

FINANCIAL AUDIT

Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

Liquor Control Board State Stores Fund - Liquor License Fund Audit Report

For the Years Ended June 30, 2025 and June 30, 2024

December 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

TABLE OF CONTENTS

Background.....	1
Independent Auditor’s Report.....	4
Management’s Discussion and Analysis	8
State Stores Fund – Statements of Net Position	14
State Stores Fund – Statements of Revenues, Expenses, and Changes in Net Position	16
State Stores Fund – Statements of Cash Flows.....	17
Liquor License Fund – Balance Sheets.....	18
Liquor License Fund – Statements of Revenues, Expenditures, and Changes in Fund Balance.....	19
Notes to the Financial Statements.....	20
Required Supplementary Information.....	42
Distribution List.....	46

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Background

Introduction

The Pennsylvania Liquor Control Board (PLCB) is an entity of the Commonwealth of Pennsylvania (commonwealth) authorized by law to regulate the sale and distribution of alcoholic beverages in the commonwealth.

The mission of the PLCB is to responsibly sell wine and spirits as a retailer and wholesaler, regulate Pennsylvania’s alcohol industry, promote alcohol education and social responsibility, and maximize financial returns for the benefit of all Pennsylvanians.

History and Agency Overview

With the end of Prohibition in 1933, various laws regarding alcohol regulation were passed by the Pennsylvania General Assembly, including the Liquor Control Act and the Beverage License Law, which created the PLCB. The statutory authority for the PLCB is Act 21 of 1951, P.L. 90, as reenacted by Act 14 of 1987, P.L. 32.

Act 39 of 2016 liquor reforms changed more than 35 sections of the Liquor Code and added several new sections – the most sweeping changes to liquor laws in Pennsylvania since the end of Prohibition. Act 39 reforms allowed for the sale of wine to go by restaurant license holders, including grocery and convenience stores; eliminated proportional pricing according to a standard markup formula and authorized flexible pricing; sanctioned a customer relationship management program; eliminated restrictions on Sunday hours for Fine Wine & Good Spirits (FW&GS) stores; enabled the PLCB to auction expired restaurant licenses; authorized Pennsylvania Lottery sales in FW&GS stores; and expanded direct wine and beer shipment options for Pennsylvania residents. It also established grant programs for developing and promoting Pennsylvania’s wine and beer industries.

In September 2024, Acts 57 and 86 of 2024 became effective, allowing for private market sales of ready-to-drink cocktails (RTDCs), as well as extended happy hours, trailer drop credits through the PLCB’s Licensee Delivery Program (LDP), indefinite authority for the PLCB to grant temporary outdoor extensions of premises and other privileges.

The PLCB is an independent administrative board governed by three members who are appointed to staggered four-year terms by the Governor and confirmed by two-thirds of the state Senate.

The PLCB regulates the manufacture, importation, sale, distribution and disposition of liquor, alcohol and malt or brewed beverages in the commonwealth. Key functions of the PLCB include:

- The operation of approximately 562 FW&GS stores, 13 licensee service centers, an e-commerce fulfillment center, and two distribution centers, which deliver wines and spirits to both FW&GS stores and nearly 950 licensees.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Background (Continued)

- Licensure and regulation of about 16,000 retail and wholesale licensees and 1,400 wineries, breweries, and distilleries in the Commonwealth, which requires annual processing of more than 88,000 applications for various license and permit authorities. These figures include 2,055 applications received for RTDC permits issued between September 16, 2024, and June 30, 2025.
- Wholesale sales and distribution of wine and spirits to licensees for resale at retail, including distribution of wine to more than 1,900 licensees authorized to sell wine to go.
- Public education efforts regarding alcohol focusing on three key pillars: delivering no-use and zero-tolerance messages to those under the age of 21, encouraging responsible consumption for those over 21 and promoting responsible alcohol service and practices among licensees.

While enforcement of the Liquor Code is not the PLCB's responsibility, the PLCB funds the operations of the Pennsylvania State Police, Bureau of Liquor Control Enforcement, which is responsible for enforcing liquor laws and regulations throughout the Commonwealth.

The PLCB is primarily responsible for the accounting and reporting of the Liquor License Fund and the State Stores Fund. The Liquor License Fund is a special revenue fund that serves as a pass-through account for fees for hotel, restaurant and club liquor and beer licenses. These fees are returned semi-annually to the municipalities in which the licenses are located, while interest earned on fund deposits is credited to the Commonwealth's General Fund.

The State Stores Fund is an enterprise fund that serves as the general operating fund for the PLCB. This fund receives revenues from the sale of wine and spirits, primarily through FW&GS stores and sales to licensees, as well as various other operating revenues including fees not credited to the Liquor License Fund. The State Stores Fund also covers the costs and expenses associated with operation and administration of all PLCB functions.

The 18% liquor tax and 6% state sales tax collected by the PLCB are transferred monthly to the General Fund. Local sales taxes collected are remitted timely and in full to Philadelphia and Allegheny counties.

The PLCB achieved gross annual sales of \$3.2 billion in fiscal year 2024-25, a decrease of \$20.7 million, or 0.6%, from the previous fiscal year. As a result, PLCB operations generated \$444.4 million in liquor tax, \$176 million in state sales tax, and provided for additional transfers to the General Fund totaling \$194.6 million for the year. The PLCB also returned \$11.5 million in local sales taxes to Philadelphia and Allegheny counties. Additionally, the PLCB provided \$36.3 million

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Background (Continued)

to fund liquor control enforcement efforts, obligated \$2.7 million to support the Pennsylvania Department of Drug and Alcohol Programs, transferred \$3.7 million to the Department of Agriculture to support grants for Pennsylvania’s wine, spirit, and beer boards, awarded alcohol education grants of \$2 million, and collected \$4.4 million in liquor license fees for return to local municipalities.

Key Facts

- State and local sales taxes applicable to PLCB sales are collected by the PLCB and fully remitted to the General Fund.
- The state liquor tax of 18% is included in the retail price of each item, excluding accessory items and non-alcoholic consumables, and is remitted by the PLCB to the General Fund.
- All revenues remaining after the payment of PLCB operating expenses and after the required appropriations are made to other entities and Commonwealth agencies are made available to be transferred to the General Fund.



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

Independent Auditor's Report

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

The Honorable Darrell Clarke
Chairman
Pennsylvania Liquor Control Board
Harrisburg, PA 17124

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Pennsylvania Liquor Control Board (PLCB) – State Stores Fund, which comprise the Statements of Net Position as of June 30, 2025 and 2024, and the related Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows for the years then ended, and the related notes to the financial statements; and the PLCB – Liquor License Fund, which comprise the Balance Sheets as of June 30, 2025 and 2024, and the related Statements of Revenues, Expenditures, and Changes in Fund Balance for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PLCB – State Stores Fund and Liquor License Fund as of June 30, 2025 and 2024, and the results of the State Stores Fund's operations and its cash flows for the fiscal years then ended, and the Liquor License Fund's revenue and expenditure activity for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the

Financial Statements section of our report. We are required to be independent of the PLCB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note A, the financial statements present only the PLCB and do not purport to, and do not, present fairly the financial position of the Commonwealth of Pennsylvania as of June 30, 2025 and 2024, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PLCB's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-13; and the pension schedules and OPEB schedules on pages 42-45 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

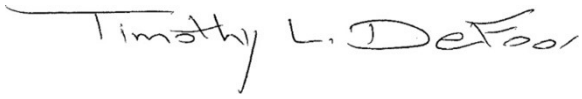
Management is responsible for the other information included in the report. The other information comprises the Background section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued separately, our report dated December 11, 2025, on our consideration of PLCB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PLCB's internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PLCB's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
December 11, 2025

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Management’s Discussion and Analysis

Management’s Responsibility for the Financial Statements

PLCB management is primarily responsible for the preparation, integrity and fair presentation of the agency’s financial statements. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. and, as such, include amounts based on estimates and judgments by management. The PLCB maintains a system of internal controls designed to provide reasonable assurance that its financial statements are free from material misstatement due to fraud or error.

Discussion of Basic Financial Statements

The accounts of the State Stores Fund and the Liquor License Fund are reported using the accrual basis of accounting and the modified accrual basis of accounting, respectively, and both are on a fiscal year basis, comprised of 12 calendar months.

The basic financial statements included in this audit report are the State Stores Fund Comparative Statements of Net Position as of June 30, 2025, and 2024; State Stores Fund Comparative Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2025, and 2024; State Stores Fund Comparative Statements of Cash Flows for the fiscal years ended June 30, 2025, and 2024; the Liquor License Fund Balance Sheets as of June 30, 2025, and 2024; and the Liquor License Fund Statements of Revenues, Expenditures, and Changes in Fund Balance for the fiscal years ended June 30, 2025, and 2024.

The State Stores Fund Comparative Statements of Net Position provide information about assets and liabilities and reflect the net financial position of the State Stores Fund at the end of each fiscal year. The Comparative Statements of Revenues, Expenses, and Changes in Net Position report the operating revenue activity, expenses related to such activity and operating transfers out for each fiscal year. The Comparative Statements of Cash Flows outline the cash inflows and outflows relating to the operations for each fiscal year. The Liquor License Fund Balance Sheets provide information about assets and liabilities that reflect the position of the Liquor License Fund at the end of each fiscal year. The Liquor License Fund Statements of Revenues, Expenditures, and Changes in Fund Balance illustrate the revenue and expenditure activity for each fiscal year. The basic financial statements also include Notes to Financial Statements that provide additional information essential to a full understanding of the data provided in the statements. These statements provide current and long-term information about the PLCB’s financial position.

