PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)

YEAR ENDED DECEMBER 31, 2020

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Zelenkofske Axelrod LLC
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pennsylvania Health Insurance Exchange Authority
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY (the "Authority"), a component unit of the Commonwealth of Pennsylvania, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of Authority's proportionate share of the net pension liability, schedule of the Authority's contributions – pension plan, schedule of Authority's proportionate share of the net OPEB liability, and schedule of Authority's contributions – OPEB plan on pages 24-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Management's Discussion and Analysis

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by the audit requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2021, on our consideration of the Authority'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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
April 16, 2021

Basic Financial Statements

PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)
STATEMENT OF NET POSITION
DECMEBER 31, 2020

ASSETS	
Investments	$ 318
Accounts Receivable	1,482,248
Due From Other Governments	2,838,370
Total Assets	4,320,936
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources from Pensions	434,624
Deferred Outflows of Resources from Other Postemployment Benefits	1,661,000
Total Deferred Outflows of Resources	2,095,624
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,337,408
Accrued Liabilities	185,858
Due to Primary Government	32,232
Compensated Absences	23,557
Noncurrent Liabilities:	
Compensated Absences	123,672
Net Other Postemployment Benefits Liability	1,116,000
Net Pension Liability	173,301
Total Liabilities	3,992,028
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources from Pensions	13,776
Deferred Inflows of Resources from Other Postemployment Benefits	621,000
Total Deferred Inflows of Resources	634,776
NET POSITION	
Restricted	1,789,756
Total Net Position	$ 1,789,756

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

PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2020

Operating Revenues:	
Charges for Services	$ 11,245,429
Total Operating Revenues	11,245,429
Operating Expenses	
Personnel	3,099,417
Operations	11,266,028
Total Operating Expenses	14,365,445
Operating Income	(3,120,016)
Nonoperating Revenues	
Intergovernmental Revenue	5,238,462
Interest Income	9,752
Total Nonoperating Revenue	5,248,214
Change in Net Position	2,128,198
Net Position, Beginning of the Year	(338,442)
Net Position, End of Year	$ 1,789,756

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

PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities:	
Cash receipts from charges for services	$ 9,763,181
Cash paid for personnel services	(3,011,025)
Cash paid for operating expenses	(8,985,918)
Net cash used in operating activities	(2,233,762)
Cash Flows from Noncapital Financing Activities:	
Receipts from intergovernmental revenues	2,400,092
Proceeds from intergovernmental borrowing	32,232
Payment on intergovernmental borrowing	(550,000)
Net cash provided by noncapital financing activities	1,882,324
Cash Flows from Investing Activities:	
Withdrawals from investment pools	340,639
Interest on investments	10,799
Net cash provided by investing activities	351,438
Change in cash	-
Cash, Beginning of Year	-
Cash, End of Year	$ -

Reconciliation of Operating Income to Cash Flows Provided by Operating Activities:	
Operating Income	$ (3,120,016)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Effects of changes in assets, deferred outflows, liabilities, and deferred inflows:	
Accounts receivable	(1,482,248)
Accounts payable	2,280,110
Accrued liabilities	143,384
Compensated absences	116,555
Other postemployment benefits	76,000
Pension	(247,547)
Net cash used in operating activities	$ (2,233,762)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Pennsylvania Health Insurance Exchange Authority (the "Authority") was established by Act 42 of 2019 (effective July 2, 2019), as an independent agency of the Commonwealth of Pennsylvania (the "Commonwealth"). The purpose of the Authority is to create, manage, and maintain in the Commonwealth the Pennsylvania Health Insurance Exchange to benefit the Pennsylvania health insurance market and persons enrolling in health insurance policies and to facilitate or assist in facilitation the purchase of on-exchange qualified plans by qualified enrollees in the individual market or the individual and small group markets.

The Authority's operations are administered by a board consisting of eleven members including the following: the Commissioner, or a designee; the Secretary of Human Services, or a designee; the Secretary of Health, or a designee; four members appointed by the Governor; and four members appointed respectively by the President pro tempore of the Senate, the Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives.

The Authority is a component unit of the Commonwealth reporting entity due to the Commonwealth's ability to impose its will of the Authority. The Authority is presented as an enterprise fund on the accrual basis of accounting.

