperating revenues	23,161	55,992	21,651	21,532	22,303	22,572	22,693	12,996	21,503	12,728
Act 44 and Act 89 payments to PennDOT	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(450,000)	(50,000)
Capital assets transferred to Commonwealth	(13,531)	(4,499)	(40,937)	(54,724)	-	(162,982)	(294)	(2,769)	(51,908)	(2,852)
Interest and bond expense	(427,047)	(465,869)	(521,021)	(560,660)	(566,137)	(620,584)	(652,901)	(671,774)	(716,212)	(685,346)
Nonoperating expenses, net	(839,847)	(846,874)	(961,238)	(1,029,627)	(975,025)	(1,127,922)	(990,157)	(1,096,211)	(1,268,208)	(669,520)
Loss before capital contributions	(722,083)	(694,583)	(712,620)	(766,677)	(647,894)	(685,174)	(622,393)	(747,967)	(631,127)	(17,971)
Capital contributions	110,036	146,472	180,906	214,664	207,804	229,386	173,486	164,147	169,141	170,310
(Decrease) increase in net position	$ (612,047)	$ (548,111)	$ (531,714)	$ (552,013)	$ (440,090)	$ (455,788)	$ (448,907)	$ (583,820)	$ (461,986)	$ 152,339

* 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, balances for fiscal year 2022 were restated for the implementation of GASB Statement No. 87, Leases.

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
2014	$ 372,750	$ 273,843	$ (3,947,048)	$ (3,300,455)
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)	375,826	(6,690,634)	(7,736,954)
2023	(1,476,501)	405,478	(6,513,592)	(7,584,615)

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

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

	2014	2015	2016	2017	2018 *	2019	2020	2021	2022 (RESTATED)	2023
Revenues and capital contributions										
Operating revenues	$ 880,755	$ 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
Investment earnings**	19,030	17,356	24,527	23,693	25,569	39,019	39,670	25,473	28,807	42,599
Other nonoperating revenues	23,161	55,992	21,651	21,532	22,303	22,572	22,693	12,996	21,503	12,728
Capital contributions	110,036	146,472	180,906	214,664	207,804	229,386	173,486	164,147	169,141	170,310
Total revenues and capital contributions	1,032,982	1,169,555	1,279,775	1,394,285	1,456,950	1,627,582	1,519,632	1,434,165	1,726,650	1,822,284
Direct expenses										
Cost of services	438,981	459,780	471,132	517,103	494,742	509,753	533,931	509,381	438,923	536,313
Bond and swap expenses	12,526	10,620	14,258	16,990	11,002	8,180	12,223	10,308	12,140	11,585
Total direct expenses	451,507	470,400	485,390	534,093	505,744	517,933	546,154	519,689	451,063	547,898
Net revenues available for debt service payments	$ 581,475	$ 699,155	$ 794,385	$ 860,192	$ 951,206	$ 1,109,649	$ 973,478	$ 914,476	$ 1,275,587	$ 1,274,386
Debt service payments										
Debt maturity payments	$ 124,700	$ 115,150	$ 138,630	$ 122,630	$ 251,375	$ 224,365	$ 186,055	$ 41,775	$ 218,105	$ 263,740
Interest payments	368,582	395,223	436,073	494,301	519,173	591,837	616,570	629,587	669,651	717,776
Total debt service payments	$ 493,282	$ 510,373	$ 574,703	$ 616,931	$ 770,548	$ 816,202	$ 802,625	$ 671,362	$ 887,756	$ 981,516
Coverage	1.18	1.37	1.38	1.39	1.23	1.36	1.21	1.36	1.44	1.30

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. Years prior to 2022 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**
2014	193,116	$ 8,502,700	$ 768,732	$ 436,473	$ 9,707,905	$ 411,019	$ 55,748	$ 26,515	$ 493,282	$ 44.03	$ 2.13
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

* 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 2013 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			
2014	167,387	$ 497,671	$ 2.97
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
Commercial			
2014	25,729	$ 368,395	$ 14.32
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
Total			
2014	193,116	$ 866,066	$ 4.48
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

* The number of vehicle transactions presented for fiscal years 2013 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 149 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

				Electronic Toll Collection			
	Passenger	**Commercial**	**Total**	**EZPass/VES**	**Toll By Plate**	**Non-ETC**	**Total**
2014	57.46%	42.54%	100.00%	69.99%	0.00%	30.01%	100.00%
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