Although the liquor tax is incorporated into the retail price of alcohol products sold by the PLCB and is discussed herein as part of the sales analysis and transfers out, neither this tax nor state and local sales taxes are reflected as revenue in the basic financial statements.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Management’s Discussion and Analysis (Continued)

Executive Summary & Highlights

In fiscal year 2024-25 the PLCB achieved sales net of taxes of \$2.5 billion. This was a decrease of \$14.5 million, or 0.6%, from fiscal year 2023-24. The PLCB’s net income for fiscal year 2024-25 was \$135.2 million, a \$106.9 million, or 44.2%, decrease from the prior year. The decrease in net income was substantially due to increases in payroll and benefits and unfavorable changes in the other post-employment benefits (OPEB), pension, and workers compensation actual actuarial valuation expense and a decrease in gross profit from sales.

Other financial highlights include:

- Gross profit from sales of \$780.3 million decreased \$39.5 million, or 4.8%. The gross profit percentage was 30.8%, a decrease of 1.4% from the prior fiscal year.
- Operating income decreased \$98.4 million, or 37.3%, to \$165.7 million.
- Net cash flow from operating activities generated \$219 million, an increase of \$3.5 million from the prior year. The net increase was due to a decrease in cash receipts of \$9.7 million offset by a decrease in payments to suppliers of \$13.2 million. Net cash flow was the primary source used to fund the \$194.6 million cash transfer to the General Fund, \$36.3 million to fund the Pennsylvania State Police’s Liquor Code enforcement efforts and \$3.7 million in transfers to the Department of Agriculture to fund the wine, spirits and beer boards.
- The \$78.5 million for capital and related financing expenditures includes cash outflows of \$72.7 million for reduction of right to use (RTU) liabilities and interest as required under Governmental Accounting Standards Board Statement (GASB) No. 87, *Leases*, and GASB No. 96, *Subscription-Based Information Technology Arrangements*, and \$5.8 million for acquisition and construction of capital assets.
- Year-end cash and investments decreased \$82 million or 26.9% to \$222.7 million. Net cash from operations and investment income cash receipts were reduced by the decrease in cash deposits, the \$194.6 million general fund transfers, capital and related financing activities, Pennsylvania State Police (PSP) expenses, and Department of Agriculture transfers.
- Inventory increased \$23.2 million, or 10.7%, to \$240.9 million.
- Trade and other accounts payable increased \$2.9 million, or 0.9%, to \$343.1 million.
- Net position decreased \$65.9 million, or 8.8%, primarily due to lower cash and investments, partially offset by decreases in the non-current liabilities for OPEB and pension.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Management’s Discussion and Analysis (Continued)

Revenues and Costs

Sales

Sales and tax revenue in fiscal year 2024-25 totaled \$3.2 billion, a decrease of \$20.7 million, or 0.6%, from fiscal year 2023-24. Excluding liquor and sales taxes, net sales of \$2.5 billion decreased by \$14.5 million, or 0.6%, from the prior year. By product category, spirit sales increased 0.1% and wine sales decreased 4.1%. Overall unit sales decreased 1.0%, with spirit unit sales increasing 2.2% and wine unit sales decreasing 5.5% from prior year. As a component of spirit sales, RTDC sales grew significantly in fiscal year 2024-2025 due to category growth and initial efforts to stock private retailers with sufficient inventory to begin sales (Act 86 pipeline fill).

The PLCB’s mix of retail and licensee sales slightly shifted versus prior year, with retail sales comprising 73.7% of spirit/wine sales and sales to licensees comprising 26.3%. In 2023-24, these amounts were 74.1% for retail and 25.9% for licensee sales.

The PLCB’s 2024-25 gross profit from sales decreased \$39.5 million, or 4.8%, and gross profit margin decreased 1.4% to 30.8 %, as compared to 32.2% in the prior year. The decrease is primarily due to lower wine volume, de-premiumization within spirits, a less favorable mix of sales, higher freight costs, higher inventory adjustments and an increased level of product promotions with some offset from higher spirit sales volumes. In addition, sales attributed to special orders grew 15.3%, negatively impacting gross margin.

Operating Income & Expense

Operating income for the fiscal year ended June 30, 2025, was \$165.7 million, a decrease of \$98.4 million, or 37.3%, from prior year. The decrease is attributable to a \$67 million increase in total operating expenses and a decrease of \$39.5 million in gross profit, offset by a \$8 million increase in other operating revenue.

The increase in operating expenses was primarily due to an increase in personnel costs as well as increases in expenses for OPEB. Actuarial valuation adjustments to pension, OPEB and workers compensation liabilities resulted in a \$47.9 million increase (\$14.5 million in pension, \$28.8 million in OPEB and \$4.6 million in workers compensation). Personnel costs also increased by \$13.2 million, or 5.5%. The increases included contractual pay raises, which resulted in increases in employee compensation for salaries, wages and overtime. Benefit costs also increased \$6.2 million, or 12.1%.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Management's Discussion and Analysis (Continued)

Total other operational expenses decreased by \$1.2 million, or 0.5%, compared to the prior year. The prior year included one-time expenses of \$11.9 million, including \$5 million for bad debt expense and \$6.9 million for security cameras. The comparative decrease related to the one-time expenses were offset by increased costs in other categories. A detailed analysis of total operating expense by segment follows.

Wholesale costs were \$34.7 million, a \$5.7 million, or 19.5%, increase over prior year, primarily attributed to a \$5.3 million increase in payroll and related benefit costs (\$1.1 million in salaries, \$0.6 million in benefits, \$2 million in OPEB, \$1.2 million in pension and \$0.4 million in worker's compensation). Higher debit/credit card service costs of \$0.7 million attributed to increased wholesale sales and higher fees were partially offset by lower amortization for right-to-use information technology assets (\$0.1 million), rent (\$0.1 million) and information technology consulting costs.

Retail costs were \$466.9 million, a \$52.1 million, or 12.6%, increase over prior year, primarily attributed to a \$54.5 million increase in payroll and related benefit costs (\$13 million in salaries, \$20.8 million in OPEB, \$11 million in pension, \$5.6 million in benefits, \$3.2 million in worker's compensation and \$0.9 million in Social Security/Medicare). Security guard service costs increased \$3.6 million due to additional equipment installations and expanded security presence at stores. Store costs increased due to higher lease amortization costs (\$1.2 million), as well as depreciation for information technology hardware (\$1.5 million), utilities (\$1.5 million) and miscellaneous supplies (\$1.1 million). Expenses relating to bank charges (\$0.4 million) and debit/credit card service costs (\$1.2 million) also increased. Decreases included \$11.8 million of one-time costs from prior year, consisting of \$5 million for bad debt expense and \$6.8 million for security cameras. Additional decreases included lower telecommunication costs (\$0.8 million) and decreased expenses for peripheral hardware of \$0.8 million.

E-commerce costs were \$2.6 million, a \$0.3 million, or 15%, increase over prior year, primarily attributed to a \$0.2 million increase in payroll and related benefit costs (\$0.02 million in salaries, \$0.08 million in OPEB, \$0.05 million in pension and \$0.02 million in worker's compensation). The increase in supplies costs of \$0.2 million was partially offset by lower debit/credit card service costs of \$0.1 million due to lower sales.

Regulatory costs were \$17 million, a \$3.5 million, or 26.4%, increase over prior year, primarily attributed to a \$3.3 million increase in payroll and related benefit costs (\$0.6 million in salaries, \$0.3 million in benefits, \$1.4 million in OPEBs, \$0.8 million in pension and \$0.2 million in worker's compensation). The increase in credit/debit card service costs and information technology consulting costs of \$0.2 million, each, were attributed to activities relating to Acts 57 and 86.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Management’s Discussion and Analysis (Continued)

Enterprise costs, which include Project New Horizon/enterprise resource planning-related expenses, were \$114 million, a net increase of \$1 million, or 0.9%. Payroll and related benefit costs increased a net \$4.9 million (decreases for salaries \$1.5 million, benefits of \$0.3 million and Social Security/Medicare of \$0.1 million were offset by increases for OPEB of \$4.5 million, pension of \$1.5 million, and worker’s compensation of \$0.8 million). Increases included software licensing (\$1.5 million) and advertising (\$0.5 million). Legal costs increased \$0.9 million, largely attributed to one-time settlement costs of \$0.7 million. Offsetting these increases were prior year non-recurring hardware expense for servers and peripheral equipment of \$3.3 million. Expenses associated with Project New Horizon decreased \$3.8 million primarily due to the completion of Release 2 and associated decreases in consulting costs being offset by increases for implementation costs associated with Release 4A and Acts 57 and 86.

In addition, enterprise costs include a significant portion of Project New Horizon costs. This project is a multi-year effort to upgrade and replace the agency’s enterprise resource planning platform and was initiated in 2020. Between 2020 and July 2023, the agency completed implementation of Release 2. In fiscal year 2024-25, modifications were implemented to enable changes required by Acts 57 and 86 of 2024. Releases 4A and 4B, replacing retail inventory and point of sale systems, respectively, with cloud solutions was initiated in September 2024. Release 4 full implementation is anticipated to be complete within fiscal year 2025-26.