B. Measurement Focus and Basis of Accounting

The Authority follows Generally Accepted Accounting Principles (GAAP). GAAP allows specialized accounting for government entities, which is governed by pronouncements set by the Government Accounting Standards Board (GASB).

The Authority is considered a special-purpose government since it is engaged solely in business-type activities under GASB Statement No. 34. The Authority's financial statements are prepared using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when they have been incurred.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. A proprietary fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination or revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purpose.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (Continued)

The Authority follows the Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis*. Within the Statements of Revenues, Expenses and Changes in Net Position, Statement No. 34 requires operating income and expenses to be separated from non-operating income in order to show net operating income. Operating income and expenses are defined as those activities directly related to the Authority's primary business of providing employment through economic development lending. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions, such as investment income/loss.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Authority's policy is to apply restricted net position first, then unrestricted net position as they are needed.

C. Net Position

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributions or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

D. Investments

The Authority values its investments at fair value. The fair value of the Authority's investments are based upon values provided by external investment managers and quoted market prices.

E. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Statement of Cash Flows

The Authority considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

G. Receivables and Due From Other Governments

Receivables are stated at the amount management expects to collect from outstanding balances. Due From Other Governments are recognized when the expenditures related to federal grants are incurred and the Authority has a legal claim to the resources.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. SERS Pension and OPEB

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

I. Deferred Outflows / Inflows of Resources

The Statement of Net Position report separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The Authority has two items that qualify for reporting in these categories: deferred inflows and outflows related to OPEB and deferred inflows and outflows related to pension.

Deferred outflows and inflows of resources related to pension are described further in Note 5 and deferred outflows and inflows related to other postemployment benefits are described further in Note 6. The components of deferred outflows or resources and deferred inflows of resources, other than the difference between projected and actual earnings on investments, are amortized into pension expense over a closed period, which reflects the weighted average remaining service life of all SERS members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on SERS investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

J. Pending Changes in Accounting Principles

In June 2017, the GASB issued Statement No. 87, "*Leases*". The Authority is required to adopt Statement No. 87 for its calendar year 2022 financial statements.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". The Authority is required to adopt Statement No. 89 for its calendar year 2021 financial statements.

In May 2019, the GASB issued Statement No. 91, "*Conduit Debt Obligations*". The Authority is required to adopt Statement No. 91 for its calendar year 2022 financial statements.

In January 2020, the GASB issued Statement 92, "*Omnibus 2020*." The Authority is required to adopt the provisions of Statement No. 92 for its calendar year 2022 financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Pending Changes in Accounting Principles (Continued)

In March 2020, the GASB issued Statement No. 93, "*Replacement of Interbank Offered Rates*". The Authority is required to adopt the provisions of Statement No. 93 for its calendar year 2021 financial statements, except for the requirements of paragraphs 11b, 13, and 14 which are effective for the Authority's calendar year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*". The Authority is required to adopt the provisions of Statement No. 94 for its calendar year 2023 financial statements.

In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The Authority is required to adopt the provisions of Statement No. 96 for its calendar year 2023 financial statements.

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*". The Authority is required to adopt the remaining provisions of Statement No. 97 for its calendar year 2022 financial statements.

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

NOTE 2: DEPOSIT AND INVESTMENT RISK

The Commonwealth's fiscal code, as amended, authorizes the Authority to invest in obligations of the U.S. government and government-sponsored agencies and instrumentalities; certificates of deposits, fully insured or collateralized; certain commercial paper and repurchase agreements; highly rated bank promissory notes or investments funds or trusts; and "prudent man" investments as determined by the Authority's depository (i.e. Commonwealth Treasury Department).

The deposit and investment policies of the Treasury Department are governed by Sections: 301, 301.1 and 505 of the Pennsylvania Fiscal Code (Act of 1929 P.L. 343), and Section 321.1 of the Pennsylvania Administrative Code (Act of 1929 P.L. 177. No. 175).