Traffic Composition as a Percentage of Total Vehicles

				Electronic Toll Collection (ETC)			
	Passenger	**Commercial**	**Total**	**EZPass/VES**	**Toll By Plate**	**Non-ETC**	**Total**
2014	86.68%	13.32%	100.00%	72.36%	0.00%	27.64%	100.00%
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

Note: The number of vehicle transactions presented for fiscal years 2013 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 149 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

	2023		2014	
	Annual Fares	Rank	Annual Fares	Rank
Best Pass, Inc.	$ 217,290	1	$ 42,271	2
Heavy Vehicle Electronic License Plate, Inc.	166,414	2	51,410	1
ECM Transport LLC	3,111	3		
Acme Markets, Inc.	2,011	4		
Food Haulers, Inc.	1,123	5		
New Bern Transport Corp.	786	6		
Central Transport LLC	773	7		
Giant Eagle/OK Grocery	763	8		
Sheetz Distribution Services LLC	500	9		
Pepsi Bottling Group	490	10		
FedEx Ground			3,862	3
J. B. Hunt Transport, Inc.			3,452	4
United Parcel Service, Inc.			3,230	5
Pitt-Ohio Express, Inc.			2,257	6
ABF Freight System, Inc.			2,039	7
New Century Transportation, Inc.			1,977	8
Estes Express Lines			1,809	9
U.S. Xpress Leasing			1,488	10
	$ 393,261		$ 113,795	

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Pennsylvania ^	**71.89%**	**71.95%**	**71.58%**	**71.53%**	**71.01%**	**71.48%**	**71.98%**	**75.84%**	**75.22%**	**75.32%**
New Jersey Agencies*	14.02	13.67	13.49	13.33	11.87	12.95	12.75	10.93	10.97	10.27
MTA Bridges & Tunnels	2.06	1.97	2.25	2.33	2.21	2.51	2.47	2.28	2.55	2.54
New York State Thruway	2.86	2.92	2.98	2.87	2.59	2.40	2.33	1.86	1.98	2.31
Port Authority NY & NJ	2.06	2.04	1.96	2.07	2.15	2.19	2.25	1.96	2.17	2.17
Ohio Turnpike	0.84	0.83	1.03	1.13	1.12	1.31	1.34	1.24	1.30	1.40
Massachusetts Turnpike Authority	0.43	0.46	0.48	0.49	0.56	0.50	0.58	1.27	1.03	1.29
Maryland Transportation Authority	1.16	1.15	1.15	1.16	1.15	1.21	1.23	1.13	1.16	1.09
Illinois State Toll Highway Authority	1.08	1.11	1.11	1.12	1.09	1.30	1.34	1.25	1.13	1.06
Virginia DOT	0.74	0.79	0.90	0.93	0.86	0.97	0.97	0.87	0.97	0.94
Delaware DOT	0.97	0.94	0.98	0.97	0.85	0.89	0.88	0.79	0.80	0.77
Florida Turnpike	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.11	0.21
West Virginia Parkways Authority	0.17	0.19	0.17	0.17	1.23	0.16	0.17	0.15	0.13	0.17
Indiana DOT	0.10	0.11	0.11	0.11	0.14	0.10	0.09	0.08	0.08	0.07
Delaware River Joint Toll Bridge Commission	1.03	0.98	0.82	0.72	0.57	0.44	0.12	0.09	0.07	0.04
Rhode Island Toll & Bridge Authority	0.02	0.03	0.03	0.03	0.13	0.04	0.03	0.03	0.03	0.03
Delaware River & Bay Authority	0.12	0.08	0.06	0.06	0.06	0.04	0.02	0.02	0.01	0.01
Delaware River Port Authority	0.31	0.04	0.03	0.01	0.20	0.00	0.00	0.00	0.00	0.00
Other	0.14	0.74	0.87	0.97	2.21	1.51	1.45	0.21	0.29	0.31
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)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Employment by nonfarm related industries										
Private sector										
Goods producing										
Mining and logging	36,000	37,800	34,000	25,000	26,700	28,700	28,900	23,200	21,700	21,700
Construction	224,000	229,100	235,500	239,200	249,200	255,900	261,200	241,600	254,800	255,300
Manufacturing	565,900	568,900	569,300	561,200	563,200	571,300	575,300	537,900	544,300	545,600
Total goods producing	825,900	835,800	838,800	825,400	839,100	855,900	865,400	802,700	820,800	822,600
Service providing										
Trade, transportation and utilities	1,092,500	1,102,900	1,114,000	1,118,500	1,117,800	1,123,800	1,123,400	1,059,000	1,101,900	1,105,100
Information	88,300	85,900	85,500	85,000	84,800	86,700	87,900	83,900	86,400	87,000
Financial activities	313,800	315,900	316,800	317,900	321,700	326,500	331,600	327,100	328,800	329,200
Professional and business services	751,500	764,900	783,100	797,200	802,400	806,300	815,200	770,300	802,500	806,200
Education and health services	1,163,300	1,180,800	1,192,400	1,218,900	1,245,800	1,274,800	1,295,800	1,228,800	1,228,900	1,230,700
Leisure and hospitality	532,300	537,700	545,400	557,500	566,800	571,900	578,000	424,400	478,400	486,000
Other services	252,400	253,300	254,700	259,300	259,700	261,000	262,400	223,800	236,200	237,600
Total service providing	4,194,100	4,241,400	4,291,900	4,354,300	4,399,000	4,451,000	4,494,300	4,117,300	4,263,100	4,281,800
Total private sector	5,020,000	5,077,200	5,130,700	5,179,700	5,238,100	5,306,900	5,359,700	4,920,000	5,083,900	5,104,400
Government	720,700	711,400	704,700	703,300	703,200	703,000	706,300	684,800	676,400	676,900
Total employment by nonfarm related industries	5,740,700	5,788,600	5,835,400	5,883,000	5,941,300	6,009,900	6,066,000	5,604,800	5,760,300	5,781,300

