This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

OFFICIAL NOTICES OF SALE AND PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 19, 2015

NEW MONEY ISSUE - BOOK-ENTRY-ONLY

In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, and assuming continued compliance with various requirements of the Internal Revenue Code of 1986, as amended, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in computing the alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. See "TAX EXEMPTION" herein.

$550,000,000*
THE COMMONWEALTH OF MASSACHUSETTS

$150,000,000*
General Obligation Bonds
Consolidated Loan of 2015
Series D

$400,000,000*
General Obligation Bonds
Consolidated Loan of 2015
Series E

Dated: Date of Delivery **Due: As shown on the inside cover hereof**

The Bonds will be issued by means of a book-entry-only system evidencing ownership and transfer of the Bonds on the records of The Depository Trust Company, New York, New York ("DTC"), and its participants. Details of payment of the Bonds are more fully described in this Official Statement. The Bonds will bear interest from their date of delivery and interest will be payable on September 1, 2016 and semiannually thereafter on March 1 and September 1 and at maturity, calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as more fully described herein.

The Bonds will constitute general obligations of The Commonwealth of Massachusetts (the "Commonwealth"), and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding the statutory limit on state tax revenue growth, see "SECURITY FOR THE BONDS" (herein) and the Information Statement (described herein) under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues."

The Bonds are offered when, as and if issued and received by the original purchasers, and subject to the unqualified approving opinion as to legality of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel. Certain legal matters will be passed upon for the Commonwealth by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel. Public Resources Advisory Group is acting as financial advisor to the Commonwealth in connection with the issuance of the Bonds. Settlement of the issue is expected at DTC in New York, New York, on or about December 7, 2015.

The Bonds are offered on a competitive sale basis as described herein under "COMPETITIVE SALE OF BONDS" and pursuant to the Official Notices of Sale dated November 19, 2015 and attached hereto as Appendix D.

December __, 2015

* Preliminary, subject to change.

THE COMMONWEALTH OF MASSACHUSETTS

$150,000,000*
General Obligation Bonds
Consolidated Loan of 2015, Series D

Dated: Date of Delivery **Due: as shown below**

Maturity*	Amount*	Interest Rate	Price or Yield	CUSIP Number**
September 1, 2026	$15,000,000	%	%	
September 1, 2027	15,000,000			
September 1, 2028	15,000,000			
September 1, 2029	15,000,000			
September 1, 2030	15,000,000			
September 1, 2031	15,000,000			
September 1, 2032	15,000,000			
September 1, 2033	15,000,000			
September 1, 2034	15,000,000			
September 1, 2035	15,000,000			

$400,000,000*
General Obligation Bonds
Consolidated Loan of 2015, Series E

Dated: Date of Delivery **Due: as shown below**

Maturity*	Amount*	Interest Rate	Price or Yield	CUSIP Number**
September 1, 2036	$40,000,000	%	%	
September 1, 2037	40,000,000			
September 1, 2038	40,000,000			
September 1, 2039	40,000,000			
September 1, 2040	40,000,000			
September 1, 2041	40,000,000			
September 1, 2042	40,000,000			
September 1, 2043	40,000,000			
September 1, 2044	40,000,000			
September 1, 2045	40,000,000			

---

* Preliminary, subject to change.

** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. The CUSIP numbers are included solely for the convenience of owners of the Bonds and the Commonwealth is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products.

No dealer, broker, salesperson or other person has been authorized by The Commonwealth of Massachusetts or the original purchasers of the Bonds to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Bonds offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein or included by reference herein has been furnished by the Commonwealth and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the original purchasers of the Bonds or, as to information from other sources, the Commonwealth. The information and expressions of opinion herein or included by reference herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth, or its agencies, authorities or political subdivisions, since the date hereof, except as expressly set forth herein.

TABLE OF CONTENTS

INTRODUCTION 1
Purpose and Content of Official Statement 1
THE BONDS 2
General 2
Redemption 2
Application of Proceeds of the Bonds 3
SECURITY FOR THE BONDS 3
LITIGATION 4
BOOK-ENTRY-ONLY SYSTEM 4
RATINGS 6
COMPETITIVE SALE OF BONDS 6
TAX EXEMPTION 7
OPINIONS OF COUNSEL 8
CONTINUING DISCLOSURE 8
FINANCIAL ADVISOR 9
MISCELLANEOUS 9
AVAILABILITY OF OTHER INFORMATION 10

APPENDIX A - Information Statement dated November 13, 2015 ..... A-1
APPENDIX B - Proposed Form of Opinion of Bond Counsel B-1
APPENDIX C - Continuing Disclosure Undertaking C-1
APPENDIX D - Official Notices of Sale dated November 19, 2015 ..... D-1

THE COMMONWEALTH OF MASSACHUSETTS

CONSTITUTIONAL OFFICERS

Charles D. Baker ..... **Governor**

Karyn E. Polito ..... **Lieutenant Governor**

William F. Galvin ..... **Secretary of the Commonwealth**

Maura T. Healey ..... **Attorney General**

Deborah B. Goldberg ..... **Treasurer and Receiver-General**

Suzanne M. Bump ..... **Auditor**

LEGISLATIVE OFFICERS

Stanley C. Rosenberg ..... **President of the Senate**

Robert A. DeLeo ..... **Speaker of the House**

OFFICIAL STATEMENT

THE COMMONWEALTH OF MASSACHUSETTS

**$150,000,000*
General Obligation Bonds
Consolidated Loan of 2015, Series D**

**$400,000,000*
General Obligation Bonds
Consolidated Loan of 2015, Series E**

INTRODUCTION

This Official Statement (including the cover page and Appendices A through D attached hereto) provides certain information in connection with the issuance by The Commonwealth of Massachusetts (the "Commonwealth") of its $150,000,000* aggregate principal amount of General Obligation Bonds, Consolidated Loan of 2015, Series D (the "Series D Bonds") and its $400,000,000* aggregate principal amount of General Obligation Bonds, Consolidated Loan of 2015, Series E (the "Series E Bonds," and together with the Series D Bonds, the "Bonds"). The Bonds will be general obligations of the Commonwealth, and the full faith and credit of the Commonwealth will be pledged to the payment of the principal of and interest on the Bonds. However, for information regarding the statutory limit on state tax revenue growth, see "SECURITY FOR THE BONDS" and the Information Statement (described below) under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues."

The Bonds are being issued to finance certain authorized capital projects of the Commonwealth. See "THE BONDS – Application of Proceeds of the Bonds."

The Bonds will be sold through a competitive, electronic bidding process on December 1, 2015 in accordance with the terms of the Official Notices of Sale attached hereto as Appendix D. As provided in the Official Notices of Sale, such bidding process may be modified by posting on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3").

Purpose and Content of Official Statement

This Official Statement describes the terms and use of proceeds of, and security for, the Bonds. This introduction is subject in all respects to the additional information contained in this Official Statement, including Appendices A through D. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document.

Specific reference is made to the Commonwealth's Information Statement dated November 13, 2015 (the "Information Statement"), which is attached hereto as Appendix A. The Information Statement has been filed with the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. Subsequent filings by the Commonwealth to the EMMA system, prior to the sale of the Bonds, of continuing disclosure documents identified as "other financial/operating data" are hereby deemed to be included by reference in the Information Statement. The Information Statement contains certain fiscal, budgetary, financial and other general information concerning the Commonwealth. Exhibit A to the Information Statement contains certain economic information concerning the Commonwealth. Exhibit B to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2015, prepared on a statutory basis. Exhibit C to the Information Statement contains the financial statements of the Commonwealth for the fiscal year ended June 30, 2014, prepared on a GAAP basis. Specific reference is made to said Exhibits A, B and C, copies of which have been filed with EMMA. The financial statements are also available at the home page of the Comptroller of the Commonwealth located at http://www.mass.gov/osc by clicking on "Financial Reports" under the "Publications and Reports"

* Preliminary, subject to change.

tab. In addition, the financial statements are also posted on the Commonwealth's investor website at www.massbondholder.com.

Appendix B attached hereto contains the proposed form of legal opinion of Bond Counsel with respect to the Bonds. Appendix C attached hereto contains the proposed form of the Commonwealth's continuing disclosure undertaking to be included in the form of the Bonds to facilitate compliance by the successful bidders of the Bonds with the requirements of paragraph (b)(5) of Rule 15c2-12 of the Securities and Exchange Commission. Appendix D attached hereto contains the Official Notices of Sale with respect to the Bonds.

THE BONDS

General

The Bonds will mature on the dates and in the aggregate principal amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year of twelve 30-day months), as set forth on the inside cover page of this Official Statement. The Bonds will be dated their date of delivery and will bear interest from such date. Interest on the Bonds will be payable semiannually on September 1 and March 1 of each year, and at maturity, commencing September 1, 2016, until the principal amount is paid. The record date for the Bonds will be the 15th day of the month immediately preceding each interest payment date. The Commonwealth will act as its own paying agent with respect to the Bonds. The Commonwealth reserves the right to appoint from time to time a paying agent or agents or bond registrar for the Bonds.

Book-Entry-Only System. The Bonds will be issued by means of a book-entry-only system, with one bond certificate for each maturity of each series bearing a particular interest rate immobilized at The Depository Trust Company, New York, New York ("DTC"). The certificates will not be available for distribution to the public and will evidence ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof. Transfers of ownership will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Interest and principal due on the Bonds will be paid in federal funds to DTC or its nominee as registered owner of the Bonds. As long as the book-entry-only system remains in effect, DTC or its nominee will be recognized as the owner of the Bonds for all purposes, including notices and voting. The Commonwealth will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. See "BOOK-ENTRY-ONLY SYSTEM."

Redemption*

Optional Redemption. The Bonds will be subject to redemption prior to their stated maturity dates on and after September 1, 2025 at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds will be issued as serial bonds or a combination of serial bonds and term bonds in accordance with the bids submitted by the successful bidders. See "Appendix D - Official Notices of Sale dated November 19, 2015."

The Commonwealth is entitled to reduce its mandatory sinking fund redemption obligation in any year with respect to the Bonds by the principal amount of any such Bonds previously purchased or optionally redeemed by the Commonwealth.

Notice of Redemption. The Commonwealth shall give notice of redemption to the owners of the applicable Bonds not less than 30 days prior to the date fixed for redemption. So long as the book-entry-only

* Preliminary, subject to change.

system remains in effect for such Bonds, notices of redemption will be sent by the Commonwealth only to DTC or its nominee. Any failure on the part of DTC, any DTC participant or any nominee of a beneficial owner of any such Bond (having received notice from a DTC participant or otherwise) to notify the beneficial owner so affected, shall not affect the validity of the redemption.

On the specified redemption date, all Bonds called for redemption shall cease to bear interest, provided the Commonwealth has monies on hand to pay such redemption in full.

Selection for Redemption. In the event that less than all of any maturity of any series of Bonds is to be redeemed, and so long as the book-entry-only system remains in effect for such Bonds, the particular Bonds or portion of any such Bonds of a particular series and maturity to be redeemed will be selected by DTC by lot. If the book-entry-only system no longer remains in effect for the Bonds, selection for redemption of less than all of any one maturity within a series of Bonds will be made by the Commonwealth by lot in such manner as in its discretion it shall deem appropriate and fair. For purposes of selection by lot within a maturity, each $5,000 of principal amount of a Bond will be considered a separate Bond.

Application of Proceeds of the Bonds

The Bonds are being issued pursuant to the provisions of Section 49 of Chapter 29 of the Massachusetts General Laws and specific bond authorizations enacted by the Massachusetts Legislature. The net proceeds of the sale of the Bonds, including any premium received by the Commonwealth upon original delivery of the Bonds, will be applied by the Treasurer and Receiver-General of the Commonwealth (the "State Treasurer") to the various purposes for which the issuance of bonds has been authorized pursuant to such bond authorizations, to pay bond anticipation notes or to reimburse the Commonwealth's treasury for expenditures previously made pursuant to such laws. Any remaining premium received by the Commonwealth upon original delivery of the Bonds and not applied to the various purposes for which bonds have been authorized will be applied to the costs of issuance thereof. The purposes for which the Bonds will be issued have been authorized by the Legislature under various bond authorizations.

The proceeds of the Bonds will be used to finance or reimburse the Commonwealth for a variety of capital expenditures which are included within the "FY2016-FY2020 Five-Year Capital Investment Plan" (the "Capital Plan") established by the Executive Office for Administration and Finance. The Capital Plan, which is an administrative guideline and is subject to amendment at any time, sets forth capital spending allocations for various purposes and establishes annual capital spending limits for the Commonwealth. See the Commonwealth Information Statement under the heading "Commonwealth Capital Investment Plan."

SECURITY FOR THE BONDS

The Bonds will be general obligations of the Commonwealth to which its full faith and credit will be pledged for the payment of principal and interest when due. However, it should be noted that Chapter 62F of the Massachusetts General Laws imposes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit. This statute is subject to amendment or repeal by the Legislature. Currently, actual tax revenue growth is below the statutory limit. See the Information Statement under the heading "COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues."

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including the Bonds, and all claims with respect thereto. However, the property of the Commonwealth is not generally subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires a legislative appropriation. Enforcement of a claim for payment of principal of or interest on the Bonds may also be subject to the provisions of federal or state statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to the Commonwealth.

Under Massachusetts law, the Bonds have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code. The Bonds are not subject to acceleration.

LITIGATION

No litigation is pending or, to the knowledge of the Attorney General, threatened against or affecting the Commonwealth seeking to restrain or enjoin the issuance, sale or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds.

There are pending in courts within the Commonwealth various suits in which the Commonwealth is a defendant. In the opinion of the Attorney General, no litigation is pending or, to her knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would materially affect its financial condition. For a description of certain litigation affecting the Commonwealth, see the Information Statement under the heading "LEGAL MATTERS."

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity and series set forth on the inside cover page hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a series and maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commonwealth as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

THE COMMONWEALTH WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR BY ANY DIRECT OR INDIRECT PARTICIPANT, THE PAYMENT OF OR THE PROVIDING OF NOTICE TO THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OR WITH RESPECT TO ANY OTHER ACTION TAKEN BY DTC AS BOND OWNER.

The principal of and interest and premium, if any, on the Bonds will be paid to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, as registered owner of the Bonds. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commonwealth, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Commonwealth, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of the principal of and interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commonwealth, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Commonwealth cannot give any assurances that Direct Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this document.

Beneficial Owners of the Bonds will not receive or have the right to receive physical delivery of such Bonds and will not be or be considered to be the registered owners thereof. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the holders or registered owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds, except as otherwise expressly provided herein.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Commonwealth. Under such circumstances, in the event that a successor depository is not obtained, Bonds will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Bonds held in the Beneficial Owner's name, will become the Bondowner. Bond certificates are required to be printed and delivered.

The Commonwealth may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In such event, Bond certificates will be printed, delivered and registered as designated by the Beneficial Owners.

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY-ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE COMMONWEALTH BELIEVES TO BE RELIABLE, BUT THE COMMONWEALTH TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

RATINGS

The Bonds have been assigned long-term ratings of "AA+" (Stable outlook) and "Aa1" (Stable outlook) by Fitch Ratings ("Fitch") and Moody's Investors Service, Inc. ("Moody's"), respectively. The Commonwealth expects to receive a rating from Standard & Poor's Ratings Services ("Standard & Poor's") prior to the sale of the Bonds, which will be posted on TM3.

Such ratings reflect only the respective views of such organizations, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies, if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

COMPETITIVE SALE OF BONDS

The Series D Bonds will be offered for sale at competitive, electronic bidding via PARITY on December 1, 2015 at 10:00 a.m., unless postponed or cancelled on TM3 (www.tm3.com), as described in the Official Notice of Sale of the Commonwealth dated November 19, 2015 for the Series D Bonds, attached hereto as Appendix D. The Series E Bonds will be offered for sale at competitive, electronic bidding via PARITY on December 1, 2015 at 10:30 a.m., unless postponed or cancelled on TM3 (www.tm3.com), as described in the Official Notice of Sale of the Commonwealth dated November 19, 2015 for the Series E Bonds, attached hereto as Appendix D. This Preliminary Official Statement has been deemed final as of its date by the Commonwealth in accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). After the Bonds have been awarded, the Commonwealth will prepare a final Official Statement (the "Final Official Statement"), which will be a "final official statement" within the meaning of Rule 15c2-12. The Final Official Statement will be similar in form to this Preliminary Official Statement, and will include, among other matters, the identity of the winning bidders and the managers of the syndicate or syndicates, if any, submitting the winning bids, the purchase prices of the Bonds from the Commonwealth and other information regarding the maturity or maturities, interest rate or rates and reoffering prices or yields of the Bonds, as supplied by the winning bidders.

TAX EXEMPTION

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel to the Commonwealth ("Bond Counsel") is of the opinion that, under existing law, interest on the Bonds will not be included in the gross income of holders of the Bonds for federal income tax purposes. This opinion is expressly conditioned upon continued compliance with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which must be satisfied subsequent to the date of issuance of the Bonds in order to ensure that interest on the Bonds is and continues to be excludable from the gross income of holders of the Bonds. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. In particular, and without limitation, these requirements include restrictions on the use, expenditure and investment of Bond proceeds and the payment of rebate, or penalties in lieu of rebate, to the United States, subject to certain exceptions. The Commonwealth has provided covenants and certificates as to continued compliance with such requirements.

In the opinion of Bond Counsel, under existing law, since the Bonds are not "private activity bonds" under the Code, interest on the Bonds will not constitute a preference item under Section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under Section 55 of the Code. However, interest on the Bonds will be included in "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account under Section 56(g) of the Code in the computation of the alternative minimum tax applicable to certain corporations.

Bond Counsel has not opined as to any other matters of federal tax law relating to the Bonds. However, prospective purchasers should be aware of certain collateral consequences which may result under federal tax law for certain holders of the Bonds: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income, (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income receipts or accruals of interest on the Bonds, and (vi) receipt of investment income, including interest on the Bonds, may, pursuant to Section 32(i) of the Code, disqualify the recipient from obtaining the earned income credit provided by Section 32(a) of the Code.

Interest paid on tax-exempt obligations such as the Bonds is now generally required to be reported by payors to the IRS and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bond holder fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the Bond holder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, under existing law, interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to other Massachusetts tax consequences arising with respect to the Bonds. Prospective purchasers should be aware, however, that the Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

For federal and Massachusetts income tax purposes, interest includes original issue discount, which with respect to a Bond is equal to the excess, if any, of the stated redemption price at maturity of such Bond over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all such Bonds with the same maturity was sold. Original issue discount accrues based on a constant yield method over the term of a Bond. Holders should consult their own tax advisers with respect to the computations of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of a Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and Massachusetts tax purposes. The required amortization of such premium during the term of a Bond will result in reduction of the holder's tax basis on such Bond. Such amortization also will result in reduction of the amount of the stated interest on the Bond taken into account as interest for tax purposes. Holders of Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to the state or local tax consequences of owning such Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax exempt status of interest on the Bonds or the tax consequences of ownership of the Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including the limitation of federal tax expenditures, are expected to be under ongoing consideration by the United States Congress. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Bonds, and, if enacted, could also affect the tax treatment of all or a portion of the interest on the Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

OPINIONS OF COUNSEL

The unqualified approving opinion as to the legality of the Bonds will be rendered by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, Bond Counsel to the Commonwealth. The proposed form of the opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix B. Certain legal matters will also be passed upon by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. of Boston, Massachusetts, as Disclosure Counsel to the Commonwealth.

