PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania

Comprehensive Annual Financial Report
Fiscal Years Ended May 31, 2020 and 2019
With Independent Auditor's Report

MITCHELL TITUS
ACHIEVING EXCELLENCE TOGETHER

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Comprehensive Annual Financial Report
Fiscal Years Ended May 31, 2020 and 2019

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Fiscal Years Ended May 31, 2020 and 2019

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INTRODUCTORY SECTION

Pennsylvania Turnpike Commission
PO Box 67676
Harrisburg PA 17106-7676
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September 8, 2020

To the Bondholders of the Pennsylvania Turnpike Commission:

Introduction

The comprehensive annual financial report of the Pennsylvania Turnpike Commission (Commission) for the fiscal year ended May 31, 2020, is hereby submitted. 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 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 component unit of the Commonwealth of Pennsylvania and presents its financial statements on the accrual basis of accounting. There were no other entities that would potentially qualify for inclusion in the Commission's financial reporting entity under accounting principles generally accepted in the United States of America.

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.

Turnpike System

The present 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; and
- a six-mile section of the Southern Beltway project from PA 60 to US 22.

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 standard 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 ticket toll system 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 standard toll, by vehicle class and regardless of distance traveled, is paid at the western most interchange (Gateway) for those vehicles traveling eastbound. The ticket 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.

See further 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 have been utilized in the 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 between the area where Interstate Route 95 crosses the Turnpike System and the Valley Forge Interchange. With the September 2018 opening of the interchange connecting the Turnpike Mainline with Interstate 95, the portion of the Turnpike Mainline east of the new interchange has been designated as Interstate 95. 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. In addition, the Turnpike Mainline between the New Stanton and Breezewood Interchanges has been designated as Interstate Route 70. The Northeast Extension has been designated as Interstate Route 476. Portions of the Beaver Valley Expressway are designated as Interstate Route 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 66 toll interchanges which connect it with major arteries and population centers along its 552-mile traffic corridor. Thirty-two 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 23 interchanges are located on the Beaver Valley Expressway, Amos K. Hutchinson Bypass, and completed segments of the Mon/Fayette Expressway and Southern Beltway. In addition, the Turnpike System also has six E-ZPass Only locations as discussed below.

The Commission has installed E-ZPass, a form of electronic toll collection, throughout the Turnpike System. Not only has E-ZPass enhanced safety and convenience for users of the Turnpike System, but the technology has improved traffic flow and reduced congestion at the Turnpike System's busiest interchanges, especially in southeastern Pennsylvania. The use of electronic tolling has enhanced the overall efficiency of the Commission's toll collections operations. 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 September 2018, E-ZPass customers traveling in 17 states that have implemented E-ZPass technology are able to use E-ZPass in each of those states. Currently, E-ZPass is available on the entire Turnpike System, including the western extensions. The Commission has not experienced any material problems in connection with the installation or operation of the E-ZPass system.

The Commission has constructed six E-ZPass Only interchanges which are designed for the exclusive use of E-ZPass customers: Virginia Drive (located east of the Fort Washington interchange); Street Road (located west of the Bensalem interchange); Route 29 (located west of the Valley Forge interchange); Route 903 in Carbon County; Exit 31-A E-ZPass Only northbound ramp at Lansdale (not a full interchange); and Exit 31-A E-ZPass Only southbound entrance ramp at Lansdale (not a full interchange) (the original toll booth/E-ZPass Lansdale interchange remains open to all traffic).

In addition, cashless tolling locations have been constructed and are operational at the following locations: 1) Delaware River Bridge (westbound) which is part of the I-95 Connector in Bucks County; 2) Beaver Valley Expressway; 3) Keyser Avenue/Clarks Summit; 4) Findlay Connector; 5) Amos K. Hutchinson Bypass; and, 6) Gateway. Cashless conversion of the remaining system utilizing an All Electronic Tolling (AET) In-Place approach was scheduled for October 2021. However, the adverse impacts of the COVID-19 pandemic necessitated that the commission move to an AET In-Place approach on March 16, 2020 and remove all toll collectors from toll booths and eliminate the collection of cash across the Turnpike System. Originally intended to be a temporary response to the COVID-19 pandemic, on June 2, 2020 the Commissioners unanimously approved a measure to lay off approximately 500 employees, primarily fare collection-related employees, effective June 18, 2020. The Commission will continue permanent AET In-Place operations. Cashless tolling is being implemented, in part, by a new "TOLL BY PLATE" system. Non-E-ZPass customers are invoiced for assessed tolls. Ultimately, the Commission will be converting to Open road Tolling (ORT) 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. Although existing toll booths would be removed from service at locations where TBP is implemented, E-ZPass customers will still use transponders to pay tolls at such locations as overhead gantries are equipped to read E-ZPass transponders. These E-ZPass Only interchanges, cashless tolling and other similarly planned interchanges are expected to reduce congestion at the Turnpike System's busier interchanges and provide convenient access to industrial parks and job centers.

To help ensure, protect and preserve the collection of toll revenue due to the Commission, a violation enforcement system (VES) has been installed at all interchanges where E-ZPass has been installed 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. Legislation passed in 2000 included enforcement provisions for E-ZPass. Act 89 included enhanced fare evasion measures and criminal penalties pertaining to E-ZPass violators. Act 165 was signed into law which, among other things, allows for the suspension of vehicle registration for unpaid tolls. In 2018, the Commission began sending notices and suspending vehicle registrations as well as filing criminal charges against some of the largest toll violators for theft of services. Such criminal charges are being brought in cooperation with local prosecutors and have resulted in various plea and settlement arrangements.

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 2021 Operating Budget was approved for $426.2 million on July 21, 2020.

Each year, 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. The Ten-Year Capital Plan includes expenses to improve and maintain the Turnpike System in a state of good repair, ensure customer safety and convenience and address capacity constraints. 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 2021 was adopted by the Commission on July 21, 2020. The adopted Capital Plan calls for an investment of $5.8 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 spending levels adjusted for inflation, and fully fund its Act 44 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.

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 9 (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 Interstate Route 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 eight-mile section of toll road from the West Virginia/Pennsylvania line, to Fairchance, Pennsylvania, which is located just south of Uniontown, which opened in March 2000. The third project is a 17-mile section of toll road from Interstate Route 70 in Washington County to PA Route 51 in Allegheny County, which opened in April 2002. The fourth is a 17-mile section from Uniontown to Brownsville, including a 3,078-foot bridge over the Monongahela River, which opened to traffic in July 2012. These four contiguous projects of the Mon/Fayette Expressway are now part of the Turnpike System.

The final section of the Mon/Fayette Expressway, extending from PA Route 51 to Interstate Route 376 (I-376) east of Pittsburgh, has received environmental clearances and design has been completed through design field view. Design was started in 2004 but halted in 2009 due to lack of funding. Act 89 of 2013 provided funding allowing for a restart of the project. In 2015, the Commission performed studies to identify how the originally conceived project could be modified since the available funding provided by Act 89 required a substantial reduction in the project cost. The Commission eliminated the west leg of the PA Route 51 to I-376 project to reduce future costs and residential and business displacements.

The final section will be advanced in three planning sections: the south leg (from PA Route 51 to PA Route 837), north leg (from North Versailles Interchange to I-376), and the Mon River Bridge (from PA Route 837 to the North Versailles Interchange). Preliminary design is advancing in all three sections concurrently. Final design will advance as needed to meet Right-of-Way acquisition schedules and construction dates. Right-of-Way acquisition will take place concurrently for the entire project but priority will initially be given to complete the required acquisitions on the southern leg. Utility relocations will generally proceed from south to north. The southern leg will be constructed first followed by the northern leg and finally the Mon River Bridge.

The proposed 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. The six-mile project from I-376 to U.S. 22 (also known as the Findlay Connector) opened to traffic in October 2006. The additional funding under Act 89 has enabled the Commission to complete the design and construct the section from U.S. 22 to Interstate 79 (I-79). The construction of this section began in 2014 and is scheduled to be complete and open to traffic in the fall of 2021. The final design and construction of the I-79 to the Mon/Fayette Expressway section is currently in the final design phase. When completed, the entire Southern Beltway will utilize cashless tolling.

I-95 Interchange

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. This 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 will include the completion of the reconstruction and widening of the remaining interchange connectors. The third phase will be the construction of a newer wider bridge over the Delaware River, replacing the existing bridge. Funding for construction of the first phase was included in the Capital Plan. Funding for the second and third phases is not included in the Capital Plan.

Economic Conditions and Outlook

The Commonwealth of Pennsylvania is one of the most populous states, ranking fifth behind California, Texas, Florida and New York. With a population of over 12.8 million, Pennsylvania has the sixth largest state economy with a Gross State Product of $824.6 billion. Pennsylvania is an established state with a diversified economy. Pennsylvania historically had been identified as a heavy industry state; however, that reputation has changed over the last 40 years as the coal, steel, and railroad industries declined and the Commonwealth's business environment readjusted with a more diversified economic base. Currently, the major sources of growth in Pennsylvania are in the service sector, with the largest industry employer in the healthcare and social assistance sector.

Pennsylvania's agricultural industries remain important components of the Commonwealth's economic structure, accounting for $9.2 billion in crop and livestock products and milk production. Exports of Pennsylvania food, agricultural and forestry related products are more than $2.0 billion annually according to the Pennsylvania Department of Agriculture. Over 52,700 farm families continue to be the stewards of more than 7.3 million acres of farmland. With over $7.4 billion in cash receipts annually from production agriculture, Pennsylvania farmers and agribusinesses are the leading economic driver in the state. Agricultural diversity in the Commonwealth is demonstrated by the fact that Pennsylvania ranks highly among the states in the production of a number of agricultural products, with the top commodity being dairy products valued at $1.8 billion.

In addition to production agriculture, the industry also raises revenue and supplies jobs through support services such as food processing, marketing, transportation, and farm equipment. In total, production agriculture and agribusiness contribute nearly $83.8 billion to Pennsylvania's economy. Pennsylvania's extensive public and private forests of 17.0 million acres provide a vast source of material for the lumber, furniture, and paper products industries. The forestry and related industries employ more than 66,000 workers with economic activity exceeding $21.5 billion. Pennsylvania ranks number one among the 50 states in hardwood lumber exports. Total exports of Pennsylvania forest products are approximately $700.0 million, according to the Pennsylvania Department of Agriculture. Additionally, the Commonwealth derives a good water supply from underground sources, abundant rainfall, and a large number of rivers, streams, and lakes. Other natural resources include major deposits of coal, petroleum, and natural gas. Annually, about 49.9 million tons of anthracite and bituminous coal, over 7.0 trillion cubic feet of natural gas and about 6.5 million barrels of crude oil are extracted from Pennsylvania.

Human resources are plentiful in Pennsylvania with a labor force estimated at over 6.4 million people. The high level of education embodied in the Commonwealth's workforce fosters a wide variety of employment capabilities. Pennsylvania's basic and higher education statistics compare favorably with other states in the nation. Approximately 91.0% of adults have earned the minimum of a high school degree. In addition, approximately 31.8% of adults have earned a bachelor's degree or higher, which is consistent with national averages. The per capita personal income is $56,225. The unemployment rate in Pennsylvania has been close to the national average for the past 10 years.

Pennsylvania is a Mid-Atlantic State within easy reach of the populous eastern seaboard and, as such, is a gateway to the Midwest. A comprehensive transportation grid enhances the Commonwealth's strategic geographic position. The Commonwealth's water systems afford the unique feature of triple port coverage, a deep-water port at Philadelphia, a Great Lakes port at Erie and an inland water port at Pittsburgh. Pennsylvania combines characteristics of both the

Northeastern and Midwestern regions, with the major cities of Philadelphia in the Southeastern part of the state and Pittsburgh in the Southwestern part of the state.

Pennsylvania has over 120,700 miles in its highway system and is ranked 8th among the states in the proportion of its workforce that commutes via public transportation.

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, N.A., as successor Trustee;
- An Oil Franchise Tax Trust Indenture dated August 1, 1998, as supplemented, between the Commission and U.S. Bank, N.A., as successor Trustee;
- A Registration Fee Revenue Trust Indenture dated August 1, 2005, between the Commission and U.S. Bank, N.A., as successor Trustee;
- A Subordinate Trust Indenture dated April 1, 2008, as supplemented, between the Commission and Wells Fargo Bank, N.A., as successor Trustee; and
- A Special Obligation Trust Indenture dated September 1, 2014, between the Commission and U.S. Bank, 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

The 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 comprehensive annual financial report for the fiscal year ended May 31, 2019, which was the 32nd 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 comprehensive annual financial report. 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 comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the Government Finance Officers Association 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 Mitchell & Titus, LLP was engaged by the Commission to perform the audit for the fiscal year ended May 31, 2020. The auditor's report on the financial statements is included in the financial section of this report.

Acknowledgments

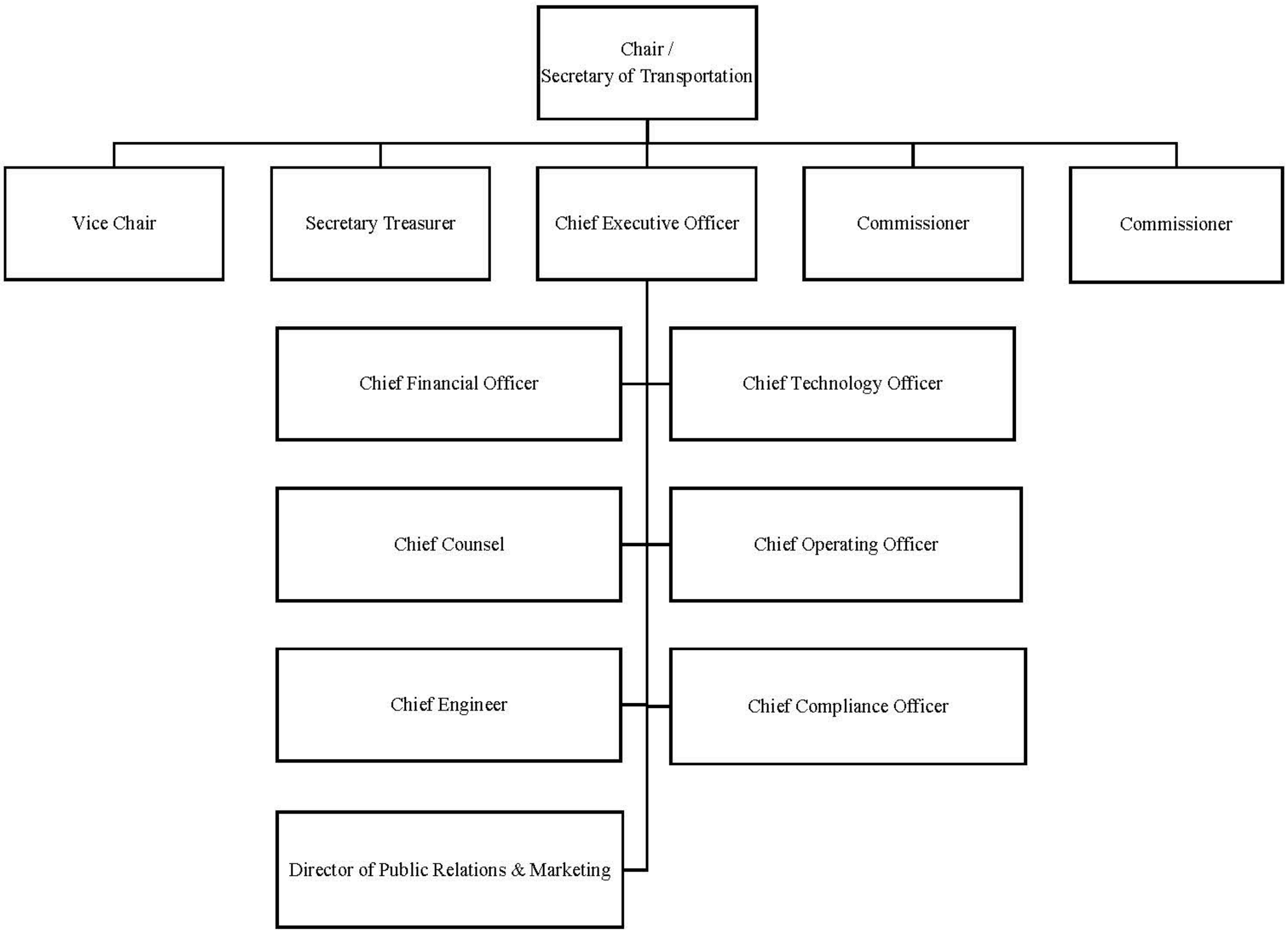
We wish to express our sincere appreciation to the staff of the Accounting and Financial Reporting and Finance departments whose time and dedicated effort made this report possible.

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: 2020.11.17 09:08:39 -05'00'

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Organization Chart
At May 31, 2020



PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
List of Principal Officials
At May 31, 2020

Title	Name
Commission Chair / Secretary of Transportation	Yassmin Gramian, P.E.
Commission Vice Chair	William K. Lieberman
Commission Secretary Treasurer	John N. Wozniak
Commissioner	Pasquale T. Deon, Sr.
Commissioner	(vacant)[1]
Chief Executive Officer	Mark P. Compton
Chief Operating Officer	Craig R. Shuey
Chief Financial Officer	Nikolaus H. Grieshaber[2]
Chief Engineer	Bradley J. Heigel, P.E.
Chief Counsel	Doreen A. McCall
Chief Compliance Officer	Ray A. Morrow
Chief Technology Officer	Robert J. Taylor
Director of Public Relations & Marketing	Carl E. Defebo, Jr.

[1] Wadud Ahmad was nominated by Governor Wolf to serve as a Commissioner on May 11, 2020 and confirmed by the Pennsylvania Senate on September 23, 2020.

[2] Nikolaus H. Grieshaber retired from the Commission in July 2020. Richard C. Dreher was named Acting Chief Financial Officer in July 2020 and Chief Financial Officer in August 2020.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Pennsylvania Turnpike Commission

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

May 31, 2019

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Commissioners
Pennsylvania Turnpike Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the Pennsylvania Turnpike Commission (the Commission), a component unit of the Commonwealth of Pennsylvania, as of and for the years ended May 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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MITCHELL TITUS

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of May 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As more fully explained in Note 9, the Commission has committed to making significant payments under an Amended Lease and Funding Agreement as required under the terms of Acts 44 and 89. The Commission's ability to make such payments is dependent on its continuing capability to issue bonds to fund such payments and ultimately to raise tolls sufficient to repay its bonded debt and current lease payments. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Schedule of Commission Contributions to the Other Postemployment Welfare Plan Program on pages 16 through 32 and pages 118 through 122 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to 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.

MITCHELL TITUS

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The Introductory Section, Section Information on pages 123 through 136, and Statistical Section are 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 audits 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.

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

Mitchell & Titus, LLP

September 8, 2020

The management of the Pennsylvania Turnpike Commission (hereinafter referred to as the Commission) offers this narrative overview and analysis of the Commission's financial activities for the years ended May 31, 2020 and 2019, which should be read in conjunction with the Commission's basic financial statements.

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 basic financial statements. While the Commission is considered a 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 (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.

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

Financial Analysis

Comparative Condensed Statements of Net Position

	May 31 2020	2019	2018
		(In Thousands)	
Assets and deferred outflows of resources			
Current assets	$ 1,437,182	$ 1,729,355	$ 1,502,874
Noncurrent investments	1,219,940	995,525	708,304
Capital assets, net of accumulated depreciation	6,410,001	6,139,998	6,016,996
Other assets	32,521	33,823	168,267
Total assets	9,099,644	8,898,701	8,396,441
Total deferred outflows of resources	633,160	621,105	533,478
Total assets and deferred outflows of resources	9,732,804	9,519,806	8,929,919
Liabilities and deferred inflows of resources			
Current liabilities	1,181,489	1,367,934	921,771
Debt, net of unamortized premium	14,383,020	13,591,404	12,956,241
Net pension/OPEB liability	331,034	398,755	329,112
Other noncurrent liabilities	355,661	250,097	197,627
Total liabilities	16,251,204	15,608,190	14,404,751
Total deferred inflows of resources	172,748	153,857	163,930
Total liabilities and deferred inflows of resources	16,423,952	15,762,047	14,568,681
Net position			
Net investment in capital assets	(903,089)	(623,209)	(250,112)
Restricted for construction purposes	411,313	331,065	260,524
Restricted for debt service	42,619	51,536	43,954
Unrestricted	(6,241,991)	(6,001,633)	(5,693,128)
Total net position	$ (6,691,148)	$ (6,242,241)	$ (5,638,762)

The Commission's total net position decreased $448.9 million and $603.5 million for the fiscal years ended May 31, 2020 and 2019, respectively. The large decreases in net position in both fiscal years were mostly due to the requirements of Act 44, Act 89 and the Amended Lease and Funding Agreement (Amended Funding Agreement) between the Commission and Pennsylvania Department of Transportation (PennDOT) and costs associated with the related debt. Please refer to Note 9, 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 7, Debt, in reference to the related debt. Additionally, as stated in Note 2, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 75, which reduced net position by $147.7 million for the fiscal year ended May 31, 2019.

Restricted net position is restricted for construction projects and debt service as defined in Trust Indentures and applicable bond issue official statements.

Financial Analysis *(continued)*

Comparative Condensed Statements of Net Position *(continued)*

The Commission's total assets and deferred outflows of resources increased by $213.0 million in fiscal year 2020. This 2020 increase is mostly related to an increase in capital assets of $270.0 million. This increase is offset by a decrease in cash and investments of $64.2 million. The increase in capital assets is mostly related to capital asset additions of $652.6 million, offset by $382.1 million of depreciation expense. The decrease in cash and investments is the result of a drop in revenues in the fourth quarter due to the COVID-19 pandemic plus cash defeasances of certain subordinate bonds in May 2020. For additional information, see Note 4, Cash and Investments, Note 5, Capital Assets, and Note 7, Debt.

The Commission's total assets and deferred outflows of resources increased by $589.9 million in fiscal year 2019. This 2019 increase is mostly related to increases in current investments of $335.7 million and noncurrent investments of $287.2 million. The increase in total investments is primarily due to unspent proceeds related to Oil Franchise Tax Senior and Mainline Senior bond issuances. For additional information, see Note 4, Cash and Investments, and Note 7, Debt.

Total liabilities and deferred inflows of resources increased by $661.9 million in fiscal year 2020 and by $1,193.4 million in fiscal year 2019. The increases for both fiscal year 2020 and fiscal year 2019 were mainly related to the issuance of senior debt and subordinate debt. In addition, in fiscal year 2019, due to pending litigation, the Commission accrued scheduled payments to PennDOT in accordance with Act 44, Act 89, and the Amended Funding Agreement. See Note 7, Debt, for additional information regarding the new issuances of debt. Please refer to Note 9, 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 Revenues, Expenses, and Changes in Net Position

	Year ended May 31		
	2020	**2019**	**2018**
		(In Thousands)	
Operating			
Operating revenues	$ 1,283,783	$ 1,336,605	$ 1,201,274
Cost of services	(533,931)	(509,753)	(494,742)
Depreciation	(382,088)	(384,104)	(379,401)
Operating income	367,764	442,748	327,131
Nonoperating revenues (expenses)			
Investment earnings	90,345	83,072	18,809
Other nonoperating revenues	22,693	22,572	22,303
Act 44 payments to PennDOT	(450,000)	(450,000)	(450,000)
Capital assets transferred to Commonwealth	(294)	(162,982)	-
Interest and bond expense	(652,901)	(620,584)	(566,137)
Nonoperating expenses, net	(990,157)	(1,127,922)	(975,025)
Loss before capital contributions	(622,393)	(685,174)	(647,894)
Capital contributions	173,486	229,386	207,804
Decrease in net position	(448,907)	(455,788)	(440,090)
Net position at beginning of year, before restatement	(6,242,241)	(5,638,762)	(5,198,672)
Cumulative effect of change in accounting principle	-	(147,691)	-
Net position at beginning of year, as restated	(6,242,241)	(5,786,453)	(5,198,672)
Net position at end of year	$ (6,691,148)	$ (6,242,241)	$ (5,638,762)

For the fiscal years ended May 31, 2020 and 2019, operating and nonoperating revenues totaled $1,396.8 million and $1,442.3 million, respectively, while operating and nonoperating expenses totaled $2,019.2 million and $2,127.4 million, respectively.

Total operating and nonoperating revenues for fiscal year 2020 were $45.5 million or 3.2% lower than fiscal year 2019. This decrease in revenue was the result of the drastic decrease in traffic due to the COVID-19 pandemic. Vehicle transactions during the fourth quarter of fiscal year 2020 decreased by more than 45.0% compared to the same period of the prior year. The decrease in revenue from this traffic decline was offset with the January 2020 toll increase of 6.0% for cash, E-ZPass and Toll By Plate customers, as well as the full year impact of the January 2019 toll increase of 6.0% for cash, E-ZPass and Toll By Plate customers. Fiscal year 2020 total vehicle transactions were down approximately 11.3% compared to fiscal year 2019.

Financial Analysis *(continued)*

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

Total operating and nonoperating revenues for fiscal year 2019 were $199.9 million, or 16.1% higher than fiscal year 2018. This increase in revenue was mainly related to an $130.4 million increase in net fare revenues resulting from a January 2019 toll increase of 6.0% for cash, E-ZPass and Toll By Plate customers, as well as the full year impact of the January 2018 toll increase of 6.0% for both cash and E-ZPass customers. Total traffic volumes were also up slightly, 2.0%, in fiscal year 2019 compared to fiscal year 2018. In addition, investment earnings increased $64.3 million due to a positive change in fair value of fixed-income investments, which was the result of decreasing U.S. Treasury rates during fiscal year 2019.

Total operating and nonoperating expenses for fiscal year 2020 were $108.2 million lower than fiscal year 2019, primarily due to a decrease in capital assets transferred to the Commonwealth of $162.7 million.

Total operating and nonoperating expenses for fiscal year 2019 were $237.1 million higher than fiscal year 2018, primarily due to an increase in capital assets transferred to the Commonwealth of $163.0 million. In addition, interest and bond expenses increased $54.4 million related to the increase in debt (see Note 2, Debt).

Capital contributions decreased by $55.9 million in fiscal year 2020 primarily due to a $47.9 million decrease in Federal reimbursements and an $8.0 million reduction in Oil Company Franchise Tax revenues. Capital contributions increased by $21.6 million in fiscal year 2019 primarily due to a $22.4 million increase in Federal reimbursements (see Note 2).