Treasury deposits must be held in insured depositories approved by the Board of Finance and Revenue and must be fully collateralized. The Fiscal Code grants the Treasury Department the authority to invest in any deposits and investments subject. This authority is subject, however, to the exercise of that degree of judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence who are familiar with such matters exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income to be derived therefrom as well as the probable safety of their capital. Treasury Department deposits and investments may include equity securities and mutual funds.

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

As of December 31, 2020, the Treasury Department manages the Commonwealth Investment Program (CIP). Treasury is required to exercise careful judgment in determining those investments that are appropriate for each Commonwealth fund based upon distinct investment criteria such as income needs, cash flow requirements, investment time horizons, and risk tolerance. All investments are made in accordance with the statutory authority described in the preceding paragraph. The CIP investment pool structure invests in both equity securities and fixed income securities to achieve the investment objectives of the funds of the Commonwealth Investment Program. Asset allocation targets among cash, equity securities, fixed income securities and alternative are established in order to meet these overall objectives.

Treasury has created two separate Pools within the Commonwealth Investment Program, each with its own distinct investment strategies, goals, and holdings that reflect the differing needs of Commonwealth funds for income, cash flows, and investment risk tolerance. A highly liquid vehicle, Pool 999 (Liquid Asset Pool), consists of short-term fixed income and cash and provides a high degree of liquidity and security but only modest returns. A less liquid vehicle, Pool 998 (Common Investment Pool), allows for investment in assets that offer potentially higher returns with commensurate risk.

As of December 31, 2020, the balance of the Authority's investments held in the Commonwealth Investment Pool was $318.

Interest Rate Risk

The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. The Authority has elected to use the segmented time distribution method of disclosure for its interest rate risk.

Credit Risk

The investment policies of the Authority are governed by statutes and contractual provisions contained in the bond trust indentures. Investments in U.S. government securities are not considered to have credit risk and, therefore, their credit quality is not disclosed.

Custodial Credit Risk

The custodial credit risk for an investment is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of investment or collateral securities that are in possession of an outside party.

As of December 31, 2020, none of the Authority's investments were exposed to custodial credit risk.

NOTE 2: DEPOSIT AND INVESTMENT RISK (CONTINUED)

Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markers for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority's investments in the Commonwealth Investment Pool are measured at the Net Asset Value (NAV). The Authority has no unfunded commitments related to its Commonwealth Investment Pool investments. Additionally, these investments do not have a limit on the redemption frequency or require a redemption notice period.

NOTE 3: RELATED PARTY

The Authority entered into an agreement with the Commonwealth, through the Commonwealth Office of Administration to provide administrative and operational support services to the Authority. For the year ended December 31, 2020, the services provided by the Commonwealth to the Authority are recorded as operating expenses of $63,065.

During 2020 the Authority had a negative interest in the pooled cash with the Treasury Department of the Commonwealth. The amount has been recorded as due to primary government in the amount of $32,232.

NOTE 4: COMPENSATED ABSENCES

Most employees earn annual leave, depending on length of credited service, from between 4.25% to 11.55% of regular hours paid. Generally, a maximum of 45 days may be carried forward at the end of each calendar year. Employees are paid for accumulated annual leave upon termination or retirement.

Most employees earn sick leave based on 5.00% of regular hours paid. Generally, a maximum of 300 days may be carried forward at the end of each calendar year. Most retiring employees that meet service, age or disability requirements are paid in accordance with the following schedule:

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 compensated absence liability at December 31, 2020 is $147,229.

Beginning Balance	$ 30,674
Additions	116,555
Deletions	-
Ending Balance	$ 147,229

NOTE 5: RETIREMENT BENEFITS

General Information About the Pension Plan

Plan Description
All employees of the Authority participate in the Pennsylvania State Employees' Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan established by the Commonwealth to provide pension benefits for employees of state government and certain independent agencies. Membership in SERS is mandatory for Authority (and other state) employees. Article II of the Commonwealth's constitution assigns authority to establish and amend the benefit provisions of the plan to the General Assembly. SERS issues a publically available financial report that can be obtained at www.sers.pa.gov.