Charges for commonwealth-provided services were \$23.9 million, an increase of \$4.3 million, or 22.2%. This increase is primarily due to increases in human resources shared services (\$1.4 million), Auditor General services (\$1.1 million), Integrated Enterprise System services (\$0.6 million), information technology shared services (\$0.4 million), employee self and tort insurance (\$0.3 million) and other services (\$0.5 million).

Other operating revenues increased \$8.0 million, or 22%, to \$44.5 million, primarily due to the following:

A net increase of \$8.1 million in license fees primarily due to the issuance of 2,055 RTDC permits as authorized by Act 86, increased fees from holders of wine expanded permits, other application fees and license auction revenue.

Non-operating revenues (and expenses) decreased \$5.2 million, or 47.3%, to \$5.8 million. Interest income from Pennsylvania Treasury Department Pool 99 investments decreased \$4 million, or 24.8%, due to a higher investment yield in the prior year. Additionally, a decrease of \$0.5 million was realized on the retirement of capital assets related to the sale of the former XTL distribution center in Philadelphia, also known as DC1.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025, and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025, and 2024

Management’s Discussion and Analysis (Continued)

Transfers Out

The Bureau of Liquor Control Enforcement within the Pennsylvania State Police received \$36.3 million in funding in fiscal year 2024-25, an increase of \$3.3 million, or 10%, over the previous year. A \$2.7 million Department of Drug and Alcohol Programs liability was accrued in June 2025 for the fiscal year 2024-25 statutory obligation (2 percent of net income as mandated by 47 P.S. §8-802(c)), and \$194.6 million was transferred to the General Fund pursuant to 47 P.S. §8-802(f) and as determined annually by the Governor’s Office.

Other contributions to the General Fund during fiscal year 2024-25 generated by the PLCB’s operations – but not reflected as revenues, expenses or cash flows in the State Stores Fund’s financial statements – included \$444.4 million in liquor tax, \$176 million in state sales tax and \$11.5 million in local sales taxes, an overall 1% decrease.

License fees returnable to local municipalities from the Liquor License Fund totaled \$4.4 million for fiscal year 2024-25, equal to the prior year’s municipal returns.

**PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND
COMPARATIVE STATEMENTS OF NET POSITION
(AMOUNTS IN THOUSANDS)**

<u>ASSETS</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Current assets:		
Cash	\$ 51,376	\$ 64,714
Temporary investments	171,318	240,010
Accounts and claims receivable, net	942	1,547
Due from other funds	2	43
Merchandise inventories	240,868	217,628
Operating supplies	712	704
Prepaid expenses	1,697	2,223
Total current assets	<u>\$ 466,915</u>	<u>\$ 526,869</u>
Noncurrent assets:		
Non-depreciable capital assets:		
Land	-	323
Depreciable capital assets:		
Building	2,303	10,837
Leasehold improvements	209	209
Machinery and equipment	44,006	45,085
Intangible – internally generated software	78,030	82,253
Intangible – right to use leases	510,150	452,422
Intangible – right to use IT subscriptions	21,534	20,835
Less: accumulated depreciation	(376,256)	(317,921)
Net depreciable capital assets	<u>\$ 279,976</u>	<u>\$ 293,720</u>
Total noncurrent capital assets – Note E	<u>\$ 279,976</u>	<u>\$ 294,043</u>
Total assets	<u>\$ 746,891</u>	<u>\$ 820,912</u>
Total deferred outflows of resources – Notes C, D	\$ 157,675	\$ 193,317
<u>LIABILITIES</u>		
Current liabilities:		
Trade accounts payable	\$ 308,967	\$ 322,484
Miscellaneous accounts payable	34,136	17,632
Accrued expenses	28,497	27,053
Self-Insurance – Note N	4,656	4,768
Due to other funds – Note F	23,607	15,874
Due to fiduciary funds – Note C	4,160	3,780
Due to other governments	1,218	1,114
Right to use liabilities – Note G	63,074	63,475
Total current liabilities	<u>\$ 468,315</u>	<u>\$ 456,180</u>

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

**PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND
COMPARATIVE STATEMENTS OF NET POSITION (Continued)
(AMOUNTS IN THOUSANDS)**

	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Noncurrent liabilities:		
OPEB – Note D	299,710	317,406
Self-Insurance – Note N	46,220	42,230
Net pension liability – Note C	526,724	537,785
Compensated absences	28,386	26,266
Right to use liabilities – Note G	177,366	176,886
Total noncurrent liabilities	<u>\$ 1,078,406</u>	<u>\$ 1,100,573</u>
 Total liabilities	 <u>\$ 1,546,721</u>	 <u>\$ 1,556,753</u>
 Total deferred inflows of resources – Note C, D	 \$ 172,955	 \$ 206,690
 <u>NET POSITION</u>		
 Net investment in capital assets	 \$ 39,536	 \$ 53,682
Unrestricted	<u>(854,646)</u>	<u>(802,896)</u>
 Total net position (deficit)	 <u>\$ (815,110)</u>	 <u>\$ (749,214)</u>

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

**PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
(AMOUNTS IN THOUSANDS)**

	<u>Fiscal Year Ended</u> <u>June 30, 2025</u>	<u>Fiscal Year Ended</u> <u>June 30, 2024</u>
Sales net of taxes	\$ 2,530,583	\$ 2,545,114
Cost of goods sold	<u>(1,750,258)</u>	<u>(1,725,333)</u>
Gross profit from sales	\$ 780,325	\$ 819,781
Operating (expenses):		
Wholesale	(34,721)	(29,047)
Retail	(466,906)	(414,824)
E-commerce	(2,628)	(2,286)
Regulatory	(16,977)	(13,437)
Enterprise	(113,981)	(113,010)
Commonwealth-provided services	<u>(23,873)</u>	<u>(19,541)</u>
Total	\$ <u>(659,086)</u>	\$ <u>(592,145)</u>
Operating profit	\$ 121,239	\$ 227,636
Other operating revenues (expenses):		
Enforcement fines	1,282	1,327
License fees	40,854	32,764
Miscellaneous income	<u>2,316</u>	<u>2,338</u>
Total	\$ <u>44,452</u>	\$ <u>36,429</u>
Total operating income	\$ 165,691	\$ 264,065
Non-operating revenues (expenses):		
Interest income	6,324	11,023
Other	<u>(501)</u>	<u>32</u>
Total	\$ <u>5,823</u>	\$ <u>11,055</u>
Income before operating transfers	\$ 171,514	\$ 275,120
Operating transfers out:		
PSP enforcement – Note K	<u>(36,343)</u>	<u>(33,035)</u>
Income after enforcement/before other transfers	\$ 135,171	\$ 242,085
Other operating transfers:		
Transfers out:		
General Fund – Note H	(194,627)	(185,100)
Department of Agriculture – Note I	(3,737)	-
Drug and alcohol programs – Note J	<u>(2,703)</u>	<u>(4,842)</u>
Total	\$ <u>(201,067)</u>	\$ <u>(189,942)</u>
Change in net position	\$ (65,896)	\$ 52,143
Total net position (deficit) – beginning of year	\$ (749,214)	\$ (801,357)
Total net position (deficit) – end of year	<u>\$ (815,110)</u>	<u>\$ (749,214)</u>

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

**PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND
COMPARATIVE STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)**

	<u>Fiscal Year Ended</u> <u>June 30, 2025</u>	<u>Fiscal Year Ended</u> <u>June 30, 2024</u>
Cash flows from operating activities:		
Receipts from customers	\$ 2,575,682	\$ 2,585,341
Payments to suppliers	(2,356,688)	(2,369,848)
Net cash provided by (used for) operating activities	<u>\$ 218,994</u>	<u>\$ 215,493</u>
Cash flows from noncapital financing activities:		
Operating transfers out	(234,708)	(227,708)
Net cash used for noncapital financing activities	<u>\$ (234,708)</u>	<u>\$ (227,708)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,787)	(17,299)
Proceeds from capital assets	-	15
Right to use lease principal	(66,854)	(64,855)
Right to use lease interest	(5,874)	(5,200)
Net cash used for capital and related financing activities	<u>\$ (78,515)</u>	<u>\$ (87,339)</u>
Cash flows from investing activities:		
Purchase of investments	(1,664,842)	(1,670,521)
Proceeds from sale and maturities of investments	1,733,535	1,772,295
Investment income	12,198	16,222
Net cash used in investing activities	<u>\$ 80,891</u>	<u>\$ 117,996</u>
Net increase in cash	\$ (13,338)	\$ 18,442
Cash – beginning of year	\$ 64,714	\$ 46,272
Cash – end of year	<u>\$ 51,376</u>	<u>\$ 64,714</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income	\$ 165,691	\$ 264,065
Depreciation	86,286	83,077
Change in assets and liabilities:		
Accounts receivable	648	3,841
Inventory	(23,248)	(5,505)
Due from other funds	(2)	(43)
Other operating net assets	526	(241)
Deferred outflows – pension related	35,641	67,768
Accounts payable and accrued liabilities	(5,111)	(14,640)
Due to other funds	14,885	(46,248)
Due to pension trust funds	137	131
Net pension liability	(11,060)	(31,379)
Due to other governments	34	76
Other postemployment benefit obligations	(17,696)	(98,608)
Self-insurance liabilities	3,878	(1,094)
Compensated absences	2,120	1,782
Deferred inflows – pension related	(33,735)	(7,489)
Total adjustments	<u>\$ 53,303</u>	<u>\$ (48,572)</u>
Net cash provided (used for) operating activities	<u>\$ 218,994</u>	<u>\$ 215,493</u>