Capital Assets and Debt Administration

Capital Assets

Capital assets consist of land and intangible assets (right-of-way easements), buildings, improvements, equipment, infrastructure, and assets under construction. Infrastructure assets are typically items that are immovable such as highways, bridges and tunnels. The Commission's investment in capital assets as of May 31, 2020 amounted to $13.0 billion of gross asset value with accumulated depreciation of $6.6 billion, leaving a net book value of $6.4 billion. The net book value of capital assets as of May 31, 2019 was $6.1 billion. Capital assets represented 65.9% and 64.5% of the Commission's total assets and deferred outflows of resources as of May 31, 2020 and 2019, respectively.

Assets under construction at the end of fiscal year 2020 were $1,788.7 million, which was $298.5 million more than in fiscal year 2019. Assets under construction at the end of fiscal year 2019 were $1,490.2 million, which was $27.5 million less than in fiscal year 2018. In fiscal year 2020, $322.3 million of constructed capital assets were completed, which was $340.5 million less than the $662.8 million of constructed capital assets completed in fiscal year 2019. In addition to constructed capital assets, the Commission had capital asset additions of approximately $31.7

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

million and $35.3 million in fiscal years 2020 and 2019, respectively. In fiscal years 2020 and 2019, these additions related to purchases and capital contributions.

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 144 miles of total reconstruction have been completed. Currently, approximately seven miles are in construction and approximately 82 miles are in design. Also, the Commission completed six miles of brand new roadway and 51 miles of roadway resurfacing during fiscal year 2020, helping to maintain a quality-riding surface with a Turnpike System-wide median IRI (International Roughness Index) of 71, which is rated as good. The Commission also completed additional cashless tolling conversions at two different locations on the system and one service plaza truck parking expansion.

The Commission constructed five new bridges, completely replaced six aging original bridges with new bridges, redecked or rehabilitated another eight bridges, painted four bridges, constructed one new culvert and extended another five culverts. Of the Commission's bridges, 2.3% are rated structurally deficient which is below the national average of 6.8%. All 26 bridges currently rated structurally deficient are either in construction or design for rehabilitation.

The Commission also constructed one new noise wall and three new retaining walls in fiscal year 2020.

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 construction for a new Southern Beltway Maintenance Facility is currently underway and is scheduled to be completed in November 2020. The design for the Eastern Training Facility is scheduled to be completed in September 2020 with construction to begin in the late fall of 2020. In addition, the Devault Maintenance Facility Reconstruction is currently under design and is slated for construction in the spring of 2021.

Through collaboration with the Department of General Services and other Commonwealth agencies, the Commission has implemented a utility bill management system, "EnergyCap," to provide effective utility bill data collection and analytics for electricity and natural gas utility usage at Commission facilities, and to facilitate energy procurement activities that reduce energy costs. The Commission continues to utilize alternative fuels such as the public CNG Fueling Station at New Stanton Service Plaza and electric vehicle (EV) charging stations at Oakmont, New Stanton, Bowmansville, Peter J. Camiel and King of Prussia service plazas.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Capital Assets (continued)

The Mon/Fayette Expressway is open to traffic from the Pennsylvania/West Virginia line to PA 51 in Jefferson Hills Borough, a distance of 53 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) has started construction with expected completion in late 2021. The project from I-79 to Mon/Fayette Expressway is currently in the final design phase. When completed, the entire Southern Beltway will utilize cashless tolling.

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

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. This 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 construction of the first phase was included in the Capital Plan. Funding for the second and third phases is not included in the Capital Plan.

The above paragraphs describe the changes in capital assets occurring during the fiscal years ended May 31, 2020 and 2019. Please refer to the capital assets section in the notes to the financial statements (Note 5) for schedules summarizing changes in capital assets.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline

In June 2018, the Commission issued $182,455,000 2018 Series A-1 Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2023. The 2018 Series A-1 Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2018 maturity of the Commission's 2013 Series A Senior Revenue Bonds ($76,075,000); the current refunding of the December 1, 2018 maturity of the Commission's 2014 Series B-1 Senior Revenue Bonds ($65,000,000); the current refunding of the December 1, 2018 maturity of the Commission's 2016 Series A-2 Senior Revenue Bonds ($40,590,000); and for paying the costs of issuing the 2018 Series A-1 Senior Revenue Bonds.

In June 2018, the Commission issued $307,935,000 2018 Series A-2 Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2048. The 2018 Series A-2 Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the Commission's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and paying the costs of issuing the 2018 Series A-2 Senior Revenue Bonds.

In November 2018, the Commission issued $141,200,000 2018 Series B Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2023. The 2018 Series B Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2020 maturity of the Commission's 2017 Series B-1 Senior Revenue Bonds ($40,000,000), which were issued as a Direct Placement; the current refunding of the December 1, 2021 maturity of the Commission's 2017 Series B-2 Senior Revenue Bonds ($100,320,000) which were issued as a Direct Placement; and paying the costs of issuing the 2018 Series B Senior Revenue Bonds.

In November 2018, the Commission issued, as a Direct Borrowing, $45,000,000 2018 EB-5 Loan (Second Tranche) at a fixed rate with a maturity date of November 13, 2023. 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 and for paying the costs of issuing the 2018 EB-5 Loan.

In February 2019, the Commission issued $84,365,000 2019 First Series Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2033. The 2019 First Series Senior Revenue Bond were issued primarily for the current refunding of the Commission's 2017 Series C Senior Revenue Bonds ($103,330,000), which were issued as a Direct Placement, and paying the costs of issuing the 2019 First Series Senior Revenue Bonds.

In May 2019, the Commission cash defeased the December 1, 2021 maturity of the Commission's 2012 Series A Senior Revenue Bonds ($4,525,000).

In May 2019, the Commission cash defeased the December 1, 2021 maturity of the Commission's 2011 Series A Senior Revenue Bonds ($16,725,000).

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In June 2019, the Commission issued $139,815,000 of 2019 Second Series Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2038. The 2019 Second Series Senior Revenue Bonds were issued to refund a portion of the 2013 Series B Senior Revenue Bonds ($100,000,000), 2014 Series B-1 Senior Revenue Bonds ($39,150,000), and to pay the cost of issuing the 2019 Second Series Senior Revenue Bonds.

In June 2019, the Commission issued $722,970,000 of 2019 Series A Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2049. The 2019 Series A Subordinate Revenue Bonds were issued primarily to 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 2019 Series A Subordinate Revenue Bonds.

In August 2019, the Commission issued $341,325,000 of 2019 Series A Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2049. The 2019 Series A Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the Commission's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and paying the costs of issuing the 2019 Series A Senior Revenue Bonds.

In September 2019, the Commission issued $179,815,000 of the 2019 Forward Delivery Series Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2025. The 2019 Forward Delivery Series Senior Revenue Bonds were issued primarily for the current refunding of the 2009 Series B Senior Revenue Bonds ($190,080,000) and to pay the cost of issuing the 2019 Forward Delivery Series Senior Revenue Bonds.

In November 2019, the Commission issued, as a Direct Borrowing, $52,000,000 2019 EB-5 Loan (Third Tranche) at a fixed rate with a maturity date of November 5, 2024. 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 and for paying the costs of issuing the 2019 EB-5 Loan.

In November 2019, the Commission issued $86,730,000 of 2019 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2042. The 2019 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series C-1 Subordinate Revenue Bonds ($1,540,000), 2011 Series B Subordinate Revenue Bonds ($40,130,000), 2012 Series A Subordinate Revenue Bonds ($25,910,000), 2012 Series B Subordinate Revenue Bonds ($12,685,000) and for paying the cost of issuing the 2019 First Series Subordinate Revenue Refunding Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In November 2019, the Commission issued $151,130,000 of 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($13,780,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($23,340,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($28,610,000), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($35,270,000), and 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($39,765,000) and for paying the cost of issuing the 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds.

In January 2020, the Commission issued, as a Direct Borrowing, $36,500,000 2020 EB-5 Loan (Fourth Tranche) at a fixed rate with a maturity date of January 21, 2025. 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 and for paying the costs of issuing the 2020 EB-5 Loan.

In January 2020, the Commission issued $234,320,000 of 2020 First Series Senior Revenue Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2020 First Series Senior Revenue Bonds were issued to refund a portion of the 2012 Series A Senior Revenue Bonds ($99,380,000), 2013 Series C Senior Revenue Bonds ($115,580,000), and to pay the cost of issuing the 2020 First Series Senior Revenue Bonds.

In February 2020, the Commission issued $134,310,000 of 2020 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2020 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Subordinate Revenue Bonds ($11,285,000), 2011 Series B Subordinate Revenue Bonds ($3,820,000), 2012 Series A Subordinate Revenue Bonds ($29,555,000), 2012 Series B Subordinate Revenue Bonds ($29,240,000), 2013 Series A Subordinate Revenue Bonds ($28,555,000), 2013 Series B-1 Subordinate Revenue Bonds ($18,200,000), 2013 Series B-3 Subordinate Revenue Bonds ($10,215,000) and for paying the cost of issuing the 2020 First Series Subordinate Revenue Refunding Bonds.

Financial Analysis *(continued)*

Capital Assets and Debt Administration *(continued)*

Debt Administration – Mainline (continued)

In February of 2020, the Commission issued $92,750,000 of 2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity of December 1, 2043. The 2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($8,790,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($25,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($1,805,000), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($15,230,000), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($20,330,000), 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($38,080,000) and for paying the cost of issuing the 2020 First Series Motor License Fund-Enhanced Subordinate Revenue Refunding Bonds.

In May 2020, the Commission cash defeased the June 1, 2020 maturity of the Commission's 2008 Series B Subordinate Revenue Bonds ($7,595,000), 2016 First Series Subordinate Revenue Refunding Bonds ($42,020,000), and 2017 Series B-2 Subordinate Revenue Bonds ($210,000).

Debt Administration – Oil Franchise Tax

In June 2018, the Commission issued $231,385,000 2018 Series A Oil Franchise Tax Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2048. The 2018 Series A Oil Franchise Tax Senior Revenue Bonds were issued to finance the costs of various capital expenditures for the Turnpike System as set forth in the Commission's current or any prior Independently Funded Capital Plan, including but not limited to, the funding of capital expenditures related to the Southern Beltway or the Mon-Fayette Expressway and for paying the costs of issuing the 2018 Series A Oil Franchise Tax Senior Revenue Bonds.

In June 2018, the Commission issued $210,480,000 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2048. The 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds were issued to provide funds to finance the costs of capital expenditures related to the Southern Beltway or the Mon-Fayette Expressway, funding necessary reserves or similar funds to the extent required for such financing and for paying the costs of issuing the 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds.

Debt Administration – Motor License Registration Fee

In March 2019, the Commission cash defeased the July 15, 2030 maturity of the Commission's 2005 A Motor License Registration Fee Revenue Bonds ($9,000,000).

Financial Analysis *(continued)*

Capital Assets and Debt Administration (continued)

The preceding paragraphs describe debt activity occurring during the fiscal years ended May 31, 2020 and 2019. Please refer to the debt and commitments and contingencies notes to the financial statements (Notes 7 and 9) 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 below, 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 term of the Act 44 Funding Agreement is fifty (50) years from October 14, 2007, its effective date.

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. Under existing law, including Act 89, all legal, financial and operational responsibility for I-80 remains with PennDOT.

Pursuant to Act 44 and the Act 44 Funding Agreement, because the Conversion did not occur, the Commission was obligated to make scheduled annual payments of $450.0 million to PennDOT through 2057, payable in equal quarterly installments, with $200.0 million of the scheduled annual payment supporting road and bridge projects and $250.0 million supporting transit projects throughout the Commonwealth. See the following paragraphs for subsequent changes to such annual payments.

Events That Will Impact Financial Position *(continued)*

On November 25, 2013, Act 89 was enacted providing substantial revisions to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Act 44 Funding Agreement to reflect the statutory provisions of Act 89. On April 4, 2014, the Commission and PennDOT executed Amendment Number One to the Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Original Amended Funding Agreement*). In accordance with Act 89 and the Original Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 is $450.0 million and, in accordance with Act 89, the Commission must pay at least $30.0 million of such amount from current revenues with the remainder expected to be funded by bonds issued under the Subordinate Revenue Indenture. Commencing in fiscal year 2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is $50.0 million, which amount shall be paid from then current revenues of the Commission. Since 2017, by policy, the Commission has been providing $50.0 million from current revenues to fund a portion of its annual payment to PennDOT. The Amended Funding Agreement terminates on October 14, 2057.

On July 31, 2018, the Commission and PennDOT executed Amendment Number Two to the Lease and Funding Agreement (the *Amendment* and together with the Original Amended Funding Agreement, the *Amended Funding Agreement*). Pursuant to the terms of the Amendment, the Commission and PennDOT agreed to extend the due date for the Commission's July 31, 2018 Annual Base Payment of $50.0 million and Annual Additional Payment of $62.5 million to October 31, 2018 or such later date in fiscal year ending June 30, 2019 as agreed to by the Commission and PennDOT. Further, the Commission and PennDOT agreed that the due date for any subsequent Annual Base Payment and Annual Additional Payment in the fiscal year ending June 30, 2019 could also be extended to any later date, not later than June 30, 2019, as agreed to by the Commission and PennDOT. By letter agreement from the Commission to PennDOT dated April 22, 2019, PennDOT confirmed and acknowledged that the due date for the Commission's July 31, 2018, October 31, 2018, January 31, 2019 and April 30, 2019 Annual Base Payments and Annual Additional Payments was extended to June 28, 2019 or such later date, not later than June 30, 2019, as the parties mutually agreed. On June 27, 2019, the Commission paid PennDOT $450.0 million, which represented the Commission's fiscal year 2019 Act 44 and Act 89 funding obligation.

The provisions of Act 44 and the Amended Funding Agreement require that the Commission 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 provides that the financial plan shall 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. It is important to note that the financial plan does not cover the funding needs for the Mon/Fayette or the Southern Beltway projects.

Events That Will Impact Financial Position *(continued)*

On June 1, 2020, the Commission submitted its financial plan for fiscal year 2021 (the Financial Plan). The Financial Plan incorporates the Commission's adopted Ten-Year Capital Plan, which provides for approximately $5.8 billion, net of federal reimbursements, in capital spending over the coming decade. The Ten-Year Capital Plan authorizes the Commission to undertake a number of capital improvements and to pursue new initiatives to maintain and improve the Turnpike System ensuring that it remains in a state of good repair. The Financial Plan indicates that in fiscal year 2020 the Commission was able to meet all of its financial covenants and obligations under Act 44 and Act 89 and progressed with its Ten-Year Capital Plan. Given the ongoing and adverse effects the COVID-19 pandemic is causing with both the national and state economies, the Commission plans to enhance the cost containment and efficiency measures it implemented within the past few years. Since mid-March 2020, the Commission has taken several steps to try and mitigate the impact of the COVID-19 pandemic. Specifically, the Commission has: 1) instituted a hiring freeze for both management and union positions; 2) reduced its capital spending by 25.0% to include Turnpike System protection projects only; 3) offered an early retirement program to management employees; 4) cut operating expenses; 5) implemented a work from home policy where feasible; 6) eliminated cash collection and in person contact in toll lanes; 7) delayed Act 44 payments until June 30, 2021 at the latest; and 8) lowered projected Fiscal Year 2021 debt service by $160.0 million through three cash defeasances (one relating to Senior Revenue Bonds and two relating to Subordinate Revenue Bonds); the final two defeasances are anticipated to occur on December 1, 2020. In response to the continuing adverse impacts of the pandemic and its resulting change in safe operating procedures, the Commissioners unanimously approved a measure on June 2, 2020 to lay off approximately 500 employees, primarily fare collection-related employees, effective June 18, 2020. The Commission will continue permanent Cashless Tolling operations. Additional measures include an anticipated increase of the planned January 2021 toll increase from 5.0% to 6.0% and would include an additional 45.0% increase for Toll By Plate customers on the ticket system and the Mon-Fayette Expressway. The proposed additional increase for Toll By Plate customers is necessary to mitigate the loss of revenue due to unpaid Toll By Plate transactions. The Commission also anticipates reducing the annual growth of its operating budget from the planned 4.0% annual level to 2.0% annually for Fiscal Years 2021-2023. With these adjustments and together with future toll increases, the Commission is expected to meet its financial covenants, Act 44 and Act 89 obligations, and capital needs during fiscal year 2021.

Events That Will Impact Financial Position *(continued)*

The Financial Plan for fiscal year 2021 reflects data contained in CDM Smith's Bring-down letter, dated May 29, 2020 (May 2020 Bring-down Letter) which can be found on the Commission's website. The Financial Plan for fiscal year 2021 along with the May 2020 Bring-down Letter include a downward revision to estimated toll revenue and traffic versus that which was contained in CDM Smith's 2018 Traffic and Revenue Forecast together with the bring-down letter dated April 2019 (a copy of which can be found on the Commission's website). As a result of COVID-19 pandemic mitigation efforts, CDM Smith was forecasting a 14.2% decline in the total number of fiscal year 2021 transactions and an 8.2% decrease in fiscal year 2021 annual net toll revenues versus estimates contained in the Financial Plan for fiscal year 2020. One assumption of the fiscal year 2021 Financial Plan was that the Commission would implement a toll increase in October 2020. However, because of the impacts of the COVID-19 pandemic, the Commission decided to delay the toll increase. As noted in the previous paragraph, the increase was approved for January 2021. Based on this delay in implementing the toll increase, a 10.6% decrease in net toll revenues versus estimates contained in the Financial Plan for fiscal year 2020 is now forecasted. The PTC will continue to monitor traffic transactions and at present, it is anticipated that the Commission will request a six-month update (December 2020) from CDM Smith to the May 2020 Bring-down Letter.

Fiscal year 2021 operating expenses are projected to be $426.0 million, which is 1.4% lower than the prior year budgeted amount of $432.0 million. The Financial Plan assumes the Commission will implement three years of below average growth (2.0%) in its annual operating budget to achieve its financial planning goals. After fiscal year 2023, the Financial Plan assumes the Commission will continue with controlled growth of 4.0% annual increases in operating expenses. Where possible, the Commission is actively managing its operations to limit the rate of growth in those operating costs directly under its control. However, significant portions (26.1%) of the Commission's operating budget are beyond its ability to control. These external cost drivers include the Commission's pension expense related to the State Employees Retirement System (SERS) and the Commission's projected expense related to the Pennsylvania State Police. With respect to specific operating expenses that are under the control of the Commission, such costs are projected to decrease nearly 1.0% in fiscal year 2021, while the Commission's Pennsylvania State Police expense is estimated to increase 4.5% ($2.5 million).

The Financial Plan also continues to include more conservative debt structuring assumptions, first included in the fiscal year 2017 Financial Plan, to reduce the Commission's interest costs. These include assuming 30-year terms versus 40-year terms to amortize principal more quickly, eliminating the planned use of capital appreciation bonds and other deferred interest products in the future, and assuming a portion of future debt issuances are based on level debt service assumptions rather than on escalating debt service. Finally, the Financial Plan maintains debt service coverage ratios for all toll revenue supported debt above policy level constraints.

Events That Will Impact Financial Position *(continued)*

The Financial Plan concludes that the Commission will continue to meet all of its indenture covenants and all of its other obligations through fiscal year 2057. However, as a forward-looking report, the Financial Plan makes certain assumptions, including future toll increases, to reach its conclusion that the financial covenants, Act 44 and Act 89 obligations and capital needs will be met beyond fiscal year 2021. Key among these assumptions is the Commission's ability to raise all tolls throughout the Turnpike System. The Financial Plan reflects the full year effects of the January 2020 toll increase and the partial year impacts of the originally proposed October 2020 toll increase. On July 21, 2020, the Commissioners voted unanimously to adopt a January 2021 toll increase of 6.0% along with the implementation of an additional 45.0% increase for Toll By Plate use on the ticket system and the Mon-Fayette Expressway, also effective in January 2021. The net effect of delaying the planned toll increase from October 2020 to the Commission's traditional January (2021) implementation date is an estimated $35.0 million decrease in the fiscal year 2021 estimated toll revenues.

The Financial Plan assumes the $450.0 million reduced level of funding obligations required by Act 44 and Act 89 through fiscal year 2022 and the $50.0 million funding level from fiscal year 2023 through fiscal year 2057. No assurances can be made by the Commission with respect to the assumptions made or conclusions reached in the Financial Plan. A complete copy of the Financial Plan is available on the Commission's website.

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 9) for additional information regarding the Commission's commitments under the Amended Funding Agreement. See also Note 15 for Subsequent Events. Furthermore, legislation may be introduced that could affect the Commission and its obligations pursuant to Act 44 and Act 89. However, the Commission cannot predict what other legislation may be considered by the General Assembly during the 2020-2021 or future legislative sessions or if any other proposals or initiatives may lead to the adoption of legislation that may affect the Commission.

Litigation

On March 15, 2018, several individuals, entities and associations involved in or related to the commercial trucking industry (the Trucking Plaintiffs) filed a class action lawsuit against the Commission, several individuals in their individual capacity and in their official capacity related to the Commission, an individual in her individual capacity and in her official capacity as Chair of the Commission and as Secretary of Transportation, and Governor Wolf, in both his individual and official capacity (the Defendants). The litigation was captioned *Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al.*, No. 1:18-cv-00608-SHR (United States District Court for the Middle District of Pennsylvania) (the Lawsuit). The Trucking Plaintiffs alleged that Act 44, as amended by Act 89 (Act 44/89), violated the Commerce Clause and the right to travel under the U.S. Constitution, either facially or as applied, because the Commission improperly imposes Turnpike tolls beyond that which is necessary for the operation and maintenance of the Turnpike System and that the Commission expends toll revenues for purposes other than the operation and maintenance of the Turnpike System.

Events That Will Impact Financial Position *(continued)*

Litigation (continued)

The Lawsuit sought, among other things, the following injunctive remedies: (1) a permanent injunction enjoining the Commission from issuing any further bonds or incurring any additional debt for the purpose of making Act 44/89 payments; and (2) a permanent injunction prohibiting the Commission from using toll revenues to make payments on outstanding bonds issued to meet Act 44/89 obligations. Moreover, the lawsuit sought certain monetary damages including a refund of a portion of certain tolls allegedly imposed upon the Trucking Plaintiffs' use of the Turnpike System in excess of what was reasonably necessary to pay for the cost of operating and maintaining the Turnpike System, together with any legally applicable interest and other compensation.

The Commission along with all of the other Defendants vigorously defended Act 44/89 and the propriety of the Commission's imposition and use of the Turnpike toll revenues in court.

On April 4, 2019, Judge Yvette Kane of the United States District Court for the Middle District of Pennsylvania (the District Court) issued a decision in which the District Court determined that tolls assessed by the Commission do not unduly burden interstate commerce or interfere with the constitutional right to travel and the Trucking Plaintiffs' complaint failed to state a claim upon which relief may be granted for violations of the dormant Commerce Clause or the constitutional right to travel. Accordingly, the District Court granted the Defendants' motions to dismiss the Trucking Plaintiffs' complaint. On August 13, 2019, the United States Court of Appeals for the Third Circuit affirmed the decision of the District Court, and subsequently denied the Trucking Plaintiffs' petition both for a panel rehearing and an en banc rehearing.