CONTINUING DISCLOSURE

In order to assist the successful bidder in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix C attached hereto.

For information concerning the Commonwealth's compliance with its undertakings under Rule 15c2-12 and the availability of certain other financial information from the Commonwealth, see the Information Statement under the heading "CONTINUING DISCLOSURE."

FINANCIAL ADVISOR

The Commonwealth has retained Public Resources Advisory Group to act as financial advisor with respect to the issuance of the Bonds.

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of all general and special laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as “may,” “will,” “should,” “intends,” “expects,” “believes,” “anticipates,” “estimates” and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

The Commonwealth has prepared the prospective financial information set forth in this Official Statement in connection with its budgeting and appropriations processes. This prospective financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the Commonwealth, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best knowledge and belief of the offices of the Commonwealth identified in this Official Statement as the sources of such information, the currently expected course of action and the currently expected future budgeted revenues and expenditures of the Commonwealth. However, this information is not fact and should not be relied upon as being necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the prospective financial information.

Neither the Commonwealth’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

AVAILABILITY OF OTHER INFORMATION

Questions regarding this Official Statement or requests for additional financial information concerning the Commonwealth should be directed to Susan E. Perez, Assistant Treasurer, Office of the Treasurer and Receiver-General, 3 Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-3900, x. 816, or Jennifer F. Sullivan, Assistant Secretary for Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to this Official Statement and the Bonds should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

By _____
Deborah B. Goldberg
Treasurer and Receiver-General

By _____
Kristen Lepore
Secretary of Administration and Finance

December __, 2015

THE

COMMONWEALTH

OF

MASSACHUSETTS

INFORMATION STATEMENT

Dated November 13, 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

THE GOVERNMENT A-2
- EXECUTIVE BRANCH A-2
- LEGISLATIVE BRANCH A-3
- JUDICIAL BRANCH A-4
- INDEPENDENT AUTHORITIES AND AGENCIES A-4
- LOCAL GOVERNMENT A-4
- INITIATIVE PETITIONS A-4

COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS A-6
- OPERATING FUND STRUCTURE A-6
- OVERVIEW OF OPERATING BUDGET PROCESS A-6
- CASH AND BUDGETARY CONTROLS A-7
- CAPITAL INVESTMENT PROCESS AND CONTROLS A-7
- CASH MANAGEMENT PRACTICES OF STATE TREASURER A-8
- FISCAL CONTROL, ACCOUNTING AND REPORTING PRACTICES OF COMPTROLLER A-8
- AUDIT PRACTICES OF STATE AUDITOR A-10

COMMONWEALTH REVENUES AND EXPENDITURES A-11
- STATUTORY BASIS DISTRIBUTION OF BUDGETARY REVENUES AND EXPENDITURES A-11
- STATE TAXES A-14
- TAX REVENUE FORECASTING A-19
- FISCAL 2015 AND FISCAL 2016 TAX REVENUES A-20
- FEDERAL AND OTHER NON-TAX REVENUES A-21
- LIMITATIONS ON TAX REVENUES A-27
- LOCAL AID A-28
- MEDICAID AND THE HEALTH CONNECTOR A-29
- OTHER HEALTH AND HUMAN SERVICES A-33
- EDUCATION A-36
- PUBLIC SAFETY A-37
- ENERGY AND ENVIRONMENTAL AFFAIRS A-37
- DEBT SERVICE A-38
- OTHER PROGRAM EXPENDITURES A-38
- EMPLOYEE BENEFITS A-38

PENSION AND OPEB FUNDING A-40
- RETIREMENT SYSTEMS A-40
- EMPLOYEE CONTRIBUTIONS A-41
- FUNDING SCHEDULE A-42
- ACTUARIAL VALUATIONS A-43
- ANNUAL REQUIRED CONTRIBUTIONS A-47
- PROSPECTIVE FUNDED STATUS OF THE PENSION SYSTEM A-49
- PRIT FUND INVESTMENTS A-50
- OTHER POST-RETIREMENT BENEFIT OBLIGATIONS (OPEB) A-52

STATE WORKFORCE A-55
- UNIONS AND LABOR NEGOTIATIONS A-55

SELECTED FINANCIAL DATA A-58
- STABILIZATION FUND A-58
- GAAP BASIS A-60
- DISCUSSION OF FINANCIAL CONDITION A-63
- AUDITORS' REPORT ON FISCAL 2014 CAFR A-64

FISCAL 2015 AND FISCAL 2016 ..... A-65
- FISCAL 2015 ..... A-65
- FISCAL 2016 ..... A-66
- CASH FLOW A-67

LONG-TERM LIABILITIES A-72
- GENERAL AUTHORITY TO BORROW A-72
- GENERAL OBLIGATION DEBT A-74
- SPECIAL OBLIGATION DEBT A-76
- FEDERAL GRANT ANTICIPATION NOTES A-77
- DEBT SERVICE REQUIREMENTS A-78
- INTEREST RATE SWAPS A-81
- LIQUIDITY FACILITIES A-84
- DIRECT PURCHASE AGREEMENTS A-84
- GENERAL OBLIGATION CONTRACT ASSISTANCE LIABILITIES A-84
- BUDGETARY CONTRACT ASSISTANCE LIABILITIES A-86
- CONTINGENT LIABILITIES A-87
- AUTHORIZED AND UNISSUED DEBT A-88

COMMONWEALTH CAPITAL INVESTMENT PLAN A-90

LEGAL MATTERS A-94
- PROGRAMS AND SERVICES A-94
- MEDICAID AUDITS AND REGULATORY REVIEWS A-96
- TAXES A-97
- ENVIRONMENT A-100
- OTHER A-100

MISCELLANEOUS A-102

CONTINUING DISCLOSURE A-103

AVAILABILITY OF OTHER FINANCIAL INFORMATION A-105

EXHIBITS (Exhibits A, B and C are included by reference and have been filed with EMMA)

A. Statement of Economic Information
B. Statutory Basis Financial Report for the year ended June 30, 2015.
C. Comprehensive Annual Financial Report (GAAP basis) for the year ended June 30, 2014.

All Tables and Charts

Table Name	Page No.
Budgeted Operating Funds – Statutory Basis	A-12 to A-13
Impact of Income Tax Rate Reduction	A-15
Tax Revenue Forecasting	A-20
Fiscal 2015 Tax Collections	A-21
Fiscal 2016 Tax Collections	A-23
Fiscal 2015 Monthly Lottery Revenues and Profits	A-24
Lottery Revenues and Profits	A-24
Payments Received Pursuant to the Tobacco Master Settlement Agreement	A-26
Net State Tax Revenues and Allowable State Tax Revenues as Defined in Chapter 62F	A-28
Budgeted Operating Funds Medicaid Expenditures and Enrollment	A-31
Other Health and Human Services—Budgeted Operating Funds	A-35
Retirement Systems Membership	A-40
Employee Contribution Rates	A-41 to A-42
Current Funding Schedule for Pension Obligations	A-43
Ten Year Comparison of Actuarial and Market Values of Pension Assets	A-45
Historical Pension Funding Progress for the Last Ten Fiscal Years- Actuarial Value	A-46
Historical Pension Funding Progress for the Last Ten Fiscal Years- Market Value	A-47
Annual Required Contributions and Other Pension Contributions	A-48
Prospective Funded Status of the Pension System	A-50
PRIT Fund Asset Allocation	A-51
PRIT Fund Rates of Return	A-51
State Retiree Benefits Trust	A-53
State Workforce	A-55
Human Resources Division Bargaining Units	A-57
Stabilization Fund Balance	A-59
Stabilization Fund Sources and Uses	A-60
Governmental Funds-Statutory to GAAP-Fund Perspective and to Governmental Net Position	A-61
Change in Statement of Net Position	A-62
Comparison of Fiscal 2014 Governmental Revenues	A-62
Governmental Fund Operations – GAAP Basis – Fund Perspective	A-63
Month End General Fund Cash Balances	A-69
Overview of Fiscal 2015 Non-Segregated Operating Cash Flow	A-70
Overview of Fiscal 2016 Non-Segregated Operating Cash Flow	A-71
Calculation of the Debt Limit	A-74
General and Special Obligation Long-Term Debt Issuance and Repayment Analysis	A-78
Outstanding Long Term Commonwealth Debt	A-78
Debt Service Requirements on Commonwealth Bonds as of October 31, 2015 through Maturity	A-79 to A-80
Interest Rate Swap Agreements	A-82 to A-83
Liquidity Facilities	A-84
Direct Purchase Agreements	A-84
General Obligation Contract Assistance Requirements	A-86
Budgetary Contract Assistance Liabilities	A-87
Authorized and Unissued Debt	A-89
Fiscal Year 2016 Capital Budget	A-90
Commonwealth Historical Capital Spending	A-91
Affordability of Commonwealth Indebtedness	A-92

THE COMMONWEALTH OF MASSACHUSETTS

CONSTITUTIONAL OFFICERS

Charles D. Baker ..... **Governor**
Karyn E. Polito ..... **Lieutenant Governor**
William F. Galvin ..... **Secretary of the Commonwealth**
Maura Healey ..... **Attorney General**
Deborah B. Goldberg ..... **Treasurer and Receiver-General**
Suzanne M. Bump ..... **Auditor**

LEGISLATIVE OFFICERS

Stanley C. Rosenberg ..... **President of the Senate**
Robert A. DeLeo ..... **Speaker of the House**

[THIS PAGE INTENTIONALLY LEFT BLANK]

THE COMMONWEALTH OF MASSACHUSETTS

INFORMATION STATEMENT

November 13, 2015

This Information Statement, together with its Exhibits (included by reference as described below), is furnished by The Commonwealth of Massachusetts (the Commonwealth). It contains certain fiscal, financial and economic information concerning the Commonwealth and its ability to meet its financial obligations. This Information Statement contains information only through its date, or as otherwise provided for herein, and should be read in its entirety.

The ability of the Commonwealth to meet its obligations will be affected by future social, environmental and economic conditions, among other things, as well as by legislative policies and the financial condition of the Commonwealth. Many of these conditions are not within the control of the Commonwealth.

Exhibit A to this Information Statement is the Statement of Economic Information as of October 30, 2015. Exhibit A sets forth certain economic, demographic and statistical information concerning the Commonwealth.

Exhibit B is the Commonwealth's Statutory Basis Financial Report for the year ended June 30, 2015. Exhibit C is the Commonwealth's Comprehensive Annual Financial Report (reported in accordance with generally accepted accounting principles (GAAP)) for the year ended June 30, 2014. The Commonwealth's independent auditor has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has said independent auditor performed any procedures relating to the official statement of which this Information Statement is a part.

Specific reference is made to said Exhibits A, B and C, copies of which are attached hereto and have also been filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) System. The financial statements are also available at the home page of the Comptroller of the Commonwealth located at http://www.mass.gov/osc by clicking on "Financial Reports" under the "Publications and Reports" tab.

[*Remainder of page intentionally left blank*]

THE GOVERNMENT

The government of the Commonwealth is divided into three branches: the Executive, the bicameral Legislature and the Judiciary.

Executive Branch

Governor. The Governor is the chief executive officer of the Commonwealth. Other elected members of the executive branch are the Lieutenant Governor (elected with the Governor), the Treasurer and Receiver-General (State Treasurer), the Secretary of the Commonwealth (State Secretary), the Attorney General and the State Auditor. All are elected to four-year terms. The terms of the current office holders began in January, 2015.

The Executive Council, also referred to as the "Governor's Council," consists of eight members who are elected to two-year terms in even-numbered years. The Executive Council is responsible for the confirmation of certain gubernatorial appointments, particularly judges, and must approve all warrants prepared by the Comptroller for payment by the State Treasurer. The warrant requirement under state finance law does not apply to debt service appropriations.

Also within the Executive Branch are certain independent offices, each of which performs a defined function, such as the Office of the Comptroller, the Board of Library Commissioners, the Office of the Inspector General, the State Ethics Commission and the Office of Campaign and Political Finance.

Governor's Cabinet. The Governor's Cabinet, which assists the Governor in administration and policy making, is comprised of the secretaries who head the seven Executive Offices, which are the Executive Office for Administration and Finance, the Executive Office of Health and Human Services, the Executive Office of Public Safety and Security, the Executive Office of Housing and Economic Development, the Executive Office of Labor and Workforce Development, the Executive Office of Energy and Environmental Affairs and the Executive Office of Education. In addition, the Secretary of Transportation, who is the chief executive of the Massachusetts Department of Transportation (MassDOT) and chairs MassDOT's board of directors, is a member of the Governor's Cabinet. (MassDOT has a legal existence separate from the Commonwealth but houses several departments of state government.) Cabinet secretaries and executive department chiefs, including the Secretary of Transportation, serve at the pleasure of the Governor. Most other agencies are grouped under one of the seven Executive Offices for administrative purposes.

The Governor's chief fiscal officer is the Secretary of Administration and Finance. The activities of the Executive Office for Administration and Finance fall within five broad categories: (i) administrative and fiscal supervision, including supervision of the implementation of the Commonwealth's budget and monitoring of all agency expenditures during the fiscal year; (ii) enforcement of the Commonwealth's tax laws and collection of tax revenues through the Department of Revenue; (iii) human resource management, including administration of the state personnel system, civil service system and employee benefit programs and negotiation of collective bargaining agreements with certain of the Commonwealth's public employee unions; (iv) capital facilities management, including coordinating and overseeing the construction, management and leasing of all state facilities; and (v) administration of general services, including information technology services. The Secretary of Administration and Finance serves on numerous state boards and commissions.

State Treasurer. The State Treasurer has four primary statutory responsibilities: (i) oversight of the collection of all state revenues by state agencies, including tax revenues remitted by the Department of Revenue (other than small amounts of funds held by certain agencies); (ii) the management of both short-term and long-term investment of Commonwealth funds (other than the state employee and teacher pension funds), including all cash receipts; (iii) the disbursement of Commonwealth moneys and oversight of reconciliation of the state's accounts; and (iv) the issuance of most debt obligations of the Commonwealth, including notes, commercial paper and long-term bonds.

In addition to these responsibilities, the State Treasurer chairs the Massachusetts Lottery Commission, the State Board of Retirement, the Pension Reserves Investment Management Board, the Massachusetts Clean Water Trust and the Massachusetts School Building Authority. The State Treasurer also serves as a member of numerous other state boards and commissions.

State Auditor. The State Auditor is charged with improving the efficiency of state government by auditing the administration and expenditure of public funds and reporting the findings to the public. The State Auditor reviews the activities and operations of approximately 750 state entities and potentially thousands of private contractors doing business with the Commonwealth. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS."

Attorney General. The Attorney General represents the Commonwealth in all legal proceedings in both the state and federal courts, including defending the Commonwealth in actions in which a state law or executive action is challenged. The Attorney General also brings actions to enforce environmental and consumer protection statutes, among others, and represents the Commonwealth in public utility rate-setting proceedings and in proceedings before the Division of Insurance and other administrative bodies. The Attorney General works in conjunction with the general counsel of the various state agencies and executive departments to coordinate and monitor all pending litigation.

State Comptroller. Accounting policies and practices, publication of official financial reports and oversight of fiscal management functions are the responsibility of the Comptroller. The Comptroller also administers the Commonwealth's annual state single audit and manages the state accounting system. The Comptroller serves as a member of the Massachusetts Lottery Commission, the Inspector General Council, the Records Conservation Board and the State Retirees Benefits Trust. The Comptroller is appointed by the Governor for a term coterminous with the Governor's and may be removed by the Governor only for cause. The annual financial reports of the Commonwealth, single audit reports and any rules and regulations promulgated by the Comptroller must be reviewed by an advisory board. This board is chaired by the Secretary of Administration and Finance and includes the State Treasurer, the Attorney General, the State Auditor, the Court Administrator of the Trial Court and two persons with relevant experience appointed by the Governor for three-year terms. The Commonwealth's annual reports include financial statements on the statutory basis of accounting (the Statutory Basis Financial Report, or SBFR) and audited financial statements on a GAAP basis (the Comprehensive Annual Financial Report, or CAFR). The Statutory Basis Financial Report for the year ended June 30, 2015, attached hereto as Exhibit B, was reviewed, and the Comprehensive Annual Financial Report for the year ended June 30, 2014, attached hereto as Exhibit C, was audited, by KPMG LLP, as stated in its reports appearing therein. KPMG LLP has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has it performed any procedures relating to the official statement of which this Information Statement is a part. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS."

State Secretary. The Secretary of the Commonwealth is responsible for collection and storage of public records and archives, securities regulation, state elections, administration of state lobbying laws, the registration of and reporting by corporations and custody of the seal of the Commonwealth.

Legislative Branch

The Legislature (formally called the General Court) is the bicameral legislative body of the Commonwealth, consisting of a Senate of 40 members and a House of Representatives of 160 members. Members of both the Senate and the House are elected to two-year terms in even-numbered years. The Legislature meets every year. The joint rules of the House and Senate require all formal business to be concluded by the end of July in even-numbered years and by the third Wednesday in November in odd-numbered years.

All bills are presented to the Governor for approval or veto. The Legislature may override the Governor's veto of any bill by a two-thirds vote of each house. The Governor also has the power to return a bill to the chamber of the Legislature in which it originated with a recommendation that certain amendments be made; such a bill is then before the Legislature and is subject to amendment or re-enactment by each branch, at which point the Governor has no further right to return the bill a second time with a recommendation to amend but may still veto the bill. The House of Representatives must originate any bill that imposes a tax. Once a tax bill is originated by the House and forwarded to the Senate for consideration, the Senate may amend it.

Judicial Branch

The judicial branch of state government is composed of the Supreme Judicial Court, the Appeals Court and the Trial Court. The Supreme Judicial Court has original jurisdiction over certain cases and hears appeals from both the Appeals Court, which is an intermediate appellate court, and in some cases, directly from the Trial Court. The Supreme Judicial Court is authorized to render advisory opinions on certain questions of law to the Governor, the Legislature and the Governor's Council. Judges of the Supreme Judicial Court, the Appeals Court and the Trial Court are appointed by the Governor, with the advice and consent of the Governor's Council, to serve until the mandatory retirement age of 70 years.

Independent Authorities and Agencies

The Legislature has established a number of independent authorities and agencies within the Commonwealth, the budgets of which are not included in the Commonwealth's annual budget. The Governmental Accounting Standards Board (GASB) Statements 14 and 39, as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, articulate standards for determining significant financial or operational relationships between the primary government and its independent entities. In fiscal 2014, the Commonwealth had significant operational or financial relationships, or both, as defined by GASB Statements 14 and 39, as amended by 61, with 40 of these authorities. A discussion of these entities and the relationship to the Commonwealth is included in footnote 1 to the fiscal 2014 Basic Financial Statements in the CAFR, attached hereto as Exhibit C.