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

**PENNSYLVANIA LIQUOR CONTROL BOARD
LIQUOR LICENSE FUND
BALANCE SHEETS
(AMOUNTS IN THOUSANDS)**

<u>ASSETS</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>
Current assets:		
Cash in transit	\$ 306	\$ 33
Investments – short term	<u>1,942</u>	<u>2,293</u>
Total assets	<u>\$ 2,248</u>	<u>\$ 2,326</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Current liabilities:		
License fees due to municipalities	\$ 2,248	\$ 2,326
Total current liabilities	<u>\$ 2,248</u>	<u>\$ 2,326</u>
Fund balance:		
Restricted	-	-
Total fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,248</u>	<u>\$ 2,326</u>

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

**PENNSYLVANIA LIQUOR CONTROL BOARD
LIQUOR LICENSE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(AMOUNTS IN THOUSANDS)**

	Balance <u>June 30, 2025</u>	Balance <u>June 30, 2024</u>
<u>REVENUES</u>		
Liquor license application fees collected, net of refunds	\$ 4,404	\$ 4,413
Total revenues	<u>\$ 4,404</u>	<u>\$ 4,413</u>
<u>EXPENDITURES</u>		
Liquor license fees for return to municipalities	\$ 4,404	\$ 4,413
Total expenditures	<u>\$ 4,404</u>	<u>\$ 4,413</u>
Net change in fund balance	\$ -	\$ -
Fund balance – July 1	<u>\$ -</u>	<u>\$ -</u>
Fund balance – June 30	<u>\$ -</u>	<u>\$ -</u>

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

**PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024**

Notes to the Financial Statements (Dollar amounts in thousands)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies employed by the Pennsylvania Liquor Control Board (PLCB) in the preparation of the accompanying financial statements are as follows:

Fund Accounting: The PLCB is primarily responsible for the accounting and reporting of the State Stores Fund and the Liquor License Fund. The State Stores Fund is an enterprise fund primarily used to account for wine and spirit sales and related operating expenses. The Liquor License Fund is a special revenue fund used for the collection and subsequent disbursement of certain annual license fees which are returned to municipalities.

The preparation of financial statements in conformity with generally accepted accounting principles requires the PLCB to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting: The State Stores Fund is reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations of this fund are included in the State Stores Fund Statement of Net Position. Under the accrual basis of accounting, revenues are recognized in the fiscal year earned and expenses are recognized in the fiscal year incurred. There may be rounding differences between amounts reported in the basic financial statements section and amounts reported in other sections of this report. Also, all dollar amounts in the financial statements and notes are stated in thousands unless otherwise indicated.

The Liquor License Fund, a special revenue fund, uses the modified accrual basis of accounting to report assets and liabilities.

Cash: Cash includes PLCB funds held by the State Treasurer, interest balances held at financial institutions, and change used at the Fine Wine and Good Spirits (FW&GS) stores.

Temporary Investments: The PLCB participates in the Treasury Department's Commonwealth Investment Program (CIP) with other Commonwealth agencies. Practically all individual funds which are part of the Commonwealth are participants in the CIP. The Treasury Department accounts for each participating fund's equity (considered "shares") in the CIP daily. "Share" balances of participating funds fluctuate considerably during the fiscal year, based on the timing of cash receipts and disbursements in the participating fund, and are reported as temporary investments. CIP is considered an internal investment pool. Temporary investments are reported at fair value.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents: No investments which could be defined as cash equivalents have been treated as such on the State Stores Fund Statement of Cash Flows. Therefore, only net changes in cash are displayed.

Inventories: Inventories are stated at weighted average cost. The PLCB utilizes a bailment inventory management program. PLCB enters into bailment agreements with certain suppliers that require the suppliers to continue to hold title to stock at PLCB warehouse facilities until it is withdrawn from bailment for shipment to FW&GS stores. Product warehousing and handling, as well as transportation to store costs, are reported as part of merchandise inventories and are charged to cost of goods sold as product is sold.

The allowance for obsolete inventory was \$100 at June 30, 2025, and June 30, 2024. Management will regularly review, at least once annually, inventory quantities on hand and increase/decrease the provision for obsolete inventory as necessary based upon factors that include historical unsalable product write-off, the age of the inventory, and forecasts of product demand.

PLCB established an allowance for inventory shrinkage beginning fiscal year ended June 30, 2019. This reserve is based primarily on a sample of actual shrinkage results from previous physical inventories. Beginning fiscal year ended June 30, 2023, the PLCB established a budgeted shrink calculation. Changes in the estimated shrinkage reserve may be necessary based on the results of physical inventory counts. The allowance for inventory shrinkage was \$0 at June 30, 2025, and June 30, 2024.

Capital Assets: Capital assets (excluding intangible - right to use leases) are reported at cost in the State Stores Fund Statement of Net Position. Intangible – right to use leases are reported based on the present value of future lease payments over the contracted term of the lease. Subscription-based information technology arrangements are reported at cost. The cost of land is reported; for other types of capital assets, the following minimum per item dollar reporting thresholds are used (amounts in whole dollars):

Building	\$5,000
Leasehold improvements	\$5,000
Machinery and equipment	\$5,000
Intangible – internally generated software	\$5,000
Intangible – right to use leases	\$100,000
Subscription-based info technology arrangements	\$1,000,000

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets (excluding land) are depreciated or amortized over the useful lives using the straight-line method. The following useful lives are being used:

Building	10-20 years
Leasehold improvements	3-15 years
Machinery and equipment	5-10 years
Intangible – internally generated software	5-10 years
Intangible – right to use leases	Lease Term
Subscription-based info technology arrangements	Subscription Term

Leases: The PLCB routinely enters into transactions that include lease contracts related to stores, land, buildings, and machinery and equipment. For leases with a maximum possible term of 12 months or less at commencement, the PLCB recognizes expense based on the provisions of the lease contract. For all other leases, the PLCB recognizes a right to use lease liability and an intangible right to use lease asset. The lease term includes the non-cancellable period of the lease, plus any additional periods covered by either an option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Right to use lease assets are reported with capital assets, and the associated right to use lease liabilities are reported with current and non-current liabilities in the Statement of Net Position. The lease liability is measured at the present value of the lease payments using the Commonwealth of PA’s incremental borrowing rate. The Commonwealth’s incremental borrowing rate is based on the general obligation bonds’ weighted-average interest rate for a given year. If amendments or other certain circumstances occur that are expected to significantly affect the amount of the lease, the present value is re-measured and corresponding adjustments are made.

Subscription-based information technology arrangements: Subscription-based information technology arrangements (SBITA) refer to a contract that conveys control of the right to use another party’s IT software, alone or in combination with tangible capital assets, as stated in the contract for a specified period of time in an exchange or exchange-like transaction.

At the commencement of the subscription term, a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability is recognized on the Statement of Net Position. The subscription liability is measured at the present value of subscription payments (measured using the Commonwealth of PA’s incremental borrowing rate) expected to be made over the life of the subscription term. The subscription asset is measured at the amount of the initial measurement of the subscription liability, plus any payments made to the vendor at or before the commencement of the subscription term, plus implementation costs that can be capitalized, less any incentives received from the SBITA vendor at or before commencement of the subscription term.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxes: An 18 percent state liquor excise tax and a 6 percent state sales tax are collected and remitted monthly to the Department of Revenue for the General Fund. The PLCB also collects and remits a 1 percent local sales tax for Allegheny County and a 2 percent local sales tax for Philadelphia County. Taxes collected for the fiscal years ended June 30, 2025, and June 30, 2024, are as follows:

	Fiscal Year Ended <u>June 30, 2025</u>	Fiscal Year Ended <u>June 30, 2024</u>
Liquor Tax	\$ 444,404	\$ 448,755
State Sales Tax	175,969	177,386
Local Sales Tax	11,491	11,855
Total	\$ 631,864	\$ 637,996

Sales are reported net of these collected and remitted taxes in the financial statements.

Compensated Absences: Most employees earn annual leave, depending on length of credited service, from between 4.24 to 11.55 percent of regular hours paid. Generally, a maximum of 45 days may be carried forward at the end of each leave calendar year. Employees are paid for accumulated annual leave upon termination or retirement.