On December 11, 2019, the Trucking Plaintiffs filed a petition for a writ of certiorari in the United States Supreme Court (the Supreme Court) asking the Supreme Court to review the decision of the Third Circuit. On January 27, 2020, the Supreme Court denied the Trucking Plaintiffs' petition for a writ of certiorari asking the Supreme Court to review the decision of the Third Circuit. *Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al.,* cert. denied *(U.S. Jan 27, 2020) (No. 19-762).* This denial by the Supreme Court left undisturbed the favorable decision of the Third Circuit. The Trucking Plaintiffs did not file a petition for rehearing, as permitted by the Supreme Court rules, and the period to file such a petition expired on February 21, 2020. Thus, the class action lawsuit has concluded favorably to the Commission.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Statements of Net Position
May 31, 2020 and 2019
(in thousands)

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current assets		
Cash and cash equivalents	$ 198,564	$ 192,784
Investments	78,655	93,666
Accounts receivable - net of allowance of $229.6 million and $167.1 million as of May 31, 2020 and 2019, respectively	65,631	78,619
Accrued interest receivable	2,066	1,712
Inventories	24,685	19,290
Restricted current assets		
Cash and cash equivalents	707,766	807,132
Investments	341,586	521,567
Accounts receivable	3,180	11,047
Accrued interest receivable	15,049	3,538
Total current assets	1,437,182	1,729,355
Noncurrent assets		
Investments		
Investments	354,491	363,526
Investments restricted	865,449	631,999
Total investments	1,219,940	995,525
Capital assets not being depreciated		
Land and intangibles	425,643	405,643
Assets under construction	1,788,685	1,490,161
Capital assets being depreciated		
Buildings	983,739	981,115
Improvements other than buildings	151,066	150,306
Equipment	706,803	642,785
Infrastructure	8,946,265	9,044,067
Total capital assets before accumulated depreciation	13,002,201	12,714,077
Less: Accumulated depreciation	6,592,200	6,574,079
Total capital assets after accumulated depreciation	6,410,001	6,139,998
Other assets		
Prepaid bond insurance costs	5,875	4,212
Other assets	26,646	29,611
Total other assets	32,521	33,823
Total noncurrent assets	7,662,462	7,169,346
Total assets	9,099,644	8,898,701
Deferred outflows of resources from hedging derivatives	217,154	126,520
Deferred outflows of resources from refunding bonds	343,723	371,837
Deferred outflows of resources from pensions	37,837	76,692
Deferred outflows of resources from OPEB	34,446	46,056
Total deferred outflows of resources	633,160	621,105
Total assets and deferred outflows of resources	$ 9,732,804	$ 9,519,806

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 *(continued)*
May 31, 2020 and 2019
(in thousands)

	2020	2019
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Current liabilities		
Accounts payable and accrued liabilities	$ 517,240	$ 515,097
Act 44 and 89 payment due to PennDOT	-	450,000
Current portion of debt	573,880	325,205
Unearned Income	90,369	77,632
Total current liabilities	1,181,489	1,367,934
Noncurrent liabilities		
Debt, less current portion, net of unamortized premium of $1,143.1 million and $1,074.7 million in 2020 and 2019, respectively	14,383,020	13,591,404
Net pension liability	329,189	385,821
Net OPEB liability	1,845	12,934
Other noncurrent liabilities	355,661	250,097
Total noncurrent liabilities	15,069,715	14,240,256
Total liabilities	16,251,204	15,608,190
Deferred inflows of resources from service concession arrangements	106,450	115,266
Deferred inflows of resources from refunding bonds	11,634	5,845
Deferred inflows of resources from pensions	42,492	21,531
Deferred inflows of resources from OPEB	12,172	11,215
Total deferred inflows of resources	172,748	153,857
Total liabilities and deferred inflows of resources	16,423,952	15,762,047
NET POSITION		
Net investment in capital assets	(903,089)	(623,209)
Restricted for construction purposes	411,313	331,065
Restricted for debt service	42,619	51,536
Unrestricted	(6,241,991)	(6,001,633)
Total net position	$ (6,691,148)	$ (6,242,241)

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
Years Ended May 31, 2020 and 2019
(in thousands)

	2020	2019
Operating revenues		
Fares - net of discounts of $9.8 million and $8.4 million for the years ended May 31, 2020 and 2019, respectively	$ 1,279,740	$ 1,327,031
Other	4,043	9,574
Total operating revenues	1,283,783	1,336,605
Operating expenses		
Cost of services	533,931	509,753
Depreciation	382,088	384,104
Total operating expenses	916,019	893,857
Operating income	367,764	442,748
Nonoperating revenues (expenses)		
Investment earnings	90,345	83,072
Other nonoperating revenues	22,693	22,572
Act 44 and Act 89 payments to PennDOT	(450,000)	(450,000)
Capital assets transferred to the Commonwealth	(294)	(162,982)
Interest and bond expense	(652,901)	(620,584)
Nonoperating expenses, net	(990,157)	(1,127,922)
Loss before capital contributions	(622,393)	(685,174)
Capital contributions	173,486	229,386
Decrease in net position	(448,907)	(455,788)
Net position at beginning of year, before restatement	(6,242,241)	(5,638,762)
Cumulative effect of change in accounting principle	-	(147,691)
Net position at beginning of year, as restated	(6,242,241)	(5,786,453)
Net position at end of year	$ (6,691,148)	$ (6,242,241)

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
Years Ended May 31, 2020 and 2019
(in thousands)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customer tolls and deposits	$ 1,275,558	$ 1,315,498
Cash payments for goods and services	(354,160)	(365,027)
Cash payments to employees	(161,761)	(173,267)
Cash received from other operating activities	16,572	18,605
Net cash provided by operating activities	776,209	795,809
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,179,110	5,035,883
Interest received on investments	35,659	31,302
Purchase of investments	(4,150,842)	(5,617,870)
Net cash provided by (used in) investing activities	63,927	(550,685)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants received from other governments	5,845	59,858
Proceeds from Motor License Registration fees	28,000	28,000
Proceeds from Oil Company Franchise Tax	141,665	141,594
Construction and acquisition of capital assets	(659,425)	(662,544)
Proceeds from sale of capital assets	2,057	1,449
Payments for bond and swap expenses	(5,118)	(7,329)
Payments for cash defeasances	-	(34,505)
Payments for debt refundings	(574,829)	(425,315)
Payments for debt maturities	(109,150)	(104,280)
Interest paid on debt	(330,711)	(313,500)
Interest subsidy from Build America Bonds	10,533	20,998
Swap suspension payments received	2,443	6,825
Proceeds from debt issuances	1,073,553	1,325,956
Net cash (used in) provided by capital and related financing activities	(415,137)	37,207
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash payments to PennDOT	(900,000)	-
Payments for bond and swap expenses	(8,636)	-
Payments for cash defeasances	(51,164)	-
Payments for debt refundings	(481,197)	-
Payments for debt maturities	(76,905)	(120,085)
Interest paid on debt	(285,859)	(278,337)
Proceeds from debt issuances	1,285,176	-
Net cash used in noncapital financing activities	(518,585)	(398,422)
Decrease in cash and cash equivalents	(93,586)	(116,091)
Cash and cash equivalents at beginning of year	999,916	1,116,007
Cash and cash equivalents at end of year	$ 906,330	$ 999,916

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 *(continued)*
Years Ended May 31, 2020 and 2019
(in thousands)

	2020	2019
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	$ 367,764	$ 442,748
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	382,088	384,104
Change in operating assets and liabilities		
Accounts receivable	12,989	(10,114)
Inventories	(5,395)	(1,894)
Other assets	(7)	22
Deferred outflows of resources from pensions	38,855	(29,990)
Deferred outflows of resources from OPEB	11,610	(17,885)
Accounts payable and accrued liabilities	12,652	5,137
Net pension liability	(56,632)	55,825
Net OPEB liability	(11,089)	(28,796)
Other noncurrent liabilities	1,456	(1,307)
Deferred inflows of resources from pensions	20,961	(13,256)
Deferred inflows of resources from OPEB	957	11,215
Net cash provided by operating activities	$ 776,209	$ 795,809
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents	$ 198,564	$ 192,784
Restricted cash and cash equivalents	707,766	807,132
Total cash and cash equivalents	$ 906,330	$ 999,916

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of $50.7 million and a net increase of $44.1 million in the fair value of its investments not reported as cash equivalents for the years ended May 31, 2020 and 2019, respectively.

The Commission recorded $57.7 million and $56.6 million for the amortization of bond premiums for the years ended May 31, 2020 and 2019, respectively.

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

<u>Noncash Investing, Capital and Related Financing and Noncapital Financing Activities</u> *(continued)*

As indicated in Note 7, the Commission refunded and cash defeased various bonds in both fiscal years 2020 and 2019. The fiscal year 2020 refundings and cash defeasances resulted in a $19.1 million reclassification from bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $41.7 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings. The fiscal year 2019 refundings and cash defeasances resulted in a $1.2 million reclassification from bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $0.6 million reclassification from bond premiums (discounts) to deferred inflows of resources from refundings. Additionally, the Commission recorded $40.7 million and $45.3 million in expenses for amortization of deferred outflows/inflows of resources from refunding bonds for the years ended May 31, 2020 and 2019, respectively.

The Commission recorded $0.3 million and $0.6 million in expenses for amortization of prepaid bond insurance costs for the years ended May 31, 2020 and 2019, respectively.

The Commission recorded an interest expense reduction of $3.4 million and $3.0 million for the years ended May 31, 2020 and 2019, respectively, related to GASB Statement No. 53 entries.

The Commission recognized total capital contributions of $173.5 million for the fiscal year ended May 31, 2020. Cash received of $175.5 million for fiscal year ended May 31, 2020 is reported in the capital and related financing activities of this statement. The $2.0 million difference between capital contributions and cash received is the result of a $7.8 million decrease in receivables related to these capital contributions and a $5.8 million noncash capital contribution related to capital assets provided by service plaza operators. The Commission recognized total capital contributions of $229.4 million for the fiscal year ended May 31, 2019. Cash received of $229.5 million for the fiscal year ended May 31, 2019 is reported in the capital and related financing activities of this statement. The $0.1 million difference between capital contributions and cash received is the result of a $5.9 million decrease in receivables related to these capital contributions and a $5.8 million 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 provide the capital for the reconstruction in exchange for lower rental rates. See Note 2 for further discussion on capital contributions and Note 6 for further discussion on the service plazas.

During fiscal year 2020, the Commission transferred land with a book value of $0.3 million to the Pennsylvania Game Commission. The Commission did not transfer any capital assets to the Pennsylvania Game Commission during the fiscal year ended May 31, 2019.

The Commission constructed ramps to connect the Turnpike Mainline with I-95 as part of its I-95 Interchange Project (see the MD&A section of these financial statements for further discussion on this project). The ownership, of these ramp assets, was transferred to PennDOT when the project was completed and open to traffic in September 2018. The net book value of the ramp assets transferred to PennDOT during the fiscal year ended May 31, 2019 was $163.0 million. The Commission did not transfer any capital assets to PennDOT during the fiscal year ended May 31, 2020.

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

NOTE 1 FINANCIAL REPORTING ENTITY

Generally accepted accounting principles 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 (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 component unit of the Commonwealth.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board (GASB), the Commission has determined that it has no component units based on its review of GASB Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*, No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (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 basic financial statements are presented on the accrual basis of accounting.

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

Reclassifications

Certain amounts presented in the prior period have been reclassified to conform to the current year financial statement presentation.

Cash Equivalents

For purposes of the statements of cash flows, 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 with the exception of 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 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. A reserve 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), buildings, improvements, equipment, infrastructure, and assets under construction. 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.

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.

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 also has unearned income related to microwave tower leases. The Commission had total unearned income of $90.9 million and $78.3 million for fiscal years ended May 31, 2020 and 2019, respectively. Unearned income recorded as current liabilities was $90.4 million and $77.6 million for the fiscal years ended May 31, 2020 and 2019, respectively. Unearned income recorded as other noncurrent liabilities was $0.5 million and $0.7 million for the fiscal years ended May 31, 2020 and 2019, respectively.

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

Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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' 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.

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. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The Commission has five items that qualify for reporting in these categories: deferred outflows from its hedging derivative instruments, deferred inflows from its service concession arrangements, deferred outflows/inflows from refunding bonds, deferred outflows/inflows related to pensions and deferred outflows/inflows related to other postemployment benefits.

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

Deferred Outflows/Inflows of Resources *(continued)*

The deferred outflows 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 11. 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.

Net Position

GASB Statement No. 63 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. 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 programs, as well as bad debt expense.

Fare Revenues

Fare revenues are recognized when vehicles exit the Turnpike System. For fiscal years 2020 and 2019, approximately 86.8% and 82.5%, respectively, of the fare revenues were realized through electronic toll collection. For fiscal years 2020 and 2019, approximately 13.2% and 17.5%, respectively, of the fare revenues were realized through cash or credit card collection.

During fiscal year 2016, the Commission implemented Toll By Plate (TBP), a license plate tolling system for customers without a valid E-ZPass. The TBP program offers cashless, nonstop travel at tolling points throughout the Turnpike System. This system utilizes high speed cameras over the roadway that capture license plate images as vehicles pass through the tolling point. The registered owner of the vehicle then receives a flat rate invoice in the mail. For fiscal years 2020 and 2019, approximately 2.8% and 1.1%, respectively, of the fare revenues were realized through TBP, which are included as a part of electronic toll collection.

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

Operating Revenues *(continued)*

Fare Revenues (continued)

Effective March 16, 2020, due to the COVID-19 pandemic, the Commission implemented all-electronic tolling across the system. With existing cameras on the entry lanes, the Commission was able to utilize the TBP system at the remaining tolling points.

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, it is the Commission's policy 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 9 for more information regarding Act 44 and Act 89.

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

Nonoperating Revenues (Expenses) *(continued)*

Capital Assets Transferred to the Commonwealth of Pennsylvania

During the fiscal year ended May 31, 2020, the Commission transferred land to the Pennsylvania Game Commission for impacts to grassland habitats resulting from highway projects. The book value of the land transferred was $0.3 million. The Commission did not transfer any capital assets to the Pennsylvania Game Commission during the fiscal year ended May 31, 2019.

The Commission constructed ramps to connect the Turnpike Mainline with I-95 as part of its I-95 Interchange Project (see the MD&A for further discussion on this project). The ownership, of these ramp assets, was transferred to PennDOT when the project was completed and open to traffic in September 2018. The net book value of the ramp assets transferred to PennDOT during the fiscal year ended May 31, 2019 was $163.0 million. The Commission did not transfer any capital assets to PennDOT during the fiscal year ended May 31, 2020.

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 $133.8 million and $141.8 million for the fiscal years ended May 31, 2020 and 2019, 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, 2020 and 2019 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, 2020 and 2019, the Commission recognized $5.8 million and $53.7 million, respectively, as capital contributions from the other governments. During each of the fiscal years 2020 and 2019, all of the reimbursements were received from the Federal government.

Other Capital Contributions

The Commission entered into contracts with a food and a fuel provider to totally reconstruct the service plazas. The service plaza operators provide the capital for the reconstruction in exchange for lower rental rates. The Commission recognized capital contribution revenues of $5.8 million related to these agreements for each of the fiscal years ended May 31, 2020 and 2019. See Note 6 for further discussion on service plazas.

Adoption of Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The Commission adopted Statement No. 75 in these financial statements for its fiscal year ended May 31, 2019. It was not practical to determine the fiscal year 2018 beginning balance amounts of all deferred inflows of resources and all deferred outflows of resources related to OPEB, except for contributions made subsequent to the measurement date. The Commission recorded the cumulative effect of applying this statement as a restatement of beginning net position as of June 1, 2018 (the beginning of the financial statement period). Net position as of June 1, 2018 was decreased by $146.8 million.

Additionally, SERS adopted Statement No. 75 for its fiscal year ended December 31, 2018 and was required to record its proportionate share of net OPEB liability. This restatement resulted in a reduction in SERS net position restricted for pensions as of January 1, 2018 (beginning of its fiscal year). The Commission recorded its proportionate share of this adjustment, as a restatement of beginning net position as of June 1, 2018 (the beginning of the financial statement period). Net position as of June 1, 2018 was decreased by $0.9 million.

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

Adoption of Accounting Pronouncements *(continued)*

In total, net position as of June 1, 2018 was decreased by $147.7 million. The effect on beginning balances for fiscal year 2018 was as follows:

Description	May 31, 2018 as Previously Reported	Beginning Balance Restatement	June 1, 2018 as Restated
		(in Thousands) *[Debits / (Credits)]*	
Statement of Net Position			
OPEB asset	$ 133,248	$ (133,248)	$ -
Deferred outflows of resources from OPEB	-	28,171	28,171
Net OPEB liability	-	(41,730)	(41,730)
GASB 75 effect on net pension liability	-	(884)	(884)
Net position	5,638,762	147,691	5,786,453

See the additional disclosures in Note 11 and the Required Supplementary Information as required by this Statement.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. The Commission adopted this Statement for its fiscal year ended May 31, 2019. The adoption of this Statement had no impact on the Commission's financial statements for fiscal year ending May 31, 2019.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The Commission adopted this Statement for its fiscal year ended May 31, 2019. Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). See the Required Supplementary Information section for disclosures required by this statement.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The Commission adopted Statement No. 88 for its fiscal year ended May 31, 2019. See the updated disclosures in Note 7.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The Commission adopted Statement No. 89 for its fiscal year ended May 31, 2019 on a prospective basis; therefore, no interest was capitalized in fiscal year 2019.

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

Adoption of Accounting Pronouncements *(continued)*

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. In accordance with the guidance, the Commission adopted Statement No. 95 immediately. The effective dates of the Accounting Pronouncements Not Yet Adopted have been updated as applicable.

Accounting Pronouncements Not Yet Adopted

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The Commission is required to adopt Statement No. 84 for the fiscal year ending May 31, 2021.

In June 2017, the GASB issued Statement No. 87, *Leases*. The Commission is required to adopt Statement No. 87 for the fiscal year ending May 31, 2023.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The Commission is required to adopt Statement No. 90 for the fiscal year ending May 31, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The Commission is required to adopt Statement No. 91 for the fiscal year ending May 31, 2023.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The Commission is required to adopt Statement No. 92 for the fiscal year ending May 31, 2023.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The Commission is required to adopt Statement No. 93 for the fiscal year ending May 31, 2022.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The Commission is required to adopt Statement No. 94 for the fiscal year ending May 31, 2024.

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.

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

Accounting Pronouncements Not Yet Adopted *(continued)*

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*. The Commission is required to adopt Statement No. 97 for the fiscal year ending May 31, 2023.

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, N.A., as successor Trustee;

- An Oil Franchise Tax Trust Indenture, dated August 1, 1998, as supplemented, between the Commission and U.S. Bank, N.A., as successor Trustee;

- A Registration Fee Revenue Trust Indenture, dated August 1, 2005 between the Commission and U.S. Bank, N.A., as successor Trustee;

- A Subordinate Trust Indenture dated April 1, 2008, as supplemented, between the Commission and Wells Fargo Bank, N.A., as successor Trustee; and

- A Special Obligation Trust Indenture, dated September 1, 2014, between the Commission and U.S. Bank, N.A., as successor Trustee.

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

NOTE 4 CASH AND INVESTMENTS

Following is a summary of cash and cash equivalents and investments by type:

	May 31, 2020	May 31, 2019
	(In Thousands)	
Cash and cash equivalent and investment types		
U.S. Treasuries	$ 1,316,725	$ 1,108,290
GNMA mortgages	1,168	1,339
Government agency securities	73,030	123,131
Municipal bonds	39,518	44,958
Corporate obligations	204,816	321,174
Total investment securities	1,635,257	1,598,892
Investment derivatives	4,924	11,866
Cash and cash equivalents	906,330	999,916
Total cash and cash equivalents and investments	**$ 2,546,511**	**$ 2,610,674**

Cash and Cash Equivalents

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

The following summary presents the Commission's cash and cash equivalents:

	Bank Balance	Book Balance
	(In Thousands)	
May 31, 2020		
Demand deposits	$ 30,186	$ 32,494
Money market funds	809,903	809,903
Cash equivalents	63,933	63,933
Total cash and cash equivalents	$ 904,022	$ 906,330
May 31, 2019		
Demand deposits	$ 24,128	$ 24,678
Money market funds	860,659	860,659
Cash equivalents	114,579	114,579
Total cash and cash equivalents	$ 999,366	$ 999,916

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities

Following is a description of the valuation methodologies used for investment securities measured at fair value.

- For the fiscal years ended May 31, 2020 and 2019, U.S. Treasuries of $1,316.7 million and $1,108.3 million, respectively, categorized as Level 1 are valued using quoted market prices.

- For the fiscal years ended May 31, 2020 and 2019, GNMA mortgages of $1.2 million and $1.3 million, respectively, categorized as Level 2 are valued using models based on spreads of comparable securities.

- For the fiscal years ended May 31, 2020 and 2019, government agency securities of $73.0 million and $123.1 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.

- For the fiscal years ended May 31, 2020 and 2019, municipal bonds of $39.5 million and $45.0 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.

- For the fiscal years ended May 31, 2020 and 2019, total corporate obligations were $204.8 million and $321.2 million, respectively. Of the May 31, 2020 and 2019 amounts, $18.2 million is a guaranteed investment contract which is valued at the contract value. The remaining $186.6 million and $303.0 million as of May 31, 2020 and 2019, 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.

- For the fiscal years ended May 31, 2020 and 2019, investment derivatives of $4.9 million and $11.9 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 9 for further discussion.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

The Indentures (as listed in Note 3) permit investments in obligations of, or are guaranteed by, the United States of America, its agencies, and its instrumentalities (United States Government obligations); certificates of deposit issued by institutions insured by the FDIC or fully collateralized with United States Government obligations; investment agreements with certain financial institutions; commercial paper and asset-backed securities rated in the highest category by applicable rating agencies; money market funds and auction rate certificates rated in one of the two highest categories by applicable rating agencies; corporate bonds and medium term notes with a minimum rating of “AA-”; investments in bonds or notes issued by any state or municipality which are rated by Moody’s Investors Service (Moody’s), Standard & Poor’s Ratings Group (S&P) and Fitch Investors Service (Fitch) in one of their two highest rating categories; and repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York collateralized with obligations of, or guaranteed by, the United States of America.

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

- U.S. Treasury Bills, Notes, Bonds, Strips;
- Time Deposits issued by a banking association organized and doing business under the laws of the United States of America or of any state that may have a combined capital and surplus of at least $50.0 million;
- Certificates of Deposit that are fully collateralized and issued by a bank, savings and loan or trust company organized under the laws of the United States or any state thereof;
- Investment Agreements with a bank, a bank holding company or a financial institution that has outstanding long-term indebtedness rated “AA” 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;

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

- Mortgage-backed securities issued by an approved federal agency and collateralized mortgage obligations so long as such securities are rated a minimum of "Aa2" by Moody's and "AA" by S&P;

- Debt obligations of any state or local government entity, whether for itself, or as a conduit issuer, provided that the securities are rated in the "Aa/AA" category by at least two of S&P, Moody's and Fitch and do not have a rating from any of S&P, Moody's and Fitch below the "Aa/AA" category (without regard to subcategories of ratings), and provided that if a short-term rating is provided for the securities that they are rated in the top tier by at least two of the three of S&P ("A1" or better), Moody's ("VMIG1" or "P1"), and Fitch ("F1") and do not have a rating from any of the three rating agencies below such levels;

- Commercial paper rated by at least two of S&P, Moody's and Fitch and not less than "A-1/P-1/F-1" by S&P, Moody's and Fitch, respectively;

- Corporate bonds rated "Aa3/AA-" or better by Moody's and S&P;

- Asset-backed securities rated "AAA" by Moody's and S&P;

- Repurchase agreements with banks or primary government dealers reporting to the Federal Reserve Bank of New York, collateralized by investments with a minimum 102% valuation in securities of U.S. Treasury bills, notes, bonds, strips, or obligations of any federal agencies or senior debt obligations described above; and

- Share or Certificates in any short-term investment fund that invests not less than 90% of its assets in obligations of U.S. Treasury bills, notes, bonds, strips or time deposits.

All investment ratings shall be based on security ratings at the time of purchase. The portfolio's average credit quality should be rated "Aa3/AA-" or better by Moody's/S&P. Investments are generally purchased with the intent of holding to maturity with flexibility to restructure and rebalance portfolio holdings to manage risk and take advantage of market opportunities. The investment policy imposes the following additional limitations:

- 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.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Cash Equivalents and Investment Securities *(continued)*

- Combined exposure to commercial paper, corporate bonds, and asset-backed securities is limited to 35% of the total portfolio.

- Investments in any single issuer (excluding U.S. Treasury and federal agencies) are limited to 5% of the portfolio.

The Commission's Investment Policy also limits investments to those issues expected to mature within five years at the time of purchase, taking into consideration 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 5 years. As of May 31, 2020, the Commission did not hold any securities that were not in compliance with the Investment Policy guidelines. As of May 31, 2019, the Commission held one municipal bond security with a market value of $14.1 million, which had a maturity greater than five years. This security was purchased prior to the Commission's adoption of an Investment Policy.

Credit Risk

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

	Quality Rating as of May 31, 2020					
Investment Type	**AAA**	**AA**	**A**	**A-1**	**Below A**	**Total**
			(In Thousands)			
Government agency securities	$ 5,754	$ 67,276	$ -	$ -	$ -	$ 73,030
Municipal bonds	13,734	8,191	16,098	1,495	-	39,518
Corporate obligations	36,854	132,028	20,978	14,876	80	204,816
	$ 56,342	$ 207,495	$ 37,076	$ 16,371	$ 80	$ 317,364

	Quality Rating as of May 31, 2019					
Investment Type	**AAA**	**AA**	**A**	**A-1**	**Below A**	**Total**
			(In Thousands)			
Government agency securities	$ 118,316	$ 4,815	$ -	$ -	$ -	$ 123,131
Municipal bonds	6,340	20,743	17,875	-	-	44,958
Corporate obligations	71,872	182,816	13,980	52,275	231	321,174
	$ 196,528	$ 208,374	$ 31,855	$ 52,275	$ 231	$ 489,263

Concentration of Credit Risk

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.

As of May 31, 2020 and 2019, the Commission did not have any investments of more than 5% of its consolidated portfolio.

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, 2020	
Investment Type	**Fair Value**	**Effective Duration**
	(In Thousands)	*(In Years)*
U.S. Treasuries	$ 1,316,725	2.7168
GNMA mortgages	1,168	4.2897
Government agency securities	73,030	0.6905
Municipal bonds	39,518	2.3269
Corporate obligations	204,816	1.1416
Total investment securities	$ 1,635,257	

	As of May 31, 2019	
Investment Type	**Fair Value**	**Effective Duration**
	(In Thousands)	*(In Years)*
U.S. Treasuries	$ 1,108,290	2.2121
GNMA mortgages	1,339	4.2896
Government agency securities	123,131	0.6851
Municipal bonds	44,958	2.5456
Corporate obligations	321,174	1.1399
Total investment securities	$ 1,598,892	

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, 2020 and 2019, $29.7 million and $23.6 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, 2020 or 2019.

NOTE 4 CASH AND INVESTMENTS *(continued)*

Investment Derivatives

Following is a summary of the Commission's investment derivatives as of May 31, 2020:

**	Notional Amount *(Thousands)*	Weighted Avg. Mat. *(Years)*	Effective Date	Maturity Date	Terms	Fair Value *(Thousands)*	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
A	*Terminated on 06/27/19 and 07/02/19*							
	$ 112,000				Pay SIFMA, receive 63% of 1-month LIBOR + 20 bps	$ (137)	JPMorgan Chase Bank	Aa2/A+/AA
	48,000					(58)	Bank of New York Mellon	Aa2/AA-/AA
B	160,000	9.1	8/14/2003	12/1/2032		(195)		
	80,000				Pay 67% of 1-month LIBOR, receive 60.15% of the 10 year maturity of the USD-ISDA Swap rate	1,943	JPMorgan Chase Bank	Aa2/A+/AA
	80,000					1,969	Royal Bank of Canada	Aa2/AA-/AA
C	160,000	9.0	9/19/2006	11/15/2032		3,912		
D	115,810	11.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% of 3-month LIBOR	566	Goldman Sachs MMDP	Aa2/AA-/NR
E	115,810	11.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.80% of 3-month LIBOR	641	Deutsche Bank	A3/BBB+/BBB
						$ 4,924		

1-month LIBOR was 0.18250% as of May 31, 2020.
3-month LIBOR was 0.34400% as of May 31, 2020.
10-year maturity of the USD-ISDA swap rate was 0.657% as of May 31, 2020.
SIFMA was 0.14% as of May 31, 2020.

** Letters are used as references in Note 9 (Commitments and Contingencies).

NOTE 4 CASH AND INVESTMENTS *(continued)*

Investment Derivatives *(continued)*

Following is a summary of the Commission's investment derivatives as of May 31, 2019:

**	Notional Amount *(Thousands)*	Weighted Avg. Mat. *(Years)*	Effective Date	Maturity Date	Terms	Fair Value *(Thousands)*	Counterparty	Credit Ratings Moody's/ S&P's/Fitch
	$ 60,384	6.1				$ 449	JPMorgan Chase Bank	Aa2/A+/AA
	60,384	6.1			Pay 67% of 1-month LIBOR, receive	454	Merrill Lynch CS*	A2/A-/A+
	60,384	6.1			60.08% of the 10 year maturity of the	449	PNC Bank	A2/A/A+
	75,478	6.1			USD-ISDA Swap Rate	569	Bank of New York Mellon	Aa2/AA-/AA
A	256,630		7/1/2007	12/1/2030		1,921		
	112,000				Pay SIFMA, receive 63% of 1-month	(1,034)	JPMorgan Chase Bank	Aa2/A+/AA
	48,000				LIBOR + 20 bps	(442)	Bank of New York Mellon	Aa2/AA-/AA
B	160,000	10.1	8/14/2003	12/1/2032		(1,476)		
	80,000				Pay 67% of 1-month LIBOR, receive	1,003	JPMorgan Chase Bank	Aa2/A+/AA
	80,000				60.15% of the 10 year maturity of the	1,018	Royal Bank of Canada	Aa2/AA-/AA
C	160,000	10.0	9/19/2006	11/15/2032	USD-ISDA Swap rate	2,021		
D	115,810	12.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.68% of 3-month LIBOR	4,403	Goldman Sachs MMDP	Aa2/AA-/NR
E	115,810	12.8	6/1/2010	6/1/2039	Pay SIFMA, receive 99.80% of 3-month LIBOR	4,997	Deutsche Bank	A3/BBB+/BBB+
						$ 11,866		

1-month LIBOR was 2.43050% as of May 31, 2019.
3-month LIBOR was 2.50250% as of May 31, 2019.
10-year maturity of the USD-ISDA swap rate was 2.124% as of May 31, 2019.
SIFMA was 1.42% as of May 31, 2019.