Local Government

The Commonwealth has 351 incorporated cities and towns that exercise the functions of local government, which include public safety, fire protection and public construction. Cities and towns or regional school districts established by them also provide elementary and secondary education. Cities are governed by several variations of the mayor-and-council or manager-and-council form. Most towns place executive power in a board of three or five selectmen elected to one- or three-year terms and retain legislative powers in the voters themselves, who assemble in periodic open or representative town meetings. Various local and regional districts exist for schools, water and wastewater administration and certain other governmental functions.

Municipal revenues consist of taxes on real and personal property, distributions from the Commonwealth under a variety of programs and formulas, local receipts (including motor vehicle excise taxes, local option taxes, fines, licenses and permits, charges for utility and other services and investment income) and appropriations from other available funds (including general and dedicated reserve funds). See "COMMONWEALTH REVENUES AND EXPENDITURES – Local Aid."

The cities and towns of the Commonwealth are also organized into 14 counties, but county government has been abolished in seven of those counties. The county governments that remain are responsible principally for the operation of courthouses and registries of deeds. Where county government has been abolished, the functions, duties and responsibilities of the government have been transferred to the Commonwealth, including all employees, assets, valid liabilities and debts.

Initiative Petitions

Under the Massachusetts constitution, legislation may be enacted in the Commonwealth pursuant to a voter initiative process. Initiative petitions which have been certified by the Attorney General as to proper form and as to which the requisite number of voter signatures has been collected are submitted to the Legislature for consideration. If the Legislature fails to enact the measure into law as submitted, the petitioner may place the initiative on the ballot for the next statewide general election by collecting additional voter signatures. If approved by a majority of the voters at the general election, the petition becomes law 30 days after the date of the election. Initiative petitions so approved by the voters do not constitute constitutional amendments and may be subsequently amended or repealed by the Legislature. Initiative petitions may not make appropriations. In recent years, ballots at statewide general elections typically have presented a variety of initiative petitions, sometimes including petitions relating to tax and fiscal policy. A number of these have been approved and become law. See particularly "COMMONWEALTH

REVENUES AND EXPENDITURES – Limitations on Tax Revenues" and "COMMONWEALTH REVENUES AND EXPENDITURES – Local Aid."

Constitutional amendments also may be initiated by citizens, but they follow a longer adoption process, which includes gaining at least 25% of the votes of the House of Representatives and Senate jointly assembled in constitutional convention in two successive biennial legislative sessions before being decided by the voters.

On September 2, 2015, the Attorney General certified a petition to amend the state constitution to provide for an additional tax on certain income. See "COMMONWEALTH REVENUES AND EXPENDITURES – State Taxes; *Income Tax*." If the proponents of this petition collect 64,750 signatures by December 2, 2015, the petition will be placed before the Legislature.

[*Remainder of page intentionally left blank*]

COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS

Operating Fund Structure

The Commonwealth's operating fund structure satisfies the requirements of state finance law and is in accordance with generally accepted accounting principles (GAAP), as defined by the Governmental Accounting Standards Board (GASB). The General Fund and other funds that are appropriated in the annual state budget receive most of the non-bond and non-federal grant revenues of the Commonwealth. These funds are referred to in this Information Statement as the "budgeted operating funds" of the Commonwealth. Budgeted operating funds are created and repealed from time to time through the enactment of legislation, and existing funds may become inactive when no appropriations are made from them. Budgeted operating funds do not include the capital projects funds of the Commonwealth, into which the proceeds of Commonwealth bonds are deposited. See "Capital Investment Process and Controls" below.

Two of the budgeted operating funds account for most of the Commonwealth's appropriated spending: the General Fund and the Commonwealth Transportation Fund (formerly the Highway Fund), from which approximately 98.0% of the statutory basis budgeted operating fund outflows in fiscal 2015 were made. The remaining approximately 2.0% of statutory operating fund outflows occurred in other operating funds: the Commonwealth Stabilization Fund, the Intragovernmental Service Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Public Safety Training Fund, the Children and Families Protection Fund, the Community First Trust Fund, the Massachusetts Tourism Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Local Aid Stabilization Fund, the Manufacturing Fund and the Community College Fund. There were also 10 funds which were authorized by law but had no activity: the Collective Bargaining Reserve Fund, the Tax Reduction Fund, the Dam Safety Trust Fund, the International Educational and Foreign Language Grant Program Fund, the Education Fund, the Gaming Economic Development Fund, the Temporary Holding Fund, the Substance Abuse Prevention and Treatment Fund, the Home and Community-based Services Policy Lab Fund and the Regional Water Entity Reimbursement Fund. In fiscal 2015, the Commonwealth Stabilization Fund had both inflows and outflows. At the end of a fiscal year, undesignated balances in the budgeted operating funds, unless excluded by law, are used to calculate the consolidated net surplus. Under state finance law, balances in the Stabilization Fund and the Tax Reduction Fund, both of which may receive consolidated net surplus funds, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Fund, the Public Safety Training Fund, the Community First Trust Fund and the Local Aid Stabilization Fund are excluded from the consolidated net surplus calculation.

Overview of Operating Budget Process

Generally, funds for the Commonwealth's programs and services must be appropriated by the Legislature. The process of preparing a budget begins with the executive branch early in the fiscal year preceding the fiscal year for which the budget will take effect. The legislative budgetary process begins in late January (or, in the case of a newly elected Governor, not later than early March) with the Governor's budget submission to the Legislature for the fiscal year commencing in the ensuing July. The Massachusetts constitution requires that the Governor recommend to the Legislature a budget which contains a statement of all proposed expenditures of the Commonwealth for the upcoming fiscal year, including those already authorized by law, and of all taxes, revenues, loans and other means by which such expenditures are to be defrayed. State finance law requires the Legislature and the Governor to approve a balanced budget for each fiscal year, and the Governor may approve no supplementary appropriation bills that would result in an unbalanced budget. However, this is a statutory requirement that may be superseded by an appropriation act.

The House Ways and Means Committee considers the Governor's budget recommendations and, with revisions, proposes a budget to the full House of Representatives. Once approved by the House, the budget is considered by the Senate Ways and Means Committee, which in turn proposes a budget to be considered by the full Senate. In recent years, the legislative budget review process has included joint hearings by the Ways and Means Committees of the Senate and the House. After Senate action, a legislative conference committee develops a joint budget recommendation for consideration by both houses of the Legislature, which upon adoption is sent to the Governor. Under the Massachusetts constitution, the Governor may veto the budget in whole or disapprove or reduce specific line items (line item veto). The Legislature may override the Governor's veto or specific line-item

vetoes by a two-thirds vote of both the House and Senate. The annual budget legislation, as finally enacted, is known as the general appropriations act.

In years in which the general appropriations act is not approved by the Legislature and the Governor before the beginning of the applicable fiscal year, the Legislature and the Governor generally approve a temporary budget under which funds for the Commonwealth's programs and services are appropriated based upon the level of appropriations from the prior fiscal year budget.

State finance law requires the Commonwealth to monitor revenues and expenditures during a fiscal year. For example, the Comptroller publishes a quarterly report of planned and actual revenues. See "COMMONWEALTH REVENUES AND EXPENDITURES – Tax Revenue Forecasting." Department heads are required to notify the Secretary of Administration and Finance and the House and Senate Committees on Ways and Means of any anticipated decrease in estimated revenues for their departments from the federal government or other sources or if it appears that any appropriation will be insufficient to meet all expenditures required in the fiscal year by any law, rule, regulation or order not subject to administrative control. The Secretary of Administration and Finance must notify the Governor and the House and Senate Committees on Ways and Means whenever the Secretary determines that revenues will be insufficient to meet authorized expenditures. The Secretary of Administration and Finance is then required to compute projected deficiencies and, under Section 9C of Chapter 29 of the General Laws, the Governor is required to reduce allotments, to the extent lawfully permitted to do so, or submit proposals to the Legislature to raise additional revenues or to make appropriations from the Stabilization Fund to cover such deficiencies. The Supreme Judicial Court has ruled that, under current law, the Governor's authority to reduce allotments of appropriated funds extends only to appropriations of funds to state agencies under the Governor's control.

Cash and Budgetary Controls

The Commonwealth has in place controls designed to ensure that: (i) sufficient cash is available to meet the Commonwealth's obligations, (ii) state expenditures are consistent with periodic allotments of annual appropriations, and (iii) moneys are expended consistently with statutory and public purposes. Two independently elected Executive Branch officials, the State Treasurer and the State Auditor, conduct the cash management and audit functions, respectively. Regarding periodic allotments, at the beginning of each fiscal year the Executive Office for Administration and Finance schedules the rate at which agencies will have access to funds included in their appropriation through a published periodic allotment calendar. This calendar is reviewed regularly, and depending on the fiscal climate, the Executive Office for Administration and Finance may choose to adjust the allotment schedule in order to tighten spending controls. In some cases agencies may request an ad hoc allotment in order to gain access to funds faster than the existing periodic allotment schedule would allow (*e.g.*, exceptional cases where unique payment concerns must be considered); such requests are carefully reviewed by the Executive Office for Administration and Finance before they are approved. The Comptroller conducts the expenditure control function. The Secretary of Administration and Finance is the Governor's chief fiscal officer and provides overall coordination of fiscal activities.

Capital Investment Process and Controls

Capital expenditures are primarily financed with debt proceeds and federal grants. Authorization for capital investments requires approval by the Legislature, and the issuance of debt must be approved by a two-thirds vote of each house of the Legislature. The state constitution requires the Governor to file legislation to set the terms and conditions of the borrowing for the authorized debt. The State Treasurer issues authorized debt at the request of the Governor, and the Governor, through the Secretary of Administration and Finance, controls the amount of capital expenditures through the allotment of funds pursuant to such authorizations.

The Executive Office for Administration and Finance, at the direction of the Governor and in conjunction with the cabinet and other officials, establishes a capital investment plan each year. The capital investment plan is an administrative guideline and is subject to amendment from time to time. Pursuant to state law, the capital investment plan is to be released by the Executive Office for Administration and Finance on or before July 1 each year. The capital investment plan assigns authority for secretariats and agencies to spend on capital projects from debt authorizations approved by the Legislature. The primary policy objectives of the capital investment plan are to identify and prioritize the Commonwealth's investment needs, to determine the appropriate level of debt to be issued

and to allocate limited capital investment resources among the highest priority projects. See "COMMONWEALTH CAPITAL INVESTMENT PLAN."

The Comptroller has established various funds to account for financial activity related to the acquisition or construction of capital assets. In addition, accounting procedures and financial controls have been instituted to limit agency capital spending to the levels approved by the Governor. Capital spending is tracked against the capital investment plan on both a cash and encumbrance accounting basis on the state's accounting system, and federal reimbursements are budgeted and monitored against anticipated receipts.

Cash Management Practices of State Treasurer

The State Treasurer is responsible for ensuring that all Commonwealth financial obligations are met on a timely basis. The Massachusetts constitution requires that all payments by the Commonwealth (other than debt service) be made pursuant to a warrant approved by the Governor's Council. The Comptroller prepares certificates which, with the advice and consent of the Governor's Council and approval of the Governor, become the warrant to the State Treasurer. Once the warrant is approved, the State Treasurer's office disburses the money.

The Cash Management Division of the State Treasurer's office utilizes approximately 900 operating accounts to track cash collections and disbursements for the Commonwealth. The Division relies primarily upon electronic receipt and disbursement systems.

The State Treasurer, in conjunction with the Executive Office for Administration and Finance, is required to submit quarterly cash flow projections for the then current fiscal year to the House and Senate Committees on Ways and Means on or before the last day of August, November, February and May. The projections must include estimated sources and uses of cash, together with the assumptions from which such estimates were derived and identification of any cash flow gaps. See "FISCAL 2015 AND FISCAL 2016 – Cash Flow." The State Treasurer's office, in conjunction with the Executive Office for Administration and Finance, is also required to develop quarterly and annual cash management plans to address any gap identified by the cash flow projections and variance reports. The State Treasurer's office oversees the issuance of short-term debt to meet cash flow needs, including the issuance of commercial paper and revenue anticipation notes. See "LONG-TERM LIABILITIES – General Obligation Debt."

Under state finance law, the State Treasurer may invest Commonwealth funds in obligations of the United States Treasury, bonds or notes of various states and municipalities, corporate commercial paper meeting specified ratings criteria, bankers acceptances, certificates of deposit, repurchase agreements secured by United States Treasury obligations, money market funds meeting specified ratings criteria, securities eligible for purchase by a money market fund operated in accordance with Rule 2a-7 of the Securities and Exchange Commission or investment agreements meeting specified ratings criteria. Cash that is not needed for immediate funding needs is invested in the Massachusetts Municipal Depository Trust. The State Treasurer serves as trustee of the Trust and has sole authority pertaining to rules, regulations and operations of the Trust. The Trust has two investment options: a money market fund and a short-term bond fund. General operating cash is invested in the money market fund, which is administered in accordance with Rule 2a-7 of the Securities and Exchange Commission and additional policies and investment restrictions adopted by the State Treasurer. The three objectives for the money market fund are safety, liquidity and yield. The money market fund maintains a stable net asset value of one dollar and is marked to market daily. Moneys in the Stabilization Fund, which are not used by the Commonwealth for liquidity, are invested in both the money market fund and the short-term bond fund. The short-term bond fund invests in a diversified portfolio of high-quality investment-grade fixed-income assets that seeks to obtain the highest possible level of current income consistent with preservation of capital and liquidity. The portfolio is required to maintain an average credit rating of A-. The duration of the portfolio is managed to within +/- one half year duration of the benchmark. The benchmark for the short-term bond fund is the Barclays Capital 1-to-5-year Government/Credit Index, which includes all medium and larger issues of United States government, investment-grade corporate and investment-grade international dollar-denominated bonds.

Fiscal Control, Accounting and Reporting Practices of Comptroller

The Comptroller is responsible for oversight of fiscal management functions, establishment of accounting policies and practices and publication of official financial reports. The Comptroller maintains the Massachusetts

Management Accounting and Reporting System (MMARS), the centralized state accounting system that is used by all state agencies and departments for processing of all financial transactions, but the University of Massachusetts, the state universities and community colleges process only some transactions on MMARS, and the independent state authorities do not use the system. MMARS provides a ledger-based system of revenue and expenditure accounts enabling the Comptroller to control obligations and expenditures effectively and to ensure that appropriations are not exceeded during the course of the fiscal year. The Commonwealth's statewide accounting system also has various modules for receivables, payables, capital assets and other processes management.

Expenditure Controls. The Comptroller requires that the amount of all obligations under purchase orders, contracts and other commitments for the expenditures of moneys be recorded as encumbrances. Once encumbered, these amounts are not available to support additional spending commitments. As a result of these encumbrances, spending agencies can use MMARS to determine at any given time the amount of their appropriations available for future commitments.

The Comptroller is responsible for compiling expenditure requests into the certificates for approval by the Governor's Council. The Council approves an estimated warrant giving the Treasurer authority to issue payments up to the amount on the warrant, provided that those payments are otherwise determined by the Comptroller to comply with state finance law. In preparing these certificates, which become the warrant, the Comptroller's office has systems in place to ensure that the necessary moneys for payment have been both appropriated by the Legislature and allotted by the Governor in each account and sub-account. By law, certain obligations may be placed upon the warrant even if the supporting appropriation or allotment is insufficient. These obligations include debt service, which is specifically exempted by the state constitution from the warrant requirement, and Medicaid payments, which are mandated by federal law.

Although state finance law generally does not create priorities among types of payments to be made by the Commonwealth in the event of a cash shortfall, the Comptroller has developed procedures, in consultation with the State Treasurer and the Executive Office for Administration and Finance, for prioritizing payments based upon state finance law and sound fiscal management practices.

Internal Controls. The Comptroller establishes internal control policies and procedures in accordance with state finance law. Agencies are required to adhere to such policies and procedures. All unaccounted-for variances, losses, shortages or thefts of funds or property must be reported to the State Auditor, who is authorized to investigate and recommend corrective action.

Statutory Basis of Accounting. In accordance with state law, the Commonwealth adopts its budget and maintains financial information on a statutory basis of accounting. Under the statutory basis, tax and departmental revenues are accounted for on a modified cash basis by reconciling revenue to actual cash receipts confirmed by the State Treasurer. Certain limited revenue accruals are also recognized, including receivables from federal reimbursements with respect to paid expenditures. Expenditures are measured on a modified cash basis including actual cash disbursements and encumbrances for goods or services received prior to the end of a fiscal year.

For certain programs, such as Medicaid, expenditures are recognized under the statutory basis of accounting only to the extent of disbursements supported by current-year appropriations. Some prior year services billed after the start of a fiscal year have been paid from the new fiscal year's appropriation, in an amount determined by the specific timing of billings and the amount of prior year funds that remained after June 30 to pay the prior year's accrued billings, though this practice may vary from year to year.

GAAP Basis of Accounting. The Comptroller also prepares Commonwealth financial statements on a GAAP basis. In addition to the primary government, certain independent authorities and agencies of the Commonwealth are included as component units within the Commonwealth's reporting entity.

GAAP employs an economic resources management focus and a current financial resources management focus as two bases for accounting and reporting. Under the economic resources management focus (also called the "entity-wide perspective") revenues and expenses (different from expenditures) are presented similarly to private-sector entities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility

requirements imposed by the provider have been met. Capital assets, including infrastructure assets net of depreciation, and the long-term portion of all liabilities are reported on the statement of net position.

Under the current financial resources management focus of GAAP (also called the "fund perspective"), the primary emphasis is to demonstrate inter-period equity. Revenues are reported in the period in which they become both measurable and available. Revenues are considered available when they are expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal revenues (including both grants and reimbursements) and reimbursements for the use of materials and services. Tax accruals, which include the estimated amounts due to the Commonwealth on previous filings, over- and under-withholdings, estimated payments on income earned and tax refunds and abatements payable, are all recorded as adjustments to statutory basis tax revenues.

Major expenditure accruals are recorded for the cost of Medicaid claims that have been incurred but not paid, claims and judgments and workers' compensation claims incurred but not reported and contract assistance and amounts due to municipalities and state authorities. See Exhibit C – Comprehensive Annual Financial Report for the year ended June 30, 2014; Page 3 and Notes to the Basic Financial Statements.

Audit Practices of State Auditor

The State Auditor is mandated under state law to conduct an audit at least once every three years of the accounts of all departments, offices, commissions, institutions and activities of the Commonwealth. This audit encompasses hundreds of state entities, including the court system and independent authorities. The State Auditor also has the authority to audit federally aided programs and vendors and their subcontractors under contract with the Commonwealth as well as to conduct special audit projects. Further, the State Auditor upon a ratified majority vote by the board of selectmen or school committee, may, in the Auditor's discretion, audit the accounts, programs, activities and other public functions of a town, district, regional school district, city or county. The State Auditor conducts both compliance and performance audits in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Within the State Auditor's office is the Division of Local Mandates, which evaluates proposed and actual legislation to determine the financial impact on the Commonwealth's cities and towns. In accordance with state law, the Commonwealth is required to reimburse cities and towns for any costs incurred through mandated programs established after the passage of Proposition 2½, the statewide tax limitation enacted by the voters in 1980, unless expressly exempted from those provisions, and the State Auditor's financial analysis is used to establish the amount of reimbursement due to the Commonwealth's cities and towns. See "COMMONWEALTH REVENUES AND EXPENDITURES – Local Aid; *Property Tax Limits*."