Employees earn sick leave based on an agreed upon percentage of regular hours paid. Generally, a maximum of 300 days may be carried forward at the end of each leave calendar year. Most retiring employees that meet service, age, or disability requirements are paid in accordance with the following schedule:

Days Available at Retirement	Percentage Payment	Maximum Days Paid
0-100	30%	30
101-200	40%	80
201-300	50%	150
Over 300 (in last year of employment)	100% of days over 300	13

The accumulated annual and sick leave and related payroll benefits payable reported for the fiscal years ended June 30, 2025, and June 30, 2024, were \$33,395 (\$5,009 current and \$28,386 non-current) and \$31,646 (\$5,380 current and \$26,266 non-current). It is the PLCB's policy to record the cost of annual and sick leave in accordance with Governmental Accounting Standards Board (GASB) Statement No. 16. The expense and corresponding liability are reflected in the financial statements.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following summary provides aggregated information reported for fiscal years ended June 30, 2025, and June 30, 2024, of the compensated absences liabilities to include the additions and reductions during the fiscal year then ended:

Fiscal Year Ended	Liability - Beginning Balance	Additions	Deductions	Liability - Ending Balance
June 30, 2025	\$ 31,646	\$ 23,420	\$ 21,671	\$ 33,395
June 30, 2024	\$ 30,228	\$ 23,143	\$ 21,725	\$ 31,646

Pension Costs and Liability: The PLCB participates in the State Employees’ Retirement System (SERS) cost-sharing, multiple-employer defined-benefit pension plan. The Commonwealth’s policy is to fund employer contributions to the SERS as required by the SERS Board, through statutory authority, or as required based on other applicable statutory requirements. As prescribed by GASB Statement No. 68, an actuarial valuation was prepared to value the SERS pension liability, deferred outflows of resources, and deferred inflows of resources at the actuarial present value of projected benefit payments related to periods of employee service.

In the State Stores Fund Statement of Net Position, the PLCB reports its share of the net pension liability, deferred outflow of resources, and deferred inflow of resources. The changes in the net pension liability will be recognized in pension expense. Balances projected for the deferred outflow of resources and deferred inflow of resources will be amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

Other Postemployment Benefit (OPEB) Costs and Liability: The PLCB participates in the Commonwealth’s single-employer defined benefit OPEB plan, the Retired Employees Health Program (REHP). The Commonwealth’s policy is to fund employer contributions to the REHP under contribution policies established by the Office of Administration and the Office of the Budget. As prescribed by GASB Statement No. 75, an actuarial valuation was prepared to value the OPEB liability, deferred outflow of resources, and deferred inflow of resources for the REHP at the actuarial present value of projected benefit payments related to periods of employee service.

In the State Stores Fund Statement of Net Position, the PLCB reports its share of the net OPEB liability, deferred outflow of resources, and deferred inflow of resources. The changes in the net OPEB liability will be recognized in OPEB expense. Balances projected for the deferred outflow of resources and deferred inflow of resources will be amortized over a closed period matching the expected remaining service life of all employees or a closed period of five years.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE B – DEPOSITS AND INVESTMENTS

The Treasury Department has the authority to manage, invest, and reinvest the moneys of all funds which are not legally authorized to be invested by a board, commission, or State officer. The Treasury Department manages and invests moneys of the Commonwealth through the Commonwealth Investment Program (CIP). The PLCB participates in the CIP's Pool 99 investment pool. Pool 99 is designed to provide a high degree of liquidity and safety. Pool 99 is organized similarly to a money market fund, with an expectation of a stable net asset value per share. Treasury accounts for each participating fund's equity, or shares, in the pool on a daily basis. Share balances of participating funds vary considerably during the fiscal year, based on the timing of cash receipts and disbursements. PLCB has reported the fair value of its shares as of June 30, 2025, and 2024, the fund's fiscal years end. Shares in Pool 99 are reported as temporary investments.

The CIP pools are considered internal investment pools of the Commonwealth of Pennsylvania and are subject to the requirements of GASB Statement No. 40. GASB Statement No. 40 requires state and local governments to make certain disclosures relating to investment risk, consisting of credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk, in addition to custodial credit risk and foreign currency risk on deposits. The Treasury Department has formally adopted written investment policies to address these investment risks and has disclosed those risks associated with its total pooled deposits and investments in the Commonwealth of Pennsylvania's June 30, 2025 basic financial statements.

PLCB's total deposit balance of \$51,752 and \$66,192 at fiscal years ended June 30, 2025, and June 30, 2024, respectively, was not exposed to either custodial credit risk or foreign currency risk.

As a participant in Treasury's CIP Pool 99, PLCB's investments are exposed to credit risk and interest rate risk mentioned above. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating agencies (or NRSRAs) such as Moody's Investors Service. Treasury's CIP investment pools are not rated by an NRSRA. Interest rate risk is the risk that an investment's value will change, advantageously or adversely, due to a change in the absolute value of interest rates. The Treasury Department measures interest rate risk using option adjusted duration. Duration is a measure of an investment's sensitivity to changes in interest rates. The higher the duration, the greater the changes in fair value when interest rates change. The average option adjusted duration of Treasury's CIP Pool 99 at fiscal year end June 30, 2025, is approximately 0.0800 years.

NOTE C – PENSION

General Information about the Pension Plan

Plan Description: To provide pension benefits for employees of state government and certain other organizations, the SERS administers a cost-sharing multiple-employer defined benefit retirement plan. The plan, covering substantially all Commonwealth employees, is a contributory

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE C – PENSION (Continued)

defined benefit pension plan as established by Commonwealth laws. Membership in the SERS is mandatory for most PLCB (and other state) employees. Article II of the Commonwealth's constitution assigns the authority to establish and amend the benefit provision of the plan to the General Assembly.

The SERS issues stand-alone, audited financial statements which are publicly available at www.sers.pa.gov. Written requests for financial statements should be directed to the following address:

State Employees' Retirement System
30 North Third Street, Suite 150
Harrisburg, PA 17101-1716

Benefits Provided: Under the plan, for most employees hired prior to January 1, 2011, retirement benefits vest after 5 years of credited service. Generally, employees who retire at age 60 or, if under age 60, with 35 years of service are entitled to a normal (unreduced) annual retirement benefit. The general annual benefit is 2 percent of a Class A member's highest three-year average salary multiplied by years of service. This annual benefit is 2.5 percent for Class AA members. Act 120 of 2010 (Act 120), which preserved all benefits in place for then current members, mandated a number of benefit reductions for new members effective January 1, 2011. The benefit reduction included a new class of membership that accrues benefits at 2 percent of their final average salary instead of the previous 2.5 percent. The new vesting period changed from 5 to 10 years of credited service, and the option to withdraw lump sum accumulated employee contributions was eliminated. The new normal retirement age is 65 for most employees. Act 120 created a new A-3 class of service and an optional A-4 class for most employees that entered SERS membership for the first time on or after January 1, 2011. The general annual benefit for Class A-3 members is 2 percent of the member's highest three-year average salary times years of service while the Class A-4 benefit accrual rate is 2.5 percent.

Contributions: Section 5507 of the State Employees Retirement Code (71 Pa. C.S. §5507) requires the Commonwealth and other employers whose employees are the SERS members to make contributions to the fund on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. The SERS funding policy, as set by the SERS Board, provides for periodic active member contributions at statutory rates. The SERS funding policy also provides for periodic employer contributions at actuarially determined rates based on the SERS funding valuation, expressed as a percentage of annual 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. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS' benefit changes flow back into the Defined Benefit Plan through the employer contribution rate rather than to other non-pension obligations. Act 2019-105, signed into law in November 2019, allows eligible employers to enter into an agreement with the SERS Board to make a one-time lump sum payment of 75% to 100% of their respective unfunded accrued liability under the most recent funding

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE C – PENSION (Continued)

valuation in effect at the time of agreement. Agreements under this act must be entered into by December 31, 2024, and the lump sum payments must be made by May 1, 2025. SERS records these lump sum payments as employer contributions when they are received, and they become part of the Defined Benefit Plan’s general assets that are not segregated or invested separately for the account or benefit of the contributing employer. The PLCB’s contributions to the SERS were \$65,746 and \$64,914 for the fiscal years ended June 30, 2025 and 2024, respectively.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PLCB reported a liability of \$526,724 and \$537,785 for its proportionate share of the SERS net pension liability as of June 30, 2025 and 2024, respectively. The net pension liability attributed to participation in the SERS was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

PLCB’s proportion of the SERS net pension liability was based on a projection of the Commonwealth’s long-term share of contributions to the pension plan relative to the projected contributions of all participating SERS employers, actuarially determined. At December 31, 2024, PLCB’s reported proportionate share of the SERS net pension liability was 2.86 percent which was an increase of 0.08 percent from its proportion measured as of December 31, 2023.

For the fiscal years ended June 30, 2025 and 2024, PLCB recognized pension expense of \$88,016 and \$73,493, respectively, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year Ending June 30, 2025

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience.....	\$ 23,874	\$ 588
Change in assumptions.....	9,277	-
Differences between projected and actual investment earnings	15,464	-
Change in proportion.....	12,019	8,324
Differences in employer contributions and proportionate share	890	984
Contributions subsequent to measurement date.....	32,972	-
Total	<u>\$ 94,496</u>	<u>\$ 9,896</u>

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE C – PENSION (Continued)

Fiscal Year Ending June 30, 2024

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience.....	\$ 15,184	\$ 1,093
Change in assumptions.....	23,176	-
Differences between projected and actual investment earnings	42,253	-
Change in proportion.....	15,118	9,473
Differences in employer contributions and proportionate share	915	1,006
Contributions subsequent to measurement date.....	32,853	-
Total	<u>\$ 129,499</u>	<u>\$ 11,572</u>

For the fiscal year ended June 30, 2025, the \$32,972 reported as deferred outflows of resources related to pensions resulting from PLCB’s contributions to the SERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal years ended June 30</u>	<u>Pension Expense</u>
2026	\$ 23,184
2027	37,204
2028	(7,757)
2029	(1,644)
2030	640

Actuarial Assumptions: Every five years, the SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuations remain accurate based on current and anticipated demographic trends and economic conditions. The 19th *Investigation of Actuarial Experience* study covering the period 2015-2019 was released in July 2020. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates). The assumptions from this study were effective with the December 31, 2020 valuation going forward unless changed by the SERS board. In June 2023, the SERS board approved to maintain the investment rate of return of 6.875 percent for 2023.