Benefits Provided
SERS provides retirement, death and disability benefits. Member retirement benefits are determined by taking the years of credited service multiplied by the final average salary multiplied by the annual accrual rate. According to the State Employees' Retirement Code, all obligations of SERS will be assumed by the Commonwealth should SERS terminate. Act 2017-5 established two new side-by-side defined benefit/defined contribution benefit options and a new defined contribution only options for all members who enter the plan on or after January 1, 2019. The defined benefit portions of both hybrid options are included in the defined benefit plan.

Contributions
SERS retirement code (71 pa. C.S) requires that all SERS participating employers make contributions to the plan on behalf of all active members and annuitants necessary to fund the liabilities and provide the annuity reserves required to pay benefits. SERS funding policy, as set by the State Employees' Retirement 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 retirement covered payroll, such that they, along with employee contributions and an actuarially determined rate of investment return, are adequate to accumulate assets to pay benefits when due. Act 2017-5 includes a savings "plow-back" provision requiring that the annual savings achieved through SERS benefit changes flow back into the plan through the employer contribution rate rather than to other non-pension obligations.

The active plan member contribution rate is 6.25% of covered payroll form employees in Class AA; 5% for Class A; 6.25% for Class A-3; 9.3% for Class A-4; 5% for Class A5; and 4% for Class A6. Contributions to the pension plan from the Authority for the year ended December 31, 2019 and December 31, 2020 were $20,157 and $425,433, respectively.

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

At December 31, 2020 the Authority reported a liability of $173,301 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion on the net pension liability was based on the Authority's share of contributions to the plan relative to all participating agencies of the Commonwealth. At December 31, 2019 the Authority's proportion was 0.0012%. As the Authority was not formed until July 2, 2019 they had no proportion in the December 31, 2018 plan.

NOTE 5: RETIREMENT BENEFITS (CONTINUED)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Since December 31, 2019, the Authority has expanded operations including the hiring of a significant number of new employees. As such, the disclosures from the actuarial valuation dated December 31, 2019 do not reflect the facts and circumstances of the Authority as of December 31, 2020.

For the year ended December 31, 2020, the Authority recognized pension expense of $(70,024). At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ 12,360
Changes in assumptions	6,678	-
Difference between employer contributions and proportionate share of contributions	352	242
Difference between expected and actual experience	2,161	1,174
Contributions subsequent to the measurement date	425,433	-
Total	$ 434,624	$ 13,776

$425,433 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	
2021	$ (1,061)
2022	(5,254)
2023	4,985
2024	(13,552)
2025	10,297
Total	$ (4,585)

Actuarial Assumptions

Every five years, SERS is required to conduct an actuarial experience study to determine whether the assumptions used in its annual actuarial valuation remain accurate based on current and anticipated demographic trends and economic conditions. The *18th Investigation of Actuarial Experience* study for the period 2011 – 2015 was released in March 2016. The actuary, under oversight of the SERS Board, reviewed economic assumptions (such as employee turnover, retirement, disability, and death rates).

NOTE 5: RETIREMENT BENEFITS (CONTINUED)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions (Continued)

The experience study recommended changing some assumptions including: decreasing disability retirement rates for all active members; adjusting superannuation separation rates, early retirement separation rates, and withdrawal rates for certain active member groupings; and decreasing most annuitant and survivor mortality rates. The board adopted the actuarial assumptions set forth in the *18th Investigation of Actuarial Experience* study at its March 2016 meeting. The study can be viewed at www.sers.pa.gov.

The SERS Board reviews the investment return assumption in light of economic conditions every year. In June 2019, the Board approved a reduction in the investment rate of return to 7.125% from 7.25% in 2018. The following methods and assumptions were used in the actuarial valuation for the December 31, 2019, measurement date:

Investment rate of return	7.125%, net of expenses including inflation
Projected salary increases	average of 5.60% with a range of 3.70%-8.90% including inflation
Inflation	2.60%
Mortality rate	projected RP-2000 Mortality Tables adjusted for actual plan experience and future improvement

The long-term expected real rate of return on pension investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-term real rate of return
Private equity	16.00%	7.25%
Global public equity	48.00%	5.15%
Real estate	12.00%	5.26%
Multi-strategy	10.00%	4.44%
Fixed income	11.00%	1.26%
Cash	3.00%	0.00%
Total	100.00%	

NOTE 5: RETIREMENT BENEFITS (CONTINUED)