Also within the State Auditor's office is the Bureau of Special Investigations, which is charged with the responsibility of investigating fraud within public assistance programs.

[*Remainder of page intentionally left blank*]

COMMONWEALTH REVENUES AND EXPENDITURES

This section contains a description of the major categories of Commonwealth revenues and expenditures, beginning with a table presenting combined revenues and expenditures in the budgeted operating funds, followed by descriptions of categories of revenues and expenditures.

In order to fund its programs and services, the Commonwealth collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, court revenues, assessments, reimbursements, interest earnings and transfers from its non-budgeted funds, which are deposited in the General Fund, the Commonwealth Transportation Fund (formerly the Highway Fund) and other budgeted operating funds. Revenues deposited in such funds will be referred to as budgeted operating revenues in this Information Statement. In fiscal 2015, on a statutory basis, approximately 59.5% of the Commonwealth's budgeted operating revenues and other financing sources were derived from state taxes. In addition, the federal government provided approximately 24.3% of such revenues, with the remaining 16.2% provided from departmental revenues and transfers from non-budgeted funds. The measurement of revenues for the budgeted operating funds on a statutory basis differs from governmental revenues on a GAAP basis. See "Selected Financial Data – GAAP Basis; Revenues – GAAP Basis." The Commonwealth's executive and legislative branches establish the Commonwealth's budget using the statutory basis of accounting.

Statutory Basis Distribution of Budgetary Revenues and Expenditures

The revenues and expenditures of the budgeted operating funds presented in the following table are derived from the Commonwealth's statutory basis financial statements for fiscal 2011 through 2015. Projections for fiscal 2016 have been prepared by the Executive Office for Administration and Finance. Except where otherwise indicated, they are based on the office's most recent estimate of tax revenue (as officially issued) and non-tax revenue, on enacted appropriations adjusted for projected reversions and on supplemental appropriations filed by the Governor that remain before the Legislature. The financial information presented includes all budgeted operating funds of the Commonwealth. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS — Operating Fund Structure" for additional detail.

The following table sets forth the Commonwealth's revenues and expenditures for fiscal 2011 through fiscal 2015 and projected revenues and expenditures for fiscal 2016.

[*Remainder of page intentionally left blank*]

Budgeted Operating Funds – Statutory Basis (in millions) (1)

	Fiscal 2011	Fiscal 2012 (2)	Fiscal 2013	Fiscal 2014 (3)	Fiscal 2015	Projected Fiscal 2016
Beginning Fund Balances						
Reserved or Designated	$122.0	$400.1	$170.4	$297.1	$190.0	$226.0
Stabilization Fund	669.8	1,379.1	1,652.1	1,556.7	1,248.4	1,252.4
Undesignated	111.3	121.7	167.2	20.6	12.1	92.3
Total	**$903.1**	**$1,900.8**	**$1,989.7**	**$1,874.4**	**$1,450.5**	**$1,570.7**
Revenues and Other Sources						
Alcoholic Beverages	72.7	76.1	76.3	78.8	80.8	82.5
Banks	(11.0)	266.6	78.0	135.8	51.9	21.8
Cigarettes	453.6	451.0	440.1	520.7	510.3	508.8
Corporations	1,951.4	1,771.1	1,821.9	2,049.1	2,172.1	2,137.5
Deeds	140.2	158.8	188.9	223.1	238.3	264.7
Income	11,576.0	11,911.4	12,830.9	13,201.6	14,448.7	14,863.5
Inheritance and Estate	309.6	293.3	313.4	401.5	340.9	327.3
Insurance	340.3	363.6	426.0	368.1	391.4	408.9
Motor Fuel	660.8	661.9	651.6	732.2	756.1	765.1
Public Utilities	(8.8)	(35.9)	(11.5)	9.8	3.4	3.4
Room Occupancy	110.4	121.6	129.2	138.3	150.7	161.7
Sales:						
Regular	3,476.3	3,544.4	3,595.9	3,810.6	3,986.6	4,161.3
Meals	813.3	868.8	901.2	948.9	998.8	1,045.1
Motor Vehicles	615.2	646.1	666.9	736.4	789.1	843.7
Sub-Total–Sales	4,904.8	5,059.3	5,163.9	5,495.9	5,774.4	6,050.1
Miscellaneous	16.6	15.9	14.2	15.1	12.8	16.0
Total Tax Revenues	**$20,516.6**	**$21,114.7**	**$22,123.0**	**$23,370.0**	**$24,932.2**	**$25,611.3**
MBTA Transfer (4)	(767.1)	(779.1)	(786.9)	(799.3)	(970.6)	(986.3)
MSBA Transfer	(654.6)	(670.5)	(682.0)	(727.5)	(764.1)	(800.8)
Workforce Training Fund Transfer (5)	-	(21.4)	(22.2)	(21.2)	(23.6)	(23.6)
Total Budgeted Operating Tax Revenues	**$19,094.9**	**$19,643.7**	**$20,631.9**	**$21,822.0**	**$23,173.8**	**$23,800.7**
Tax and Non-Tax Settlements (6)	-	-	-	-	-	125.0
Federal Reimbursements	9,299.5	7,971.7	8,228.4	8,372.1	9,480.4	10,721.6
Departmental and Other Revenues	2,912.3	3,175.0	3,370.5	3,712.4	3,852.8	3,967.2
Inter-fund Transfers from Non-budgeted Funds and other sources (7)	1,768.6	1,032.3	1,548.1	1,555.2	1,729.5	1,962.4
Budgeted Revenues and Other Sources	**$33,075.3**	**$32,546.5**	**$33,778.9**	**$35,461.7**	**$38,236.5**	**$40,576.9**
Inter-fund Transfers	3,460.9	1,032.3	1,456.6	1,757.0	735.4	651.3
Total Budgeted Revenues and Other Sources	**$36,536.3**	**$33,578.8**	**$35,235.5**	**$37,218.7**	**$38,971.9**	**$41,228.2**
Expenditures and Uses						
Direct Local Aid (8)	4,784.7	4,929.5	5,115.7	5,292.5	5,420.4	5,570.7
Medicaid	10,237.3	10,431.1	10,799.7	11,900.8	13,655.2	14,786.5
Other Health and Human Services	4,614.8	4,710.5	4,768.9	4,979.5	5,300.8	5,583.8
Group Insurance	1,130.3	1,206.2	1,278.5	1,402.9	1,665.1	1,693.6
Department of Elementary and Secondary Education	349.4	435.9	489.2	515.3	514.9	628.7
Higher Education	943.0	937.1	990.8	1,091.5	1,161.6	1,189.1
Department of Early Education and Care	515.1	494.3	483.4	509.6	537.7	568.4
Public Safety	905.0	929.7	960.0	1,010.4	1,040.7	1,666.7
Energy and Environmental Affairs	185.6	186.8	201.8	215.0	225.0	235.4
Debt Service (9)	1,663.9	1,923.2	2,117.2	2,122.0	2,190.4	2,454.5

	Fiscal 2011	Fiscal 2012 (2)	Fiscal 2013	Fiscal 2014 (3)	Fiscal 2015	Projected Fiscal 2016
Post -Employment Benefits (10)	1,838.9	1,892.3	1,967.0	2,050.4	2,213.4	2,470.2
Other Program Expenditures	2,850.4	2,898.7	3,006.7	3,293.7	3,113.1	2,438.2
Total - Programs and Services before transfers to Non-budgeted funds	**$30,018.6**	**$30,975.3**	**$32,178.7**	**$34,383.6**	**$37,038.3**	**$39,285.8**
Inter-fund Transfers to Non-budgeted Funds						
Commonwealth Care Trust Fund (11)	739.0	614.9	661.2	390.1	-	-
Medical Assistance Trust Fund	886.1	220.9	390.9	395.0	71.0	1,001.1
Massachusetts Transportation Trust Fund	195.1	180.1	161.7	270.1	588.6	335.0
Other	238.8	466.4	501.8	446.7	418.4	480.1
Total Inter-Fund Transfers to Non-Budgeted Funds	**$2,059.0**	**$1,482.3**	**$1,715.6**	**$1,501.9**	**$1,078.0**	**$1,816.2**
Budgeted Expenditures and Other Uses	**$32,077.6**	**$32,457.6**	**$33,894.3**	**$35,885.5**	**$38,116.3**	**$41,102.0**
Inter-fund Transfers	3,460.9	1,032.3	1,456.6	1,757.0	735.4	651.3
Total Budgeted Expenditures and Other Uses (12)	**$35,538.5**	**$33,489.9**	**$35,350.9**	**$37,642.5**	**$38,851.7**	**$41,753.3**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	**$997.8**	**$88.9**	**($115.4)**	**($423.8)**	**$120.2**	**($525.1)**
Ending Fund Balances						
Reserved or Designated (13)	400.1	170.5	297.1	190.0	226.0	13.9
Stabilization Fund	1,379.1	1,652.1	1,556.7	1,248.4	1,252.4	1,257.9
Undesignated	121.7	167.1	20.6	12.1	92.3	(226.3)
Total	**$1,900.8**	**$1,989.7**	**$1,874.4**	**$1,450.5**	**$1,570.7**	**$1,045.5**

SOURCES: Fiscal 2011-2015, Office of the Comptroller; fiscal 2016, Executive Office for Administration and Finance.

(1) Totals may not add due to rounding.
(2) Some fiscal 2012 amounts were reclassified to conform to the fiscal 2013 presentation in the Statutory Basis Financial Report.
(3) Some fiscal 2014 amounts were reclassified to conform to the fiscal 2015 presentation in the Statutory Basis Financial Report.
(4) Beginning in fiscal 2015, the amount of dedicated sales tax receipts statutorily required to be credited to the MBTA was increased by $160 million annually.
(5) The fiscal 2012 budget adopted changes to the Workforce Training Fund, which is funded annually through employer contributions for workforce training initiatives for incumbent workers in the private sector. Beginning in fiscal 2012 the Workforce Training Fund is not subject to annual appropriation, and the employer contributions are deposited directly in the Workforce Training Fund after their collection.
(6) The Executive Office for Administration and Finance currently estimates $125 million from the modification of the existing tax and non-tax judgment and settlement law (see "Commonwealth Revenues and Expenditures – Federal and Other Non-Tax Revenues; *Settlements and Judgments*").
(7) Inter-fund Transfers from Non-budgeted Funds and Other Sources include profits from the State Lottery, transfer of tobacco settlement funds through fiscal 2012, abandoned property proceeds as well as other inter-fund transfers.
(8) The Fiscal 2016 Direct Local Aid estimate includes Chapter 70 state education aid, unrestricted general government aid, local share of the racing tax, municipal weather reserve, and veterans' benefits.
(9) Fiscal 2016 spending includes $113 million reduction for debt defeasance, as provided for in the final 2015 supplemental budget approved by the Governor on November 2, 2015.
(10) Starting in fiscal 2010 Post-Employment Benefits include budgeted pension transfers and State Retiree Benefit Trust Fund.
(11) The fiscal 2016 budget does not include an appropriation of funding for the Health Connector because it assumes that increased dedicated revenues in the CCTF, federal grants and self-generated revenues will be able to cover the full program and administrative costs.
(12) Fiscal 2016 spending assumes a spending reduction of $189 million for estimated gross payroll savings due to the early retirement incentive program.
(13) Consists largely of appropriations authorized to be expended in following year.

State Taxes

The major components of state taxes are the income tax, which accounted for approximately 57.3% of the total tax revenues in fiscal 2015, the sales and use tax, which accounted for approximately 23.0%, and the corporations and other business and excise taxes (including taxes on insurance companies and financial institutions), which accounted for approximately 10.4%. Other tax and excise sources accounted for the remaining 9.3% of total fiscal 2015 tax revenues.

The Governor annually files a "tax expenditure budget" that provides a list, description and revenue estimate of various tax credits, deductions and exemptions that represent departures from the basic provisions of the state tax code.

Income Tax. The Commonwealth assesses personal income taxes at flat rates, according to classes of income, after specified deductions and exemptions. A rate of 5.3% was applied to most types of income from January 1, 2002 to January 1, 2012. Under current law, the state personal income tax rate on most classes of taxable income is scheduled to be reduced gradually to 5.0%, contingent upon "baseline" state tax revenue growth (*i.e.*, revenue growth after factoring out the impact of tax law and administrative processing changes) of at least 2.5 percentage points more than the rate of inflation as measured by the consumer price index for all urban consumers in Boston, as established in a set of statutory triggers (see below). In the tax year following that in which the personal income tax rate is reduced to 5.0%, the charitable deduction, which was in effect for tax year 2000 but subsequently suspended, would be restored. Pursuant to this law, the state income tax rate on most classes of taxable income has been gradually reduced from 5.3% to its current rate of 5.15%, as described below. The tax rate on gains from the sale of capital assets held for one year or less and from the sale of collectibles is 12%, and the tax rate on gains from the sale of capital assets owned more than one year is now 5.15% (effective January 1, 2015). Interest on obligations of the United States and of the Commonwealth and its political subdivisions is exempt from taxation.

The state income tax rate on most classes of taxable income was reduced from 5.3% to 5.25%, effective January 1, 2012, because the growth in fiscal 2011 inflation-adjusted baseline revenues (over fiscal 2010) exceeded 2.5%, and because, for each consecutive three-month period starting in August and ending in November, 2011, there was positive inflation-adjusted baseline revenue growth as compared to the same consecutive three-month period in calendar 2010.

Fiscal 2012 inflation-adjusted baseline revenues grew by 2.77% over fiscal 2011, and the first two three-month period certifications also indicated positive inflation-adjusted baseline revenue growth. However, the growth for the third three-month period was negative. Accordingly, the Department of Revenue determined that the thresholds to lowering the income tax rate had not been met and the rate was kept unchanged at 5.25% for the tax year 2013.

The state income tax rate on most classes of taxable income was reduced from 5.25% to 5.20%, effective January 1, 2014, because the growth in fiscal 2013 inflation-adjusted baseline revenues (over fiscal 2012) exceeded 2.5%, and because, for each consecutive three-month period starting in August and ending in November, 2013, there was positive inflation-adjusted baseline revenue growth as compared to the same consecutive three-month period in calendar 2012.

The state income tax rate on most classes of taxable income was reduced again, from 5.20% to 5.15%, effective January 1, 2015, because the growth in fiscal 2014 inflation-adjusted baseline revenues (over fiscal 2013) exceeded 2.5%, and because, for each consecutive three-month period starting in August and ending in November, 2014, there was positive inflation-adjusted baseline revenue growth as compared to the same consecutive three-month period in calendar 2013.

The Department of Revenue has just begun the same process during 2015 to determine whether the state income tax rate will be reduced further from 5.15% to 5.10%, effective January 1, 2016. On September 3, 2015, the Commissioner of Revenue certified that fiscal 2015 inflation-adjusted baseline revenues grew by 5.377% from fiscal 2014, which exceeds the initial trigger (2.5%) for the income tax rate reduction. To determine if there will be positive inflation-adjusted baseline revenue growth for each consecutive three-month period starting in August and ending in November, 2015, as compared to the same consecutive three-month period in calendar 2014, the Commissioner has so far issued two "three-month period" certifications on September 15, 2015, and October 15,

2015, both of which indicated that there was positive inflation-adjusted baseline revenue growth during the first two three-month periods in fiscal 2016 (exceeding the 0% growth threshold). The Commissioner will issue two more "three-month period" certifications by December 15, 2015. Accordingly, it will not be known until the Commissioner issues a final certification on December 15, 2015 whether all of the statutory triggers were met. The Department of Revenue estimates that the revenue impact of this rate reduction (5.15% to 5.10%) for fiscal 2016 would be approximately $74 million. The fiscal 2016 consensus tax revenue estimate of $25.479 billion assumes that this rate reduction will occur. The revenue impact for fiscal 2017 (assuming no further rate reduction in calendar year 2017) would be approximately $152 million.

The following table shows the Department of Revenue's estimated impacts of the state income tax rate reductions described above in fiscal years 2012 through 2016, inclusive.

Impact of Income Tax Rate Reductions (millions)

Decrease from:	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016(1)
5.3% to 5.25%	$54	$114	$119	$124	$130
5.25% to 5.20%	-	-	65	133	138
5.20% to 5.15%	-	-	-	70	145

Source: Department of Revenue.

(1) Income tax revenue impact in fiscal 2016 is projected and subject to change.

On September 2, 2015, the Attorney General certified an initiative petition to amend the state constitution to provide for an additional tax of 4% on that portion of annual taxable income in excess of $1 million for tax years beginning on or after January 1, 2019. The $1 million figure would be adjusted annually for inflation. If the proponents collect 64,750 signatures by December 2, 2015, the petition will be placed before the Legislature. The petition would then need to be approved by the Legislature in two successive legislative sessions and by the voters in the November, 2018 general election in order to become effective. See "THE GOVERNMENT – Initiative Petitions."

Under state finance law, tax revenues collected from capital gains income during a fiscal year that exceed a specified threshold are required to be transferred to the Commonwealth's Stabilization Fund, with 5% of the amount so deposited then transferred to the State Retiree Benefits Trust Fund and an additional 5% transferred to the Commonwealth's Pension Liability Fund. The Department of Revenue is also required, after each quarter, to certify the amount of tax revenues estimated to have been collected during the preceding quarter from capital gains income, and, once the threshold has been exceeded, the Comptroller is required to transfer the excess to the Commonwealth Stabilization Fund, with the final fiscal year transfer to be made following the Department of Revenue's fourth quarter certification in July. The statute also requires the Department of Revenue to issue its final certification of capital gains tax revenues in November following the end of the fiscal year, but no adjustment is to be made to Stabilization Fund transfers if the final amount of capital gains taxes certified differs from the amount certified in July, as the books on that fiscal year will have already been closed on October 31. A threshold of $1 billion was in effect for fiscal 2011, 2012 and 2013. For fiscal years after fiscal 2013, the threshold is subject to annual adjustment to reflect the average annual rate of growth in U.S. gross domestic product over the preceding five years. The adjusted threshold is certified annually by the Department of Revenue each December for the ensuing fiscal year.

For fiscal 2012, the July and final (November) certified amount of tax revenues collected from capital gains income were $915.5 million and $994.3 million, respectively, both of which were less than the statutory threshold.

On July 18, 2013, the Commissioner of Revenue certified the amount of capital gains tax revenues for fiscal 2013 to be $1.467 billion, which resulted in aggregate transfers to the Commonwealth Stabilization Fund of approximately $467 million, and subsequent transfers from the Stabilization Fund to the Pension Liability Fund and the State Retiree Benefit Trust Fund of approximately $23.4 million each.

On December 28, 2012, the Department of Revenue determined the fiscal 2014 capital gains collections threshold to be approximately $1.023 billion. On July 18, 2014, the Commissioner of Revenue certified the amount of capital gains tax revenues for fiscal 2014 to be $1.069 billion, which resulted in a transfer of approximately

$46 million to the Commonwealth Stabilization Fund, and subsequent transfers from the Stabilization Fund to the Pension Liability Fund and the State Retiree Benefit Trust Fund of approximately $2.3 million each.