* 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, 2019.
** Letters are used as references in Note 9 (Commitments and Contingencies).

See Note 9 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, 2020 and 2019 are as follows:

	Balance May 31, 2019	Additions	Transfers (In Thousands)	Reductions	Balance May 31, 2020
Capital assets not being depreciated (cost)					
Land and intangibles	$ 405,643	$ 20,420	$ -	$ 420	$ 425,643
Assets under construction	1,490,161	620,870	(322,346)	-	1,788,685
Total capital assets not being depreciated	1,895,804	641,290	(322,346)	420	2,214,328
Capital assets being depreciated (cost)					
Buildings	981,115	-	2,624	-	983,739
Improvements other than buildings	150,306	-	760	-	151,066
Equipment	642,785	11,273	64,253	11,508	706,803
Infrastructure	9,044,067	-	254,709	352,511	8,946,265
Total capital assets being depreciated	10,818,273	11,273	322,346	364,019	10,787,873
Less accumulated depreciation for					
Buildings	435,971	23,078	-	-	459,049
Improvements other than buildings	83,828	6,198	-	-	90,026
Equipment	539,630	39,826	-	11,457	567,999
Infrastructure	5,514,650	312,986	-	352,510	5,475,126
Total accumulated depreciation	6,574,079	382,088	-	363,967	6,592,200
Total capital assets being depreciated, net	4,244,194	(370,815)	322,346	52	4,195,673
Total capital assets	$ 6,139,998	$ 270,475	$ -	$ 472	$ 6,410,001

	Balance May 31, 2018	Additions	Transfers (In Thousands)	Reductions	Balance May 31, 2019
Capital assets not being depreciated (cost)					
Land and intangibles	$ 380,837	$ 25,178	$ -	$ 372	$ 405,643
Assets under construction	1,517,692	635,288	(662,819)	-	1,490,161
Total capital assets not being depreciated	1,898,529	660,466	(662,819)	372	1,895,804
Capital assets being depreciated (cost)					
Buildings	980,744	-	9,839	9,468	981,115
Improvements other than buildings	124,960	-	32,988	7,642	150,306
Equipment	621,430	10,119	14,297	3,061	642,785
Infrastructure	8,809,493	-	605,695	371,121	9,044,067
Total capital assets being depreciated	10,536,627	10,119	662,819	391,292	10,818,273
Less accumulated depreciation for					
Buildings	422,553	22,886	-	9,468	435,971
Improvements other than buildings	86,916	4,555	-	7,643	83,828
Equipment	514,325	28,240	-	2,935	539,630
Infrastructure	5,394,366	328,423	-	208,139	5,514,650
Total accumulated depreciation	6,418,160	384,104	-	228,185	6,574,079
Total capital assets being depreciated, net	4,118,467	(373,985)	662,819	163,107	4,244,194
Total capital assets	$ 6,016,996	$ 286,481	$ -	$ 163,479	$ 6,139,998

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 has entered into long term service plaza redevelopment agreements with HMSHost Restaurants, LLC and Sunoco Retail LLC to design, reconstruct, finance, operate and maintain all of the service plazas. During fiscal year 2018, the agreement with Sunoco Retail LLC was assigned to 7-Eleven, Inc. All terms of the contract remained the same. The 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 are recognized by the Commission. The current contracts with HMSHost Restaurants, LLC and 7-Eleven, Inc. expire on August 25, 2036 and January 31, 2022, respectively. 7-Eleven Inc.'s lease may be extended for three additional five-year periods. The first extension shall be at the discretion of 7-Eleven Inc., and the second and third extensions shall be mutually agreed to by both parties.

As of May 31, 2020, 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 $79.9 million related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2020 and in accordance with GASB Statement No. 60, the Commission recognized a receivable and deferred inflow of resources in the amount of $26.6 million for the present value of guaranteed minimum rent payments. Due to the COVID-19 pandemic, in a letter dated April 8, 2020, the Commission waived the payment of minimum annual rent as set forth in the lease agreement for calendar year 2020. The receivable and deferred inflow of resources have been adjusted for this waiver.

As of May 31, 2019, 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 $85.7 million related to these assets in accordance with GASB Statement No. 60. Also, as of May 31, 2019 and in accordance with GASB Statement No. 60, the Commission recognized a receivable and deferred inflow of resources in the amount of $29.6 million for the present value of guaranteed minimum rent payments scheduled to begin upon completion of all construction. Since the final service plaza was completed at the end of fiscal year 2018, guaranteed minimum rental payment requirements began in fiscal year 2019.

NOTE 7 DEBT

Following is a summary of debt outstanding:

	May 31, 2020	May 31, 2019
	(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
2009 Series B: Issued $375,010 in December 2009 at 3.00% to 5.00%, due in varying installments through December 1, 2025. Interest paid each June 1 and December 1. Fully refunded in December 2019.	-	232,325
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.	51,935	51,935
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.	19,730	123,255
2013 Series B: Issued $265,155 in July 2013 at a variable rate (based on SIFMA + .40% to 1.27%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2020. Partially refunded in June 2015 and June 2019.	100,000	200,000
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 and January 2020.	48,135	164,850
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.	231,905	231,970
2014 Series B-1: Issued $444,280 in May 2014 at a variable rate (based on SIFMA + .05% to .98%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2021. Partially refunded in June 2015, June 2016, October 2017, July 2018 and June 2019.	250,000	289,150
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.	239,620	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.	284,200	285,950
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.	385,095	385,095
2015 Series A-2: Issued $115,635 in June 2015 at a variable rate (based on SIFMA + .15% to .90%, reset weekly, paid the 1st of each month). Due in varying installments through December 1, 2021.	25,000	50,000
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.	302,810	303,645
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.	447,850	447,850
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.	354,205	360,130
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.	182,455	182,455
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.	307,935	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.	141,200	141,200
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	-
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.	341,325	-
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.	179,815	-
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.	234,320	-
Total Mainline Senior Bonds	5,359,775	5,089,790

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2020	May 31, 2019
	(In Thousands)	
Mainline Senior Direct Placements & Direct Borrowings		
2016 EB-5 Loan (1st-3rd Tranches): Issued $150,000 in March 2016 at 2.00% due on March 18, 2021. Interest is paid each June 1 and December 1.	$ 150,000	$ 150,000
2016 EB-5 Loan (4th Tranche): Issued $50,000 in May 2016 at 2.00%, due on May 12, 2021. Interest is paid each June 1 and December 1.	50,000	50,000
2018 EB-5 Loan (1st Tranche): Issued $50,000 in February 2018 at 2.00% due on February 21, 2023. Interest is paid each June 1 and December 1.	50,000	50,000
2018 EB-5 Loan (2nd Tranche): Issued $45,000 in November 2018 at 2.00% due on November 13, 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	-
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	-
Total Mainline Senior Direct Placements & Direct Borrowings	383,500	295,000
Total Mainline Senior Debt	5,743,275	5,384,790
Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)		
Mainline Subordinate Revenue Debt		
Mainline Subordinate Bonds		
2008 Sub-Series A-2 Subordinate Revenue (Federally Taxable): Issued $68,290 in April 2008 at 3.74% to 6.41%, due in varying installments through June 1, 2022. Interest paid each June 1 and December 1. Partially refunded in October 2016.	-	5,835
2008 Sub-Series B-1, B-2 Subordinate Revenue (B-2 Federally Taxable): Issued $233,905 in July 2008 at 5.00% to 7.47%, due in varying installments through June 1, 2036. Interest paid each June 1 and December 1. Sub-series B-1 was partially refunded in February 2016, April 2016, and final refunding in June 2016. Sub-series B-2 was partially refunded in October 2016 and fully defeased in May 2020.	-	14,640
2009 Series A Subordinate Revenue: Issued $308,035 in January 2009 at 3.00% to 5.00%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1. Partially refunded in February 2016, April 2016, June 2016, October 2016, May 2017 and July 2017.	-	7,120
2009 Series B Subordinate Revenue: Issued $856,735 in July 2009 at 3.00% to 5.75%, due in varying installments through June 1, 2039. Interest paid each June 1 and December 1. Partially refunded in February 2016, April 2016, June 2016, October 2016 and July 2017.	-	23,065
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.	152,355	152,355
2009 Series D Subordinate Revenue: Issued $324,745 in October 2009 at 4.00% to 5.50%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in February 2016, June 2016, October 2016, and May 2017.	-	4,560
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.	329,975	329,975
2010 Sub-Series B-1, B-2 Subordinate Revenue: Issued $273,526 in July 2010 at 5.00%. Sub-Series B-1 due in varying installments through December 1, 2037. Sub-Series B-2 issued as convertible CABs. Interest compounded semi-annually until December 1, 2015, thereafter paid each June 1 and December 1. Compounded interest paid at maturity or earlier redemption. Sub-Series B-1 was partially refunded in June 2016, November 2017 and final refunding in March 2020. Sub-Series B-2 was partially refunded in June 2016 and October 2016 and final refunding in July 2017.	-	11,285

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2020	May 31, 2019
	(In Thousands)	
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.	$ 24,291	$ 24,735
2011 Series B Subordinate Revenue: Issued $126,740 in October 2011 at 2.00% to 5.25%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in December 2017, November 2019 and February 2020.	15,050	62,680
2012 Series A Subordinate Revenue: Issued $123,545 in April 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, December 2017, November 2019 and February 2020.	12,770	71,740
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.	55,170	100,720
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.	52,965	82,845
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 and final refunding in February 2020. Sub Series B-1 partially refunded in February 2020.	83,452	110,788
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.	157,452	156,742
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.	201,395	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.	209,010	209,010
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.	131,070	131,160
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.	313,210	360,560
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.	203,700	203,700
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.	649,545	649,545
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.	69,660	71,720

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2020	May 31, 2019
	(In Thousands)	
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.	$ 284,275	$ 284,275
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.	379,115	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.	370,795	371,205
2017 Second Series Subordinate Revenue Refunding: Issued $150,425 in November 2017 at 5.00%. Due in varying installments through December 1, 2037. Interest paid each June 1 and December 1.	150,425	150,425
2017 Third Series Subordinate Revenue Refunding: Issued $143,585 in December 2017 at 4.00% to 5.00%. Due in varying installments through December 1, 2040. Interest paid each June 1 and December 1.	143,585	143,585
2019 Series A Subordinate Revenue: Issued $722,970 in June 2019 at 4.00% to 5.00%. Due in varying installments through December 1, 2049. Interest paid each June 1 and December 1.	722,970	-
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.	86,730	-
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.	134,310	-
Total Mainline Subordinate Bonds	5,374,185	4,755,690
Mainline Subordinate Direct Placements & Direct Borrowings		
2017 First Series Subordinate Revenue Refunding: Issued $291,850 in May 2017 at a variable rate (based on SIFMA + .60% reset weekly, paid the 1st of each month commencing on June 1, 2017). 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	5,666,035	5,047,540
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.	43,483	41,263
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.	24,945	46,467
2011 at 3.00% to 5.00%, due in varying installments through December 1, 2041. Interest paid each June 1 and December 1. Partially refunded in July 2017, November 2017, December 2017, November 2019 and February 2020.	4,930	29,560
2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue: Issued $94,935 in April 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 July 2017, November 2017, December 2017, November 2019 and February 2020.	4,855	36,260
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.	17,965	69,495
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.	7,585	69,105

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2020	May 31, 2019
	(In Thousands)	
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.	$ 46,129	$ 83,691
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.	79,231	75,640
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.	79,865	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 and December 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
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.	151,130	-
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.	92,750	-
Total Motor License Fund-Enhanced Subordinate Special Revenue Debt	1,006,173	984,651
Total Mainline Subordinate Debt (consisting of Subordinate Revenue Debt and Motor License Fund-Enhanced Subordinate Special Revenue Debt)	6,672,208	6,032,191
Total Mainline Senior and Subordinate Debt	12,415,483	11,416,981
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.	159,173	159,413
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.	23,120	23,120
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.	171,105	180,640
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
Total Oil Franchise Tax Senior Debt	584,783	594,558

NOTE 7 DEBT *(continued)*

Following is a summary of debt outstanding: *(continued)*

	May 31, 2020	May 31, 2019
	(In Thousands)	
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.	$ 123,045	$ 124,075
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.	24,215	24,215
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.	95,925	102,725
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
Total Oil Franchise Tax Subordinate Debt	453,665	461,495
Total Oil Franchise Tax Senior and Subordinate Debt	1,038,448	1,056,053
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.	128,400	137,470
Total Motor License Registration Fee Bonds	128,400	137,470
Motor License Registration Fee Direct Placement & Direct Borrowings		
2005 Series B, C, D: Issued $231,425 in August 2005 and remarketed in October 2015 with a direct placement at a variable rate (based on 70% of 1-month LIBOR + .85%, reset monthly, paid the 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	359,825	368,895
Total Debt Payable	13,813,756	12,841,929
Unamortized premium/discount	1,143,144	1,074,680
Total debt, net of unamortized premium/discount	14,956,900	13,916,609
Less: Current portion	573,880	325,205
Debt, noncurrent portion	$ 14,383,020	$ 13,591,404

As of May 31, 2020, the Commission had $906,775 in outstanding Direct Placements and Direct Borrowings.
SIFMA was 0.14% on May 31, 2020
1-month LIBOR was 0.18250% on May 31, 2020

As of May 31, 2019, the Commission had $818,275 in outstanding Direct Placements and Direct Borrowings.
SIFMA was 1.42% on May 31, 2019
1-month LIBOR was 2.43050% on May 31, 2019

NOTE 7 DEBT *(continued)*

The tables below summarize the total additions and total reductions in debt during fiscal years 2020 and 2019. 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, 2019	Additions	Reductions *(In Thousands)*	Balance at May 31, 2020	Due Within One Year
Mainline debt					
Mainline bonds	$ 10,830,131	$ 2,098,182	$ 1,188,180	$ 11,740,133	$ 345,615
Mainline direct placements & borrowings	586,850	88,500	-	675,350	200,000
Total Mainline debt	11,416,981	2,186,682	1,188,180	12,415,483	545,615
Oil Franchise Tax debt					
Oil Franchise Tax bonds	1,056,053	1,375	18,980	1,038,448	18,720
Total Oil Franchise Tax debt	1,056,053	1,375	18,980	1,038,448	18,720
Motor License Registration Fee debt					
Motor License Registration Fee bonds	137,470	-	9,070	128,400	9,545
Motor License Registration Fee direct placements and borrowings	231,425	-	-	231,425	-
Total Motor License Registration Fee debt	368,895	-	9,070	359,825	9,545
	12,841,929	2,188,057	1,216,230	13,813,756	573,880
Premium (discount), net	1,074,680	187,064	118,600	1,143,144	-
Totals	$ 13,916,609	$ 2,375,121	$ 1,334,830	$ 14,956,900	$ 573,880

	Balance at May 31, 2018	Additions	Reductions *(In Thousands)*	Balance at May 31, 2019	Due Within One Year
Mainline debt					
Mainline bonds	$ 10,499,280	$ 731,346	$ 400,495	$ 10,830,131	$ 297,155
Mainline direct placements & borrowings	785,500	45,000	243,650	586,850	-
Total Mainline debt	11,284,780	776,346	644,145	11,416,981	297,155
Oil Franchise Tax debt					
Oil Franchise Tax bonds	631,054	443,169	18,170	1,056,053	18,980
Total Oil Franchise Tax debt	631,054	443,169	18,170	1,056,053	18,980
Motor License Registration Fee debt					
Motor License Registration Fee bonds	155,085	-	17,615	137,470	9,070
Motor License Registration Fee direct placements and borrowings	231,425	-	-	231,425	-
Total Motor License Registration Fee debt	386,510	-	17,615	368,895	9,070
	12,302,344	1,219,515	679,930	12,841,929	325,205
Premium (discount), net	1,009,927	123,136	58,383	1,074,680	-
Totals	$ 13,312,271	$ 1,342,651	$ 738,313	$ 13,916,609	$ 325,205

NOTE 7 DEBT *(continued)*

Debt service requirements subsequent to May 31, 2020 related to all sections of 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)				
2021	$ 373,880	$ 581,013	$ 954,893	$ 200,000	$ 13,455	$ 213,455	$ 573,880	$ 594,468	$ 1,168,348
2022	477,910	573,184	1,051,094	-	8,223	8,223	477,910	581,407	1,059,317
2023	253,065	567,110	820,175	50,000	8,445	58,445	303,065	575,555	878,620
2024	458,470	554,464	1,012,934	45,000	7,188	52,188	503,470	561,652	1,065,122
2025	286,666	544,491	831,157	88,500	6,348	94,848	375,166	550,839	926,005
2026-2030	1,661,328	2,529,717	4,191,045	-	22,771	22,771	1,661,328	2,552,488	4,213,816
2031-2035	2,392,080	2,063,350	4,455,430	71,650	21,083	92,733	2,463,730	2,084,433	4,548,163
2036-2040	3,104,174	1,464,597	4,568,771	199,075	14,470	213,545	3,303,249	1,479,067	4,782,316
2041-2045	2,638,963	764,042	3,403,005	252,550	1,583	254,133	2,891,513	765,625	3,657,138
2046-2050	1,260,445	154,469	1,414,914	-	-	-	1,260,445	154,469	1,414,914
	$12,906,981	$ 9,796,437	$ 22,703,418	$ 906,775	$ 103,566	$ 1,010,341	$ 13,813,756	$ 9,900,003	$ 23,713,759

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 2020, the Commission issued $983,775,000 of Mainline Senior Debt; $429,825,000 was issued to finance the costs of various capital projects, and $553,950,000 was issued to refund outstanding Mainline Senior Debt.

  In fiscal year 2019, the Commission issued $760,955,000 of Mainline Senior Debt; $352,935,000 was issued to finance the costs of various capital projects, and $408,020,000 was issued to refund 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 9 for additional information regarding Act 44 and Act 89.

  In fiscal year 2020, the Commission issued $1,187,890,000 of Mainline Subordinate Debt; $722,970,000 was issued to finance the costs of Act 44 and Act 89, and $464,920,000 was issued to refund outstanding Mainline Subordinate Debt.

  The Commission did not issue any Mainline Subordinate Debt in fiscal year 2019.

NOTE 7 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 in fiscal year 2020.

  In fiscal year 2019, the Commission issued $441,865,000 of Oil Franchise Tax Debt to finance the costs of capital expenditures related to the Mon/Fayette and Southern Beltway expansion projects. The Commission did not issue any Motor License Registration Fee Debt in fiscal year 2019.

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 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In fiscal year 2013, the Commission entered into a loan agreement to borrow up to $200.0 million in four 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 I-95 Interchange Project. Such debt is issued under the Senior Indenture on parity with the Turnpike Revenue Bonds. As of May 31, 2020, and 2019, the Commission has borrowed all $200.0 million under the agreement.

In fiscal year 2017, the Commission entered into a second 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 EB-5 visa program. 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, if borrowed, would be issued under the Senior Indenture on parity with the Turnpike Revenue Bonds. The outstanding principal related to these EB-5 borrowings was $183.5 million and $95.0 million as of May 31, 2020 and 2019, respectively.

NOTE 7 DEBT *(continued)*

<u>Mainline Debt Requirements and Recent Activity</u> *(continued)*

Under the Commonwealth's Act 44 of 2007 (Act 44), 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 $1,006.2 million and $984.7 million as of May 31, 2020 and 2019, 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 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In June 2018, the Commission issued $182,455,000 2018 Series A-1 Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2023. The 2018 Series A-1 Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2018 maturity of the Commission's 2013 Series A Senior Revenue Bonds ($76,075,000), the current refunding of the December 1, 2018 maturity of the Commission's 2014 Series B-1 Senior Revenue Bonds ($65,000,000), the current refunding of the December 1, 2018 maturity of the Commission's 2016 Series A-2 Senior Revenue Bonds ($40,590,000) and for paying the costs of issuing the 2018 Series A-1 Senior Revenue Bonds.

In June 2018, the Commission issued $307,935,000 2018 Series A-2 Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2048. The 2018 Series A-2 Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the Commission's Ten-Year Capital Plan, including but not limited to, the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and for paying the costs of issuing the 2018 Series A-2 Senior Revenue Bonds.

In November 2018, the Commission issued $141,200,000 2018 Series B Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2023. The 2018 Series B Senior Revenue Bonds were issued primarily for the current refunding of the December 1, 2020 maturity of the Commission's 2017 Series B-1 Senior Revenue Bonds ($40,000,000) which were issued as a Direct Placement; the current refunding of the December 1, 2021 maturity of the Commission's 2017 Series B-2 Senior Revenue Bonds ($100,320,000), which were issued as a Direct Placement; and for paying the costs of issuing the 2018 Series B Senior Revenue Bonds.

In November 2018, the Commission issued, as a Direct Borrowing, $45,000,000 2018 EB-5 Loan (Second Tranche) at a fixed rate with a maturity date of November 13, 2023. 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 and for paying the costs of issuing the 2018 EB-5 Loan.

In February 2019, the Commission issued $84,365,000 2019 First Series Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2033. The 2019 First Series Senior Revenue Bond were issued primarily for the current refunding of the Commission's 2017 Series C Senior Revenue Bonds ($103,330,000), which were issued as a Direct Placement, and for paying the costs of issuing the 2019 First Series Senior Revenue Bonds. The current refunding of 2017 Series C Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $8.6 million. The transaction resulted in an economic gain of $3.4 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In May 2019, the Commission cash defeased the December 1, 2021 maturity of the Commission's 2012 Series A Senior Revenue Bonds ($4,525,000). This cash defeasance of the 2012 Series A Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $5.2 million. The transaction resulted in an economic gain of $0.3 million.

In May 2019, the Commission cash defeased the December 1, 2021 maturity of the Commission's 2011 Series A Senior Revenue Bonds ($16,725,000). This cash defeasance of the 2011 Series A Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $19.2 million. The transaction resulted in an economic gain of $1.0 million.

In June 2019, the Commission issued $139,815,000 of 2019 Second Series Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2038. The 2019 Second Series Senior Revenue Bonds were issued to refund a portion of the 2013 Series B Senior Revenue Bonds ($100,000,000), 2014 Series B-1 Senior Revenue Bonds ($39,150,000), and for paying the costs of issuing the 2019 Second Series Senior Revenue Bonds.

In June 2019, the Commission issued $722,970,000 of 2019 Series A Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2049. The 2019 Series A Subordinate Revenue Bonds were issued primarily to finance a portion of the cost of making payments to PennDOT in accordance with Act 44 and Act 89 and for paying the costs of issuing the 2019 Series A Subordinate Revenue Bonds.

In August 2019, the Commission issued $341,325,000 of 2019 Series A Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2049. The 2019 Series A Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the Commission's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges and for paying the costs of issuing the 2019 Series A Senior Revenue Bonds.

In September 2019, the Commission issued $179,815,000 of the 2019 Forward Delivery Series Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2025. The 2019 Forward Delivery Series Senior Revenue Bonds were issued primarily for the current refunding of the 2009 Series B Senior Revenue Bonds ($190,080,000) and for paying the costs of issuing the 2019 Forward Delivery Series Senior Revenue Bonds. The current refunding of 2009 Series B Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $14.8 million. The transaction resulted in an economic gain of $10.7 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In November 2019, the Commission issued, as a Direct Borrowing, $52,000,000 2019 EB-5 Loan (Third Tranche) at a fixed rate with a maturity date of November 5, 2024. 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 and for paying the costs of issuing the 2019 EB-5 Loan.

In November 2019, the Commission issued $86,730,000 of 2019 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2042. The 2019 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series C-1 Subordinate Revenue Bonds ($1,540,000), 2011 Series B Subordinate Revenue Bonds ($40,130,000), 2012 Series A Subordinate Revenue Bonds ($25,910,000), 2012 Series B Subordinate Revenue Bonds ($12,685,000) and for paying the costs of issuing the 2019 First Series Subordinate Revenue Refunding Bonds. The advanced refunding of 2010 Series C-1 Subordinate Revenue Bonds, 2011 Series B Subordinate Revenue Bonds, 2012 Series A Subordinate Revenue Bonds, 2012 Series B Subordinate Revenue Bonds, and 2013 Series A Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $12 million. The transaction resulted in an economic gain of $8.4 million.

In November 2019, the Commission issued $151,130,000 of 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($13,780,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($23,340,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($28,610,000), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($35,270,000), and 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($39,765,000) and for paying the costs of issuing the 2019 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds. The advanced refunding of 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, and 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the Commission to reduce its debt service by approximately $28.1 million. The transaction resulted in an economic gain of $16.7 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In January 2020, the Commission issued, as a Direct Borrowing, $36,500,000 2020 EB-5 Loan (Fourth Tranche) at a fixed rate with a maturity date of January 21, 2025. 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 and for paying the costs of issuing the 2020 EB-5 Loan.

In January 2020, the Commission issued $234,320,000 of 2020 First Series Senior Revenue Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2020 First Series Senior Revenue Bonds were issued to refund a portion of the 2012 Series A Senior Revenue Bonds ($99,380,000), 2013 Series C Senior Revenue Bonds ($115,580,000), and for paying the costs of issuing the 2020 First Series Senior Revenue Bonds. The advanced refunding 2012 Series A Senior Revenue Bonds and 2013 Series C Senior Revenue Bonds allowed the Commission to reduce its debt service by approximately $44.5 million. The transaction resulted in an economic gain of $25.7 million.