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.125%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and the contributions from participating employers will be made at the actuarially determined rate as set by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to change in the discount rate

The following represents the Authority's proportionate share of the 2019 net pension liability calculated using the discount rate of 7.125%, as well as that the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.125%	Current Rate 7.125%	1% Increase 8.125%
Authority's share of the net pension liability as of the December 31, 2019 measurement date	220,207	173,301	133,144

Pension plan fiduciary net position

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

Payables to the Pension Plan

As of December 31, 2020, the Authority did not report a liability within the accounts payable and accrued liabilities on the Statement of Net Position for the Authority's share of the contributions that had not yet been paid to SERS.

NOTE 6: POSTEMPLOYMENT BENEFITS PLAN

General Information About the Postemployment Benefits Plan

Plan Description

Employees of the Authority participate in the Retired Employees' Health Program (REHP), a single-employer defined benefit Other Postemployment Benefit Plan (OPEB) established by the Commonwealth. While the Commonwealth accounts for the REHP as a single-employer plan, the Authority will account for the plan as a cost-sharing plan because the plan is administered as a cost-sharing plan with a single actuarial valuation and the Commonwealth allocates annual OPEB costs to Commonwealth funds and component units, consistent with a pooling arrangement.

NOTE 6: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

General Information About the Postemployment Benefits Plan (Continued)

Plan Description (Continued)
Additionally, the Commonwealth structured the REHP so that employer contributions are irrevocable, plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan, and plan assets are legally protected from creditors of the employer(s) or plan administrator.

The REHP is established as a trust equivalent arrangement administered by the Pennsylvania Employees Benefit Trust Fund (PEBTF), which acts as the third-party administrator under an administrative agreement with the Commonwealth. The REHP provides health care and prescription drug plan benefits to eligible Commonwealth retirees and their eligible dependents. The REHP's benefit provisions are established and may be amended by the Commonwealth of Pennsylvania's Office of Administration.

The REHP does not issue stand-alone financial statements, however the REHP note disclosures will be included in the Commonwealth's Annual Financial Report for the year ended June 30, 2020. Additional information on the REHP, including a complete actuarial report is available for review at www.budget.pa.gov.

Benefits Provided
The REHP provides eligible employees and their dependents with subsidized medical coverage while the retiree is alive. Employees who retire on or after July 1, 2011 are currently required to pay retiree contributions of 3% of their final average salary. Upon enrollment in Medicare, Commonwealth employees currently paying 3% will pay retiree contributions of 1.5% of either their final annual salary or final average salary, whichever applies. Employees must meet one of the following eligibility requirements to receive benefits:

- 25 or more years of service;
- 20 or more years of service and superannuation age – age 60 for general employees and age 55 or 65 for employees subject to Act 120 of 2010
- Disability retirement – requires five years of service

Contributions
REHP employer contributions are contractually required and established by the Commonwealth Office of Administration and the Office of the Budget. All participating agencies and certain plan members must contribute specified amounts to the REHP. During the year ended December 31, 2020, the Authority's contribution rate was $230 for each current active REHP eligible employee per biweekly pay period.

Net OPEB Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020 the Authority reported a liability of $1,116,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportionate share of the net OPEB liability was calculated based on the Authority's share of contributions to the plan relative to all participating agencies of the Commonwealth. As of June 30, 2020 the Authority's proportionate share was 0.0091 percent.

NOTE 6: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Net OPEB Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

For the year ended June 30, 2020, the Authority recognized OPEB expense of $191,000. At June 30, 2020 Authority reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	$ -	$ -
Changes in assumptions	145,000	86,000
Difference between employer contributions and proportionate share of contributions	1,443,000	-
Difference between expected and actual experience	1,000	535,000
Contributions subsequent to the measurement date	72,000	-
Total	$ 1,661,000	$ 621,000

$72,000 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	$ 125,000
2022	136,000
2023	185,000
2024	275,000
2025	247,000
Total	$ 968,000