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, 2022, 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

	Management	Union	Total
2014	449	1,640	2,089
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

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

Number of Employees - Functional Area

	Toll Collection - Fares	Maintenance	Other	Total
2014	763	748	578	2,089
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

Note: Refer to Note 10 for discussion of the reduction in Toll Collection – Fares employees.

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 ^

Class	*Weight Classification*
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.

Cash/E-ZPass classes 2 through 9 and Toll By Plate classes 3L through 7H may also be referred to as commercial vehicles.

Source: Pennsylvania Turnpike Commission

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
LENGTH OF HIGHWAY										
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	83	96	96
NUMBER OF TOLL INTERCHANGES [1 2]										
Mainline										
Staffed interchanges/barriers	30	30	28	27	27	25	-	-	-	-
Cashless Tolling/Ramps	2	2	3	5	5	7	32	32	36	36
Total	32	32	31	32	32	32	32	32	36	36
Northeast Extension										
Staffed interchanges/barriers	10	10	10	10	8	8	-	-	-	-
Cashless Tolling/Ramps	-	1	1	1	3	3	11	11	11	11
Total	10	11	11	11	11	11	11	11	11	11
Western Expansions										
Staffed interchanges/barriers	25	25	25	20	-	-	-	-	-	-
Cashless Tolling/Ramps	-	-	-	5	25	25	25	25	26	26
Total	25	25	25	25	25	25	25	25	26	26
NUMBER OF SERVICE PLAZAS										
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
NUMBER OF MAINTENANCE FACILITIES	22	22	22	22	22	22	22	22	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

Right-of-way width	Minimum	200 feet
Turnpike width	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
Lane width	Standard	12 feet
	Northeastern Extension Junction to Philadelphia Interchange	12 feet
	Width of double lanes	24 feet
	Width of triple lanes	36 feet
Curves	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
Grades	Mainline	3 percent
	Ramps	6 percent
	Extensions	5 percent
Tunnels	Allegheny	6,070 feet
	Tuscarora	5,326 feet
	Kittatinny	4,727 feet
	Lehigh	4,379 feet
	Blue Mountain	4,339 feet
Major bridges	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
Highest elevation	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

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

Source: Pennsylvania Turnpike Commission

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. Hutchingson 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)

Date	Improvement
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 commerical 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

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 Trevose 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 Reconstution 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

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)

Source: Pennsylvania Turnpike Commission

Chronology, Speed Limits

Date	Speed Limit
October 1, 1940	No speed limit established by law
April 15, 1941	70 MPH; various lower commerical 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	*Gateway to Breezewood*
	60 MPH for cars, buses
	45 MPH for trucks
May 7, 1956	*Breezewood to Valley Forge*
	70 MPH for cars, buses
	50 MPH for trucks
	Bridges
	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

	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

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.

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