In February 2020, the Commission issued $134,310,000 of 2020 First Series Subordinate Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity date of December 1, 2043. The 2020 First Series Subordinate Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Subordinate Revenue Bonds ($11,285,000), 2011 Series B Subordinate Revenue Bonds ($3,820,000), 2012 Series A Subordinate Revenue Bonds ($29,555,000), 2012 Series B Subordinate Revenue Bonds ($29,240,000), 2013 Series A Subordinate Revenue Bonds ($28,555,000), 2013 Series B-1 Subordinate Revenue Bonds ($18,200,000), 2013 Series B-3 Subordinate Revenue Bonds ($10,215,000) and for paying the costs of issuing the 2020 First Series Subordinate Revenue Refunding Bonds. The current refunding of 2010 Series B-1 Subordinate Revenue Bonds and the advanced refunding of 2011 Series B Subordinate Revenue Bonds, 2012 Series A Subordinate Revenue Bonds, 2012 Series B Subordinate Revenue Bonds, 2013 Series A Subordinate Revenue Bonds, 2013 Series B-1 Subordinate Revenue Bonds, and 2013 Series B-3 Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $32.4 million. The transaction resulted in an economic gain of $13.8 million.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

In February of 2020, the Commission issued $92,750,000 of 2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds (Federally Taxable) at a fixed rate with a maturity of December 1, 2043. The 2020 First Series Motor License Fund-Enhanced Subordinate Special Revenue Refunding Bonds were issued to provide funds for refunding a portion of the Commission's 2010 Series B-1 Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($8,790,000), 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($25,000), 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($1,805,000), 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($15,230,000), 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($20,330,000), 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds ($38,080,000) and for paying the costs of issuing the 2020 First Series Motor License Fund-Enhanced Subordinate Revenue Refunding Bonds. The advanced refunding of 2010 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2011 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2012 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds, 2013 Series A Motor License Fund-Enhanced Subordinate Special Revenue Bonds and 2013 Series B Motor License Fund-Enhanced Subordinate Special Revenue Bonds allowed the Commission to reduce its debt service by approximately $21.7 million. The transaction resulted in an economic gain of $13.7 million.

In May 2020, the Commission cash defeased the June 1, 2020 maturity of the Commission's 2008 Series B Subordinate Revenue Bonds ($7,595,000), 2016 First Series Subordinate Revenue Refunding Bonds ($42,020,000), and 2017 Series B-2 Subordinate Revenue Bonds ($210,000). This cash defeasance of the Subordinate Revenue Bonds allowed the Commission to reduce its debt service by approximately $51.2 million. The transaction resulted in an economic loss of $0.1 million, which essentially represented transaction fees incurred as a result of the cash defeasance.

NOTE 7 DEBT *(continued)*

Mainline Debt Requirements and Recent Activity *(continued)*

Debt service requirements subsequent to May 31, 2020 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
2021	$ 345,615	$ 521,074	$ 866,689	$ 200,000	$ 11,062	$ 211,062	$ 545,615	$ 532,136	$ 1,077,751
2022	448,195	514,673	962,868	-	5,830	5,830	448,195	520,503	968,698
2023	220,510	510,099	730,609	50,000	6,052	56,052	270,510	516,151	786,661
2024	424,255	499,102	923,357	45,000	4,788	49,788	469,255	503,890	973,145
2025	250,226	490,862	741,088	88,500	3,955	92,455	338,726	494,817	833,543
2026-2030	1,449,848	2,291,622	3,741,470	-	10,798	10,798	1,449,848	2,302,420	3,752,268
2031-2035	2,194,340	1,876,632	4,070,972	-	10,798	10,798	2,194,340	1,887,430	4,081,770
2036-2040	2,919,271	1,292,674	4,211,945	90,025	9,299	99,324	3,009,296	1,301,973	4,311,269
2041-2045	2,390,938	682,802	3,073,740	201,825	1,227	203,052	2,592,763	684,029	3,276,792
2046-2050	1,096,935	133,250	1,230,185	-	-	-	1,096,935	133,250	1,230,185
	$ 11,740,133	$ 8,812,790	$ 20,552,923	$ 675,350	$ 63,809	$ 739,159	$ 12,415,483	$ 8,876,599	$ 21,292,082

Oil Franchise Tax Debt Requirements and Recent Activity

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

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

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

In June 2018, the Commission issued $231,385,000 2018 Series A Oil Franchise Tax Senior Revenue Bonds at a fixed rate with a maturity date of December 1, 2048. The 2018 Series A Oil Franchise Tax Senior Revenue Bonds were issued to finance the costs of various capital expenditures for the Turnpike System as set forth in the Commission's current or any prior Independently Funded Capital Plan, including but not limited to, the funding of capital expenditures related to the Southern Beltway or the Mon-Fayette Expressway and for paying the costs of issuing the 2018 Series A Oil Franchise Tax Senior Revenue Bonds.

NOTE 7 DEBT *(continued)*

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

In June 2018, the Commission issued $210,480,000 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds at a fixed rate with a maturity date of December 1, 2048. The 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds were issued to provide funds to finance the costs of capital expenditures related to the Southern Beltway or the Mon-Fayette Expressway, funding necessary reserves or similar funds to the extent required for such financing and for paying the costs of issuing the 2018 Series B Oil Franchise Tax Subordinate Revenue Bonds.

Debt service requirements subsequent to May 31, 2020 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)				
2021	$ 18,720	$ 53,449	$ 72,169	$ -	$ -	$ -	$ 18,720	$ 53,449	$ 72,169
2022	19,670	52,535	72,205	-	-	-	19,670	52,535	72,205
2023	21,980	51,576	73,556	-	-	-	21,980	51,576	73,556
2024	23,090	50,497	73,587	-	-	-	23,090	50,497	73,587
2025	24,725	49,363	74,088	-	-	-	24,725	49,363	74,088
2026-2030	143,010	226,923	369,933	-	-	-	143,010	226,923	369,933
2031-2035	190,815	186,536	377,351	-	-	-	190,815	186,536	377,351
2036-2040	184,903	171,923	356,826	-	-	-	184,903	171,923	356,826
2041-2045	248,025	81,240	329,265	-	-	-	248,025	81,240	329,265
2046-2050	163,510	21,219	184,729	-	-	-	163,510	21,219	184,729
	$ 1,038,448	$ 945,261	$ 1,983,709	$ -	$ -	$ -	$ 1,038,448	$ 945,261	$ 1,983,709

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.

In July 2018, the Commission executed the First Amendment to Continuing Covenant Agreement and Supplemental Trust Indenture No. 3 relating to modifications of the 2005 Series B, C and D Motor License Registration Fee Revenue Bonds. These amendments modified various terms of the agreement.

NOTE 7 DEBT *(continued)*

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

In February 2019, the Commission executed a further restructuring of the 2005 Series B, C and D Motor License Registration Fee Revenue Bonds. This included converting from a LIBOR based calculation to a SIFMA based calculation and remarketing these bonds to another direct purchaser.

In March 2019, the Commission cash defeased the July 15, 2030 maturity of the Commission's 2005 Series A Motor License Registration Fee Revenue Bonds ($9,000,000). The cash defeasance of 2005 Series A Motor License Registration Fee Revenue Bonds allowed the Commission to reduce its debt service by approximately $14.4 million. The transaction resulted in an economic gain of $3.0 million.

Debt service requirements subsequent to May 31, 2020 related to Motor License Registration Fee 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)				
2021	$ 9,545	$ 6,490	$ 16,035	$ -	$ 2,393	$ 2,393	$ 9,545	$ 8,883	$ 18,428
2022	10,045	5,976	16,021	-	2,393	2,393	10,045	8,369	18,414
2023	10,575	5,435	16,010	-	2,393	2,393	10,575	7,828	18,403
2024	11,125	4,865	15,990	-	2,400	2,400	11,125	7,265	18,390
2025	11,715	4,266	15,981	-	2,393	2,393	11,715	6,659	18,374
2026-2030	68,470	11,172	79,642	-	11,973	11,973	68,470	23,145	91,615
2031-2035	6,925	182	7,107	71,650	10,285	81,935	78,575	10,467	89,042
2036-2040	-	-	-	109,050	5,171	114,221	109,050	5,171	114,221
2041-2045	-	-	-	50,725	356	51,081	50,725	356	51,081
	$ 128,400	$ 38,386	$ 166,786	$ 231,425	$ 39,757	$ 271,182	$ 359,825	$ 78,143	$ 437,968

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, 2020 and 2019, the Commission had $2,199.2 million and $2,968.2 million, respectively, of defeased bonds outstanding.

NOTE 7 DEBT *(continued)*

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt debt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. The arbitrage liability recorded as other noncurrent liabilities is $0.2 million and $0.8 million for the fiscal years ended May 31, 2020 and 2019, respectively.

Swap Payments and Associated Debt

Net swap payments and related debt service requirements related to all sections subsequent to May 31, 2020, 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)							
2021	$ 225,000	$ 5,261	$ 22,303	$ 252,564	$ -	$ 4,549	$ 16,008	$ 20,557	$ 225,000	$ 9,810	$ 38,311	$ 273,121
2022	259,710	2,818	22,690	285,218	-	4,553	16,007	20,560	259,710	7,371	38,697	305,778
2023	-	1,637	22,648	24,285	-	4,553	14,004	18,557	-	6,190	36,652	42,842
2024	188,945	905	22,603	212,453	-	4,563	14,003	18,566	188,945	5,468	36,606	231,019
2025	-	168	22,134	22,302	-	4,549	14,005	18,554	-	4,717	36,139	40,856
2026-2030	-	839	92,369	93,208	-	22,771	70,024	92,795	-	23,610	162,393	186,003
2031-2035	-	839	50,655	51,494	71,650	21,083	63,391	156,124	71,650	21,922	114,046	207,618
2036-2040	139,815	587	16,913	157,315	199,075	14,470	40,104	253,649	338,890	15,057	57,017	410,964
2041-2045	-	-	3,384	3,384	252,550	1,583	4,012	258,145	252,550	1,583	7,396	261,529
2046-2050	-	-	1,475	1,475	-	-	-	-	-	-	1,475	1,475
2051-2055	-	-	44	44	-	-	-	-	-	-	44	44
	$ 813,470	$ 13,054	$ 277,218	$ 1,103,742	$ 523,275	$ 82,674	$ 251,558	$ 857,507	$ 1,336,745	$ 95,728	$ 528,776	$ 1,961,249

Mainline net swap payments and related debt service requirements subsequent to May 31, 2020 for the 2013 Series B Senior Revenue Bonds, 2014 Series B-1 Senior Revenue Bonds, 2017 First Series Subordinate Revenue Refunding Bonds (Direct Placement), 2018 Series A-1 Senior Revenue Bonds, 2018 Series B Senior, 2019 First Series Senior Revenue Bonds and 2020 Series A Senior Revenue Bonds (swap payments only - see Note 9 and Note 15 for more information) 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)							
2021	$ 225,000	$ 5,261	$ 22,303	$ 252,564	$ -	$ 2,156	$ 6,608	$ 8,764	$ 225,000	$ 7,417	$ 28,911	$ 261,328
2022	259,710	2,818	22,690	285,218	-	2,160	6,608	8,768	259,710	4,978	29,298	293,986
2023	-	1,637	22,648	24,285	-	2,160	4,605	6,765	-	3,797	27,253	31,050
2024	188,945	905	22,603	212,453	-	2,163	4,604	6,767	188,945	3,068	27,207	219,220
2025	-	168	22,134	22,302	-	2,156	4,605	6,761	-	2,324	26,739	29,063
2026-2030	-	839	92,369	93,208	-	10,798	23,027	33,825	-	11,637	115,396	127,033
2031-2035	-	839	50,655	51,494	-	10,798	23,026	33,824	-	11,637	73,681	85,318
2036-2040	139,815	587	16,913	157,315	90,025	9,299	19,821	119,145	229,840	9,886	36,734	276,460
2041-2045	-	-	3,384	3,384	201,825	1,227	2,616	205,668	201,825	1,227	6,000	209,052
2046-2050	-	-	1,475	1,475	-	-	-	-	-	-	1,475	1,475
2051-2055	-	-	44	44	-	-	-	-	-	-	44	44
	$ 813,470	$ 13,054	$ 277,218	$ 1,103,742	$ 291,850	$ 42,917	$ 95,520	$ 430,287	$ 1,105,320	$ 55,971	$ 372,738	$ 1,534,029

NOTE 7 DEBT *(continued)*

Swap Payments and Associated Debt *(continued)*

Motor License net swap payments and related debt service requirements subsequent to May 31, 2020 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)						
2021	$ -	$ -	$ -	$ -	$ -	$ 2,393	$ 9,400	$ 11,793	$ -	$ 2,393	$ 9,400	$ 11,793
2022	-	-	-	-	-	2,393	9,399	11,792	-	2,393	9,399	11,792
2023	-	-	-	-	-	2,393	9,399	11,792	-	2,393	9,399	11,792
2024	-	-	-	-	-	2,400	9,399	11,799	-	2,400	9,399	11,799
2025	-	-	-	-	-	2,393	9,400	11,793	-	2,393	9,400	11,793
2026-2030	-	-	-	-	-	11,973	46,997	58,970	-	11,973	46,997	58,970
2031-2035	-	-	-	-	71,650	10,285	40,365	122,300	71,650	10,285	40,365	122,300
2036-2040	-	-	-	-	109,050	5,171	20,283	134,504	109,050	5,171	20,283	134,504
2041-2045	-	-	-	-	50,725	356	1,396	52,477	50,725	356	1,396	52,477
	$ -	$ -	$ -	$ -	$ 231,425	$ 39,757	$ 156,038	$ 427,220	$ 231,425	$ 39,757	$ 156,038	$ 427,220

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

NOTE 8 RETIREMENT BENEFITS

General Information about the Pension Plan

Plan Description

Pennsylvania State Employees' Retirement System (SERS) is the administrator of two mandatory-participation retirement plans: the Defined Benefit Plan and the Defined Contribution Plan (investment plan). The Defined Benefit Plan is a cost-sharing multiple-employer plan, for which the assets are held in the State Employees' Retirement Fund (pension fund). The investment plan was established by Act 2017-5; the law also established two new side-by-side hybrid defined benefit/defined contribution options and a new defined contribution only option. Assets in the investment plan are held in individual member investment accounts. Both the pension fund and investment plan were established to provide retirement benefits for employees of state government and certain independent agencies. Membership in SERS is mandatory for most Commission (and other state) employees. Additionally, most employees, who first enter SERS membership on or after January 1, 2019 are required to participate in one of the new investment plan options that were established under Act 2017-5 and became effective on this date. 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.

NOTE 8 RETIREMENT BENEFITS *(continued)*

General Information about the Pension Plan *(continued)*

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 2.0% multiplied by class of service multiplier. Commission employees participate in one of the following class of service categories: Class A, Class AA, Class A3, Class A4, Class A5 or Class A6. Class A5 and Class A6 became effective January 1, 2019. These classes are considered part of the Hybrid Plan as they include participation in both the pension fund and the investment plan. Employees are also eligible to elect participation solely in the investment plan, under the 401(a) DC class of service. According to the State Employees' Retirement Code (SERC), all obligations of SERS will be assumed by the Commonwealth should SERS terminate.

Contributions

Section 5507 of the SERC (71 Pa. C.S. §5507) 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. Section 5806 of the SERC (71 Pa. C.S. §5806) requires that all SERS-participating employers make contributions to the investment plan that shall be credited to the active participant's individual investment account. 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 SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on SERS 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*
2020	28.84%	36.04%	24.92%	24.92%	19.18%	19.18%	19.12%
2019	27.71%	34.63%	23.94%	23.94%	18.42%	18.42%	18.39%
2018	27.55%	34.44%	23.80%	23.80%	N/A	N/A	N/A
2017	23.96%	29.95%	20.70%	20.70%	N/A	N/A	N/A

* *New plans effective January 1, 2019.*

NOTE 8 RETIREMENT BENEFITS *(continued)*

General Information about the Pension Plan *(continued)*

Contributions (continued)

Contributions to the pension fund from the Commission were $37.7 million and $37.8 million for the fiscal years ended May 31, 2020 and 2019, respectively. Contributions to the investment plan from the Commission were $97,900 and $5,900 for the fiscal years ended May 31, 2020 and 2019, respectively. There were $5,000 of forfeitures for the fiscal year ended May 31, 2020 related the investment plan. There were no forfeitures related to the investment plan for the fiscal year ended May 31, 2019.

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

As of May 31, 2020, the Commission reported a liability of $329.2 million for its proportionate share of the net pension liability of the pension fund. The net pension liability was measured as of December 31, 2019, 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 2020-2021, from the December 31, 2019 funding valuation, to the expected funding payroll for the allocation of the 2019 amounts. As of December 31, 2019, the Commission's proportionate share of the net pension liability was 1.81%, which was a decrease of 0.04% from its proportion measured as of December 31, 2018.

For the fiscal year ended May 31, 2020, the Commission recognized pension expense of $40.9 million related to the pension fund. For the fiscal year ended May 31, 2020, the Commission recognized pension expense of $98,100 related to the investment plan.

NOTE 8 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, 2020, 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	$ 4,105	$ 2,230
Net difference between projected and actual investment earnings on pension plan investments	-	23,477
Changes of assumptions	12,685	-
Differences between employer contributions and proportionate share of contributions	635	177
Changes in proportion	2,160	16,608
Commission contributions subsequent to measurement date	18,252	-
	$ 37,837	$ 42,492

The $18.3 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 year ending May 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as net increases or (decreases) in pension expense as follows:

Year Ending May 31	
	(in Thousands)
2021	$ (4,220)
2022	(8,109)
2023	503
2024	(11,314)
2025	233

NOTE 8 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, 2019, the Commission reported a liability of $385.8 million for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 2019-2020, from the December 31, 2018 funding valuation, to the expected funding payroll for the allocation of the 2018 amounts. At December 31, 2018, the Commission's proportionate share of the net pension liability was 1.85%, which was a decrease of 0.05% from its proportion measured as of December 31, 2017.

For the fiscal year ended May 31, 2019, the Commission recognized pension expense of $50.4 million related to the pension fund. For the fiscal year ended May 31, 2019, the Commission recognized pension expense of $8,400 related to the investment plan.

As of May 31, 2019, 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	$ 5,790	$ 4,181
Net difference between projected and actual investment earnings on pension plan investments	37,538	-
Changes of assumptions	10,279	-
Differences between employer contributions and proportionate share of contributions	592	431
Changes in Commission's proportion	3,960	16,919
Commission contributions subsequent to measurement date	18,533	-
	$ 76,692	$ 21,531

NOTE 8 RETIREMENT BENEFITS *(continued)*

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 *18th Investigation of Actuarial Experience* study for the period 2011 – 2015 was released in March 2016. 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 SERB adopted the actuarial assumptions set forth in the *18th Investigation of Actuarial Experience* at its March 2016 meeting. The study can be viewed at www.SERS.pa.gov.

In addition to the five-year experience study, SERS reviews its investment return assumption in light of economic conditions every year. In June 2019, the SERB approved a reduction in the investment rate of return to 7.125% for the December 31, 2019 valuation from 7.25% for the December 31, 2018 valuation.

The following methods and assumptions were used in the actuarial valuation for the December 31, 2019 and 2018 measurement dates (except as noted in the previous paragraph):

Actuarial cost method	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
Investment rate of return	7.125% net of manager fees including inflation
Projected salary increases	Average of 5.60% with range of 3.70% - 8.90%, including inflation
Asset valuation method	Fair (market) value
Inflation	2.60%
Mortality rate	Projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement
Cost-of-living adjustments (COLA)	Ad hoc

NOTE 8 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 arithmetic real rates of return for each major asset class included in the pension plan's current and target asset allocation as of December 31, 2019 and 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Private Equity	16.00%	7.25%
Global Public Equity	48.00%	5.15%
Real Estate	12.00%	5.26%
Multi-Strategy	10.00%	4.44%
Fixed Income	11.00%	1.26%
Cash	3.00%	-
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was reduced to 7.125% as of December 31, 2019 from 7.25% as of December 31, 2018. 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.

NOTE 8 RETIREMENT BENEFITS *(continued)*

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

The following schedules presents the Commission's proportionate share of the 2019 and 2018 net pension liability calculated using the discount rate of 7.125% and 7.25%, 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% Decrease to 6.125%	Current Discount Rate of 7.125%	1% Increase to 8.125%
		(in Thousands)	
Commission's share of the net pension liability as of the 12/31/19 measurement date	$ 418,288	$ 329,189	$ 252,909

	1% Decrease to 6.25%	Discount Rate of 7.25%	1% Increase to 8.25%
		(in Thousands)	
Commission's share of the net pension liability as of the 12/31/18 measurement date	$ 473,757	$ 385,821	$ 310,465

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.

Payables to the Pension Plan

As of May 31, 2020 and 2019, the Commission reported a $18.3 million and $7.7 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, 2020, $7,800 of the amount payable to SERS was allocated to the investment plan with the remainder allocated to the pension fund. As of May 31, 2019, $2,600 of the amount payable to SERS was allocated to the investment plan with the remainder allocated to the pension fund.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Litigation

On March 15, 2018, several individuals, entities and associations involved in or related to the commercial trucking industry (the Trucking Plaintiffs) filed a class action lawsuit against the Commission, several individuals in their individual capacity and in their official capacity related to the Commission, an individual in her individual capacity and in her official capacity as Chair of the Commission and as Secretary of Transportation, and Governor Wolf, in both his individual and official capacity (the Defendants). The litigation was captioned Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al., No. 1:18-cv-00608-SHR (United States District Court for the Middle District of Pennsylvania) (the Lawsuit). The Trucking Plaintiffs alleged that Act 44, as amended by Act 89 (Act 44/89), violated the Commerce Clause and the right to travel under the U.S. Constitution, either facially or as applied, because the Commission improperly imposes Turnpike tolls beyond that which is necessary for the operation and maintenance of the Turnpike System and that the Commission expends toll revenues for purposes other than the operation and maintenance of the Turnpike System.

The Lawsuit sought, among other things, the following injunctive remedies: (1) a permanent injunction enjoining the Commission from issuing any further bonds or incurring any additional debt for the purpose of making Act 44/89 payments; and (2) a permanent injunction prohibiting the Commission from using toll revenues to make payments on outstanding bonds issued to meet Act 44/89 obligations. Moreover, the lawsuit sought certain monetary damages including a refund of a portion of certain tolls allegedly imposed upon the Trucking Plaintiffs' use of the Turnpike System in excess of what was reasonably necessary to pay for the cost of operating and maintaining the Turnpike System, together with any legally applicable interest and other compensation.

The Commission along with all of the other Defendants vigorously defended Act 44/89 and the propriety of the Commission's imposition and use of the Turnpike toll revenues in court.

On April 4, 2019, Judge Yvette Kane of the United States District Court for the Middle District of Pennsylvania (the District Court) issued a decision in which the District Court determined that tolls assessed by the Commission do not unduly burden interstate commerce or interfere with the constitutional right to travel and the Trucking Plaintiffs' complaint failed to state a claim upon which relief may be granted for violations of the dormant Commerce Clause or the constitutional right to travel. Accordingly, the District Court granted the Defendants' motions to dismiss the Trucking Plaintiffs' complaint. On August 13, 2019, the United States Court of Appeals for the Third Circuit affirmed the decision of the District Court, and subsequently denied the Trucking Plaintiffs' petition both for a panel rehearing and an en banc rehearing.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Litigation *(continued)*

On December 11, 2019, the Trucking Plaintiffs filed a petition for a writ of certiorari in the United States Supreme Court (the Supreme Court) asking the Supreme Court to review the decision of the Third Circuit. On January 27, 2020, the Supreme Court denied the Trucking Plaintiffs' petition for a writ of certiorari asking the Supreme Court to review the decision of the Third Circuit. Owner Operator Independent Drivers Association, Inc. et al. v. Pennsylvania Turnpike Commission et al., cert. denied (U.S. Jan 27, 2020) (No. 19-762). This denial by the Supreme Court left undisturbed the favorable decision of the Third Circuit. The Trucking Plaintiffs did not file a petition for rehearing, as permitted by the Supreme Court rules, and the period to file such a petition expired on February 21, 2020. Thus, the class action lawsuit has concluded favorably to the Commission.

The Commission is a defendant in a number of other 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 other legal proceedings, it is the opinion of Commission management and counsel that they will not have a material effect on the Commission's financial position.

Act 44 and Act 89

On July 18, 2007, Act 44 was enacted, creating a "public-public partnership" between the Commission and PennDOT to provide funding for roads, bridges and transit throughout the Commonwealth. Subsequently, in order to, among other things, effectuate the provisions of Act 44 requiring the Commission to make substantial annual payments to PennDOT, as described below, 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 term of the Funding Agreement is fifty (50) years from October 14, 2007, its effective date.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Act 44 and Act 89 *(continued)*

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. Under existing law, including Act 89, all legal, financial and operational responsibility for I-80 remains with PennDOT.

Pursuant to Act 44 and the Act 44 Funding Agreement, because the Conversion did not occur, the Commission was obligated to make scheduled annual payments of $450.0 million to PennDOT through 2057, payable in equal quarterly installments, with $200.0 million of the scheduled annual payment supporting road and bridge projects and $250.0 million supporting transit projects throughout the Commonwealth. See the following paragraphs for subsequent changes to such annual payments.

On November 25, 2013, Act 89 was enacted providing substantial revisions to the Commission's transportation funding obligations under Act 44 and authorized the Commission and PennDOT to immediately amend the Act 44 Funding Agreement to reflect the statutory provisions of Act 89. On April 4, 2014, the Commission and PennDOT executed Amendment Number One to the Lease and Funding Agreement (the *Act 89 Amendment* and together with the Act 44 Funding Agreement, the *Original Amended Funding Agreement*). In accordance with Act 89 and the Original Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT for fiscal year 2014 through fiscal year 2022 is $450.0 million and, in accordance with Act 89, the Commission must pay at least $30.0 million of such amount from current revenues with the remainder expected to be funded by bonds issued under the Subordinate Revenue Indenture.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Act 44 and Act 89 *(continued)*

On July 31, 2018, the Commission and PennDOT executed Amendment Number Two to the Lease and Funding Agreement (the *Amendment* and together with the Original Amended Funding Agreement, the *Amended Funding Agreement*). Pursuant to the terms of the Amendment, the Commission and PennDOT agreed to extend the due date for the Commission's July 31, 2018 Annual Base Payment of $50.0 million and Annual Additional Payment of $62.5 million to October 31, 2018 or such later date in the fiscal year ended June 30, 2019, as agreed to by the Commission and PennDOT. Further, the Commission and PennDOT agreed that the due date for any subsequent Annual Base Payment and Annual Additional Payment in the fiscal year ended June 30, 2019 could also be extended to any later date, not later than June 30, 2019, as agreed to by the Commission and PennDOT. In addition, the Amendment replaced the reference therein to "bondholder, debt holders, or creditors having such status as of the Effective Date" with "current bondholders, debt holders or creditors." Other various terms of the agreement were modified as well.