The SERS Board adopted the actuarial assumptions set forth in the 19th *Investigation of Actuarial Experience* at its July 2020 meeting. The study can be viewed at www.sers.pa.gov.

The actuary and SERS Board review the investment rate of return annually, in addition to the normal five-year experience study cycle, in recognition of changing market environments to ensure this assumption remains reasonable with each actuarial valuation.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE C – PENSION (Continued)

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

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

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

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE C – PENSION (Continued)

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

Discount Rate: The SERS discount rate used to measure the total pension liability was 6.875 percent for 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates applicable for each member and that employer contributions will be made based on rates determined by the actuary. Based on those assumptions, the SERS fiduciary net position was projected to be available to make all projected future benefit payments of current active and non-active SERS members. Therefore, the long-term expected rate of return on the SERS investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the PLCB’s proportionate share of the net pension liability to change in the discount rate: The following table presents the PLCB’s proportionate share of the SERS net pension liability using the discount rate of 6.875 percent, as well as what the PLCB’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.875 percent) or 1 percentage point higher (7.875 percent) than the current rate.

	1% Decrease to 5.875%	Current discount rate 6.875%	1% Increase to 7.875%
PLCB's proportionate share of SERS net pension liability as of the 12/31/24 measurement date	\$ 703,893	\$ 526,724	\$ 377,144

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued SERS financial report.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE C – PENSION (Continued)

Payables to the pension plan: At June 30, 2025, the PLCB reported an accounts payable for the employers' share of retirement contributions to the SERS in the amount of \$4,331.

Additional pertinent information regarding the SERS, outside the scope of PLCB reporting, is published each year as part of the Commonwealth of Pennsylvania's Basic Financial Statements included in its Annual Comprehensive Financial Report (ACFR).

NOTE D – OTHER POSTEMPLOYMENT BENEFITS

General Information about the Retired Employees Health Program Plan

Plan Description: The Commonwealth established and sponsors a Retired Employees Health Program (REHP) plan which provides postemployment benefits other than pensions (OPEB). This plan is administered by the Pennsylvania Employee Benefits Trust Fund, which acts as a third-party administrator and administers the REHP under an administrative agreement with the Commonwealth. The plan is a single employer defined benefit OPEB plan. The PLCB participates in the REHP, which provides a variety of healthcare benefits to eligible retirees. The REHP is provided as part of collective bargaining agreements with most Commonwealth labor unions. All policy decisions and types and levels of benefits for the REHP fall under the purview of the Commonwealth's Executive Board and Secretary of Administration. The REHP plan does not have a governing board.

Benefits Provided: Benefit provisions included in the REHP plan are established and may be amended by the establishing sponsor. The REHP plan provides postemployment healthcare benefits to eligible employees. Employees who retire from the Commonwealth and meet one of the following eligibility criteria are eligible to receive REHP benefits:

- 25 or more years of service;
- 20 or more years of service and superannuation age – age 50 for Park Rangers, Capitol Police, and certain enforcement officers, or age 60 for all other employees (age 55 or 65 for employees subject to Act 120 of 2010); or
- Disability retirement – requires five years of service (no service requirements for enforcement officers).

Contributions: The REHP contribution requirements are contractually required and established by the Office of Administration and the Office of the Budget. The contribution rates are established as a set amount per current active REHP eligible employee per biweekly pay in order to fund the REHP plan.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE D – OTHER POSTEMPLOYMENT BENEFITS (Continued)

During the fiscal year ended June 30, 2025, the contractually required contribution rate for the PLCB was \$275 for each current REHP eligible active employee per biweekly pay period. For employees who retired after June 30, 2005 and before July 1, 2007 the retiree contribution is set at 1% of employee’s final annual salary. PLCB employees who retired on or after July 1, 2007 but before July 1, 2011 are currently required to pay retiree contributions of 3% of either their final annual salary or final average salary, whichever is less. PLCB employees who retired on or after July 1, 2011 are currently required to pay retiree contributions of 3% of their final average salary. Upon enrollment in Medicare, PLCB employees who are currently paying 3% will pay retiree contributions of 1.5% of either their final annual salary or final average salary, whichever applies.

The REHP funding rate needed to fund current year annuitant health care costs are established as part of the Commonwealth’s annual budgeting process. Any additional contributions to advance fund annuitant health care liabilities are determined annually by the Commonwealth. During the fiscal year ended June 30, 2025, advance funding of \$50,000 for REHP was contributed to the Other Postemployment Benefits Investment Pool, a pension (and other employee benefit) trust fund. The PLCB’s contribution to the REHP trust was \$21,254 and \$19,002 for the fiscal years ended June 30, 2025 and 2024.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB: At June 30, 2025 and 2024, the PLCB reported a liability of \$299,710 and \$317,406, respectively, for its proportionate share of the REHP’s net OPEB liability. The net OPEB liability for the REHP was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The PLCB’s allocation of the net OPEB liability was based on PLCB contributions to the plan relative to the total contributions to the plan over the measurement period. At June 30, 2024, the PLCB’s proportionate share was 4.30 percent.

For the fiscal years ended June 30, 2025 and 2024, the PLCB recognized OPEB expense of (\$26,358) and (\$55,176), respectively, and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Fiscal year ended June 30, 2025:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience...	\$ 9,370	\$ 72,060
Change in assumptions.....	8,968	77,345
Differences between projected and actual investment earnings.....	-	1,683
Change in allocation and differences between employer contributions and allocated share.....	25,081	11,971
Contributions subsequent to measurement date.....	19,761	-
Total	\$ 63,180	\$ 163,059

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE D – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Fiscal year ended June 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.....	\$ 12,112	\$ 96,073
Change in assumptions.....	22,133	83,847
Differences between projected and actual investment earnings.....	308	-
Change in allocation and differences between employer contributions and allocated share.....	8,010	15,199
Contributions subsequent to measurement date.....	21,254	-
Total	\$ 63,817	\$ 195,119

The deferred outflow of contributions subsequent to the measurement date of \$19,761 will be recognized as a reduction of the net OPEB liability in the fiscal year ended June 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Fiscal Years Ending June 30	OPEB Expense
2026	\$ 33,652
2027	38,898
2028	27,802
2029	17,962
2030	1,326
Thereafter	-

Actuarial Assumptions: The total OPEB liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Investment rate of return	6.75%
Inflation	2.50%
Salary increases	2.80%

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE D – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Healthcare cost trend rates:

Medicare retiree	8.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years
Non-Medicare retiree	8.2% for 2024 decreasing to an ultimate rate of 3.9% for 2075 and later years

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

The actuarial assumptions used in the June 30, 2024 valuation were based on the SERS experience study that covered the years 2015 through 2019. The approved recommendations from that study were used to determine the assumptions for this valuation, where applicable. The inflation assumption was selected by the SERS Board during a July 2020 meeting based on a review of actual plan experience and the prevalent economic outlook. Consistent with prior valuations, these demographic assumptions assume beginning of year decrements (retirement, withdrawal, death, disability, etc.). Cost of living adjustments (COLA) may be granted on an ad hoc basis; there were no COLAs granted during the measurement period.

The long-term expected rate of return on OPEB plan investments is determined using a risk premium review. This review compares the current relationship between fixed income and equity and their relationship over long periods of time to come up with an expected rate of return. Other variables considered in the expected rates of return are a reversion to the mean for each asset class. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Domestic equity	42.0%	5.0%
International equity	22.0%	5.1%
Fixed income	22.0%	2.4%
Public REITS	4.0%	0.0%
Infrastructure	4.0%	4.3%
Real estate	4.0%	3.8%
Cash and cash equivalents	1.0%	1.2%
Private equity	1.0%	8.8%
Total	100.0%	

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE D – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate: The discount rate used for the total OPEB liability reported at June 30, 2025 was 6.09 percent. This single discount rate was based on the 20-year Bond Buyer General Obligation Index municipal bond rate as of the measurement date of June 30, 2024. Since the REHP has insufficient assets to meet next year’s projected benefit payments, the municipal bond rate was applied to all periods of the projected benefit payments to determine the total OPEB liability. The projection of cash flows used to determine the single discount rate for each fiscal year end assumed that employer contributions will be made based on the current funding policy for future years.

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the PLCB, as well as what the PLCB’s net OPEB liability would be if it were calculated using discount rate that are one percentage point lower (5.09 percent) or one percentage point higher (7.09 percent) than the current discount rate.

	1% Decrease 5.09%	Current discount rate 6.09%	1% Increase 7.09%
PLCB's proportionate share of REHP net OPEB liability as of the June 30, 2024 measurement date	\$ 336,069	\$ 299,710	\$ 268,487

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the net OPEB liability of the PLCB, as well as what the PLCB’s net OPEB liability would be if it were calculated using healthcare cost trend rates (Non-Medicare Benefits/Medicare Benefits) that are one percentage point lower (7.2 percent/7.2 percent decreasing to 2.9 percent) or one percentage point higher (9.2 percent/9.2 percent decreasing to 4.9 percent) than the current healthcare cost trend rates.