On December 31, 2013, the Department of Revenue determined the fiscal 2015 capital gains collections threshold to be approximately $1.048 billion. On February 13, 2015, the Governor approved legislation that suspended the requirement to transfer capital gains tax collections above the threshold to the Stabilization Fund for fiscal 2015. On July 22, 2015, the Commissioner of Revenue certified the amount of capital gains tax revenues for fiscal 2015 to be $1.669 billion. In November, 2015, the Department of Revenue will determine and certify the final amount for fiscal 2015 after compiling and reviewing more complete data.

On December 24, 2014, the Department of Revenue determined the fiscal 2016 capital gains collections threshold to be approximately $1.087 billion. The budget enacted by the Legislature and approved by the Governor for fiscal 2016 includes a section that suspends the requirement to transfer capital gains tax collections above the threshold to the Stabilization Fund for fiscal 2016 only. With respect to the fiscal 2016 certification process, the Department of Revenue issued a letter on October 30, 2015 indicating that the year-to-date (July 1, 2015 through September 30, 2015) certification amount was $228.0 million. Three more certifications will be issued for fiscal 2016 – in February, 2016, June, 2016 and July, 2016.

Sales and Use Tax. Effective August 1, 2009, the sales tax rate imposed on retail sales of certain tangible property (including retail sales of meals) transacted in the Commonwealth and a corresponding use tax rate on the storage, use or other consumption of like tangible properties brought into the Commonwealth was raised from 5% to 6.25%. Food, clothing, prescribed medicine, materials and produce used in food production, machinery, materials, tools and fuel used in certain industries and property subject to other excises (except for cigarettes) are exempt from sales taxation. The sales and use tax is also applied to sales of electricity, gas and steam for certain nonresidential use and to nonresidential and a portion of residential use of telecommunications services.

In August, 2009, when the sales tax rate increase was enacted, it was projected to produce an additional $759 million in fiscal 2010 and $900 million annually thereafter. Based on the most recently available data, reflecting both the economic recession and the recovery, the Department of Revenue currently estimates that the sales tax increase resulted in additional revenues of approximately $739 million in fiscal 2010, $918 million in fiscal 2011, $963 million in fiscal 2012, $983 million in fiscal 2013, $1.046 billion in fiscal 2014 and $1.100 billion in fiscal 2015.

As part of the same legislation that increased the sales tax rate, the sales tax exemption on alcohol sales was eliminated effective August 1, 2009. However, on November 2, 2010, an initiative passed by the voters reinstated this exemption and removed the sales tax on alcoholic beverages effective January 1, 2011. The Department of Revenue estimates that the Commonwealth's collections from eliminating the alcoholic beverages exemption were approximately $96.6 million in fiscal 2010 and approximately $81 million during the first seven months of fiscal 2011. The Department of Revenue estimates that the tax revenue loss resulting from the removal of the sales tax on alcoholic beverage was approximately $40 million to $52 million for fiscal 2011 and between $120 million and $130 million annually thereafter.

Sales tax receipts from establishments that first opened on or after July 1, 1997 and that are located near the site of the Boston Convention and Exhibition Center, sales tax receipts from retail vendors in hotels in Boston and Cambridge that first opened on or after July 1, 1997 and sales tax receipts from retail vendors located in the Springfield Civic and Convention Center or in hotels near the Springfield Civic and Convention Center that first opened on or after July 1, 2000 are required to be credited to the Convention Center Fund. The Convention Center Fund is not included in the calculation of revenues for budgeted operating funds. See "LONG-TERM LIABILITIES—Special Obligation Debt; *Convention Center Fund*."

A portion of the Commonwealth's receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MBTA is the amount raised by a 1% sales tax (not including meals), subject to an inflation-adjusted floor. A comparable amount, though without the floor, is dedicated to the MSBA beginning in fiscal 2010, with lesser amounts dedicated to the MSBA from fiscal 2005 through fiscal 2009. Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by $160 million annually, starting in fiscal 2015. The $160 million

increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor was intended to replace the $160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014.

Beginning in fiscal 2011, a portion of the Commonwealth's receipts from the sales tax has been dedicated to the Commonwealth Transportation Fund. From fiscal 2011 through fiscal 2013, the amount dedicated was the amount raised by a portion of the sales tax equal to a 0.385% sales tax, with a floor of $275 million per fiscal year. Beginning in fiscal 2014, the amount dedicated to the Commonwealth Transportation Fund is the amount received on account of motor vehicle sales (net of amounts required to be credited to the Convention Center Fund or dedicated to the MBTA or MSBA).

Business Corporations Tax. Business corporations doing business in the Commonwealth, other than banks and other financial institutions, insurance companies, railroads and safe deposit companies, are subject to an excise that has a property measure and an income measure. The value of Massachusetts tangible property (not taxed locally) or net worth allocated to the Commonwealth is taxed at $2.60 per $1,000 of value. The net income allocated to Massachusetts, which is based on net income for federal taxes, is taxed at 8.00%, as of January 1, 2012. The minimum tax is $456.

FAS 109 Deduction. Corporate tax reform legislation enacted in 2008 included a new tax deduction designed to limit the impact of combined reporting in the Commonwealth on certain publicly traded corporations' financial statements. The deduction is generally referred to as the "FAS 109" deduction, in reference to the Statement of Financial Accounting Standards (FAS) No. 109, Accounting for Income Taxes.

The Department of Revenue issued a report on "FAS 109" deductions on September 23, 2009, based on notices filed by the companies intending to claim FAS 109 deductions. The Department of Revenue report indicated that the companies filing such notices stated that their FAS 109 deductions would total approximately $178.1 billion, which would result in corporate tax savings of $535 million at the applicable tax rates in the years in which the deductions would be claimed. Corporations were required by the 2008 legislation to claim deductions over a seven-year period starting in tax year 2012. These deductions were expected to result in corporate tax savings (and corresponding Commonwealth corporate tax revenue reductions) of $76 million to $79 million annually for tax years 2012 through 2018, inclusive. However, the fiscal 2013, fiscal 2014 and fiscal 2015 budgets each delayed implementation of the FAS 109 deduction for successive one-year periods. The fiscal 2016 budget enacted by the Legislature on July 8, 2015 would have repealed the FAS 109 deduction. In connection with his approval of the fiscal 2016 budget on July 17, 2015, the Governor announced an agreement with legislative leaders to delay implementation of the deduction for five years, followed by a phasing in of the deduction over a 30-year period, instead of seven years. Legislation to effectuate this agreement has been enacted by the Legislature and approved by the Governor.

In general, corporations apportion their income to Massachusetts based on the proportion of payroll, property and sales within the Commonwealth, with sales being double-weighted. This general rule does not apply to manufacturing companies nor to mutual fund service corporations. The net income of such entities is apportioned only by the percentage of their Massachusetts sales.

Financial Institutions Tax. Financial institutions (which include commercial and savings banks) are subject to an excise tax. The net income allocated to Massachusetts is taxed at 9.0% as of January 1, 2012 and thereafter.

Insurance Taxes. Life insurance companies are subject to a 2% tax on gross premiums. Domestic companies also pay a 14% tax on net investment income. Property and casualty insurance companies are subject to a 2.28% tax on gross premiums. Domestic companies also pay a 1% tax on gross investment income.

Public Utility Corporation Taxes. Prior to January 1, 2014, public utility corporations were subject to an excise tax of 6.5% on net income. Legislation enacted in 2013 repealed the separate excise tax for utility corporations, which are now subject to the corporate excise imposed on business corporations.

Other Taxes. Other tax revenues are derived by the Commonwealth from excise taxes on motor fuels, cigarettes, alcoholic beverages and deeds, and hotel/motel room occupancy, as well as taxes on estates, among other

tax sources. Effective July 31, 2013, the excise tax on motor fuels was increased from 21¢ per gallon to 24¢ per gallon.

Effective July 31, 2013, the excise tax on cigarettes was increased from $2.51 per pack to $3.51 per pack, along with increases in the cigar excise rate (from 30% to 40%), the smoking tobacco rate (from 30% to 40%) and the smokeless tobacco rate (from 90% to 210%). The Department of Revenue estimates that these most recent tobacco (cigarette and other tobacco) tax rate increases resulted in a fiscal 2014 revenue increase of $102 million, and that revenue increases in subsequent years should be between $108 million and $116 million annually.

Tax Credits and Other Incentives. Massachusetts law provides for a variety of tax credits that may be applied against corporate excise or personal income taxes due, as applicable under relevant law. These credits are designed as benefits for specified economic activities as a means to encourage such business in the state. Certain of these credits, to the extent not used to reduce a current tax liability, may be carried forward, transferred or refunded, as specified in the applicable statute. In addition, certain statutory provisions may also provide an exemption from sales and use taxes for qualifying expenditures, or other specified tax benefits.

In July, 2007, the Commonwealth revised its film tax credit to provide tax credits of 25% of certain production costs incurred by film production companies in Massachusetts that incurred at least $50,000 of film production costs in the state. Such production companies were also granted a sales and use tax exemption for goods purchased in the Commonwealth. A film production company may elect either to transfer all or part of its production credit to another taxpayer or to claim a refund of 90% of the amount that is not currently used. There is no cap on the amount of film tax credits that may be claimed. Under current law, the film tax credit will expire on January 1, 2023. Since the program's inception, approximately $411.0 million in tax credits have been approved or are currently in the process of being approved by the Department of Revenue (figures are preliminary). The Department of Revenue estimates that the tax credits reduced fiscal 2007 tax revenues by approximately $11.9 million, fiscal 2008 tax revenues by approximately $10.5 million, fiscal 2009 tax revenues by approximately $110.0 million, fiscal 2010 tax revenues by approximately $90.8 million, fiscal 2011 tax revenues by approximately $45.4 million, fiscal 2012 tax revenues by approximately $55.7 million, fiscal 2013 tax revenues by approximately $77.8 million and fiscal 2014 tax revenues by between $70 million and $90 million, and will reduce fiscal 2015 revenues by between $70 million and $90 million, not including any offsetting tax revenue from the film-related economic activity generated by the tax incentives. Virtually all of the reduction in tax payments resulting from credits that have been transferred or sold is reflected in the insurance, financial institutions, public utilities, and corporate tax categories. The Department of Revenue is required to prepare an annual report of the impact of the film tax credit.

The fiscal 2016 budget approved by the Governor on July 17, 2015 provides for an expansion of the Massachusetts counterpart to the federal earned income tax credit (EITC). Under current law, certain Massachusetts taxpayers (generally low- and moderate-income workers) are eligible for an income tax credit up to 15% of the federal EITC. The amendment contained in the fiscal 2016 budget increases that percentage to 23% beginning with tax year 2016.

The fiscal 2016 budget also includes a tax amnesty program for non-filers and non-registrants to be available for a two-month period during fiscal 2016. The most recent amnesty program that covered non-filer and non-registrants as well as accounts receivable for various tax types occurred in fiscal 2003, and generated approximately $176 million in payments. The fiscal 2016 tax amnesty program targeted at non-filers and non-registrants is designed not only to generate revenue in fiscal 2016 but also to continue to boost the Commonwealth's baseline tax collections by bringing taxpayers into compliance and encouraging them to stay on the tax rolls. The fiscal 2016 budget assumes $100 million in revenue will be collected as a result of this amnesty.

Under legislation approved June 16, 2008 in support of the life sciences industry, up to $25 million per year in tax incentives is available to certified life sciences companies over a ten-year period, commencing January 1, 2009 for an aggregate amount of $250 million. The Department of Revenue estimates that this program resulted in revenue reductions of $5 million in fiscal 2010, $21.1 million in fiscal 2011, $17.4 million in fiscal 2012, $15.5 million in fiscal 2013, $20.5 million in fiscal 2014 and $24.5 million in fiscal 2015. The Executive Office for Administration and Finance estimates that only $20 million in tax incentives will be used in fiscal 2016. As of November 4, 2015, the Massachusetts Life Sciences Center board has approved $20 million in tax incentives that are expected to be utilized in fiscal 2016.

Tax Expenditure Commission. The fiscal 2012 budget established a study commission on tax expenditures which was chaired by the Secretary of Administration and Finance and included legislators and economists. The commission was charged with reviewing and evaluating the administration and fiscal impact of tax expenditures and making recommendations to the Legislature on the administrative efficiency and cost benefit of tax expenditures. The commission filed its report on April 30, 2012. The report includes recommendations to reduce the number and cost of existing tax expenditures, based on identified criteria, to provide for periodic review of tax expenditures, including an automatic sunset of discretionary "grant-like" tax expenditures every five years, based on data-driven analysis and reports regarding effectiveness, and to establish clawbacks and other enforcement measures for grant-like tax expenditures to ensure that recipients meet commitments.

Tax Revenue Forecasting

Under state law, on or before October 15 of each year, the Secretary of Administration and Finance is required to submit to the Governor and to the House and Senate Committees on Ways and Means estimates of revenues available to meet appropriations and other needs in the current fiscal year and the following fiscal year. On October 15, 2015, the Secretary announced that she had reduced her estimate of budgeted revenues for fiscal 2016 by $145 million, attributable solely to reductions in non-tax revenues. The Secretary did not change the tax revenue estimate for fiscal 2016.

On or before January 15 of each year (January 31 in the first year of a new Governor), the Secretary is required to develop jointly with the House and Senate Committees on Ways and Means a consensus tax revenue forecast for the following fiscal year. State finance law requires that the consensus tax revenue forecasts be net of the amounts necessary to fully fund the pension system according to the applicable funding schedule, and to fulfill statutory commitments to the MBTA and the MSBA. These amounts are to be transferred without further appropriation from the General Fund. See "Sales and Use Tax," above; "Employee Benefits; *Pension*" below.

An additional component of the consensus revenue process is the requirement that the consensus tax revenue forecast joint resolution include a benchmark for the estimated growth rate of Massachusetts potential gross state product, or PGSP. Health care cost control legislation approved in 2012 requires that the Secretary and the House and Senate Committees on Ways and Means include a PGSP growth benchmark for the ensuing calendar year. The PGSP growth benchmark is used by the Massachusetts Health Policy Commission to establish the Commonwealth's health care cost growth benchmark. See "Medicaid and the Health Connector; *Health Care Cost Containment*."

The following table compares actual budgeted tax revenues to consensus tax revenue forecasts for fiscal 2011 to 2016. Figures for fiscal 2016 are projected. The figures include sales tax receipts dedicated to the Massachusetts Bay Transportation Authority and the Massachusetts School Building Authority and amounts transferred to the state pension system.

[*Remainder of page intentionally left blank*]

Tax Revenue Forecasting (in millions)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Projected Fiscal 2016
Consensus forecast	$19,050	$20,525	$21,950	$22,334	$24,337	$25,479
Total taxes per enacted budget	$19,078	$20,615	$22,011	$22,797	$24,387	$25,611 (2)
October revision	-	21,010	21,496 (1)	-	-	-
January revision	19,784	-	-	23,200	24,325	-
April revision	-	-	-	-	-	-
May revision	-	-	-	-	-	-
Actual budgeted operating tax revenues	$20,517	$21,115	$22,123	$23,370	$24,932	
Actual revenues as a percentage of consensus forecast	108%	103%	101%	105%	102%	N/A
Actual revenues as a percentage of total taxes per enacted budget	108%	102%	101%	103%	102%	N/A

SOURCE: Executive Office for Administration and Finance; actual budgeted operating tax revenues, Office of the Comptroller.
(1) Revised on December 4, 2012.
(2) Consensus forecast adjusted for subsequent developments during fiscal 2016. See "Fiscal 2015 and Fiscal 2016 Tax Revenues; *Fiscal 2016*."

On January 22, 2015, the Secretary of Administration and Finance and the House and Senate Ways and Means Committees conducted a hearing on state tax revenue estimates for fiscal 2016. The Commissioner of Revenue provided a forecast that fiscal 2016 tax revenue collections will be $25.239 billion to $25.723 billion, reflecting actual growth of 4.2% to 5.7% from the projected fiscal 2015 revenues, and baseline growth of 4.9% to 6.4% from fiscal 2015, which represents growth of $1.021 billion to $1.392 billion over projected fiscal 2015 revenues.

The Secretary of Administration and Finance and the Committees on Ways and Means also heard public testimony from economists and state budget experts from Northeastern University, the Massachusetts Taxpayers Foundation and the Beacon Hill Institute, who provided a range of forecasts for fiscal 2016 tax revenue collections, from $25.502 billion to $25.801 billion.

On January 30, 2015, a fiscal 2016 tax revenue estimate of $25.479 billion was agreed upon by the Secretary of Administration and Finance and the Chairs of the House and Senate Committees on Ways and Means. *See* "Fiscal 2015 and Fiscal 2016 Tax Revenues," below.

The Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means also agreed upon a potential gross state product (PGSP) estimate of 3.6% for calendar year 2016, which is identical to the PGSP figure that was adopted for calendar year 2015. The estimate of PGSP was developed through consultation with the Health Policy Commission, the Executive Office for Administration and Finance, the Department of Revenue, the House and Senate Ways and Means Committees and outside economists. The PGSP growth benchmark is to be used by the Health Policy Commission to establish the Commonwealth's health care cost growth benchmark. PGSP is a measure of the "full employment" output of the Commonwealth's economy. The PGSP estimate reflects long-term trends in the economy rather than fluctuations due to the business cycle and, as a result, is likely to be fairly stable from year to year.

Fiscal 2015 and Fiscal 2016 Tax Revenues

Fiscal 2015. On January 14, 2014, a fiscal 2015 consensus tax revenue estimate of $24.337 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2015 consensus tax revenue estimate represented actual revenue growth of 4.9% from the revised fiscal 2014 estimate of $23.200 billion. The $24.337 billion figure included off-budget transfers of $1.793 billion for pension funding, $811.3 million in dedicated sales tax receipts for the MBTA, $771.5 million in dedicated sales tax receipts for the MSBA and $22.2 million for the Workforce Training Fund. The fiscal 2015 budget as enacted assumed tax revenues of $24.387 billion, reflecting the fiscal 2015 consensus tax estimate of $24.337 billion, adjusted for the impact of revenue initiatives enacted as part of the budget, which included a one-

year delay of the FAS 109 deductions (+$45.8 million), tax revenue enhancements (+$12 million) and a two-month tax amnesty program (+$35 million), as well as the impact of revenue initiatives in separately enacted economic development legislation, including a modernizing research credit (-$6.3 million), a farming and fishing investment tax credit (-$0.4 million), sales tax holiday (-$25.9 million) and sales tax exemption for limited partnerships (-4.9 million), and in county governments financial management legislation (-$5.3 million). In January 2015, the $24.387 billion estimate was further adjusted (to $24.325 billion) to account for subsequent changes such as the reduction in the Part B rate (5.20% to 5.15%) (-$70 million), elimination of gas/special fuels tax inflation indexing following its repeal by a November, 2014 ballot initiative (-$4.7 million), transfer to the Substance Abuse Services Fund from the fall 2014 (non-corporate/business) amnesty tax collections (-$5 million), and the spring 2015 corporate and business tax amnesty (+$18 million). The revised $24.325 billion tax estimate assumed that approximately $1.379 billion would be generated from taxes on capital gains (the current preliminary results indicate that approximately $1.669 billion of capital gains taxes were collected in fiscal 2015). On February 13, 2015, the Governor approved legislation that enables above-threshold capital gains taxes to be retained in the General Fund in fiscal 2015. Under state finance law, that amount would have been deposited in the Stabilization Fund and would not have been available for budgetary purposes.