By letter agreement from the Commission to PennDOT, dated April 22, 2019, PennDOT confirmed and acknowledged that the due date for the Commission's July 31, 2018, October 31, 2018, January 31, 2019 and April 30, 2019 Annual Base Payments and Annual Additional Payments was extended to June 28, 2019 or such later date, not later than June 30, 2019, as the parties mutually agreed.

Commencing in fiscal year 2023 through the term of the Amended Funding Agreement, the Commission's aggregate annual payment to PennDOT is $50.0 million, which amount shall be paid from then current revenues of the Commission. Since 2017, by policy, the Commission has been providing $50.0 million from current revenues to fund a portion of its annual payment to PennDOT. The Amended Funding Agreement terminates on October 14, 2057.

As of May 31, 2019, the Commission accrued $450.0 million for the fiscal year 2019 scheduled payments that were not made to PennDOT during fiscal year 2019. This amount was included in current liabilities at May 31, 2019, and the payment was made on June 27, 2020. All regularly scheduled payments for the fiscal year ended May 31, 2020 were made. For both fiscal years, the amounts are recorded as nonoperating expenses.

NOTE 9 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 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.

Due to the significance of the quarterly payments under Act 44 and Act 89, the Commission currently does not have excess cash from operations to fully fund its required payments to PennDOT from current revenues. Therefore, the Commission plans to continue to increase toll rates annually and to issue debt through fiscal year 2022 to finance the majority of these payments. There can be no assurance that the Commission will be able to continue to issue debt on terms that are acceptable, or at all, to finance these obligations. The sole and exclusive remedy for the failure to make the required payments to PennDOT under the Amended Funding Agreement is that all actions of the Commission taken by a vote of the Commissioners thereafter must be approved by a unanimous vote of all Commissioners until such time as the payment is made. However, a unanimous vote is not required if it would prevent the Commission from complying with covenants with “current bondholders, debt holders or creditors.” These voting procedures have never been used as the Commission has not missed any payments under the Amended Funding Agreement.

Act 44 and Act 89 provide that all required payments under the Amended Funding Agreement or as required by Act 44 or Act 89 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 $1.2 billion as of each of the fiscal years ended May 31, 2020 and 2019.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps

The fair value and notional amounts of derivative instruments outstanding as of May 31, 2020 and May 31, 2019, classified by type and the changes in fair value of such derivative instruments for the years then ended as reported in the fiscal year 2020 and 2019 financial statements are as follows:

		Changes in Fair Value		Fair Value at May 31, 2020		
	May 31, 2019	Classification	Amount	Classification	Amount	Notional
			(In Thousands)		*(In Thousands)*	
Cash flow hedges						
Pay-fixed interest rate swap	$ (126,520)	Deferred (outflows)/inflows	$ (90,634)	Noncurrent liabilities	$ (217,154)	$ 1,077,805
Investment derivative instruments						
Basis swaps	11,866	Investment earnings/(losses)	(6,942)	Noncurrent investments	4,924	551,620
Total PTC	$ (114,654)		$ (97,576)		$ (212,230)	

		Changes in Fair Value		Fair Value at May 31, 2019		
	May 31, 2018	Classification	Amount	Classification	Amount	Notional
			(In Thousands)		*(In Thousands)*	
Cash flow hedges						
Pay-fixed interest rate swap	$ (66,430)	Deferred (outflows)/inflows	$ (60,090)	Noncurrent liabilities	$ (126,520)	$ 977,305
Investment derivative instruments						
Basis swaps	11,572	Investment earnings/(losses)	294	Noncurrent investments	11,866	808,250
Total PTC	$ (54,858)		$ (59,796)		$ (114,654)	

Fair Values

As of May 31, 2020 and 2019, 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 under GASB Statement No. 72 is then incorporated into the above 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.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Recent Activity – Cash Flow Hedges

On June 28, 2018, the Commission issued 2018 Series A-1 Variable Rate Senior Revenue Bonds primarily to refund various maturing variable rate bonds. The 2018 Series A-2 Variable Rate Senior Revenue Bonds specifically included refunding the December 1, 2018 maturity of the 2014 Series B-1 Variable Rate Senior Revenue Bonds. As a result, $10.9 million notional amount of the Commission's Mainline SIFMA Fixed Payer swaps associated with those bonds were deemed terminated and are now associated with the 2018 Series A-1 Variable Rate Senior Revenue Bonds. The fair values at the time of deemed termination were a negative $0.2 million with respect to the Goldman Sachs MMDP swap, a negative $0.2 million with respect to the Merrill Lynch CS swap, and a negative $0.2 million with respect to the Morgan Stanley CS swap. These amounts are being amortized until December 1, 2038, which is the final maturity of the swaps.

On November 6, 2018, the Commission issued 2018 Series B Variable Rate Senior Revenue Bonds primarily to refund the outstanding 2017 Series B-1 and B-2 Variable Rate Senior Revenue Bonds (Direct Placement). As a result, the $86.3 million notional amount of the Commission's Mainline LIBOR Fixed Payer swaps associated with the 2017 Series B-2 Variable Rate Senior Revenue Bonds were deemed terminated and are now associated with the 2018 Series B Variable Rate Senior Revenue Bonds. The fair values at the time of deemed termination were $1.1 million with respect to the Bank of America swap, $1.1 million with respect to the Bank of New York Mellow swap, and $2.1 million with respect to the JPMorgan Chase Bank swap. These amounts are being amortized until December 1, 2030, which is the final maturity of the swaps.

On June 4, 2019, the Commission issued 2019 Second Series Senior Revenue Bonds; one purpose was to refund a portion of the Commission's outstanding 2014 Series B-1 Senior Revenue Bonds. As a result, the $39.2 million notional amount of the Commission's Mainline Senior SIFMA Fixed Payer swaps associated with the 2014 Series B-1 Senior Revenue Bonds were deemed terminated and are now associated with the 2019 Second Series Senior Revenue Bonds. The fair values at the time of deemed termination were $1.8 million with respect to the Goldman Sachs MMDP swap, $1.8 million with respect to the Merrill Lynch swap and $1.8 million with respect to the Morgan Stanley swap. These amounts are being amortized until December 1, 2038, which is the final maturity of the swaps.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Recent Activity – Cash Flow Hedges (continued)

On November 18, 2019, the Commission restructured its cancellable LIBOR Fixed Payer swap with Royal Bank of Canada on the Mainline Subordinate credit by delaying the first exercise date on the Commission's par call option from June 1, 2022 to June 1, 2029. In connection with this change, the fixed rate payable by the Commission beginning June 1, 2022 was lowered from 2.5125% to 1.8265%. The mark-to-market value of the swap at the time of the amendment was negative $12.0 million. This amount will be amortized until December 1, 2041, which is the final maturity of the swap.

On January 17, 2020, the Commission entered into a forward-starting cancellable SIFMA Fixed Payer swap, with an effective date of August 20, 2020, with Barclay's on the Mainline Senior credit, in anticipation of hedging a portion of expected new money variable-rate bonds. The 2020 Series A Senior Revenue Bonds were issued on August 20, 2020.

Recent Activity – Investment Derivatives

On June 1, 2018, the reversal of the Mainline SIFMA/LIBOR basis swap with Deutsche Bank expired. As a result, the ongoing cash flows under the transaction resumed. On October 22, 2018, the Commission partially terminated a portion of this Mainline SIFMA/LIBOR basis swap with Deutsche Bank; in exchange for receiving a termination payment of $3.4 million, the periodic cash flows on the swap were suspended until September 1, 2021. The notional amount on this investment derivative was $115.8 million as of each of the fiscal years ended May 31, 2020 and 2019.

On July 2, 2018, the reversals of the Mainline CMS trades with JPMorgan Chase Bank and PNC Bank expired. As a result, the ongoing cash flows under the transaction resumed. The notional amount on both of these investment derivatives was $60.4 million as of May 31, 2019.

On September 1, 2018, the reversal of the Mainline SIFMA/LIBOR basis swap with Goldman Sachs MMDP expired. On October 16, 2018, the Commission partially terminated a portion of this Mainline SIFMA/LIBOR basis swap with Goldman Sachs MMDP; in exchange for receiving a termination payment of $3.4 million, the periodic cash flows on the swap were suspended until September 1, 2021. The notional amount on this investment derivative was $115.8 million as of each of the fiscal years ended May 31, 2020 and 2019.

On November 15, 2018, the Oil Franchise Tax CMS reversal with Wells Fargo matured as scheduled. The notional amount on that investment derivative was $80.0 million as of May 31, 2018.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Recent Activity – Investment Derivatives (continued)

On January 2, 2019, the reversals of the Mainline CMS trades with Bank of New York Mellon and Merrill Lynch CS expired. As a result, the ongoing cash flows under the transactions have resumed. The notional amounts on these investment derivatives were $75.5 million (Bank of New York Mellon) and $60.4 million (Merrill Lynch CS).

On June 27, 2019, the Commission fully terminated its Mainline LIBOR/CMS basis swaps with JPMorgan Chase Bank and PNC Bank in exchange for receiving termination payments totaling $1.1 million. The notional amounts at the time of termination were as follows:

- JPMorgan Chase Bank - $60.4 million
- PNC Bank - $60.4 million

On July 2, 2019, the Commission fully terminated its Mainline LIBOR/CMS basis swaps with Bank of New York Mellon and Merrill Lynch CS in exchange for receiving termination payments totaling $1.3 million. The notional amounts at the time of termination were as follows:

- Bank of New York Mellon - $75.5 million
- Merrill Lynch CS - $60.4 million

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

Following is a summary of the hedging derivatives in place as of May 31, 2020 and 2019. All items are fixed interest rate swap types. These hedging derivatives contain risks and collateral requirements as described below (in thousands).

As of May 31, 2020:

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	$ (19,548)
	57,845	8/17/2005	7/15/2041		JPMorgan Chase Bank	Aa2/A+/AA	(25,836)
	57,860	8/17/2005	7/15/2041		Merrill Lynch CS*	A2/A-/A+	(25,843)
	57,860	8/17/2005	7/15/2041		Morgan Stanley CS	A3/BBB+/A	(25,843)
	231,425						(97,070)
2. Hedge of changes of cash flows of 2013 Series B Bonds (formerly 2009 Series C & 2011 Series D Bonds)	16,944	7/23/2013	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America*	Aa2/A+/AA-	(1,960)
	33,865	7/23/2013	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	(3,916)
	16,944	7/23/2013	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	(1,960)
	67,753						(7,836)
3. Hedge of changes of cash flows of 2014 Series B-1 Bonds (formerly 2008 Series B-1 & 2011 Series C Bonds)	83,333	5/20/2014	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	(20,198)
	83,333	5/20/2014	12/1/2038		Merrill Lynch CS*	A2/A-/A+	(20,206)
	83,334	5/20/2014	12/1/2038		Morgan Stanley CS	A3/BBB+/A	(20,195)
	250,000						(60,599)
4. Hedge of changes of cash flows on the 2017 Series A Subordinate Bonds	291,850	5/2/2017	12/1/2041	Pay 2.5125%, receive 70.00% of 3-month LIBOR	Royal Bank of Canada	Aa2/AA-/AA	(24,923)
5. 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)	3,617	6/28/2018	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	(670)
	3,617	6/28/2018	12/1/2038		Merrill Lynch CS*	A2/A-/A+	(669)
	3,616	6/28/2018	12/1/2038		Morgan Stanley CS	A3/BBB+/A	(670)
	10,850						(2,009)
6. 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)	21,576	11/6/2018	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America*	Aa2/A+/AA-	(2,744)
	21,576	11/6/2018	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	(2,744)
	43,125	11/6/2018	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	(5,485)
	86,277						(10,973)
7. Hedge of changes of cash flow on the 2nd Series of 2019 (formerly 2014 B-1, formerly2008 B-1 & 2011 C Bonds)	13,050	6/4/2019	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	(1,493)
	13,050	6/4/2019	12/1/2038		Merrill Lynch CS*	A2/A-/A+	(1,493)
	13,050	6/4/2019	12/1/2038		Morgan Stanley CS	A3/BBB+/A	(1,492)
	39,150						(4,478)
8. Hedge of changes of cash flows on the 2020 Series A Bonds (new money)	100,500	8/20/2020	12/1/2050	Pay 1.995%, receive SIFMA	Barclay's	A1/A/A+	(9,266)
Total	$ 1,077,805						$ (217,154)

1-month LIBOR was 0.1825% as of May 31, 2020
3-month LIBOR was 0.3440% as of May 31, 2020
SIFMA was 0.14% as of May 31, 2020

* 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, 2020.

NOTE 9 COMMITMENTS AND CONTINGENCIES *(continued)*

Interest Rate Swaps *(continued)*

As of May 31, 2019:

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	$ (12,855)
	57,845	8/17/2005	7/15/2041		JPMorgan Chase Bank	Aa2/A+/AA	(19,371)
	57,860	8/17/2005	7/15/2041		Merrill Lynch CS*	A2/A-/A+	(19,375)
	57,860	8/17/2005	7/15/2041		Morgan Stanley CS	A3/BBB+/A	(19,375)
	231,425						(70,976)
2. Hedge of changes of cash flows of 2013 Series B Bonds (formerly 2009 Series C & 2011 Series D Bonds)	16,944	7/23/2013	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America*	Aa2/A+/AA-	(822)
	33,865	7/23/2013	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	(1,643)
	16,944	7/23/2013	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	(822)
	67,753						(3,287)
3. Hedge of changes of cash flows of 2014 Series B-1 Bonds (formerly 2008 Series B-1 & 2011 Series C Bonds)	96,383	5/20/2014	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	(13,103)
	96,383	5/20/2014	12/1/2038		Merrill Lynch CS*	A2/A-/A+	(13,113)
	96,384	5/20/2014	12/1/2038		Morgan Stanley CS	A3/BBB+/A	(13,100)
	289,150						(39,316)
4. Hedge of changes of cash flows on the 2017 Series A Subordinate Bonds	291,850	5/2/2017	12/1/2041	Pay 2.5125%, receive 70.00% of 3-month LIBOR	Royal Bank of Canada	Aa2/AA-/AA	(6,834)
5. 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)	3,617	6/28/2018	12/1/2038	Pay 4.887%, receive SIFMA	Goldman Sachs MMDP	Aa2/AA-/NR	(280)
	3,617	6/28/2018	12/1/2038		Merrill Lynch CS*	A2/A-/A+	(280)
	3,616	6/28/2018	12/1/2038		Morgan Stanley CS	A3/BBB+/A	(280)
	10,850						(840)
6. 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)	21,576	11/6/2018	12/1/2030	Pay 4.403%, receive 67.00% of 1-month LIBOR	Bank of America*	Aa2/A+/AA-	(1,317)
	21,576	11/6/2018	12/1/2030		Bank of New York Mellon	Aa2/AA-/AA	(1,317)
	43,125	11/6/2018	12/1/2030		JPMorgan Chase Bank	Aa2/A+/AA	(2,633)
	86,277						(5,267)
Total	$ 977,305						$ (126,520)

1-month LIBOR was 2.43050% as of May 31, 2019
3-month LIBOR was 2.50250% as of May 31, 2019
SIFMA was 1.42% as of May 31, 2019

* 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, 2019.

NOTE 9 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 derivatives that have positive full values from the counterparty and investment derivatives (see Note 4) that have positive fair values. As of May 31, 2020, the Commission has credit risk exposure with respect to the (C), (D) and (E) investment derivatives 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 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, 2020, the Commission had net credit risk exposure to three counterparties pursuant to the provisions of the respective derivative agreements. One counterparty has posted collateral in the amount of $0.8 million. The other two counterparties were not required to post collateral either due to their 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 derivatives 2, 3, 5 and 6 in the summary of hedging derivatives table because the maturity date of these derivatives is longer than the maturity date of the related debt.

NOTE 9 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 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 67% of 1-month LIBOR exceeds 60.08% of the 10-year maturity of the USD-ISDA Swap Rate *(fiscal year 2019 only)*

  (B) – To the extent SIFMA exceeds 63% of 1-month LIBOR + 20 basis points

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

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

  (E) – To the extent SIFMA exceeds 99.80% 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, "A+" from S&P and "A+" from Fitch at May 31, 2020. The Commission's Mainline Subordinate Bond rating was "A3" from Moody's, "A" from S&P and "A-" from Fitch as of May 31, 2020. Based on May 31, 2020 full values, the Commission could be required to post $256.8 million in collateral for its derivate instruments if its ratings fall below the agreement thresholds.

NOTE 9 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 specifies 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, 2020. Based on May 31, 2020 full values, the Commission could be required to post $0.1 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, “A+” from S&P and “AA-” from Fitch as of May 31, 2020. Based on May 31, 2020 full values, the Commission could be required to post $124.0 million in collateral for its derivative instruments if its ratings fall below the agreement thresholds.

NOTE 10 RELATED-PARTY TRANSACTIONS

The Commission incurred charges of $57.9 million and $53.2 million for the fiscal years ended May 31, 2020 and 2019, respectively, primarily related to its use of the Commonwealth’s State Police in patrolling the Turnpike System.

In fiscal year 2019, $10.1 million was paid to PennDOT under an Interagency Contribution Agreement to share the costs associated with the design and construction of a replacement bridge to carry Freedom Road (SR 3020) over the Turnpike Mainline. The Commission did not make any payments to PennDOT under this agreement during fiscal year 2020.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

<u>Plan Description</u>

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 the Internal Revenue Code, to provide funding of the Plan's other postemployment benefits (OPEB).

The Trust is administered by the Trustees. 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 date of hire and years of 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.)

The same coverage is provided to surviving spouses or domestic partners and dependents of management and supervisory union retirees who retired on or after March 1, 2001. Surviving spouses or domestic partners of retirees who retired prior to March 1, 2001 may purchase medical 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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Plan Description *(continued)*

Non-Supervisory Union Employees/Retirees

The benefits also include certain postemployment medical and prescription drug benefits to non-supervisory union employees who have satisfied the age and/or 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. Eligibility categories include:

- For Local 30 professionals who were hired prior to January 1, 2011 and Local 250 and 77 employees who were hired prior to January 27, 2016, 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 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 coverage and dependents are offered coverage under COBRA.

Employees Covered by Benefit Terms

As of May 31, 2019 (the measurement date), the following employees were covered by the benefit terms.

Inactive plan members or beneficiaries currently receiving benefit payments	1,626
Inactive plan members entitled to but not yet receiving benefit payments	70
Active plan members	1,812
Total	3,508

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Employees Covered by Benefit Terms *(continued)*

As of May 31, 2018 (the measurement date), the following employees were covered by the benefit terms.

Inactive plan members or beneficiaries currently receiving benefit payments	1,555
Inactive plan members entitled to but not yet receiving benefit payments	56
Active plan members	1,882
Total	3,493

Contributions

The Commission has adopted a Retiree Medical Trust Funding Policy, effective September 17, 2008, whereby the Commission anticipates 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, during the approval of its annual operating budget. With the implementation of GASB Statement No. 75, the Commission will now refer to the Actuarially Determined Contribution (ADC) instead of the ARC.

Retiree and spouse contribution rates at May 31, 2019 and 2018 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 turns 65.

- Union employees who retired on October 1, 1997 or later – the retiree/spouse contributes the full cost of coverage less the Commission's monthly subsidy of $73.50 when the retiree or spouse reach age 65.

- Management and supervisory union employees who retire on or after March 1, 2016, and Local 250 and 77 employees who retire after February 1, 2016, as well as Local 30 professionals who retire after January 1, 2014, must participate in a wellness program or contribute 5% of the premium if less than age 65.

- 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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Net OPEB Liability

As of May 31, 2020 and 2019, the Commission recorded a net OPEB liability of $1.8 million and $12.9 million, respectively.

Actuarial Assumptions and Discount Rate

The total OPEB liability for the fiscal years ended May 31, 2020 and 2019 were determined by actuarial valuations as of May 31, 2019 and June 1, 2017, respectively. The June 1, 2017 valuation was projected forward to the May 31, 2018 measurement date. These valuations were 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, 2019	**May 31, 2018**
Discount rate	6.0%	6.0%
Long-term expected rate of return, net of investment expense	6.0%	6.0%

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.

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

Measurement date	May 31, 2019	May 31, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.5%	2.3%
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	

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Net OPEB Liability *(continued)*

Actuarial Assumptions and Discount Rate (continued)

The healthcare cost trend assumption is based on the Society of Actuaries Getzen Model version 2017.2 utilizing the baseline assumptions included in the model for medical and prescription drug benefits. Adjustments are applied based on percentage of costs associated with administrative expenses, aging factors, potential excise taxes due to healthcare reform, and other healthcare reform provisions.

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

Valuation Year	Pre-65 Trend	Post-65 Trend
2019	5.2%	5.2%
2020	4.9	4.9
2025	4.8	4.7
2030	5.5	4.8
2035	5.5	4.8
2040	5.6	4.9
2050	5.2	4.7
2060	5.0	4.9
2070	4.3	4.8

Mortality rates were based on the RP-2014 Total Mortality Tables adjusted to reflect Mortality Improvement Scale MP-2018 (MP-2017 for the May 31, 2018 measurement date) 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.

In fiscal year 2019, revisions were made to various aspects of the Investment Policy Statement for the Other Postemployment Welfare Plan Program including both asset allocations and performance benchmarks.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Net OPEB Liability *(continued)*

Actuarial Assumptions and Discount Rate (continued)

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 tables:

As of May 31, 2019:

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

As of May 31, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity	29%	4.8%
International equity	15%	6.4
Fixed income	15%	1.8
Real estate	15%	3.8
Global tactical asset allocation	10%	5.0
Hedge fund of funds	10%	2.1
Commodities	5%	3.0
Cash reserves	1%	0.2

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Changes in the Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability (a) – (b)**
		(in Thousands)	
Balances as of May 31, 2018	$ 437,477	$ 424,543	$ 12,934
Changes for the year			
Service cost	11,254	-	11,254
Interest on OPEB liability	26,371	-	26,371
Effect of economic / demographic gains or losses	8,487	-	8,487
Effect of assumptions changes or inputs	(4,358)	-	(4,358)
Benefit payments	(17,032)	(17,032)	-
Employer contributions	-	46,056	46,056
Net investment income	-	6,789	6,789
Administrative expenses	-	(2)	(2)
Balances as of May 31, 2019	$ 462,199	$ 460,354	$ 1,845

	Increases (Decreases)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability (a) – (b)**
		(in Thousands)	
Balances as of May 31, 2017	$ 421,775	$ 380,045	$ 41,730
Changes for the year			
Service cost	10,926	-	10,926
Interest on OPEB liability	25,431	-	25,431
Effect of economic / demographic gains or losses	(2,671)	-	(2,671)
Benefit payments	(17,984)	(17,984)	-
Employer contributions	-	28,171	28,171
Net investment income	-	34,322	34,322
Administrative expenses	-	(11)	(11)
Balances as of May 31, 2018	$ 437,477	$ 424,543	$ 12,934

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

Changes in the Net OPEB Liability *(continued)*

Sensitivity Analysis

The following presents the net OPEB liability of the Commission, calculated using the discount rate of 6.0%, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.0%) or one percentage point higher (7.0%) than the current discount rate.

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
		(in Thousands)	
Net OPEB liability (asset) as of May 31, 2019	$ 58,238	$ 1,845	$ (44,812)
Net OPEB liability (asset) as of May 31, 2018	$ 71,848	$ 12,934	$ (35,589)

The following presents the net OPEB liability of the Commission, calculated using the current healthcare cost trend rates as well as what the net OPEB 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, 2019	$ (48,861)	$ 1,845	$ 64,200
Net OPEB (asset) liability as of May 31, 2018	$ (41,459)	$ 12,934	$ 80,340

OPEB Plan Fiduciary Net Position

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.

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

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

For the year ended May 31, 2020, the Commission recognized OPEB expense of $13.2 million. As of May 31, 2020, 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	$ 7,072	$ 1,809
Changes of Assumptions	-	3,632
Net difference between projected and actual earnings on OPEB plan investments	15,644	6,731
Contributions subsequent to measurement date	11,730	-
	$ 34,446	$ 12,172

The $11.7 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 year ending May 31, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as net increases in OPEB expense as follows:

Year Ending May 31	*(in Thousands)*
2021	$ 1,925
2022	1,925
2023	1,924
2024	4,168
2025	602
Thereafter	-

NOTE 11 OTHER POSTEMPLOYMENT BENEFITS *(continued)*

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

For the year ended May 31, 2019, the Commission recognized OPEB expense of $10.6 million. As of May 31, 2019, 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	$ -	$ 2,240
Net difference between projected and actual earnings on OPEB plan investments	-	8,975
Contributions subsequent to measurement date	46,056	-
	$ 46,056	$ 11,215

The $46.1 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 ended May 31, 2020.

NOTE 12 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.

NOTE 12 SELF-INSURANCE *(continued)*

The Commission recorded a liability of $38.8 million and $37.9 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, 2020 and 2019, respectively. The workers' compensation, motor vehicle and tort self-insurance liabilities recorded as accounts payable and accrued liabilities are $4.0 million and $3.9 million for the fiscal years ended May 31, 2020 and 2019, respectively. The workers' compensation, motor vehicle and tort self-insurance liabilities recorded as other noncurrent liabilities are $34.8 million and $34.0 million for the fiscal years ended May 31, 2020 and 2019, 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% and 2.5% for the fiscal years ended May 31, 2020 and 2019, respectively. 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, 2020 and 2019. 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 12 SELF-INSURANCE *(continued)*

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

	May 31, 2019 Liability	Effects of Discount as of June 1, 2019	Incurred Claims Current Year	Incurred Claims Prior Years	Paid Claims Current Year	Paid Claims Prior Years	Effects of Discount as of May 31, 2020	May 31, 2020 Liability
Year ended May 31, 2020				*(In Thousands)*				
Workers' compensation	$ 8,704	$ 945	$ 1,272	$ 2,434	$ (592)	$ (2,767)	$ (1,169)	$ 8,827
Motor vehicle/general tort	29,209	-	230	1,332	(75)	(735)	-	29,961
	$ 37,913	$ 945	$ 1,502	$ 3,766	$ (667)	$ (3,502)	$ (1,169)	$ 38,788

	May 31, 2018 Liability	Effects of Discount as of June 1, 2018	Incurred Claims Current Year	Incurred Claims Prior Years	Paid Claims Current Year	Paid Claims Prior Years	Effects of Discount as of May 31, 2019	May 31, 2019 Liability
Year ended May 31, 2019				*(In Thousands)*				
Workers' compensation	$ 9,464	$ 1,098	$ 982	$ 1,599	$ (268)	$ (3,226)	$ (945)	$ 8,704
Motor vehicle/general tort	29,998	-	62	(480)	(27)	(344)	-	29,209
	$ 39,462	$ 1,098	$ 1,044	$ 1,119	$ (295)	$ (3,570)	$ (945)	$ 37,913

The foregoing reflects an adjustment for an increase of $3.8 million and an increase of $1.1 million for the fiscal years ended May 31, 2020 and 2019, 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 13 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, employees are reimbursed for all accumulated unused sick leave above the maximum. Sick leave payouts were $1.7 million during each of the fiscal years ended May 31, 2020 and 2019.