	7.2% Decrease 7.2% Decreasing to 2.9%	Current Health Trend Rate 8.2%/8.2% Decreasing to 3.9%	9.2% Increase 9.2% Decreasing to 4.9%
PLCB’s proportionate share of REHP net OPEB liability as of the June 30, 2024 measurement date	\$ 261,328	\$ 299,710	\$ 345,764

OPEB plan fiduciary net position: Detailed information about the REHP OPEB plan’s fiduciary net position is available in the separately issued Commonwealth of Pennsylvania’s Annual Comprehensive Financial Report.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE D – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Payable to the OPEB plan: At June 30, 2025, the PLCB reported an accounts payable for the employer’s share of the retirees’ health contributions to the Office of Administration in the amount of \$1,479.

NOTE E – CAPITAL ASSETS

Changes in capital assets for the fiscal year ended June 30, 2025, and 2024 are as follows:

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025
Non-depreciable capital assets:				
Land	\$ 323	\$ -	\$ 323	\$ -
Depreciable capital assets:				
Building	10,837	353	8,887	2,303
Leasehold improvements	209	-	-	209
Machinery and equipment	45,085	1,436	2,515	44,006
Intangibles – internally generated software	82,253	3,996	8,219	78,030
Intangibles – right to use leases	473,257	67,635	9,208	531,684
Total capital assets	<u>\$ 611,964</u>	<u>\$ 73,420</u>	<u>\$ 29,152</u>	<u>\$ 656,232</u>
Total capital assets, net excluding lease assets	<u>\$ 138,707</u>	<u>\$ 5,785</u>	<u>\$ 19,944</u>	<u>\$ 124,548</u>

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024
Non-depreciable capital assets:				
Land	\$ 323	\$ -	\$ -	\$ 323
Depreciable capital assets:				
Building	10,923	17	103	10,837
Leasehold improvements	209	-	-	209
Machinery and equipment	56,167	4,894	15,976	45,085
Intangibles – internally generated software	70,232	12,878	857	82,253
Intangibles – right to use leases	411,168	62,305	216	473,257
Total capital assets	<u>\$ 549,022</u>	<u>\$ 80,094</u>	<u>\$ 17,152</u>	<u>\$ 611,964</u>
Total capital assets, net excluding lease assets	<u>\$ 137,854</u>	<u>\$ 17,789</u>	<u>\$ 16,936</u>	<u>\$ 138,707</u>

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE E – CAPITAL ASSETS (Continued)

Changes in capital assets accumulated depreciation for the fiscal year ended June 30, 2025, and 2024, are as follows:

	Balance June 30, 2024	Additions	Retirements	Balance June 30, 2025
Building	\$ 9,716	\$ 142	\$ 8,721	\$ 1,137
Leasehold improvements	189	6	-	195
Machinery and equipment	27,171	3,858	2,419	28,610
Intangibles – internally generated software	36,691	14,113	8,219	42,585
Intangibles – right to use leases	244,154	68,783	9,208	303,729
Total accumulated depreciation	<u>\$ 317,921</u>	<u>\$ 86,902</u>	<u>\$ 28,567</u>	<u>\$ 376,256</u>
Total accumulated depreciation, net excluding lease assets	<u>\$ 73,767</u>	<u>\$ 18,119</u>	<u>\$ 19,359</u>	<u>\$ 72,527</u>
	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024
Building	\$ 9,502	\$ 236	\$ 22	\$ 9,716
Leasehold improvements	177	12	-	189
Machinery and equipment	40,571	2,576	15,976	27,171
Intangibles – internally generated software	23,617	13,931	857	36,691
Intangibles – right to use leases	179,016	65,138	-	244,154
Total accumulated depreciation	<u>\$ 252,883</u>	<u>\$ 81,893</u>	<u>\$ 16,855</u>	<u>\$ 317,921</u>
Total accumulated depreciation, net excluding lease assets	<u>\$ 73,867</u>	<u>\$ 16,755</u>	<u>\$ 16,855</u>	<u>\$ 73,767</u>

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE E – CAPITAL ASSETS (Continued)

Changes in lease assets for the fiscal year ended June 30, 2025, and 2024, are as follows:

	<u>Balance June 30, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2025</u>
Lease assets:				
RTU Buildings and Improvement	\$ 451,981	\$ 66,206	\$ 8,478	\$ 509,709
RTU Machinery and Equipment	441	-	-	441
RTU IT Subscriptions	20,835	1,429	730	21,534
Lease assets, net	<u>\$ 473,257</u>	<u>\$ 67,635</u>	<u>\$ 9,208</u>	<u>\$ 531,684</u>
Less accumulated amortization for:				
RTU Buildings and Improvements	\$ 232,043	\$ 62,451	\$ 8,478	\$ 286,016
RTU Machinery and Equipment	268	109	-	377
RTU IT Subscriptions	11,843	6,223	730	17,336
Lease assets accumulated depreciation, net	<u>\$ 244,154</u>	<u>\$ 68,783</u>	<u>\$ 9,208</u>	<u>\$ 303,729</u>
Total lease assets, net	<u>\$ 229,103</u>	<u>\$ (1,148)</u>	<u>\$ -</u>	<u>\$ 227,955</u>

	<u>Balance June 30, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2024</u>
Lease assets:				
RTU Buildings and Improvements	\$ 394,243	\$ 57,738	\$ -	\$ 451,981
RTU Machinery and Equipment	371	70	-	441
RTU IT Subscriptions	16,554	4,497	216	20,835
Lease assets, net	<u>\$ 411,168</u>	<u>\$ 62,305</u>	<u>\$ 216</u>	<u>\$ 473,257</u>
Less accumulated amortization for:				
RTU Buildings and Improvements	\$ 172,994	\$ 59,049	\$ -	\$ 232,043
RTU Machinery and Equipment	179	89	-	268
RTU IT Subscriptions	5,843	6,000	-	11,843
Lease assets accumulated depreciation, net	<u>\$ 179,016</u>	<u>\$ 65,138</u>	<u>\$ -</u>	<u>\$ 244,154</u>
Total lease assets, net	<u>\$ 232,152</u>	<u>\$ (2,833)</u>	<u>\$ 216</u>	<u>\$ 229,103</u>

NOTE F – DUE TO OTHER FUNDS

At June 30, 2025 and 2024, a total of \$23,607 and \$15,874, respectively, was due to other funds. These totals were due to various funds.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE G – LEASE COMMITMENTS

As of June 30, 2025, the right to use lease liabilities principal and interest requirements to maturity are as follows:

<u>Fiscal year ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 60,991	\$ 5,576	\$ 66,567
2027	52,581	4,177	56,758
2028	44,550	2,937	47,487
2029	33,370	1,926	35,296
2030	21,218	1,221	22,439
2031 - 2036	32,544	1,943	34,487
Total lease obligations	<u>\$ 245,254</u>	<u>\$ 17,780</u>	<u>\$ 263,034</u>

NOTE H – OPERATING TRANSFERS TO GENERAL FUND

The PLCB is subject to profit transfer requirements pursuant to Pennsylvania Statute Title 47, §8-802(f), determined annually by the Governor’s Office, whereby stipulated funds are transferred to help finance the General Fund.

Per Act 39 of 2016, any commissions, compensation, or any type of incentive award based upon the sale of lottery tickets and games shall be deposited by the PLCB into the General Fund.

Per Act 166 of 2016, all moneys collected from converting an eating place retail dispensing license to a restaurant license, casino license fees, and license auction proceeds shall be transferred from the State Stores Fund to the General Fund.

Per Act 86 of 2024, all moneys collected from ready-to-drink cocktail permits shall be transferred from the State Stores Fund to the General Fund.

The required transfer to the General Fund totaled \$194,627 and \$185,100 in each of the fiscal years ended June 30, 2025 and 2024.

NOTE I – OPERATING TRANSFERS TO DEPARTMENT OF AGRICULTURE

Per Act 57 of 2024, the Department of Agriculture shall provide assistance to the Pennsylvania Distilled Spirits Industry Promotion Board, Pennsylvania Wine Marketing and Research Board, and Pennsylvania Malt and Brewed Beverages Industry Promotion Board in carrying out its powers, duties, and awarding grants. The board shall grant funding shall be transferred from the State Stores Fund to the Department of Agriculture.

The transfers were \$3,737 and \$0 for the fiscal years ended June 30, 2025 and 2024, respectively.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE J – OPERATING TRANSFER FOR DRUG AND ALCOHOL PROGRAMS

Per Act 14 of 1987, two percent of the PLCB’s profits from the sale of alcohol shall be transferred to the Department of Drug and Alcohol Programs (DDAP) for drug and alcohol rehabilitation programs. The PLCB establishes a liability for the amount due to the DDAP and transfers the payment in the subsequent fiscal year.

The amount of the liabilities payable to the DDAP were \$2,703 and \$4,842 for the fiscal years ended June 30, 2025, and 2024, respectively.

NOTE K – OPERATING TRANSFER FOR LIQUOR CONTROL ENFORCEMENT

The PLCB provides the funding for the Pennsylvania State Police, Bureau of Liquor Control Enforcement, which is responsible for enforcing the laws and regulations governing the trafficking of alcoholic beverages throughout the Commonwealth. The transfers were \$36,343 and \$33,035 for the fiscal years ended June 30, 2025 and 2024, respectively.