Tax revenues for fiscal 2015 totaled approximately $24.932 billion (including $214.7 million in one-time tax-related settlements and judgments, exceeding $10 million each), an increase of approximately $1.562 billion, or 6.7%, over fiscal 2014. The following table shows the tax collections for fiscal 2015 and the change from tax collections in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections during the fiscal year that are dedicated to the MBTA and the MSBA.

Fiscal 2015 Tax Collections (in millions)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	$1,596.2	$11.3	0.7%	$81.5	$68.2	$1,446.4
August	1,630.3	86.0	5.6	75.7	62.4	1,492.2
September	2,466.4	52.4	2.2	85.4	59.6	2,321.4
October	1,615.4	60.7	3.9	78.0	64.7	1,472.8
November	1,589.0	18.7	1.2	73.4	60.1	1,455.5
December	2,306.4	210.8	10.1	91.3	60.7	2,154.4
January	2,576.0	147.1	6.1	89.0	75.7	2,411.3
February	1,537.3	199.7	14.9	68.8	55.4	1,413.1
March	2,035.5	83.3	4.3	84.9	55.7	1,895.0
April	3,058.0	322.1	11.8	79.9	66.5	2,911.5
May	1,834.0	211.7	13.1	78.4	65.1	1,690.6
June	2,687.7	158.1	6.2	84.4	70.1	2,533.2
Total (1)	**$24,932.1**	**$1,562.1**	**6.7%**	**$970.6**	**$764.0**	**$23,197.4**

SOURCE: Executive Office for Administration and Finance.
(1) Totals may not add due to rounding.

The tax revenue increase of approximately $1.562 billion from fiscal 2014 to fiscal 2015 is attributable in large part to an increase of approximately $554.8 million, or 5.3%, in withholding collections, an increase of approximately $331.6 million, or 14.9%, in cash income tax estimated payments, an increase of approximately $314.5 million, or 16.2%, in income tax payments with returns or bills, a decrease of approximately $47.7 million, or 3.2%, in cash income tax refunds, an increase of approximately $278.0 million, or 5.1%, in sales and use tax collections, and an increase of approximately $50.1 million, or 2.0%, in corporate and business tax collections. Excluding the $214.7 million in one-time tax-related settlements and judgments, fiscal 2015 tax collections were approximately $392 million above the benchmarks associated with the fiscal 2015 tax revenue estimate of

$24.325 billion. Better than expected income estimated payments, withholding, and lower refunds were the main categories contributing to the above-benchmark performance.

Two tax amnesty programs took place in fiscal 2015. The first program, conducted in September and October, 2014, generated $69.1 million in tax collections, exceeding the original estimate of $35 million. The second program, conducted between March 16, 2015 and May 15, 2015, generated $18.6 million in tax collections, slightly exceeding the original estimate of $18 million.

Under the general provisions of state finance law, fiscal 2015 tax revenues from realized capital gains in excess of $1.048 billion would have been transferred to the Stabilization Fund, but that required transfer was suspended for fiscal 2015 by legislation approved by the Governor on February 13, 2015. On July 22, 2015, the Department of Revenue certified that the Commonwealth collected approximately $1.669 billion in capital gains taxes during fiscal 2015.

Fiscal 2016. On January 30, 2015, a fiscal 2016 consensus tax revenue estimate of $25.479 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2016 consensus tax revenue estimate represents revenue growth of 4.8% actual from the revised fiscal 2015 estimate of $24.325 billion. The tax estimate assumes a further reduction in the Part B rate (5.15% to 5.10%) will occur on January 1, 2016 (-$74 million). The $25.479 billion figure includes off-budget transfers of $1.972 billion for pension funding, $985.2 million in dedicated sales tax receipts for the MBTA, $803.9 million in dedicated sales tax receipts for the MSBA and $22.4 million for the Workforce Training Fund. The total amount of off-budget transfers is $3.783 billion. Accordingly, exclusive of the $300 million of capital gains tax revenue that exceeds the fiscal 2016 threshold, the Secretary and Committee chairs agreed that $21.396 billion would be the maximum amount of tax revenue available for the fiscal 2016 budget and that they would base their respective budget recommendations on that number.

On July 17, 2015, the Governor approved the fiscal 2016 budget, which assumes tax revenues of $25.611 billion, based on the consensus estimate of $25.479 billion adjusted for the incremental impact of tax initiatives enacted as part of the budget such as non-filer/non-registrant tax amnesty ($100 million), illegal tobacco task force ($7 million), self-imposed reduction in the life sciences tax incentive cap ($5 million), delay of the FAS 109 deduction ($45.9 million), earned income tax credit rate increase (no impact on fiscal 2016 but it will have impact on fiscal 2017 and later years), tax enhancements (no impact on fiscal 2016 but it will have impact on fiscal 2017 and later years), and a two-day sales tax holiday to be held on August 15 and 16, 2015 (-$25.54 million). The fiscal 2016 monthly benchmarks will be based on the $25.611 billion estimate, which does not assume any large settlements. The enacted budget assumes that approximately $1.387 billion would be generated from taxes on capital gains, and that the excess capital gains taxes of $300 million (above the fiscal 2016 threshold total of $1.087 billion) would be retained in the General Fund in fiscal 2016. Under state finance law, that amount would have been deposited in the Stabilization Fund and would not have been available for budgetary purposes. The Executive Office for Administration and Finance currently projects $125 million during fiscal 2016 from settlement and judgment payments (both tax- and non-tax-related) of $10 million or more each; such payments will be tracked and reported separately by the Department of Revenue and the Office of the Attorney General throughout the year. The $25.611 billion estimate was kept unchanged by the Secretary of Administration and Finance on October 15, 2015.

Preliminary tax revenues for the first four months of fiscal 2016, ended October 31, 2015, totaled approximately $7.613 billion, an increase of approximately $304.3 million, or 4.2%, over the same period in fiscal 2015. The following table shows the tax collections for the first four months of fiscal 2016 and the change from tax collections in the same period in the prior year, both in dollars and as a percentage. The table also notes the amount of tax collections during the fiscal year that are dedicated to the MBTA and the MSBA.

[*Remainder of page intentionally left blank*]

Fiscal 2016 Tax Collections (in millions)

Month	Tax Collections	Change from Prior Year	Percentage Change	MBTA Portion	MSBA Portion	Tax Collections: Net of MBTA and MSBA
July	$1,671.1	$74.9	4.7%	$85.8	$72.5	$1,512.8
August	1,728.3	98.0	6.0	79.2	65.8	1,583.3
September	2,551.5	85.1	3.5	81.6	63.5	2,406.5
October (1)	1,661.7	46.2	2.9	81.5	68.1	1,512.1
Total (2)	**$7,612.6**	**$304.3**	**4.2%**	**$328.0**	**$269.9**	**$7,014.7**

SOURCE: Executive Office for Administration and Finance.
(1) Figures are preliminary.
(2) Totals may not add due to rounding.

The year-to-date tax revenue increase of approximately $304.3 million through October 31, 2015 from the same period in fiscal 2015 is attributable, in large part, to an increase of approximately $101.5 million, or 3.0%, in withholding collections, an increase of approximately $70.1 million, or 11.4%, in cash income tax estimated payments, an increase of approximately $116.5 million, or 5.9%, in sales and use tax collections, an increase of approximately $26.2 million, or 30.3%, in estate tax collections, which were partly offset by a decrease of approximately $12.8 million, or 2.3%, in corporate and business tax collections. Year-to-date fiscal 2016 tax collections (through October) were approximately $125.8 million above the benchmarks associated with the fiscal 2016 tax revenue estimate of $25.611 billion.

Federal and Other Non-Tax Revenues

Federal revenues are collected through reimbursements for the federal share of entitlement programs such as Medicaid and through block grants for programs such as Transitional Assistance to Needy Families (TANF). The amount of federal reimbursements to be received is determined by state expenditures for these programs. The Commonwealth receives reimbursement for approximately 50% of its spending for Medicaid programs. Block grant funding for TANF is received quarterly and is contingent upon a maintenance-of-effort spending level determined annually by the federal government. Federal reimbursements for fiscal 2015 were $9.480 billion and are projected to be $10.722 billion in fiscal 2016.

Departmental and other non-tax revenues are derived from a large number of sources, including but not limited to fees and assessments for services, licenses, tuition and reimbursements. For fiscal 2015, departmental and other non-tax revenues were $3.809 billion. The largest budgeted departmental revenues, assessments and miscellaneous revenues in fiscal 2015 included $649.6 million in drug rebates, recoveries and other fees, $545.9 million for Registry of Motor Vehicles fees, fines and assessments, $226 million from filing, registration and other fees paid to the Secretary of State's office and $793.8 million in reimbursements from cities, towns and non-state entities for retiree benefits. Departmental and other non-tax revenues are projected to be $3.967 billion in fiscal 2016.

Lottery Revenues. For the budgeted operating funds, inter-fund transfers include transfers of net operating revenues from the State Lottery and Gaming Fund and the Arts Lottery Fund and reimbursements for the budgeted costs of the State Lottery Commission, which accounted for transfers from the Lottery of $976.5 million, $1.075 billion, $1.050 billion, $1.069 billion, $1.086 billion in fiscal 2011 through 2015, respectively. Under state law, the net balance in the State Lottery and Gaming Fund, as determined by the Comptroller on each September 30, December 31, March 31 and June 30, is to be used to provide local aid.

[*Remainder of page intentionally left blank*]

The following table shows Lottery revenues and profits for fiscal 2016.

Fiscal 2016 Monthly Lottery Revenues and Profits (in thousands) (1)

Month	Revenues	Prizes	Subtotal Operating Expenses	Operating Revenues	Administrative Expenses	Net Profit before Distributions
July	$349,261	$258,369	$20,167	$70,725	$3,614	$67,110
August	471,681	340,184	26,992	104,505	4,387	100,118
September	380,049	278,568	21,977	79,503	6,128	73,375
Total	**$1,200,990**	**$877,121**	**$69,136**	**$254,732**	**$14,130**	**$240,603**
Year-to-Date Prize Accrual	-	26,340	-	(26,340)	-	(26,340)
Adjusted Totals	**$1,200,990**	**$903,461**	**$69,136**	**$228,392**	**$14,130**	**$214,262**

Source: State Lottery Commission; Monthly values from the State Lottery Commission Statement of Operations.
(1) Figures are preliminary.

A five-year history of Lottery revenues and profits is shown in the following table as well as current projections for fiscal 2016.

Lottery Revenues and Profits
(amounts in thousands)

Fiscal Year	Revenues	Net Operating Revenues	Net Profits
2016 (1)	$5,078,564	$1,060,010	$957,418
2015	5,014,535	1,086,469	985,879
2014	4,863,373	1,069,958	974,562
2013	4,850,482	1,050,128	955,801
2012	4,741,417	1,074,927	983,786
2011	4,427,961	976,547	887,913

Source: State Lottery Commission
(1) Fiscal 2016 figures are projected.

Tobacco Settlement. In November, 1998, the Commonwealth joined with other states in a master settlement agreement that resolved the Commonwealth's and other states' litigation against the cigarette industry. Under the agreement, cigarette companies have agreed to make both annual payments (in perpetuity) and five initial payments (for the calendar years 1999 to 2003, inclusive) to the settling states. Each payment amount is subject to applicable adjustments, reductions and offsets, including upward adjustments for inflation and downward adjustments for decreased domestic cigarette sales volume.

The Commonwealth's allocable share of the base amounts payable under the master settlement agreement is approximately 4.04%, which equals more than $8.962 billion through fiscal 2024, subject to adjustments, reductions and offsets. However, since fiscal 2006 certain amounts have been withheld from each year's payments by tobacco manufacturers in relation to ongoing disputes of payment calculations who claim that because of certain developments they are entitled to reduce future payments under the master settlement agreement. Certain manufacturers withheld annual payments to the states due in 2006 through 2011, inclusive. Those withheld amounts have ranged from $21 million to $35 million. A much smaller amount has been withheld for 2012 through 2015, inclusive. The Commonwealth believes it is due the full amount and is pursuing its claim to unreduced payments. See "LEGAL MATTERS – Other Revenues." The Commonwealth was also awarded $414.3 million from a separate Strategic Contribution Fund established under the master settlement agreement to reward certain states' particular contributions to the national tobacco litigation effort. This additional amount, also subject to a number of adjustments, reductions and offsets, is payable in equal annual installments during the years 2008 through 2017, inclusive.

Tobacco settlement payments were initially deposited in a permanent trust fund (the Health Care Security Trust), with only a portion of the moneys made available for appropriation. From fiscal 2003 through fiscal 2012, all payments received by the Commonwealth pursuant to the master settlement agreement were deposited in the General Fund. The fiscal 2008 budget established the State Retiree Benefits Trust Fund for the purposes of depositing, investing and disbursing amounts set aside solely to meet liabilities of the state employees' retirement system for health care and other non-pension benefits for retired members of the system, and the Health Care Security Trust's balance was transferred to the State Retiree Benefits Trust Fund.

The fiscal 2012 budget included a requirement that, beginning in fiscal 2013, 10% of the annual tobacco payments be transferred to the State Retiree Benefits Trust Fund, with the amount deposited to the State Retiree Benefits Trust Fund to increase by 10% increments annually thereafter until 100% of all payments would be transferred to that Fund. Pursuant to this requirement, in May, 2013, the Comptroller transferred $25.3 million (10% of the $253.5 million in fiscal 2013 tobacco settlement proceeds) to the State Retiree Benefits Trust Fund, with the balance deposited in the General Fund. The fiscal 2014 budget included a provision that funded the scheduled 20% transfer to the State Retiree Benefits Trust Fund from unspent debt service appropriations, to the extent that they were available, rather than through tobacco settlement proceeds, with any balance of the 20% to be made up through a transfer of tobacco settlement proceeds. In fiscal 2014 there were insufficient unspent debt service appropriations to fund the full 20% transfer, equal to $56.4 million, to the State Retirees Benefits Trust Fund, and approximately $15 million of tobacco proceeds was used to fund the balance.

The fiscal 2015 budget contained a similar provision requiring the scheduled 30% transfer of tobacco settlement funds, equal to approximately $73.7 million, to be funded from unspent debt service appropriations, to the extent that they are available, with any balance of the 30% to be made up through a transfer of tobacco settlement proceeds. In fiscal 2015 there were insufficient unspent debt service appropriations to fund the full 30% transfer, equal to $73.7 million, to the State Retirees Benefits Trust Fund, and approximately $29.7 million of tobacco proceeds was used to fund the balance.

The Governor's fiscal 2016 budget proposal included an appropriation to transfer $84.6 million from the General Fund to the State Retiree Benefits Trust Fund in lieu of the tobacco settlement funding mechanism for fiscal 2016, an amount equal to approximately 35%, rather than the statutorily required 40%, of projected fiscal 2016 tobacco settlement funds. The fiscal 2016 budget temporarily suspended this requirement, instead requiring that transfers be made equivalent to 30% of fiscal 2016 tobacco settlement proceeds (the same percentage required in fiscal 2015), or $73 million. However, that transfer is contingent on the availability of unexpended debt service appropriations, and if those are insufficient to fund the 30% transfer, the balance of the 30% will be funded by fiscal 2016 tax revenues exceeding $100 million generated by a tax amnesty program that was also authorized in the fiscal 2016 budget. See "PENSION AND OPEB FUNDING – Other Post-Retirement Benefit Obligations (OPEB)."

[*Remainder of page intentionally left blank*]

The following table sets forth the tobacco settlement amounts received by the Commonwealth to date.

Payments Received Pursuant to the Tobacco Master Settlement Agreement (in millions) (1)

Fiscal Year	Initial Payments	Annual Payments	Total Payments
2000	$186.6 (2)	$139.6	$326.2(2)
2001	78.2	164.2	242.5
2002	82.8	221.7	304.5
2003	86.4	213.6	300.0
2004	-	253.6	253.6
2005	-	257.4	257.4
2006	-	236.3	236.3
2007	-	245.4	245.4
2008	-	288.5	288.5
2009	-	315.2	315.2
2010	-	263.7	263.7
2011	-	248.7	248.7
2012	-	253.6	253.6
2013	-	253.5	253.5
2014	-	282.1	282.1
2015	-	245.8	245.8
Total	$434. 0	$3,882.9	$4,316.9

SOURCE: Office of the Comptroller.
(1) Amounts are approximate. Totals may not add due to rounding.
(2) Payments received for both 1999 and 2000.

Settlements and Judgments. The fiscal 2012 budget amended state finance law to provide that any one-time settlement or judgment amounting to $10 million or more is to be deposited in the Stabilization Fund rather than used as miscellaneous revenue for the current fiscal year. Upon receiving a joint certification from the Commissioner of Revenue and the Attorney General that a state agency is in receipt of a one-time settlement or judgment for the Commonwealth in excess of $10 million in any one fiscal year, the Comptroller is to transfer the proceeds of the settlement or judgment from the General Fund to the Stabilization Fund. Such transfers are made on a bi-monthly basis. In fiscal 2012, the Comptroller transferred $375.0 million received on account of settlements and judgments. Such settlement and judgment payments totaled $133.8 million during fiscal 2013. In supplemental appropriations acts during fiscal 2013 and in the fiscal 2014 budget, the Legislature directed that $101 million of that amount be directed to other specified purposes – for a transfer to the Smart Growth Housing Trust Fund ($4 million), to reimburse the General Fund for the costs related to the investigation and response to the breach at the Hinton Drug Testing Laboratory ($30 million), to replace revenue foregone during the August, 2012 sales tax holiday ($21 million) and to fund various end-of-year allocations and programs ($46 million) – rather than be deposited in the Stabilization Fund. In fiscal 2014, there was $436.5 million in settlement or judgment payments greater than $10 million. Legislation authorizing a sales tax holiday in August 2013 directed the Comptroller to retain in the General Fund $22.2 million of such settlement or judgment payments to reimburse it for the revenue foregone during the holiday. Legislation approved by the Governor on August 5, 2014 directed the Comptroller, for fiscal 2014 only, to retain settlements or judgments in the General Fund, but not more than necessary to result in a consolidated net surplus of $57.5 million, $25 million of which was to be distributed to the Massachusetts Life Sciences Investment Fund, $25 million of which was to be transferred to the Massachusetts Community Preservation Trust Fund and $7.5 million of which was to be transferred to the Social Innovation Financing Trust Fund, to the extent that such amounts were available from the surplus. This requirement resulted in the transfer from the Stabilization Fund to the General Fund of all remaining settlement or judgment revenues received during fiscal 2014. As certified by the Comptroller in the fiscal 2014 Statutory Basis Financial Report, the fiscal 2014 consolidated net surplus was $22.8 million after this transfer of settlements or judgments revenue, which resulted in two equal transfers of approximately $11.4 million to the Massachusetts Life Sciences Investment Fund and the Massachusetts Community Preservation Trust Fund. No amount was available to be transferred to the Social Innovation Financing Trust Fund.