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.

Upon termination of employment, all unused sick and vacation leave is paid to the employee. The compensated absences liabilities were $17.4 million and $15.9 million for the fiscal years ended May 31, 2020 and 2019, respectively. The compensated absences liabilities recorded as accounts payable and accrued liabilities were $9.6 million and $8.7 million for the fiscal years ended May 31, 2020 and 2019, respectively. The compensated absences liabilities recorded as other noncurrent liabilities were $7.8 million and $7.2 million for the fiscal years ended May 31, 2020 and 2019, respectively.

NOTE 13 COMPENSATED ABSENCES *(continued)*

A summary of changes to compensated absences for the years ended May 31, 2020 and 2019 is as follows:

Fiscal Year Ended May 31	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
			(In Thousands)		
2020	$ 15,885	$ 12,562	$ 11,061	$ 17,386	$ 9,562
2019	15,874	12,362	12,351	15,885	8,737

NOTE 14 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, 2020, the Commission has one standby letter of credit to satisfy the PA Turnpike's collateral requirement under the expired Owner Controlled Insurance Program (OCIP) with Zurich American Insurance; there have been no draws against the letter of credit. The Letter of Credit is $375,000 with Wells Fargo Bank, N.A. for beneficiary Zurich American Insurance for the Uniontown to Brownsville Phase II OCIP.

In May 2017, in lieu of a letter of credit, the Commission placed $2.0 million into an escrow account with Wells Fargo (naming Liberty Mutual as beneficiary) for the new OCIP on the U.S. 22 to I-79 portion of the Southern Beltway currently under construction.

NOTE 15 SUBSEQUENT EVENTS

On June 2, 2020, the Commission approved the layoff of Fare Collection Department employees and Ticket Systems Audit Department employees due to the implementation of All Electronic Tolling (AET). On this same date, the Commission so informed representatives of Teamsters Local Union Nos. 77 and 250 (collectively the *Union*). The resulting layoff of approximately 492 bargaining unit employees was implemented effective as of June 18, 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. On or about June 25, 2020, the Union submitted three grievances challenging the layoff of the bargaining unit employees due to the implementation of AET. In the grievances, the Union contends that the above referenced layoff violated provisions of the applicable collective bargaining agreements and terms of the Memoranda of Understanding and/or purported oral promises relating to the layoff of employees. In particular, the Union contends that the Commission was not permitted to lay off employees due to the implementation of AET until January 2022. The Union is requesting that the laid off employees be reinstated to their former positions and be made whole (including back pay). The Commission contends that it has: (a) not violated any provisions of the applicable collective bargaining agreements, (b) not violated any provisions of the Memoranda of Understanding relating to the layoff of employees, and (c) acted consistently with the applicable provisions of the collective bargaining agreements and Memoranda of Understanding relating to the layoffs resulting from the implementation of AET. Accordingly, the Commission intends to vigorously defend its legal and contractual rights to implement AET and to lay off employees due to such implementation. An arbitration in this matter is currently scheduled to be held on November 11, 2020.

Due to the COVID-19 pandemic, in a letter dated June 2, 2020, the Commission and HMSHost agreed to defer HMSHost's service plaza payments of calendar year 2020 Percentage Rent for the remaining accounting cycles of 2020. These deferred payments will be paid in twelve equal, monthly installments in 2021 beginning on January 20, 2021.

On June 3, 2020, in order to assure liquidity throughout the COVID-19 pandemic mitigation efforts, the Commission obtained a one-year, $200.0 million line of credit for operating expenses from PNC Bank, N.A.

NOTE 15 SUBSEQUENT EVENTS *(continued)*

In response to the impacts of the COVID-19 pandemic, in particular, declines in Commission traffic and revenue and disruptions in the capital markets, PennDOT and the Commission negotiated an Amendment Number Three to the Lease and Funding Agreement, which was executed by all parties on June 11, 2020 (the *Amendment Three*, and together with the Original Amended Funding Agreement and the Amendment, the *Amended Funding Agreement*). Pursuant to the terms of the Amendment Three, the Commission and PennDOT agreed to extend the due date for the Commission's July 31, 2020 Annual Base Payment of $50.0 million and Annual Additional Payment of $62.5 million to October 31, 2020 or such later date in the fiscal year ending June 30, 2021 as may be agreed to by the Commission and PennDOT. Further, the Commission and PennDOT agreed that the due date for any subsequent Annual Base Payment and Annual Additional Payment in the fiscal year ending June 30, 2021 may also be extended to any later date, not later than June 30, 2021, as may be agreed to by the Commission and PennDOT.

On June 23, 2020, the Commission issued $225,820,000 of 2020 Second Series Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2039. The 2020 Second Series Senior Revenue Bonds were issued to refund a portion of the 2013 Series B Senior Revenue Bonds ($100,000,000), 2014 Series B-1 Senior Revenue Bonds ($100,000,000), 2018 Series A-1 ($25,000,000), and for paying the costs of issuing the 2020 Second Series Senior Revenue Bonds.

On August 20, 2020, the Commission issued $100,500,000 of 2020 Series A Senior Revenue Bonds at a variable rate with a maturity date of December 1, 2050. The 2020 Series A Senior Revenue Bonds were issued to finance the cost of various capital expenditures set forth in the Commission's Ten-Year Capital Plan, including but not limited to the reconstruction of roadbed and roadway, the widening, replacing and redecking of certain bridges and/or rehabilitation of certain interchanges, and for paying the costs of issuing the 2020 Series A Senior 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)

	2020	2019	2018	2017	2016	2015
Commission's proportion of the net pension liability	1.81091910%	1.85214667%	1.90329134%	1.96867410%	1.90799267%	1.99409814%
Commission's proportionate share of the net pension liability	$ 329,189	$ 385,821	$ 329,112	$ 379,173	$ 346,946	$ 296,271
Commission's covered payroll	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	270.62%	318.53%	272.80%	307.36%	286.53%	243.69%
Plan fiduciary net position as a percentage of the total pension liability	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)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 37,699	$ 37,771	$ 38,073	$ 33,303	$ 27,864	$ 22,588
Contributions in relation to the contractually required contribution	(37,699)	(37,771)	(38,073)	(33,303)	(27,864)	(22,588)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Commission's covered payroll^	$ 120,107	$ 122,145	$ 122,654	$ 121,778	$ 121,060	$ 121,009
Contributions as a percentage of covered payroll	31.39%	30.92%	31.04%	27.35%	23.02%	18.67%

* 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, 2019 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*	**05/31/20** / **05/31/19**	**05/31/19** / **05/31/18**
Total OPEB Liability		
Service cost	$ 11,254	$ 10,926
Interest on total OPEB liability	26,371	25,431
Effect of economic/demographic gains or losses	8,487	(2,671)
Effect of assumptions changes or inputs	(4,358)	-
Benefit payments	(17,032)	(17,984)
Net change in total OPEB liability	24,722	15,702
Total OPEB liability, beginning	437,477	421,775
Total OPEB liability, ending (a)	462,199	437,477
Plan fiduciary net position		
Employer contributions	46,056	28,171
Net investment income	6,789	34,322
Benefit payments	(17,032)	(17,984)
Administrative expenses	(2)	(11)
Net change in plan fiduciary net position	35,811	44,498
Plan fiduciary net position, beginning	424,543	380,045
Plan fiduciary net position, ending (b)	460,354	424,543
Commission's net OPEB liability, ending = (a) – (b)	$ 1,845	$ 12,934
Plan fiduciary net position as a % of total OPEB liability	99.6%	97.0%
Covered payroll	$ 119,730	$ 119,391
Commission's net OPEB liability as a % of covered payroll	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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 11,729	$ 13,970	$ 8,384	$ 11,121	$ 11,368	$ 12,683	$ 18,353	$ 23,423	$ 28,821	$ 26,703
Contributions in relation to the actuarially determined contribution	11,730	46,056	28,171	28,176	28,143	46,180	44,228	54,768	54,397	28,505
Contribution deficiency (excess)	$ (1)	$ (32,086)	$ (19,787)	$ (17,055)	$ (16,775)	$ (33,497)	$ (25,875)	$ (31,345)	$ (25,576)	$ (1,802)
Covered-employee payroll	$ 118,560	$ 119,730	$ 119,391	$ 117,818	$ 117,391	$ 116,829	$ 118,507	$ 116,716	$ 112,408	$ 111,694
Contributions as a % of covered-employee payroll	9.9%	38.5%	23.6%	23.9%	24.0%	39.5%	37.3%	46.9%	48.4%	25.5%

Notes to Schedule

Full actuarial valuations are performed every other year.

The Actuarially Determined Contribution for the fiscal year ended May 31, 2020 was calculated based on a May 31, 2019 full valuation. See Note 11 to the financial statements for more information.

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:

	June 1, 2017 Full Valuation	**January 1, 2016 Full Valuation**
Actuarial cost method	Entry Age Normal	Projected-unit credit
Discount rate	6.0%	6.5%
Rate of return on assets	6.0%	6.5%
Inflation rate	2.3%	2.5%
Amortization method	Level dollar amortization over a period of 10 years	Level dollar
Amortization period		
▪ - UAAL as of March 1, 2012	N/A	10 years (closed)
▪ - Subsequent changes	N/A	10 years (open)
Asset valuation method	Market value plus receivable contributions made attributable to a prior fiscal year	Fair value
Health cost trend rates	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%	Not considered as OPEB benefits are not based upon pay.
Mortality	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 7 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 7 to the financial statements.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Net Position

	May 31, 2020			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 198,564	$ -	$ -	$ 198,564
Investments	78,655	-	-	78,655
Accounts receivable	65,631	-	-	65,631
Accrued interest receivable	2,066	-	-	2,066
Inventories	24,685	-	-	24,685
Restricted current assets				
Cash and cash equivalents	545,031	148,780	13,955	707,766
Investments	295,525	28,984	17,077	341,586
Accounts receivable	-	3,180	-	3,180
Accrued interest receivable	11,148	3,745	156	15,049
Total current assets	1,221,305	184,689	31,188	1,437,182
Noncurrent assets				
Investments				
Investments	354,491	-	-	354,491
Investments restricted	556,700	275,631	33,118	865,449
Total investments	911,191	275,631	33,118	1,219,940
Capital assets not being depreciated				
Land and intangibles	425,643	-	-	425,643
Assets under construction	1,788,685	-	-	1,788,685
Capital assets being depreciated				
Buildings	983,739	-	-	983,739
Improvements other than buildings	151,066	-	-	151,066
Equipment	706,803	-	-	706,803
Infrastructure	8,946,265	-	-	8,946,265
Total capital assets before accumulated depreciation	13,002,201	-	-	13,002,201
Less: Accumulated depreciation	6,592,200	-	-	6,592,200
Total capital assets after accumulated depreciation	6,410,001	-	-	6,410,001
Other assets				
Prepaid bond insurance costs	4,763	18	1,094	5,875
Other assets	26,646	-	-	26,646
Total other assets	31,409	18	1,094	32,521
Total noncurrent assets	7,352,601	275,649	34,212	7,662,462
Total assets	8,573,906	460,338	65,400	9,099,644
Deferred outflows of resources from hedging derivatives	120,084	-	97,070	217,154
Deferred outflows of resources from refunding bonds	319,193	10,714	13,816	343,723
Deferred outflows of resources from pensions	37,837	-	-	37,837
Deferred outflows of resources from OPEB	34,446	-	-	34,446
Total deferred outflows of resources	511,560	10,714	110,886	633,160
Total assets and deferred outflows of resources	$ 9,085,466	$ 471,052	$ 176,286	$ 9,732,804

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Net Position *(continued)*

	May 31, 2020			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities				
Accounts payable and accrued liabilities	$ 457,609	$ 56,597	$ 3,034	$ 517,240
Current portion of debt	545,615	18,720	9,545	573,880
Unearned income	90,369	-	-	90,369
Total current liabilities	1,093,593	75,317	12,579	1,181,489
Noncurrent liabilities				
Debt, less current portion, net of unamortized premium	12,884,059	1,138,797	360,164	14,383,020
Net pension liability	329,189	-	-	329,189
Net OPEB liability	1,845	-	-	1,845
Other noncurrent liabilities	252,023	(66)	103,704	355,661
Total noncurrent liabilities	13,467,116	1,138,731	463,868	15,069,715
Total liabilities	14,560,709	1,214,048	476,447	16,251,204
Deferred inflows of resources from service concession arrangements	106,450	-	-	106,450
Deferred inflows of resources from refunding bonds	9,829	1,805	-	11,634
Deferred inflows of resources from pensions	42,492	-	-	42,492
Deferred inflows of resources from OPEB	12,172	-	-	12,172
Total deferred inflows of resources	170,943	1,805	-	172,748
Total liabilities and deferred inflows of resources	14,731,652	1,215,853	476,447	16,423,952
NET POSITION				
Net investment in capital assets	564,948	(1,106,604)	(361,433)	(903,089)
Restricted for construction purposes	-	350,041	61,272	411,313
Restricted for debt service	30,857	11,762	-	42,619
Unrestricted	(6,241,991)	-	-	(6,241,991)
Total net position	$ (5,646,186)	$ (744,801)	$ (300,161)	$ (6,691,148)

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Revenues, Expenses, and Changes in Net Position

	May 31, 2020			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
Operating revenues				
Net fares	$ 1,279,740	$ -	$ -	$ 1,279,740
Other	4,043	-	-	4,043
Total operating revenues	1,283,783	-	-	1,283,783
Operating expenses				
Cost of services	530,740	3,191	-	533,931
Depreciation	382,088	-	-	382,088
Total operating expenses	912,828	3,191	-	916,019
Operating income (loss)	370,955	(3,191)	-	367,764
Nonoperating revenues (expenses)				
Investment earnings	64,177	23,889	2,279	90,345
Other nonoperating revenues	18,091	4,602	-	22,693
Act 44 and Act 89 payments to PennDOT	(450,000)	-	-	(450,000)
Capital assets transferred to the Commonwealth	(294)	-	-	(294)
Interest and bond expense	(585,828)	(48,601)	(18,472)	(652,901)
Nonoperating expenses, net	(953,854)	(20,110)	(16,193)	(990,157)
Loss before capital contributions	(582,899)	(23,301)	(16,193)	(622,393)
Capital contributions	11,688	133,798	28,000	173,486
(Decrease) increase in net position	(571,211)	110,497	11,807	(448,907)
Net position at beginning of year, before restatement	(5,333,360)	(595,913)	(312,968)	(6,242,241)
Cumulative effect of change in accounting principle	-	-	-	-
Net position at beginning of year, as restated	(5,333,360)	(595,913)	(312,968)	(6,242,241)
Intersection transfers	258,385	(259,385)	1,000	-
Net position at end of year	$ (5,646,186)	$ (744,801)	$ (300,161)	$ (6,691,148)

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Cash Flows

	May 31, 2020			
	Mainline	Oil Franchise	Motor License	Total
		(In Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	$ 1,275,558	$ -	$ -	$ 1,275,558
Cash payments for goods and services	(353,071)	(1,089)	-	(354,160)
Cash payments to employees	(159,661)	(2,100)	-	(161,761)
Cash received from other operating activities	16,572	-	-	16,572
Net cash provided by (used in) operating activities	779,398	(3,189)	-	776,209
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	3,212,888	957,528	8,694	4,179,110
Interest received on investments	27,965	6,560	1,134	35,659
Purchases of investments	(3,403,790)	(735,947)	(11,105)	(4,150,842)
Net cash (used in) provided by investing activities	(162,937)	228,141	(1,277)	63,927
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received from other governments	5,845	-	-	5,845
Proceeds from Motor License Registration fees	-	-	28,000	28,000
Proceeds from Oil Company Franchise Tax	-	141,665	-	141,665
Intersection cash transfer for debt defeasance	-	(1,000)	1,000	-
Construction and acquisition of capital assets	(404,188)	(255,237)	-	(659,425)
Proceeds from sale of capital assets	2,057	-	-	2,057
Payments for bond and swap expenses	(5,078)	(40)	-	(5,118)
Payments for debt refundings	(574,829)	-	-	(574,829)
Payments for debt maturities	(81,100)	(18,980)	(9,070)	(109,150)
Interest paid on debt	(257,098)	(54,807)	(18,806)	(330,711)
Interest subsidy from Build America Bonds	8,232	2,301	-	10,533
Swap suspension payments received	2,443	-	-	2,443
Proceeds from debt issuances	1,073,553	-	-	1,073,553
Net cash (used in) provided by capital and related financing activities	(230,163)	(186,098)	1,124	(415,137)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash payments to PennDOT	(900,000)	-	-	(900,000)
Payments for bond and swap expenses	(8,636)	-	-	(8,636)
Payments for cash defeasances	(51,164)	-	-	(51,164)
Payments for debt refundings	(481,197)	-	-	(481,197)
Payments for debt maturities	(76,905)	-	-	(76,905)
Interest paid on debt	(285,859)	-	-	(285,859)
Proceeds from debt issuances	1,285,176	-	-	1,285,176
Net cash used in noncapital financing activities	(518,585)	-	-	(518,585)
(Decrease) increase in cash and cash equivalents	(132,287)	38,854	(153)	(93,586)
Cash and cash equivalents at beginning of year	875,882	109,926	14,108	999,916
Cash and cash equivalents at end of year	$ 743,595	$ 148,780	$ 13,955	$ 906,330

	May 31, 2020			
	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)	$ 370,955	$ (3,191)	$ -	$ 367,764
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	382,088	-	-	382,088
Change in operating assets and liabilities				
Accounts receivable	12,989	-	-	12,989
Inventories	(5,395)	-	-	(5,395)
Other assets	(7)	-	-	(7)
Deferred outflows of resources from pensions	38,855	-	-	38,855
Deferred outflows of resources from OPEB	11,610	-	-	11,610
Accounts payable and accrued liabilities	12,650	2	-	12,652
Net pension liability	(56,632)	-	-	(56,632)
Net OPEB liability	(11,089)	-	-	(11,089)
Other noncurrent liabilities	1,456	-	-	1,456
Deferred inflows of resources from pensions	20,961	-	-	20,961
Deferred inflows of resources from OPEB	957	-	-	957
Net cash provided by (used in) operating activities	$ 779,398	$ (3,189)	$ -	$ 776,209
Reconciliation of cash and cash equivalents to the statements of net position				
Cash and cash equivalents	$ 198,564	$ -	$ -	$ 198,564
Restricted cash and cash equivalents	545,031	148,780	13,955	707,766
Total cash and cash equivalents	$ 743,595	$ 148,780	$ 13,955	$ 906,330

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of $50.7 million in the fair value of its investments not reported as cash equivalents for the year ended May 31, 2020. Increases by section were: Mainline, $32.3 million; Oil Franchise, $17.3 million and Motor License $1.1 million.

The Commission recorded $57.7 million for the amortization of bond premium for the year ended May 31, 2020. Amortization by section was: Mainline, $49.6 million; Oil Franchise, $7.1 million and Motor License, $1.0 million.

As indicated in Note 7 to the financial statements (Debt), the Commission refunded and cash defeased various bonds in fiscal year 2020. The fiscal year 2020 refundings and cash defeasances resulted in a $19.1 million reclassification from Mainline bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $41.7 million reclassification from Mainline bond premiums (discounts) to deferred inflows of resources from refundings. Additionally, the Commission recorded $40.7 million for the amortization of deferred outflows/inflows of resources from refunding bonds for the year ended May 31, 2020. Amortization by section was: Mainline, $39.3 million; Oil Franchise, $0.5 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, 2020. 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 $3.2 million in the Mainline section and $0.2 million in the Motor License section for the year ended May 31, 2020 related to GASB Statement No. 53 entries.

The Commission recognized total capital contributions of $173.5 million for fiscal year ended May 31, 2020. Cash received of $175.5 million for fiscal year ended May 31, 2020 is reported in the capital and related financing activities of this schedule. The $2.0 million difference between capital contributions and cash received is the result of a $7.8 million net decrease in Oil Franchise receivables related to these capital contributions and a $5.8 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 provide 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.

During fiscal year 2020, the Commission transferred land with a book value of $0.3 million from the Mainline section to the PA Game Commission.

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, 2020 were: to Mainline, $258.4 million; from Oil Franchise, $259.4 million; and to Motor License, $1.0 million.

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Net Position

	May 31, 2019			
	Mainline	Oil Franchise	Motor License	Total
	(In Thousands)			
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current assets:				
Cash and cash equivalents	$ 192,784	$ -	$ -	$ 192,784
Investments	93,666	-	-	93,666
Accounts receivable	78,619	-	-	78,619
Accrued interest receivable	1,712	-	-	1,712
Inventories	19,290	-	-	19,290
Restricted current assets				
Cash and cash equivalents	683,098	109,926	14,108	807,132
Investments	161,681	359,886	-	521,567
Accounts receivable	-	11,047	-	11,047
Accrued interest receivable	2,260	1,100	178	3,538
Total current assets	1,233,110	481,959	14,286	1,729,355
Noncurrent assets				
Investments				
Investments	363,526	-	-	363,526
Investments restricted	433,456	151,925	46,618	631,999
Total investments	796,982	151,925	46,618	995,525
Capital assets not being depreciated				
Land and intangibles	405,643	-	-	405,643
Assets under construction	1,490,161	-	-	1,490,161
Capital assets being depreciated				
Buildings	981,115	-	-	981,115
Improvements other than buildings	150,306	-	-	150,306
Equipment	642,785	-	-	642,785
Infrastructure	9,044,067	-	-	9,044,067
Total capital assets before accumulated depreciation	12,714,077	-	-	12,714,077
Less: Accumulated depreciation	6,574,079	-	-	6,574,079
Total capital assets after accumulated depreciation	6,139,998	-	-	6,139,998
Other assets				
Prepaid bond insurance costs	3,025	24	1,163	4,212
Other assets	29,611	-	-	29,611
Total other assets	32,636	24	1,163	33,823
Total noncurrent assets	6,969,616	151,949	47,781	7,169,346
Total assets	8,202,726	633,908	62,067	8,898,701
Deferred outflows of resources from hedging derivatives	55,544	-	70,976	126,520
Deferred outflows of resources from refunding bonds	345,452	11,636	14,749	371,837
Deferred outflows of resources from pensions	76,692	-	-	76,692
Deferred outflows of resources from OPEB	46,056	-	-	46,056
Total deferred outflows of resources	523,744	11,636	85,725	621,105
Total assets and deferred outflows of resources	**$ 8,726,470**	**$ 645,544**	**$ 147,792**	**$ 9,519,806**

	May 31, 2019			
	Mainline	**Oil Franchise**	**Motor License**	**Total**
		(In Thousands)		
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
Current liabilities				
Accounts payable and accrued liabilities	$ 455,024	$ 56,883	$ 3,190	$ 515,097
Act 44 and Act 89 payments due to PennDOT	450,000	-	-	450,000
Current portion of debt	297,155	18,980	9,070	325,205
Unearned income	77,632	-	-	77,632
Total current liabilities	1,279,811	75,863	12,260	1,367,934
Noncurrent liabilities				
Debt, less current portion, net of unamortized premium	12,057,400	1,163,322	370,682	13,591,404
Net pension liability	385,821	-	-	385,821
Net OPEB liability	12,934	-	-	12,934
Other noncurrent liabilities	172,279	-	77,818	250,097
Total noncurrent liabilities	12,628,434	1,163,322	448,500	14,240,256
Total liabilities	13,908,245	1,239,185	460,760	15,608,190
Deferred inflows of resources from service concession arrangements	115,266	-	-	115,266
Deferred inflows of resources from refunding bonds	3,573	2,272	-	5,845
Deferred inflows of resources from pensions	21,531	-	-	21,531
Deferred inflows of resources from OPEB	11,215	-	-	11,215
Total deferred inflows of resources	151,585	2,272	-	153,857
Total liabilities and deferred inflows of resources	14,059,830	1,241,457	460,760	15,762,047
NET POSITION				
Net investment in capital assets	628,723	(881,250)	(370,682)	(623,209)
Restricted for construction purposes	-	273,351	57,714	331,065
Restricted for debt service	39,550	11,986	-	51,536
Unrestricted	(6,001,633)	-	-	(6,001,633)
Total net position	$ (5,333,360)	$ (595,913)	$ (312,968)	$ (6,242,241)

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Revenues, Expenses, and Changes in Net Position

	May 31, 2019			
	Mainline	Oil Franchise	Motor License	Total
		(In Thousands)		
Operating revenues				
Net fares	$ 1,327,031	$ -	$ -	$ 1,327,031
Other	9,574	-	-	9,574
Total operating revenues	1,336,605	-	-	1,336,605
Operating expenses				
Cost of services	506,840	2,913	-	509,753
Depreciation	384,104	-	-	384,104
Total operating expenses	890,944	2,913	-	893,857
Operating income (loss)	445,661	(2,913)	-	442,748
Nonoperating revenues (expenses)				
Investment earnings	58,166	22,900	2,006	83,072
Other nonoperating revenues	17,984	4,588	-	22,572
Act 44 and Act 89 payments to PennDOT	(450,000)	-	-	(450,000)
Capital assets transferred to PennDOT	(162,982)	-	-	(162,982)
Interest and bond expense	(548,310)	(51,478)	(20,796)	(620,584)
Nonoperating expenses, net	(1,085,142)	(23,990)	(18,790)	(1,127,922)
Loss before capital contributions	(639,481)	(26,903)	(18,790)	(685,174)
Capital contributions	59,543	141,843	28,000	229,386
(Decrease) increase in net position	(579,938)	114,940	9,210	(455,788)
Net position at beginning of year, before restatement	(4,829,048)	(476,120)	(333,594)	(5,638,762)
Cumulative effect of change in accounting principle	(147,691)	-	-	(147,691)
Net position at beginning of year, as restated	(4,976,739)	(476,120)	(333,594)	(5,786,453)
Intersection transfers	223,317	(234,733)	11,416	-
Net position at end of year	$ (5,333,360)	$ (595,913)	$ (312,968)	$ (6,242,241)