Actuarial Assumptions

The total OPEB liability as of June 30, 2020 was determined by rolling forward the System's total OPEB liability as of the June 30, 2019 actuarial valuation to June 30, 2020 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Investment returns	5.00%
Inflation rate	2.60%
Payroll growth	2.90%
Health care cost trend rates	6.10% for 2020 decreasing to an ultimate rate of 4.10% for 2075 (Medicare retiree) and 6.60% for 2020 decreasing to an ultimate rate of 4.10% (Non-Medicare retiree)

NOTE 6: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Net OPEB Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the RP-200 Male and Female Combined Health Mortality Tables projected (using Projection Scale AA) to 2016 for males and to 2020 for females, and then further adjusted to ensure sufficient margin improvement in certain age ranges. Disabled participants mortality rates were based on the RP-2000 Male and Female Retiree Mortality Tables projected (using Project Scale AA) to 2021 for males and 2017 for females. Each table includes a margin for future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2020 valuation were based on the SERS experience study that covered the years 2011 through 2015. 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 an April 2017 meeting based on a review of actual plan experience and relevant economic outlook.

The long-term expected real rate of return on pension investments is determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of manager fees and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term real rate of return
Domestic equity	47.00%	5.60%
International equity	20.00%	5.80%
Fixed income	25.00%	1.70%
Real estate	8.00%	4.60%
Total	100.00%	

Discount Rate

The discount rate used to measure the total OPEB liability of the REHP was 2.21%, which is based on the 20-year Bond Buyer GO Index municipal bond rate as of June 30, 2020. 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 of each fiscal year-end assumed that employer contributions will be made based on the current funding policy for future years.

NOTE 6: POSTEMPLOYMENT BENEFITS PLAN (CONTINUED)

Net OPEB Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Authority's Proportionate Share of the net OPEB liability as well as what the Authority's Proportionate Share of the net OPEB liability would be if it was calculated using health cost trends that are 1-percentage point lower or 1-percentage higher than the current rate:

	1% Decrease (3.1% to 5.6%)	**Current discount rate (4.1 to 6.6%)**	**1% Increase (5.1% to 7.6%)**
Authority's proportionate share of the net OPEB liability	$ 949,000	$ 1,116,000	$ 1,325,000

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current discount rate:

	1% Decrease 1.21%	**Current discount rate 2.21%**	**1% Increase 3.21%**
Authority's proportionate share of net OPEB liability	$ 1,273,000	$ 1,116,000	$ 985,000

NOTE 7: LEASE AGREEMENT

The Authority entered into a lease agreement, through the Department of General Services, for the use of building office space. The lease commenced on October 1, 2019 and expires August 31, 2023. The annual lease payments totaled $68,245 for the year ended December 31, 2020.

The following is a schedule, by year, of future minimum lease payments on the noncancelable operating lease with an initial term in excess of one year as of December 31, 2020:

Year Ending December 31:	
2021	$ 62,721
2022	62,721
2023	62,721
Total	$ 188,163

NOTE 8: CONTINGENCIES

In the normal course of business, there may be various claims and suits pending against the Authority and its appointed officials. Management is of the opinion that these matters, if any, will not have a material adverse effect on the Authority's financial position of as December 31, 2020.

The Authority participates in federal grant programs, which are subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

In March 2020, the World Health Organization declared the outbreak of the Coronavirus disease 2019 (COVID-19) a pandemic. As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the Authority's operations and financial results are uncertain at this time.

Required Supplementary Information

Pennsylvania Health Insurance Exchange Authority
(Component Unit of the Commonwealth of Pennsylvania)
Schedule of Authority's Proportionate Share of the Net Pension Liability

		2020
Authority's proportion of the net pension liability		0.0012%
Authority's proportionate share of the net pension liability	$	173,301
Authority's covered payroll	$	116,521
Authority's proportionate share of the net pension liability as a percentage of its covered payroll		149%
Plan fiduciary net position as a percentage of the total pension liability		63%

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Pennsylvania Health Insurance Exchange Authority
(Component Unit of the Commonwealth of Pennsylvania)
Schedule of Authority's Contributions - Pension Plan

	2019	2020
Contractually required contribution	$ 20,157	$ 425,433
Contributions in relation to the contractually required contribution	20,157	425,433
Contribution deficiency (excess)	$ -	$ -
Authority's covered payroll	$ 116,521	$ 1,767,998
Contributions as a percentage of cover payroll	17%	24%