The fiscal 2015 budget included a provision modifying the law, effective as of January 1, 2014, so that settlements and judgments in excess of $10 million would be deposited in the Stabilization Fund only to the extent

that the total of all such settlements and judgments exceeded the average of such total for the five preceding fiscal years. The average of such total settlements and judgments are $240 million, $263 million and $267 million for fiscal 2014 (using fiscal 2009 through fiscal 2013), fiscal 2015 (using fiscal 2010 through fiscal 2014) and fiscal 2016 (using fiscal 2011 through fiscal 2015) respectively. On July 7, 2015, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had received $226.1 million in such payments ($214.7 million of which were tax-related and $11.4 million of which were non-tax-related) during fiscal 2015. On November 4, 2015, the Commissioner of Revenue and the Attorney General certified that the Commonwealth had not received any such payments during the first four months of fiscal 2016 (For budgeting purposes, the Executive Office for Administration and Finance assumes that $125.0 million in tax and non-tax related settlements and judgments (exceeding $10 million each) will be collected in fiscal 2016).

Gaming. On November 22, 2011 the Governor approved legislation that authorizes the licensing of up to three regional resort casinos (one per region) and one slot facility (up to 1,250 slots) in the Commonwealth. The legislation established an appointed, independent state gaming commission to oversee the implementation of the law and the regulation of the resultant gaming facilities. Licensing fees collected by the commission are to be applied to a variety of one-time state and local purposes, and gaming revenues received by the Commonwealth are to be applied to a variety of ongoing expenses, including local aid and education, with stipulated percentages also to be deposited in the Stabilization Fund and applied to debt reduction. The legislation stipulates that initial licensing fees, which are to be set by the gaming commission, must be at least $85 million per casino (a "Category 1" license) and $25 million for the slot facility (a "Category 2" license). According to the Massachusetts Gaming Commission, aggregate state tax revenues from gaming licenses are expected to total approximately $300 million per year once the facilities are operational. A ballot initiative petition to repeal the authorizing legislation failed on November 4, 2014.

On June 13, 2014, the Massachusetts Gaming Commission entered into an agreement with the Category 1 licensee in Region B, pursuant to which the licensee received a license effective on November 7, 2014, following the defeat of the ballot initiative. On September 17, 2014, the Massachusetts Gaming Commission entered into an agreement with the Category 1 licensee in Region A pursuant to which the licensee received a license effective on November 7, 2014. Each agreement deferred the payment of the $85 million license fee until after the outcome of the ballot initiative was determined. The Category 1 licensee in Region A made its payment on November 6, 2014, and the Category 1 licensee in Region B made its payment on November 17, 2014.

The Category 2 slot facility opened on June 24, 2015. The Region B Category 1 gaming establishment is scheduled to begin construction in 2015 and open in 2018. The Region A Category 1 gaming establishment is scheduled to begin construction in 2015 and open in 2017 or 2018.

In the third quarter of calendar 2014, the city of Revere, the city of Somerville and the city of Boston filed suit against the Massachusetts Gaming Commission contesting the validity of the Commission's award of the Region A Category 1 license. The Massachusetts Gaming Commission is vigorously defending these suits. In the third quarter of calendar 2015, the city of Somerville and the city of Boston filed suit contesting the issuance by the Secretary of the Executive Office of Energy and Environmental Affairs of certificates concluding that certain environmental impact reports submitted by the Region A licensee adequately and properly comply with the Massachusetts Environmental Policy Act. The Massachusetts Gaming Commission has been named as a party in the city of Somerville litigation but has not been named a party in the city of Boston litigation.

The fiscal 2016 budget for local aid assumes $105 million of revenue related to the new slot casino in Plainville, Massachusetts. Current estimates project gaming to generate only $64 million in revenue for Commonwealth budgeted funds in fiscal 2016.

Limitations on Tax Revenues

Chapter 62F of the General Laws, which was enacted by the voters in November, 1986, establishes a state tax revenue growth limit for each fiscal year equal to the average positive rate of growth in total wages and salaries in the Commonwealth, as reported by the federal government, during the three calendar years immediately preceding the end of such fiscal year. The growth limit is used to calculate "allowable state tax revenue" for each fiscal year. Chapter 62F also requires that allowable state tax revenues be reduced by the aggregate amount received

by local governmental units from any newly authorized or increased local option taxes or excises. Any excess in state tax revenue collections for a given fiscal year over the prescribed limit, as determined by the State Auditor, is to be applied as a credit against the then-current personal income tax liability of all taxpayers in the Commonwealth in proportion to the personal income tax liability of all taxpayers in the Commonwealth for the immediately preceding tax year. The law does not exclude principal and interest payments on Commonwealth debt obligations from the scope of its tax limit. However, the preamble contained in Chapter 62F provides that "although not specifically required by anything contained in this chapter, it is assumed that from allowable state tax revenues as defined herein the Commonwealth will give priority attention to the funding of state financial assistance to local governmental units, obligations under the state governmental pension systems and payment of principal and interest on debt and other obligations of the Commonwealth."

The following table sets forth the Commonwealth's net state tax revenues and allowable state tax revenues, as defined in Chapter 62F, for fiscal 2011 through fiscal 2015. Pursuant to Chapter 62F, the State Auditor's Office is expected to release its report for fiscal 2016 on or about the third Tuesday of September, 2016.

	Net State Tax Revenues	Allowable State Tax Revenues	Net State Tax Revenues (under) Allowable State Tax Revenues
2015	$25,239,065,862.40	$28,071,638,151.40	($2,832,572,289.00)
2014	23,666,801,083.60	27,048,676,153.30	(3,381,875,069.70)
2013	22,397,185,748.50	26,074,941,365.50	(3,677,755,617.00)
2012	21,384,338,827.60	25,236,379,380.50	(3,852,040,552.90)
2011	20,776,233,462.10	25,063,267,392.60	(4,287,033,930.50)

SOURCES: State Auditor's Office.

Local Aid

Commonwealth Financial Support for Local Governments. The Commonwealth makes substantial payments to its cities, towns and regional school districts (local aid) to mitigate the impact of local property tax limits on local programs and services. See "Property Tax Limits" below. Local aid payments to cities, towns and regional school districts take the form of both direct and indirect assistance. Direct local aid consists of general revenue sharing funds and specific program funds sent directly to local governments and regional school districts as reported on the so-called "cherry sheet" prepared by the Department of Revenue, excluding certain pension funds and non-appropriated funds. The Commonwealth's budget for fiscal 2016 provides $5.823 billion of state-funded local aid to municipalities.

As a result of comprehensive education reform legislation enacted in June, 1993, a large portion of general revenue sharing funds is earmarked for public education and is distributed through a formula designed to provide more aid to the Commonwealth's poorer communities. The legislation requires the Commonwealth to distribute aid to ensure that each district reaches at least a minimum level of spending per public education pupil. Since fiscal 1994, the Commonwealth has fully funded the requirements imposed by this legislation in each of its annual budgets. Beginning in fiscal 2007, the Legislature implemented a new model for education aid which was adjusted to resolve aspects of the formula that were perceived to be creating inequities in the aid distribution. The fiscal 2016 budget includes state funding for Chapter 70 education aid of $4.51 billion. This level of funding for Chapter 70 brings all school districts to the foundation level called for by 1993 education reform legislation, ensures that all local educational authorities receive an increase of funding of at least $25 per pupil, and is an increase of $111 million over the fiscal 2015 state-supported amount of $4.40 billion.

The fiscal 2010 budget eliminated lottery local aid and additional assistance and created a new local aid funding source called unrestricted general government aid. This account is now the other major component of direct local aid, providing unrestricted funds for municipal use. The fiscal 2016 budget provided for cities and towns to receive $980 million in unrestricted general government aid, with funding allocated to ensure a 3.6% increase in funding over the fiscal year 2015 levels to all municipalities.

Property Tax Limits. In November, 1980, voters in the Commonwealth approved a statewide tax limitation initiative petition, commonly known as Proposition 2½, to constrain levels of property taxation and to limit the charges and fees imposed on cities and towns by certain governmental entities, including county governments. Proposition 2½ is not a provision of the state constitution and accordingly is subject to amendment or repeal by the Legislature. Proposition 2½, as amended to date, limits the property taxes that may be levied by any city or town in any fiscal year to the lesser of (i) 2.5% of the full and fair cash valuation of the real estate and personal property therein or (ii) 2.5% over the previous year's levy limit plus any growth in the tax base from certain new construction and parcel subdivisions. The law contains certain voter override provisions and, in addition, permits debt service on specific bonds and notes and expenditures for identified capital projects to be excluded from the limits by a majority vote at a general or special election. Between fiscal 1981 and fiscal 2015, the aggregate property tax levy grew from $3.347 billion to $14.553 billion, a compound annual growth rate of 4.39%.

Medicaid and the Health Connector

MassHealth. The Commonwealth's Medicaid program, called MassHealth, provides health care to 1.8 million low-income children and families, low-income adults, disabled individuals and low-income elders. The program, administered by the Office of Medicaid within the Executive Office of Health and Human Services, generally receives 50% in federal reimbursement on most expenditures for adults, and 88% in federal reimbursement on most expenditures for children's benefits reimbursable under the Children's Health Insurance Program (CHIP). Under the federal Affordable Care Act (ACA), beginning January 1, 2014, MassHealth began receiving enhanced federal reimbursement for spending on newly eligible members and some existing members. In calendar 2014, the federal reimbursement rate for these members was 75%, and in calendar 2015, the federal reimbursement rate is 80%. The reimbursement rate for this population will increase each year through 2019, and then will level off at 90% in 2020 and beyond. These federal reimbursement rates are also known as Federal Medical Assistance Percentages (FMAP).

Under the ACA, all Massachusetts residents below 133% of the federal poverty level (FPL) are eligible for MassHealth if they are citizens or qualified aliens, and most of the expansion population is enrolled in a new program called MassHealth CarePlus. On January 1, 2014, nearly 300,000 members successfully transitioned from their former programs into their new MassHealth programs. During calendar 2014, there were challenges with the Commonwealth's new online enrollment and eligibility system. As a result, many individuals who applied for subsidized health insurance coverage, and who were not enrolled in another state health care program, received temporary Medicaid coverage on a fee-for-service basis through MassHealth until the system could make accurate determinations of eligibility. The Commonwealth secured federal reimbursement for expenses of covering those up to 400% of the federal poverty level (FPL) from the Centers for Medicare and Medicaid Services (CMS) through February 23, 2015. MassHealth spent approximately $659 million on services for the approximately 321,000 members who were enrolled in temporary Medicaid coverage through the end of February, 2015.

Most of the significant problems with the online eligibility and enrollment system were resolved by November 15, 2014, which was the start of the ACA open enrollment period. This allowed individuals to apply for and enroll in health care coverage through MassHealth and the Health Connector via the online eligibility and enrollment system. More than 286,000 individuals were appropriately enrolled in MassHealth programs through the new system during open enrollment beginning in November, 2014, including many who had previously been enrolled in the temporary Medicaid coverage program. At the end of open enrollment on February 23, 2015, the temporary Medicaid coverage program ended. With the new online system, eligible individuals are able to apply for and enroll in MassHealth at any time going forward.

The fiscal 2015 budget included $14.3 billion in funding for non-administrative spending for the MassHealth program. The $14.3 billion includes $13.5 billion in programmatic spending and $800 million to support supplemental payments to providers and costs related to the Hutchinson settlement. In February, 2015, the Executive Office for Administration and Finance identified a $768 million budget shortfall, part of which was due to MassHealth programmatic spending that exceeded the then-current appropriations for the program by approximately $200 million. The supplemental appropriation legislation that Governor Baker approved on November 2, 2015 included $203 million to address the MassHealth shortfall in full. See "FISCAL 2015 AND FISCAL 2016 – Fiscal 2015." Reasons for higher than expected programmatic spending in fiscal 2015 included higher-than-anticipated Managed Care Organization (MCO) capitation rate increases at 3.7% (required to meet actuarial standards), a newly

acquired payment to managed care entities for their Affordable Care Act section 9010(a) liabilities, significant costs related to new specialty drugs, and unanticipated costs related to the temporary Medicaid coverage program.

The fiscal 2016 budget includes $15.3 billion in funding for non-administrative spending for the MassHealth program. The $15.3 billion includes $14.6 billion in programmatic spending and approximately $1.1 billion to support supplemental payments to providers and costs related to the Hutchinson settlement. See "LEGAL MATTERS—Programs and Services." Certain supplemental payments to providers expected to be made by MassHealth in fiscal 2015 will be paid in fiscal 2016 due to a timing delay in CMS approval. The November, 2015 supplemental appropriation legislation included provisions to shift the appropriations for such payments into fiscal 2016.

The fiscal 2016 budget achieves significant MassHealth savings while supporting expansion of benefits for children with autism and critical eligibility and operations investments. The fiscal 2016 budget funds rate increases for certain providers including nursing facilities and MCOs. Based on an updated spending plan forecast, MassHealth projects that fiscal 2016 programmatic spending will exceed appropriations by $150 million, due to higher than anticipated caseload and several program changes that occurred after the fiscal 2016 budget development process (*e.g.*, Fair Labor Standards Act requirements to reimburse Personal Care Attendants (PCAs) for overtime and travel costs effective January 1, 2016). A majority of the additional spending ($126 million) is expected to be supported through additional federal reimbursements. MassHealth is monitoring a potential additional spending exposure of up to $100 million, and expects that a majority of this exposure will be covered by federal reimbursements or other additional revenue. The revenue projection for Medicaid fraud settlements was reduced by $22 million from the amount assumed in the fiscal 2016 budget, to an amount consistent with actual fiscal 2015 collections. The size and number of settlements in any given fiscal year cannot be anticipated in advance, and therefore this revenue source can vary significantly from year to year.

In addition, MassHealth has identified two exposures that are not factored into the current spending projections. First, CMS recently announced that effective January 1, 2016, Medicare Part B premiums (paid by MassHealth for dual eligible members) will increase by 15%; the fiscal 2016 budget assumed a 4% increase (fiscal impact is approximately $10 million). Second, higher than anticipated utilization of high-cost specialty drugs to treat Hepatitis C would result in higher than anticipated pharmacy costs.

In January, 2015 MassHealth began a process to conduct eligibility redeterminations for over one million members over the course of calendar 2015. Ordinarily, MassHealth redetermines member eligibility every 12 months. However, MassHealth redeterminations had been suspended since October, 2013 due to problems with the online eligibility system, resulting in a higher than expected MassHealth caseload. With the new system now functioning, MassHealth is required by CMS to complete redeterminations for these members by the end of calendar 2015. MassHealth eligibility redeterminations are not retroactive. As of September 30, 2015, MassHealth has conducted more than 80% of the required eligibility redeterminations, which is estimated to have resulted in over $250 million in savings since January, 2015.

The Executive Office of Health and Human Services (EOHHS) has initiated a renewed push toward MassHealth-wide system transformation efforts that will help make Massachusetts a national leader in accountable, coordinated care. EOHHS is in the process of soliciting input on a payment innovation and accountable care strategy designed to improve patient experience and health outcomes while reducing long-term cost growth for MassHealth. The development and launch of initiatives stemming from this effort are expected to be supported in large part by a $44 million federal State Innovation Model grant that is intended to support the transition away from fee-for-service payments towards alternative payment methodologies to promote better healthcare and better value for Massachusetts residents.

[*Remainder of page intentionally left blank*]

Budgeted Operating Funds Medicaid Expenditures and Enrollment (in millions)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014 (1)	Fiscal 2015 (2)	Fiscal 2016 (3)
Medicaid program expenses	$10,237.3	$10,431.1	$10,799.1	$11,900.8	$13,655.2	$14,786.5
Medicaid administrative expenses	$86.5	$86.4	$84.6	$86.7	$87.3	$99.7
Total expenditures (4)	$10,323.8	$10,517.5	$10,883.7	$11,987.5	$13,742.5	$14,886.2
Annual percentage growth in total expenditures	10.1%	1.9%	3.5%	10.1%	14.6%	8.2%
Enrollment (in average member months) (5)	1,314,282	1,356,313	1,403,225	1,592,050	1,910,989	1,836,703
Annual percentage growth in enrollment	4.1%	3.2%	3.5%	13.5%	19.9%	(3.9%)

SOURCE: Fiscal 2012-2015 (excluding Medicaid administrative expense), Office of the Comptroller; fiscal 2016 and fiscal 2012-2014 (Medicaid administrative expense only), Executive Office for Administration and Finance. Enrollment, Executive Office of Health and Human Services.

(1) Fiscal 2014 figures include spending and enrollment growth for a half year of ACA implementation; enrollment figures include the temporary Medicaid coverage population starting January 1, 2014 through the end of the fiscal year.

(2) Fiscal 2015 figures include spending and enrollment coverage for a full year of ACA implementation; enrollment figures include the temporary Medicaid coverage population through February 23, 2015.

(3) Fiscal 2016 figures reflect MassHealth's approved spending plan.

(4) Total expenditures exclude supplemental payments to providers.

(5) Enrollment in prior fiscal years changes due to the effects of redeterminations, retroactive eligibility, application verification, and eligibility appeals.

Commonwealth Health Insurance Connector Authority. State health care reform legislation enacted in 2006 created the Commonwealth Health Insurance Connector Authority (Health Connector). The Health Connector is governed by a board, of which the Secretary of Health and Human Services is the chairperson and the Secretary of Administration and Finance is also a member, each *ex officio*. Previously, the Health Connector administered the Commonwealth Care program, a subsidized health insurance coverage program for adults whose income is up to 300% of the FPL and who do not have access to minimally subsidized employer-sponsored insurance or other public coverage. Commonwealth Care began enrolling individuals on October 1, 2006; the program ended January 31, 2015. In addition, the Health Connector administered the Commonwealth Choice program, a non-subsidized program providing health insurance coverage options to individuals ineligible for subsidies and to Massachusetts-based small employers. Most of the funding to support the Commonwealth Care program was paid out of the Commonwealth Care Trust Fund (CCTF), which is supported by dedicated revenue sources. The Health Connector is also responsible for policy development relative to the Affordability Schedule and Minimum Credible Coverage rules and public education and outreach, including the ACA-required Navigator program. The Health Connector also administers the Massachusetts risk adjustment program, currently the only state-based program in the nation.

The Health Connector administers the Commonwealth's Health Insurance Marketplace under the ACA. As the Commonwealth's Marketplace, the Health Connector offers qualified health plans (QHPs) to individuals and small businesses. Individuals with incomes under 400% FPL are eligible for federal tax credits, and certain small businesses shopping through the Marketplace will have access to small business health care tax credits through 2016. Individuals with incomes between 133% and 300% FPL, as well as certain Aliens with Special Status (AWSS) with incomes between 0% and 300% FPL, have access to additional state and federal subsidies through a new program called ConnectorCare. The state provides additional state subsidies via ConnectorCare to ensure that the premiums and point-of-service cost sharing for certain low-income members, after factoring in federal tax credits and cost sharing reductions, are equivalent to what was available through the Commonwealth Care program.