NOTE L – CONTINGENCIES-LITIGATION

The PLCB is a defendant in various legal proceedings pertaining to matters normally incidental to routine operations. Currently, the PLCB is involved in legal proceedings for which the likelihood of an unfavorable outcome is reasonably possible and may impair future revenue sources. Unfavorable outcome for the current legal proceeding could range from \$0 to \$60,000. The liability for this case has not been recorded as of June 30, 2025.

NOTE M – BALANCE SHEET – LIQUOR LICENSE FUND

The Balance Sheet illustrates the net assets and liabilities at each fiscal year end for the Liquor License Fund activity as authorized by PA Statute Title 47, Article VIII, §801.

Deposits and investments include cash received from license application fees not received by the Treasury Department at the balance sheet date, and net short-term investments resulting from the purchase and sale of Treasury Department securities (see Note A, Temporary Investments).

Liabilities and fund balance include moneys received from license application fees not returned to municipalities at the balance sheet date.

NOTE N – SELF-INSURANCE LIABILITIES

The Commonwealth is self-insured for statutory workers’ compensation, which includes indemnity and medical payments (employee disability) for its employees injured on the job. The Commonwealth is also self-insured for annuitant medical/hospital claims and for tort liability claims. Major tort risks include automobile, employee, and general torts. For property losses, the Commonwealth has a \$1 million retention with excess commercial insurance coverage up to \$1

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

NOTE N – SELF-INSURANCE LIABILITIES (Continued)

billion per occurrence. There was no reduction in commercial insurance coverage during the fiscal year ended June 30, 2025. No settlements exceeded commercial insurance coverage during each of the past three fiscal years. The Commonwealth has established various administrative policies, which are intended to avoid or limit the aforementioned risks.

PLCB participates in each Commonwealth self-insurance program and pays prescribed program amounts or rates throughout its fiscal year. These amounts, reported as current fiscal year expenses, finance a portion of cumulative, estimated self-insurance liabilities incurred, in amounts sufficient to fund ongoing program needs. These amounts do not finance all cumulative, estimated self-insurance liabilities incurred. Therefore, accrued liabilities for employee disability and annuitant medical/hospital claims are established based on reserves computed from the Commonwealth's claim experience. Such claims are not discounted and do not include non-incremental claims adjustment expenses.

At June 30, 2025 and 2024, respectively, the State Stores Fund reported a \$50,876 liability (\$4,656 as current and \$46,220 as non-current) and \$46,998 liability (\$4,768 as current and \$42,230 as non-current) for employee disability claims.

The following summary provides aggregated information for the fiscal years ending June 30, 2025 and 2024, of the reported self-insurance liabilities to include the incurred claims and payments during the fiscal years then ended:

Fiscal Year Ended	Liability – Beginning Balance	Incurred Claims	Payments	Liability – Ending Balance
June 30, 2025	\$ 46,998	\$ 8,727	\$ 4,849	\$ 50,876
June 30, 2024	\$ 48,092	\$ 4,040	\$ 5,134	\$ 46,998

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

Required Supplementary Information

Pension Schedules

Schedule of PLCB’s Contributions (Dollar amounts in thousands)

Last Ten Fiscal Years Ended June 30 ¹	Contractually Required Contribution ²	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	PLCB’s Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2025	63,465	63,465	-	243,304	26.08%
2024	59,041	59,041	-	224,313	26.32%
2023	55,248	55,248	-	203,053	27.21%
2022	53,910	53,910	-	183,586	29.36%
2021	53,577	53,577	-	185,755	28.84%
2020	52,986	52,986	-	180,355	29.38%
2019	52,235	52,235	-	174,048	30.01%
2018	48,227	48,227	-	171,016	28.20%
2017	40,348	40,348	-	162,310	24.86%
2016	33,752	33,752	-	166,701	20.25%

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

¹ The amounts presented for each fiscal year were determined as of 12/31.

² The contractually required contribution disclosed above is based on minimum floor rates or suppressed rates resulting from collars that are required based on statutory law. These rates are determined by SERS actuary during the annual funding valuation and include an adjustment to the “preliminary employer contribution rate” calculated before the minimum floor or collars are applied. These “final employer contribution rates” fall within the realm of an appropriate actuarially determined contribution calculation under actuarial standards of practice and temporarily defer a portion of the payments that work towards fully funding the plan.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

Required Supplementary Information (Continued)

Pension Schedules

Schedule of PLCB's Proportionate Share of the Net Pension Liability (Dollar amounts in thousands)

Last Ten Fiscal Years Ended June 30 ¹	PLCB's proportion of the net pension liability	PLCB's proportionate share of the net pension liability	PLCB's covered- employee payroll	PLCB's proportionate share of the net pension liability as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2.86%	526,724	243,304	216.49%	67.72%
2024	2.78%	537,785	224,313	239.75%	65.30%
2023	2.71%	569,164	203,053	280.30%	61.53%
2022	2.90%	369,046	183,586	201.02%	76.00%
2021 ²	2.69%	462,619	185,755	249.05%	67.03%
2020	2.52%	458,686	180,355	254.32%	63.11%
2019	2.55%	530,291	174,048	304.68%	56.39%
2018	2.55%	440,677	171,016	257.68%	62.97%
2017	2.48%	477,444	162,310	294.16%	57.80%
2016	2.47%	449,176	166,701	269.45%	58.90%

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

¹ The amounts presented for each fiscal year were determined as of 12/31.

² 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 19th Investigation of Actuarial Experience study for the period 2015 – 2019 was released in July 2020 and can be viewed at www.sers.pa.gov. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as the assumed future investment returns and salary increases) as well as demographic assumptions (such as employee turnover, retirement, disability, and death rates).

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

Required Supplementary Information (Continued)

OPEB Schedules

Schedule of PLCB's Contributions (Dollar amounts in thousands)

Last Ten Fiscal Years Ended June 30 ⁽¹⁾	2025	2024	2023	2022	2021	2020	2019
Contractually required contribution ⁽²⁾	23,061	11,328	9,961	11,691	19,402	20,615	29,490
Contributions in relation to the contractually required contribution	21,254	19,002	20,003	19,381	19,648	23,376	24,623
Contribution deficiency (excess)	1,807	(7,674)	(10,042)	(7,690)	(246)	1,239	(4,133)
PLCB's employee covered payroll	153,151	150,489	136,972	133,256	131,262	129,950	126,621
Contribution as a percentage of employee covered payroll	13.88%	12.63%	14.60%	14.54%	14.97%	17.99%	19.45%

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

¹ PLCB adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only seven years are presented in the above schedule. The amounts presented were measured as of June 30th of the prior year.

² Contribution requirements for the REHP are determined annually by the Commonwealth based on projected cash flow requirements and a projected contribution toward pre-funding future cash outlays.

PENNSYLVANIA LIQUOR CONTROL BOARD
STATE STORES FUND – JUNE 30, 2025 and 2024
LIQUOR LICENSE FUND – JUNE 30, 2025 and 2024

Required Supplementary Information (Continued)

OPEB Schedules

Schedule of PLCB's Allocated Share of the Net OPEB Liability (Dollar amounts in thousands)

Last Ten Fiscal Years Ended June 30 ⁽¹⁾	2025	2024	2023	2022	2021	2020	2019
PLCB's allocation of the net liability	4.30%	4.08%	4.22%	4.22%	4.16%	4.12%	4.11%
PLCB's allocated share of the net OPEB liability	299,710	317,406	416,014	432,155	512,371	429,569	603,955
PLCB's employee covered payroll	153,151	150,489	136,972	133,256	131,262	129,950	126,621
PLCB's allocated share of the net OPEB liability as a percentage of its employee covered payroll	195.70%	210.92%	303.72%	324.30%	390.34%	330.57%	476.98%
Plan fiduciary net position as a percentage of the total OPEB liability	11.61%	8.81%	5.92%	6.12%	3.67%	3.74%	2.22%

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

¹ PLCB adopted GASB 75 on a prospective basis for the fiscal year ended June 30, 2018; therefore, only seven years are presented in the above schedule. The amounts presented were measured as of June 30th of the prior year.

**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA LIQUOR CONTROL BOARD
JUNE 30, 2025 and 2024
DISTRIBUTION LIST**

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Darrell Clarke
Chairman
Pennsylvania Liquor Control Board

The Honorable Stacy Garrity
State Treasurer
Commonwealth of Pennsylvania

The Honorable Randy Vulakovich
Member
Pennsylvania Liquor Control Board

The Honorable David W. Sunday, Jr.
Attorney General
Commonwealth of Pennsylvania

The Honorable James R. Brewster
Member
Pennsylvania Liquor Control Board

The Honorable Uri Monson
Secretary of the Budget
Commonwealth of Pennsylvania

Mr. Rodrigo J. Diaz
Executive Director
Pennsylvania Liquor Control Board

Mr. John Kaschak
Deputy Secretary for Comptroller Operations
Commonwealth of Pennsylvania

Angela B. Blecher
Chief Financial Officer
Pennsylvania Liquor Control Board

Mr. William Canfield
Director, Bureau of Audits
Office of the Budget

Mr. Jason Lutcavage
Director of Administration
Pennsylvania Liquor Control Board

Mr. Michael J. Burns
Director
Bureau of Accounting & Financial Management
Office of the Budget

Patrick Frownfelter
State Library of Pennsylvania
Collections/Cataloging

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about this report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: News@PaAuditor.gov.