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Section Information *(continued)*
Schedule of Cash Flows

	May 31, 2019			
	Mainline	Oil Franchise	Motor License	Total
		(In Thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customer tolls and deposits	$ 1,315,498	$ -	$ -	$ 1,315,498
Cash payments for goods and services	(364,122)	(905)	-	(365,027)
Cash payments to employees	(171,498)	(1,769)	-	(173,267)
Cash received from other operating activities	18,605	-	-	18,605
Net cash provided by (used in) operating activities	798,483	(2,674)	-	795,809
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	3,847,693	1,154,849	33,341	5,035,883
Interest received on investments	24,903	5,475	924	31,302
Purchases of investments	(4,039,502)	(1,533,154)	(45,214)	(5,617,870)
Net cash used in investing activities	(166,906)	(372,830)	(10,949)	(550,685)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital grants received from other governments	59,858	-	-	59,858
Proceeds from Motor License Registration fees	-	-	28,000	28,000
Proceeds from Oil Company Franchise Tax	-	141,594	-	141,594
Intersection cash transfer for debt defeasance	-	(11,408)	11,408	-
Construction and acquisition of capital assets	(457,538)	(205,006)	-	(662,544)
Proceeds from sale of capital assets	1,449	-	-	1,449
Payments for bond and swap expenses	(4,487)	(2,381)	(461)	(7,329)
Payments for cash defeasances	(23,184)	-	(11,321)	(34,505)
Payments for debt refundings	(425,315)	-	-	(425,315)
Payments for debt maturities	(77,495)	(18,170)	(8,615)	(104,280)
Interest paid on debt	(249,713)	(43,202)	(20,585)	(313,500)
Interest subsidy from Build America Bonds	16,411	4,587	-	20,998
Swap suspension payments received	6,825	-	-	6,825
Proceeds from debt issuances	818,614	507,342	-	1,325,956
Net cash (used in) provided by capital and related financing activities	(334,575)	373,356	(1,574)	37,207
CASH FLOWS FROM NONCAPITAL FINANCING				
Payments for debt maturities	(120,085)	-	-	(120,085)
Interest paid on debt	(278,337)	-	-	(278,337)
Net cash used in noncapital financing activities	(398,422)	-	-	(398,422)
Decrease in cash and cash equivalents	(101,420)	(2,148)	(12,523)	(116,091)
Cash and cash equivalents at beginning of year	977,302	112,074	26,631	1,116,007
Cash and cash equivalents at end of year	$ 875,882	$ 109,926	$ 14,108	$ 999,916

	May 31, 2019			
	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)	$ 445,661	$ (2,913)	$ -	$ 442,748
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	384,104	-	-	384,104
Change in operating assets and liabilities				
Accounts receivable	(10,114)	-	-	(10,114)
Inventories	(1,894)	-	-	(1,894)
Other assets	22	-	-	22
Deferred outflows of resources from pensions	(29,990)	-	-	(29,990)
Deferred outflows of resources from OPEB	(17,885)	-	-	(17,885)
Accounts payable and accrued liabilities	4,898	239	-	5,137
Net pension liability	55,825	-	-	55,825
Net OPEB liability	(28,796)	-	-	(28,796)
Other noncurrent liabilities	(1,307)	-	-	(1,307)
Deferred inflows of resources from pensions	(13,256)	-	-	(13,256)
Deferred inflows of resources from OPEB	11,215	-	-	11,215
Net cash provided by (used in) operating activities	$ 798,483	$ (2,674)	$ -	$ 795,809
Reconciliation of cash and cash equivalents to the statements of net position				
Cash and cash equivalents	$ 192,784	$ -	$ -	$ 192,784
Restricted cash and cash equivalents	683,098	109,926	14,108	807,132
Total cash and cash equivalents	$ 875,882	$ 109,926	$ 14,108	$ 999,916

Noncash Investing, Capital and Related Financing and Noncapital Financing Activities

The Commission recorded a net increase of $44.1 million in the fair value of its investments not reported as cash equivalents for the year ended May 31, 2019. Increases by section were: Mainline, $26.6 million; Oil Franchise, $16.4 million and Motor License $1.1 million.

The Commission recorded $56.6 million for the amortization of bond premium for the year ended May 31, 2019. Amortization by section was: Mainline, $44.3 million; Oil Franchise, $7.2 million and Motor License, $5.1 million.

As indicated in Note 7 to the financial statements (Debt), the Commission refunded and cash defeased various bonds in fiscal year 2019. The fiscal year 2019 refundings and cash defeasances resulted in a $1.2 million reclassification (Mainline, $0.5 million; and Motor License $0.7 million) from bond premiums (discounts) to deferred outflows of resources from refunding bonds and a $0.6 million reclassification from Mainline bond premiums (discounts) to deferred inflows of resources from refundings. Additionally, the Commission recorded $45.3 million for the amortization of deferred outflows/inflows of resources from refunding bonds for the year ended May 31, 2019. Amortization by section was: Mainline, $39.7 million; Oil Franchise, $0.4 million and Motor License, $5.2 million.

The Commission recorded $0.6 million for the amortization of prepaid bond insurance costs for the year ended May 31, 2019. Amortization by section was: Mainline, $0.4 million and Motor License, $0.2 million.

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

The Commission recorded an interest expense reduction of $2.8 million in the Mainline section and $0.2 million in the Motor License section for the year ended May 31, 2019 related to GASB Statement No. 53 entries.

The Commission recognized total capital contributions of $229.4 million for fiscal year ended May 31, 2019. Cash received of $229.5 million for fiscal year ended May 31, 2019 is reported in the capital and related financing activities of this schedule. The $0.1 million difference between capital contributions and cash received is the result of a $5.9 million net decrease (Mainline section $6.1 million decrease; Oil Franchise section $0.2 million increase) in receivables related to these capital contributions and a $5.8 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 provide the capital for the reconstruction in exchange for lower rental rates. See Note 2 to the financial statements for further discussion on capital contributions and Note 6 to the financial statements for further discussion on the service plazas.

The Commission constructed ramps to connect the Turnpike Mainline with I-95 as part of its I-95 Interchange Project. (See the MD&A section of these financial statements for further discussion on this project.) The ownership, of these ramp assets, was transferred from the Mainline section to PennDOT when the project was completed and open to traffic in September 2018. The net book value of the ramp assets transferred to PennDOT during the fiscal year ended May 31, 2019 was $163.0 million.

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, 2019 were: to Mainline, $223.3 million; from Oil Franchise, $234.7 million; and to Motor License, $11.4 million.

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, 2020

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
General and administrative	$ 52,122	$ 126,510	$ 178,632	$ 1,935	$ -	$ 180,567
Traffic engineering and operations	3,162	2,757	5,919	-	-	5,919
Service centers	41,972	-	41,972	-	-	41,972
Employee benefits	91,161	13,046	104,207	1,256	-	105,463
Toll collection	58,129	1,023	59,152	-	-	59,152
Maintenance	64,636	1,448	66,084	-	-	66,084
Facilities and energy mgmt. operations	11,344	9,792	21,136	-	-	21,136
Turnpike patrol	53,638	-	53,638	-	-	53,638
Total cost of services	$ 376,164	$ 154,576	$ 530,740	$ 3,191	$ -	$ 533,931

Fiscal Year Ended May 31, 2019

	Mainline Operating	Mainline Capital	Total Mainline	Oil Franchise	Motor License	Total
General and administrative	$ 45,281	$ 97,020	$ 142,301	$ 1,696	$ -	$ 143,997
Traffic engineering and operations	3,262	2,593	5,855	-	-	5,855
Service centers	38,703	-	38,703	-	-	38,703
Employee benefits	96,993	12,883	109,876	1,217	-	111,093
Toll collection	58,200	2,125	60,325	-	-	60,325
Maintenance	73,110	1,522	74,632	-	-	74,632
Facilities and energy mgmt. operations	11,522	14,194	25,716	-	-	25,716
Turnpike patrol	49,432	-	49,432	-	-	49,432
Total cost of services	$ 376,503	$ 130,337	$ 506,840	$ 2,913	$ -	$ 509,753

STATISTICAL SECTION

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

Financial Trends Pages 138-139
These schedules contain trend information to help the reader understand how the Commission's financial performance and viability have changed over time.

Debt Capacity Pages 140-141
These schedules present information to help the reader assess the affordability of the Commission's current levels of outstanding debt and the Commission's ability to issue additional debt.

Revenue Capacity Pages 142-144
These schedules contain information to help the reader assess the Commission's most significant revenue source, fare revenues.

Demographic and Economic Information Pages 145-147
These schedules offer demographic and economic indicators to help the reader understand the environment within which the Commission's financial activities take place.

Operating Information Pages 148-158
These schedules contain service and infrastructure data to help the reader understand how the information in the Commission's financial report relates to the services it provides and the activities it performs.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating revenues										
Net fares	$ 739,704	$ 780,798	$ 811,542	$ 861,846	$ 932,146	$ 1,030,115	$ 1,111,061	$ 1,196,606	$ 1,327,031	$ 1,279,740
Other	18,944	23,141	20,094	18,909	17,589	22,576	23,335	4,668	9,574	4,043
Total operating revenues	758,648	803,939	831,636	880,755	949,735	1,052,691	1,134,396	1,201,274	1,336,605	1,283,783
Operating expenses										
Cost of services	359,870	387,506	412,484	438,981	459,780	471,132	517,103	494,742	509,753	533,931
Depreciation	281,587	300,777	311,735	324,010	337,664	332,941	354,343	379,401	384,104	382,088
Total operating expenses	641,457	688,283	724,219	762,991	797,444	804,073	871,446	874,143	893,857	916,019
Operating income	117,191	115,656	107,417	117,764	152,291	248,618	262,950	327,131	442,748	367,764
Nonoperating revenues (expenses)										
Investment earnings	24,566	28,052	30,048	27,570	17,502	29,069	14,225	18,809	83,072	90,345
Other nonoperating revenues	19,709	21,196	19,877	23,161	55,992	21,651	21,532	22,303	22,572	22,693
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)	(450,000)
Capital assets transferred to PennDOT	-	(22,783)	-	(13,531)	(4,499)	(40,937)	(54,724)	-	(162,982)	(294)
Interest and bond expense	(333,275)	(437,680)	(394,919)	(427,047)	(465,869)	(521,021)	(560,660)	(566,137)	(620,584)	(652,901)
Nonoperating expenses, net	(739,000)	(861,215)	(794,994)	(839,847)	(846,874)	(961,238)	(1,029,627)	(975,025)	(1,127,922)	(990,157)
Loss before capital contributions and special item	(621,809)	(745,559)	(687,577)	(722,083)	(694,583)	(712,620)	(766,677)	(647,894)	(685,174)	(622,393)
Capital contributions	62,074	102,407	97,836	110,036	146,472	180,906	214,664	207,804	229,386	173,486
Discontinued project	-	-	(51,009)	-	-	-	-	-	-	-
Decrease in net assets/net position	$ (559,735)	$ (643,152)	$ (640,750)	$ (612,047)	$ (548,111)	$ (531,714)	$ (552,013)	$ (440,090)	$ (455,788)	$ (448,907)

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.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Schedule of Net Assets (Deficit)/Net Position
(000s Omitted)
Fiscal Years Ended May 31

	Net Assets (Deficit)				Net Position			
	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Assets (Deficit)	Net Investment in Capital Assets	Restricted	Unrestricted	Total Net Position
2011	$ 1,049,972	$ 308,059	$ (2,762,537)	$ (1,404,506)	$ -	$ -	$ -	$ -
2012	-	-	-	-	927,679	270,003	(3,245,340)	(2,047,658)
2013	-	-	-	-	613,422	275,013	(3,576,843)	(2,688,408)
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)

Note: The Commission implemented GASB 63 in 2012; prior years have not been adjusted to reflect the implementation of this standard.

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

	2011	2012	2013	2014	2015	2016	2017	2018 *	2019	2020
Revenues and capital contributions										
Operating revenues	$ 758,648	$ 803,939	$ 831,636	$ 880,755	$ 949,735	$ 1,052,691	$ 1,134,396	$ 1,201,274	$ 1,336,605	$ 1,283,783
Investment earnings**	24,838	26,194	24,588	19,030	17,356	24,527	23,693	25,569	39,019	39,670
Other nonoperating revenues	19,709	21,196	19,877	23,161	55,992	21,651	21,532	22,303	22,572	22,693
Capital contributions	62,074	102,407	97,836	110,036	146,472	180,906	214,664	207,804	229,386	173,486
Total revenues and capital contributions	865,269	953,736	973,937	1,032,982	1,169,555	1,279,775	1,394,285	1,456,950	1,627,582	1,519,632
Direct expenses										
Cost of services	359,870	387,506	412,484	438,981	459,780	471,132	517,103	494,742	509,753	533,931
Bond and swap expenses	11,640	61,572	9,376	12,526	10,620	14,258	16,990	11,002	8,180	12,223
Special item	-	-	51,009	-	-	-	-	-	-	-
Total direct expenses	371,510	449,078	472,869	451,507	470,400	485,390	534,093	505,744	517,933	546,154
Net revenues available for debt service payments	$ 493,759	$ 504,658	$ 501,068	$ 581,475	$ 699,155	$ 794,385	$ 860,192	$ 951,206	$ 1,109,649	$ 973,478
Debt service payments										
Debt maturity payments	$ 70,570	$ 74,275	$ 57,750	$ 124,700	$ 115,150	$ 138,630	$ 122,630	$ 251,375	$ 224,365	$ 186,055
Interest payments	281,885	320,750	343,123	368,582	395,223	436,073	494,301	519,173	591,837	616,570
Total debt service payments	$ 352,455	$ 395,025	$ 400,873	$ 493,282	$ 510,373	$ 574,703	$ 616,931	$ 770,548	$ 816,202	$ 802,625
Coverage	1.40	1.28	1.25	1.18	1.37	1.38	1.39	1.23	1.36	1.21

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.

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**
2011	192,995	$ 6,398,561	$ 806,896	$ 429,748	$ 7,635,205	$ 268,576	$ 57,487	$ 26,392	$ 352,455	$ 33.15	$ 1.39
2012	193,657	6,816,740	802,180	451,028	8,069,948	313,325	55,312	26,388	395,025	35.20	1.62
2013	192,771	7,647,034	786,224	443,912	8,877,170	318,865	55,364	26,644	400,873	39.67	1.65
2014	194,070	8,502,700	768,732	436,473	9,707,905	411,019	55,748	26,515	493,282	43.81	2.12
2015	198,538	9,254,750	751,955	428,703	10,435,408	430,138	53,888	26,347	510,373	46.61	2.17
2016	205,908	10,540,019	733,956	420,574	11,694,549	492,380	54,578	27,745	574,703	51.19	2.39
2017	208,254	11,436,677	720,245	412,080	12,569,002	534,190	54,885	27,856	616,931	54.92	2.57
2018	210,344	12,210,090	699,006	403,175	13,312,271	691,471	50,624	28,453	770,548	58.05	3.29
2019	214,612	12,354,555	1,182,302	379,752	13,916,609	725,630	61,372	29,200	816,202	57.57	3.38
2020	190,452	13,429,674	1,157,517	369,709	14,956,900	700,962	73,787	27,876	802,625	70.51	3.68

* 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.

*** Restated Number of Vehicle Transactions in FY19 for all years to report both revenue and non-revenue transactions. Prior to FY19, the Commission only reported traffic volume classified as revenue transactions. As a result, this table restated previously reported traffic volumes to reflect this change in reporting methodology. For purposes hereof, a revenue transaction is one that produces toll revenues and a non-revenue transaction may result in toll revenue.

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			
2011	168,350	$ 435,751	$ 2.59
2012	168,657	455,133	2.70
2013	167,653	471,514	2.81
2014	168,191	497,671	2.96
2015	171,243	533,054	3.11
2016	177,317	588,295	3.32
2017	179,190	638,787	3.56
2018	180,167	678,720	3.77
2019	183,030	740,205	4.04
2020	159,649	683,511	4.28
Commercial			
2011	24,645	$ 328,105	$ 13.31
2012	25,000	342,646	13.71
2013	25,118	350,226	13.94
2014	25,879	368,395	14.24
2015	27,295	401,198	14.70
2016	28,591	443,325	15.51
2017	29,064	476,189	16.38
2018	30,177	524,438	17.38
2019	31,582	595,180	18.85
2020	30,803	606,050	19.68
Total			
2011	192,995	$ 763,856	$ 3.96
2012	193,657	797,779	4.12
2013	192,771	821,740	4.26
2014	194,070	866,066	4.46
2015	198,538	934,252	4.71
2016	205,908	1,031,620	5.01
2017	208,254	1,114,976	5.35
2018	210,344	1,203,158	5.72
2019	214,612	1,335,385	6.22
2020	190,452	1,289,561	6.77

* Restated Number of Vehicle Transactions in FY19 for all years to report both revenue and non-revenue transactions. Prior to FY19, the Commission only reported traffic volume classified as revenue transactions. As a result, this table restated previously reported traffic volumes to reflect this change in reporting methodology. For purposes hereof, a revenue transaction is one that produces toll revenues and a non-revenue transaction may result in toll revenue.

Refer to page 149 for vehicle class definitions.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Revenue Composition as a Percentage of Total Revenue
Fiscal Years Ended May 31

	Passenger	Commercial	Total	Electronic Toll Collection (ETC)	Non-ETC	Total
2011	57.05%	42.95%	100.00%	64.98%	35.02%	100.00%
2012	57.05	42.95	100.00	66.78	33.22	100.00
2013	57.38	42.62	100.00	68.34	31.66	100.00
2014	57.46	42.54	100.00	69.99	30.01	100.00
2015	57.06	42.94	100.00	71.48	28.52	100.00
2016	57.03	42.97	100.00	74.54	25.46	100.00
2017	57.29	42.71	100.00	77.14	22.86	100.00
2018	56.41	43.59	100.00	79.67	20.33	100.00
2019	55.43	44.57	100.00	82.48	17.52	100.00
2020	53.00	47.00	100.00	86.80	13.20	100.00

Refer to page 149 for vehicle class definitions.

Source: Pennsylvania Turnpike Commission

PENNSYLVANIA TURNPIKE COMMISSION
A Component Unit of the Commonwealth of Pennsylvania
Traffic Composition as a Percentage of Total Vehicles
Fiscal Years Ended May 31

	Passenger	Commercial	Total	Electronic Toll Collection (ETC)	Non-ETC	Total
2011	87.23%	12.77%	100.00%	60.51%	39.49%	100.00%
2012	87.09	12.91	100.00	64.63	35.37	100.00
2013	86.97	13.03	100.00	68.70	31.30	100.00
2014	86.67	13.33	100.00	72.50	27.50	100.00
2015	86.25	13.75	100.00	75.08	24.92	100.00
2016	86.11	13.89	100.00	77.39	22.61	100.00
2017	86.04	13.96	100.00	79.87	20.13	100.00
2018	85.65	14.35	100.00	83.09	16.91	100.00
2019	85.28	14.72	100.00	85.70	14.30	100.00
2020	83.83	16.17	100.00	88.88	11.12	100.00

Note: Restated Number of Vehicle Transactions in FY19 for all years to report both revenue and non-revenue transactions. Prior to FY19, the Commission only reported traffic volume classified as revenue transactions. As a result, this table restated previously reported traffic volumes to reflect this change in reporting methodology. For purposes hereof, a revenue transaction is one that produces toll revenues and a non-revenue transaction may result in toll revenue.

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

	2020		2011	
	Annual Fares	Rank	Annual Fares	Rank
Best Pass, Inc.	$ 161,121	1	$ 26,384	2
Heavy Vehicle Electronic License Plate, Inc.	90,597	2	48,927	1
United Parcel Service, Inc.	6,596	3	3,380	3
ABF Freight System, Inc.	2,806	4	2,428	7
ECM Transport LLC	2,463	5	-	
Acme Markets, Inc.	1,759	6	-	
Cowan Systems LLC	1,341	7	-	
Giant Food Stores LLC	1,133	8	-	
Central Transport LLC	1,120	9	-	
Food Haulers, Inc.	1,054	10	-	
J. B. Hunt Transport, Inc.	-		3,274	4
FedEx Ground	-		3,136	5
YRC, Inc.	-		3,015	6
New Century Transportation, Inc.	-		2,159	8
Vitran Express, Inc.	-		1,892	9
U.S. Xpress Leasing	-		1,838	10
	$ 269,990		$ 96,433	

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Pennsylvania	**69.13%**	**69.94%**	**71.16%**	**71.89%**	**71.95%**	**71.35%**	**70.93%**	**69.68%**	**69.88%**	**69.12%**
New Jersey Agencies*	15.51	14.87	14.14	14.02	13.67	13.49	13.33	11.87	12.95	12.75
MTA Bridges & Tunnels	2.17	2.08	2.08	2.06	1.97	2.25	2.33	2.21	2.51	2.47
New York State Thruway	2.86	2.85	2.83	2.86	2.92	2.98	2.87	2.59	2.40	2.33
Port Authority NY & NJ	2.53	2.34	2.17	2.06	2.04	1.96	2.07	2.15	2.19	2.25
Ohio Turnpike	0.45	0.59	0.68	0.84	0.83	1.03	1.13	1.12	1.31	1.34
Illinois State Toll Highway Authority	0.96	1.03	1.06	1.08	1.11	1.11	1.12	1.09	1.30	1.34
Maryland Transportation Authority	1.17	1.17	1.17	1.16	1.15	1.15	1.16	1.15	1.21	1.23
Virginia DOT	0.66	0.66	0.69	0.74	0.79	0.90	0.93	0.86	0.97	0.97
Delaware DOT	1.00	0.99	0.97	0.97	0.94	0.98	0.97	0.85	0.89	0.88
Massachusetts Turnpike Authority	0.41	0.44	0.44	0.43	0.46	0.48	0.49	0.56	0.50	0.58
West Virginia Parkways Authority	0.18	0.18	0.18	0.17	0.19	0.17	0.17	1.23	0.16	0.17
Delaware River Joint Toll Bridge Commission	1.21	1.16	1.12	1.03	0.98	0.82	0.72	0.57	0.44	0.12
Delaware River Port Authority	1.25	1.05	0.87	0.31	0.08	0.03	0.01	0.20	0.00	0.00
Other	0.51	0.65	0.44	0.38	0.92	1.30	1.77	3.87	3.29	4.45
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.

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)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Employment by nonfarm related industries										
Private sector										
Goods producing										
Natural resources and mining	26,700	33,800	37,100	36,000	37,800	34,000	25,000	26,700	28,600	29,500
Construction	215,000	221,600	224,300	223,900	229,000	235,400	239,100	249,000	255,800	261,300
Manufacturing	560,600	565,900	568,100	565,500	568,500	568,900	560,700	562,800	569,300	564,700
Total goods producing	802,300	821,300	829,500	825,400	835,300	838,300	824,800	838,500	853,700	855,500
Service providing										
Trade	1,073,200	1,084,900	1,093,300	1,094,900	1,105,000	1,116,600	1,121,200	1,120,600	1,126,800	1,130,100
Information	93,500	91,300	90,600	88,000	85,600	85,200	84,600	84,500	85,800	86,800
Financial activities	311,000	308,700	309,500	313,300	315,400	316,300	317,300	321,100	325,500	329,900
Professional and business services	692,600	719,500	736,100	751,000	764,600	782,600	796,600	801,800	804,500	810,700
Education and health services	1,127,900	1,144,100	1,156,400	1,163,000	1,180,600	1,192,100	1,218,600	1,245,500	1,274,800	1,291,300
Leisure and hospitality	500,600	511,300	524,200	532,200	537,600	545,300	557,400	566,700	571,600	576,800
Other services	250,700	253,400	254,200	252,100	253,100	254,300	259,100	259,400	260,400	262,000
Total service providing	4,049,500	4,113,200	4,164,300	4,194,500	4,241,900	4,292,400	4,354,800	4,399,600	4,449,400	4,487,600
Total private sector	4,851,800	4,934,500	4,993,800	5,019,900	5,077,200	5,130,700	5,179,600	5,238,100	5,303,100	5,343,100
Government	770,600	751,400	732,300	720,700	711,400	704,700	703,300	703,200	702,900	706,500
Total employment by nonfarm related industries	5,622,400	5,685,900	5,726,100	5,740,600	5,788,600	5,835,400	5,882,900	5,941,300	6,006,000	6,049,600

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, 2019, CAFR as a result of the 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
2011	397	1,707	2,104
2012	436	1,689	2,125
2013	451	1,687	2,138
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

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

Number of Employees - Functional Area

	Toll Collection - Fares	Maintenance	Other	Total
2011	852	722	530	2,104
2012	822	733	570	2,125
2013	798	745	595	2,138
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

Source: Pennsylvania Turnpike Commission

* See Note 15 of the financial statements regarding layoffs.

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

CASH / E-ZPASS

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 at Findlay Connector, 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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	76	76	83	83	83	83	83	83	83	83
NUMBER OF TOLL INTERCHANGES [1 2]										
Mainline										
Staffed interchanges/barriers	30	30	30	30	30	28	27	27	25	-
Cashless Tolling/Ramps	1	1	2	2	2	3	5	5	7	32
Total	31	31	32	32	32	31	32	32	32	32
Northeast Extension										
Staffed interchanges/barriers	10	10	10	10	10	10	10	8	8	-
Cashless Tolling/Ramps	-	-	-	-	1	1	1	3	3	11
Total	10	10	10	10	11	11	11	11	11	11
Western Expansions										
Staffed interchanges/barriers	23	23	25	25	25	25	20	-	-	-
Cashless Tolling/Ramps	-	-	-	-	-	-	5	23	23	23
Total	23	23	25	25	25	25	25	23	23	23
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	21	21	22	22	22	22	22	22	22	22

[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. See Note 15 of the financial statements for more information on all-electronic tolling.

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

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

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 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 Reconstuction 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

Source: Pennsylvania Turnpike Commission

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	E-ZPass	Cash	E-ZPass	Miles	Cash	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

Total Cross-State Toll represents Eastbound Mainline Toll for Class 1 (Passenger) from Gateway (Exit #2) to Delaware River Bridge (Exit #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 #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. See Note 15 of the financial statements for more information regarding all-electronic tolling.

Source: Pennsylvania Turnpike Commission.