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Pennsylvania Health Insurance Exchange Authority
(Component Unit of the Commonwealth of Pennsylvania)
Schedule of Authority's Proportionate Share of the Net OPEB Liability

	2020
Authority's proportion of the net OPEB liability	0.0091%
Authority's proportionate share of the net OPEB liability	$ 1,116,000
Authority's covered payroll	$ 519,000
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	215%
Plan fiduciary net position as a percentage of the total OPEB liability	4%

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

Pennsylvania Health Insurance Exchange Authority
(Component Unit of the Commonwealth of Pennsylvania)
Schedule of Authority's Contributions - OPEB Plan

	2020
Contractually required contribution	$ 42,000
Contributions in relation to the contractually required contribution	43,000
Contribution deficiency (excess)	$ (1,000)
Authority's covered payroll	$ 519,000
Contributions as a percentage of cover payroll	8%

This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

PENNSYLVANIA HEALTH INSURANCE EXCHANGE PROGRAM
(Component Unit of the Commonwealth of Pennsylvania)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through/Program Title	Pass-Through Grantor's Number	Federal CFDA Number	Federal Expenditures	Subrecipient Expenditures
U.S. Department of Health and Human Services				
Commonwealth of Pennsylvania - Department of Human Services				
Medical Assistance Program	G00380	93.778	$2,400,092	$
-Medical Assistance Program	G01380	93.778	2,838,370	
-				
Total Medical Assistance Cluster			5,238,462	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$5,238,462	$ -

The accompanying notes are an integral part of this schedule.

PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020

NOTE 1: REPORTING ENTITY

The Pennsylvania Health Insurance Exchange Authority is the reporting entity for financial purposes as defined in Note 1A to the Pennsylvania Health Insurance Exchange Authority's financial statements.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the grant activity of the Pennsylvania Health Insurance Exchange Authority and is presented on the accrual basis of accounting as described in Note 1B to the Pennsylvania Health Insurance Exchange Authority's financial statements. The Pennsylvania Health Insurance Exchange Authority did not elect to use the 10% de minimis indirect cost rate.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pennsylvania Health Insurance Exchange Authority
Harrisburg, Pennsylvania

We have audited, in accordance with the 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, the financial statements of the Pennsylvania Health Insurance Exchange Authority (the "Authority") (a component unit of the Commonwealth of Pennsylvania), which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 16, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and questioned costs as finding 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
April 16, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pennsylvania Health Insurance Exchange Authority
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Pennsylvania Health Insurance Exchange Authority's (the "Authority") (a component unit of the Commonwealth of Pennsylvania), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended December 31, 2020. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements For Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Zelenkofske Axelrod LLC

ZELENKOFSKE AXELROD LLC

Harrisburg, Pennsylvania
April 16, 2021

PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
YEAR ENDED DECEMBER 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	None Reported
• Significant deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Program

CFDA Number	Name of Program
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs using risk-based approach:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings and Questioned Costs

Finding 2020-001 Accounting Records

Criteria: The accounts of the Authority should include all significant transactions in the period of benefit.

Condition: During the audit, certain audit adjustments were required to record additional payables/expenditures after the Authority's year-end close of the accounting records. It was noted that two invoices were not recorded in the proper period.

Cause: Transactions were not recorded in the period of benefit.

Effect: The financial records did not reflect the correct financial activity of the period which would result in a material misstatement of the financial statements.

Questioned Costs: None

Recommendation: The Authority should ensure that internal control procedures over financial reports are sufficient to identify and record all material adjustments.

Views of Responsible Officials: We agree with the above finding, however the Authority was a newly created agency during this audit period. Additional full-time dedicated staff have been hired that will be solely focused on reviewing and tracking all invoices and expenditures.

Section III – Federal Awards' Findings and Questioned Costs

None noted.

PENNSYLVANIA HEALTH INSURANCE EXCHANGE AUTHORITY
(Component Unit of the Commonwealth of Pennsylvania)
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2020

The summary which follows indicates the current status of findings identified in the prior year Single Audit Report.

Program Name	Prior Year Finding	Brief Description of Finding	Current Year Status

None noted.