Due to challenges with the development of the online eligibility and enrollment system for the first federal open enrollment period in 2013 for plan year 2014, a strategy was implemented in the spring of 2014 to pursue development of two alternate online systems – a commercial off-the-shelf state-based solution (hCentive) and the

federally facilitated Marketplace (FFM) – to ensure that at least one of the alternatives would be ready for launch by November 15, 2014, the beginning of the open enrollment period. On August 7, 2014, with CMS approval, the Commonwealth decided to pursue the hCentive solution and therefore dropped the FFM track. The original project cost was projected at $175 million ($139 million of which was supported by federal resources). The current IT project cost is $281 million, of which $248 million is funded by federal sources and the remainder is funded through Commonwealth capital funding sources. As of June 30, 2015, the state had spent $148.7 million. In October, 2014, the Commonwealth received approval from CMS for enhanced federal matching funds to support approximately $80 million in additional project costs.

As a result of the challenges with the online eligibility and enrollment system, the Health Connector was only able to enroll a small number of individuals into ConnectorCare in 2013.This dynamic resulted in an approximate net $10 million per-month additional cost for the last six months of fiscal 2014, principally due to forgoing more favorable federal reimbursement associated with ConnectorCare. The aggregate cost was net $60 million from January through June, 2014.

The hCentive system that was developed to support the Health Connector and MassHealth successfully launched for the federal 2014 open enrollment period. Individuals and families were able to successfully enroll in ACA-compliant coverage for plan year 2015 (small groups successfully enrolled in ACA-compliant coverage using the legacy system administered by the Health Connector's customer service vendor). In order to provide members additional time to transition into ACA-compliant programs, CMS authorized the Commonwealth to extend coverage for Commonwealth Care members through January 31, 2015.

The fiscal 2016 budget does not include an appropriation of funding for the Health Connector. The Health Connector's resources are expected to be derived exclusively from increased dedicated revenues in the CCTF (a portion of cigarette taxes and employer contributions), federal grants and self-generated revenues. Health Connector spending in fiscal 2016 is projected to be $221.8 million (including administrative budget spending), a reduction of $66.8 million from fiscal 2015 year-end projected spending of $288.6 million. Based on these projections, all fiscal 2016 costs are expected to be covered by dedicated revenues in the CCTF. The Executive Office for Administration and Finance will continue to review Health Connector net program costs and monitor the CCTF's dedicated revenues to ensure all Health Connector net program costs will be covered.

Federal 1115 MassHealth Demonstration Waiver. Section 1115 of the Social Security Act gives the U.S. Secretary of Health and Human Services authority to waive provisions of major health and welfare programs, including certain Medicaid requirements, and to allow a state to use federal Medicaid funds in ways that are not otherwise allowed under federal rules. The Commonwealth's 1115 waiver was renewed on October 30, 2014 and extends through June 30, 2019. For the first time, CMS approved a five-year extension of the waiver, giving the state a stable and predictable platform from which to increase health care coverage and continue to build upon delivery system transformations and care coordination models. The $41.4 billion agreement, which represents approximately a $15 billion increase over the previous waiver, preserves existing Medicaid eligibility and benefit levels and continues support for state and federal health care subsidies for low-and-middle income individuals to keep insurance affordable for them. This waiver includes more than $20 billion in revenue to the Commonwealth through federal financial participation.

The waiver approved on October 30, 2014 provides that successful programs that have been established under the waiver continue, including a bundled payment pilot program for children with high-risk asthma, an Express Lane Eligibility renewal process for parents and caretakers of children receiving Supplemental Nutritional Assistance Program (SNAP) benefits; authority to provide intensive early intervention services to children up to age three who have autism-spectrum disorders; and various payments to providers such as the Infrastructure and Capacity Building grants; the Health Safety Net; and supplemental payments to critical safety net providers such as Boston Medical Center and Cambridge Health Alliance (CHA), including a new Public Hospital Transformation and Incentive Initiative payment totaling $220 million annually for CHA. In addition, the waiver supports the state's efforts to implement alternative payment methodologies that reward providers for delivering coordinated, high-quality, cost-effective care, *e.g.*, global payment programs like the Primary Care Payment Reform Initiative and a Medicaid Accountable Care Organization (ACO) model.

Lastly, the waiver supports $771 million, over three years, for designated state health programs (DSHP) that provide comprehensive community-based health services for Medicaid-eligible individuals. Implemented through various agencies including the Department of Public Health and Department of Mental Health, programs include homeless supports, chronic disease interventions, substance abuse prevention and rehabilitation, and expanded access to children's behavioral health services. In addition, the waiver provides DSHP authority to support Health Connector subsidies for enrollees in the ConnectorCare program, whose incomes are up to 300% of the Federal Poverty Level, throughout the five-year waiver term.

Health Safety Net. The Health Safety Net (HSN) makes payments to hospitals and community health centers for providing certain health care services to their low-income patients who are not eligible for health insurance or cannot afford it. The HSN is administered by the Office of Medicaid within the Executive Office of Health and Human Services, and is funded primarily through assessments on hospitals and health insurance providers. HSN demand in fiscal 2015 exceeded available resources by $40 million. HSN demand in fiscal 2016 is expected to exceed available resources by $75 million. HSN is administered according to the federal fiscal year.

Health Care Cost Containment. On August 6, 2012, the Governor signed Chapter 224 of the Acts of 2012, legislation designed to improve the quality of health care and reduce costs through increased transparency, efficiency, and innovation. This law seeks to move providers and payers away from fee-for-service payments toward alternative payment methodologies that are designed to support coordination of patient care, reduce costs, and improve quality. The law extended the presumptive disapproval criteria of the state Division of Insurance for premium rates in the small and non-group market. It also transferred the responsibilities of the Division of Health Care Finance and Policy to MassHealth, the Health Connector, and the newly-created Center for Health Information and Analysis (CHIA). CHIA was created as an independent state agency, funded through an industry assessment, to monitor the Massachusetts health care system through data collection and research and to release reliable information and meaningful analysis to a wide variety of audiences.

Chapter 224 also established the Health Policy Commission (HPC), an independent agency within, but not subject to the control of, the Executive Office for Administration and Finance. The HPC's mission is to advance a more transparent, accountable, and innovative health care system through independent policy leadership and investment programs. The agency's goal is better health and better care at a lower cost across the Commonwealth.

The HPC is integral to the implementation of Chapter 224. Among other responsibilities, the HPC monitors health care spending trends and the Commonwealth's performance against an annual health care cost growth benchmark, promotes transparency around how provider organizations are organized to deliver care, monitors changes in the health care marketplace, and establishes standards for patient-centered medical homes and accountable care organizations. In addition, the HPC oversees the Office of Patient Protection, which administers an enrollment waiver process for consumers who want to buy non-group health insurance and provides information to consumers about health insurance appeal rights, waivers and other issues related to health insurance and health care.

The HPC has organized its work into four primary areas of focus for improving the health care system in Massachusetts: (a) fostering a value-based market in which payers and providers openly compete to provide services and in which consumers and employers have the appropriate information and incentives to make high-value choices for their care and coverage options; (b) promoting an efficient, high quality health care delivery system in which providers efficiently deliver coordinated, patient-centered, high quality health care that integrates behavioral and physical health and produces better outcomes and improved health; (c) advancing alternative payment methods that support and equitably reward providers for delivering high quality care while holding them accountable for slowing future health care spending increases; and (d) enhancing transparency and data availability necessary for providers, payers, purchasers and policymakers to successfully implement reforms and evaluate performance over time.

The HPC is governed by an 11-member board appointed by the Governor, the Attorney General and the State Auditor. From 2013 to 2016, the HPC is funded through a portion of a one-time assessment on health care payers and providers, as well as a portion of the fees from any casino licenses issued in Massachusetts. In addition to supporting HPC operations, the $209 million one-time assessment (collected over four years) supports a community hospital grant program, a public health fund and a health information technology fund. The amount dedicated to HPC operations is equal to 5% of the total assessment (approximately $10.5 million over the four-year period, or

approximately $2.6 million each year). Beginning in fiscal 2017, the HPC will be funded through an annual assessment on the health care industry, similar to CHIA's assessment.

HPC establishes the health care cost growth benchmark annually based on a calculation created by statute. For calendar years 2013 through 2017, the Commonwealth establishes the benchmark as equal to the growth rate of the Potential Gross State Product (PGSP). PGSP is designed to measure the long-run average growth rate of the Commonwealth's economy, ignoring fluctuations due to business cycles. Each year, CHIA releases a report on the Commonwealth's performance under the benchmark.

For calendar year 2013, the benchmark was established as 3.6%. During that period, the Commonwealth's overall per capita health care cost growth was 2.3%, well below the benchmark. As part of the consensus revenue process for fiscal 2014 and 2015, the Secretary of Administration and Finance and the chairs of the House and Senate Ways and Means Committees established PGSP. After consultation with economists, they determined a PGSP figure of 3.6% for calendar years 2014 and 2015.

Following this determination, the HPC set the Commonwealth's health care cost growth benchmark at 3.6% for calendar years 2014 and 2015. In 2014, the Commonwealth exceeded the benchmark with 4.8% health care cost growth. CHIA hypothesizes that several factors contributed to the Commonwealth surpassing the benchmark in 2014, including increased spending due to expanded MassHealth enrollment and prescription drug costs.

The statutory cost growth target from 2018 through 2022 will be equal to the growth rate of PGSP minus 0.5%, and from 2023 on, will be equal to the growth rate of PGSP. However, the HPC and the Legislature have some ability to change those growth targets after 2018.

[*Remainder of page intentionally left blank*]

Other Health and Human Services

Other Health and Human Services—Budgeted Operating Funds (in millions)

Expenditure Category	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Projected Fiscal 2016
Office of Health Services						
Department of Mental Health	$598.2	$613.1	$638.1	$663.0	$682.4	$743.8
Department of Public Health	488.1	488.3	507.8	547.7	518.7	554.5
Division of Healthcare and Finance Policy (1)	14.8	14.1	3.6	0.0	0.0	0.0
Sub Total	$1,101.1	$1,115.5	$1,149.6	$1,210.7	$1,201.2	$1,298.3
Office of Children, Youth, and Family Services						
Department of Children and Families	$741.6	$741.6	$748.8	$795.5	$876.4	$928.6
Department of Transitional Assistance	736.7	733.6	723.3	693.8	660.9	681.8
Department of Youth Services	142.1	141.2	150.8	160.6	168.3	177.2
Office for Refugees and Immigrants	1.0	0.4	0.4	0.9	1.1	0.4
Sub Total	$1,621.4	$1,616.8	$1,623.2	$1,650.8	$1,706.7	$1,788.0
Office of Disabilities and Community Services						
Department of Developmental Services	$1,278.5	$1,314.6	$1,352.2	$1,466.8	$1,678.9	$1,767.1
Other (2)	124.6	126.8	120.5	124.1	129.9	76.3
Sub Total	$1,403.1	$1,441.4	$1,472.6	$1,590.9	$1,808.8	$1,843.4
Department of Elder Affairs	$250.2	$265.8	$248.2	$260.1	$291.7	$284.8
Executive Office of Health and Human Services (2)	210.1 (3)	240.5 (3)	242.0 (3)	254.6	278.1	302.6
Veterans' Services (4)	28.9	30.5	33.3	12.6	14.4	66.8
Sub Total	$489.2	$536.8	$523.5	$527.2	$584.2	$654.2
Budgeted Expenditures and Other Uses	**$4,614.8**	**$4,710.5**	**$4,768.9**	**$4,979.5**	**$5,300.8**	**$5,583.9**

SOURCES: Fiscal 2011-2015 Office of the State Comptroller; fiscal 2016, Executive Office for Administration and Finance.

(1) Cost containment legislation enacted in 2012 dissolved the Division and shifted its responsibilities to EHS, MassHealth and a newly created Center for Health Information and Analysis (CHIA). CHIA is an independent agency funded through an industry assessment beginning in fiscal 2014 and is no longer part of the Office of Health Services.

(2) Fiscal 2011 through 2015 includes Medicaid program administration.

(3) Fiscal 2011 through 2015 spending includes a new IT account that incorporates IT spending in other departments within the Executive Office of Health and Human Services.

(4) The fiscal 2015 budget transferred the Soldiers Homes in Chelsea and Holyoke from the Office of Disabilities and Community Services to Veterans' Services. Fiscal 2014 and fiscal 2015 Veterans' Services spending does not include veterans' annuities spending, which is now captured under local aid spending.

Office of Health Services. The Office of Health Services encompasses programs and services from the Department of Public Health and the Department of Mental Health. Their goal is to promote healthy people, families, communities and environments through coordinated care. The departments work in unison to determine that individuals and families can live and work in their communities self-sufficiently and safely. The following are a few examples of programs and services provided by this office: substance abuse programs, immunization services, early intervention programs, environmental health services, youth violence programs, supportive housing and residential services for the mentally ill of all ages, and emergency and acute hospital services.

Office of Children, Youth and Family Services. The Office of Children, Youth and Family Services works to provide services to children and their families through a variety of programs and services. The programs and services are offered through the Department of Children and Families, the Department of Youth Services, the Department of Transitional Assistance and the Office of Refugees and Immigrants. The collaborative goal of this office is to work to ensure that individuals, children and families are provided with public assistance needed as well as access to programs that will allow for them to be safe and self-sufficient.

Through the Department of Children and Families (DCF), the Commonwealth serves approximately 45,000 children at any given time. DCF is charged with protecting children from abuse and neglect and strengthening families through case management services, out-of-home placement, adolescent services, family support and stabilization, adolescent services, and adoption/guardianship, as well as domestic violence and housing stabilization services. Since January, 2013 the number of reports to the Department regarding abuse and neglect has increased by

16%. Caseloads of DCF social workers are up 33% and the number of children in placement has increased by over 25% over the same time period. The Department is currently undergoing an agency improvement initiative to review and update programmatic policies, review agency management structure, restore staff to positions vacated under the Early Retirement Incentive Program and to create and fill other key positions. Due to the extensive agency restructuring and the increasing demand on its services, as of September, 2015, DCF is projected to exceed appropriated funding by approximately $17.5 million in fiscal 2016.

Through the Department of Transitional Assistance (DTA), the Commonwealth funds three major programs of public assistance for eligible state residents: Transitional Aid to Families with Dependent Children (TAFDC); Emergency Aid to the Elderly, Disabled and Children (EAEDC); and the State Supplemental Program (SSP) for individuals enrolled in the federal Supplemental Security Income (SSI) program. In addition, DTA is responsible for administering the entirely federally funded Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program), as well as other smaller programs that assist DTA clients with completing their education, gaining career skills and finding employment. Currently, DTA's ability to manage casework demands continues to be compromised by a combination of high caseload levels and reduced staffing resources. In fiscal 2016, DTA currently projects a shortfall of approximately $3.5 million to afford the overtime and hiring needed to eliminate a backlog of monthly recertifications, new applications and general case maintenance.

Disabilities and Community Services. Programs and services provided by the Massachusetts Rehabilitation Commission, the Massachusetts Commission for the Deaf and Hard of Hearing, the Massachusetts Commission for the Blind, and the Department of Developmental Services (previously the Department of Mental Retardation) assist some of the most disadvantaged residents of the Commonwealth. These agencies provide assistance to this population and create public awareness to the citizens of the Commonwealth, as well as promote inter-agency collaboration which attend to the needs of the community, disabled and multi-disabled population. This holistic approach is designed to ensure that those of all ages with disabilities are able to lead functionally equivalent lives despite limitations that they may face.

Department of Elder Affairs. The Department of Elder Affairs (Elder Affairs) provides a variety of services and programs to eligible seniors and their families. Elder Affairs administers supportive and congregate housing programs, regulates assisted living residences, provides home care and caregiver support services, and nutrition programs. Eligibility for services is based largely on age, income, and disability status. The Department of Elder Affairs also administers the Prescription Advantage Program.

Department of Veterans' Services. The Department of Veterans' Services provides a variety of services, programs and benefits to eligible veterans and their families. The Department of Veterans' Services provides outreach services to help eligible veterans enroll in a variety of programs, administers supportive housing and homeless services, and provides approximately 65,000 veterans, veterans' spouses and parents with annuity and benefit payments. Legislation enacted in 2014 transferred the Soldiers' Homes in Chelsea and Holyoke from the Office of Disabilities and Community Services to Veterans' Services.

Education

Executive Office of Education. In fiscal 2008, enacted reorganization legislation created an Executive Office of Education encompassing the Department of Early Education and Care, the Department of Elementary and Secondary Education (previously the Department of Education), the Department of Higher Education (previously the Board of Higher Education) and the University of Massachusetts system. The office is committed to advancing actions and initiatives that will improve achievement for all students, close persistent achievement gaps, and to create a 21st century public education system that prepares students for higher education, work and life in a world economy and global society.

Department of Elementary and Secondary Education. The Department of Elementary and Secondary Education serves the student population from kindergarten through 12th grade by providing support for students, educators, schools and districts and by providing state leadership. The Department of Elementary and Secondary Education is governed by the Executive Office of Education and by the Board of Education, which includes 12 members. There are 328 school districts in the Commonwealth, serving over 950,000 students.

Department of Higher Education. The Commonwealth's system of higher education includes the five-campus University of Massachusetts, nine state universities and 15 community colleges. The higher education system is coordinated by the Department of Higher Education, which has a governing board, the Board of Higher Education. Each institution of higher education is governed by a separate board of trustees; the University of Massachusetts has one board that governs its five campuses. The Board of Higher Education nominates, and the Secretary of Education appoints, a Commissioner of Higher Education, who is responsible for carrying out the policies established by the board at the Department of Higher Education.

The operating revenues of each institution consist primarily of state appropriations and of student fees that are set by the board of trustees of each institution. Tuition levels are set by the Board of Higher Education. State-supported tuition revenue is required to be remitted to the State Treasurer by each institution; however, the Massachusetts College of Art and Design and the Massachusetts Maritime Academy have the authority to retain tuition indefinitely and all higher education institutions are able to retain tuition received from out-of-state students. The board of trustees of each institution submits annually audited financial statements to the Comptroller and the Board of Higher Education. The Department of Higher Education prepares annual operating budget requests on behalf of all institutions, which are submitted to the Executive Office of Education and subsequently to the Executive Office for Administration and Finance and to the House and Senate Committees on Ways and Means. The Legislature appropriates funds for the higher education system in the Commonwealth's annual operating budget in various line items for each institution.

The fiscal 2016 budget amended state law to allow the University of Massachusetts to establish its own tuition rates for all students, and retain all the tuition it collects. This change is effective for fiscal 2017 (*i.e.*, the fiscal year beginning July 1, 2016), and the Commonwealth and the University expect to devote significant effort during fiscal 2016 to successfully implementing this initiative.

Department of Early Education and Care. The Department of Early Education and Care provides support to children and families seeking a foundational education. Additionally, the Department strives to educate current and prospective early education and care providers in a variety of instructive aspects. Included within the Department's programs and services are supportive child care, TANF-related child care, low-income child care, Head Start grants, universal pre-kindergarten, quality enhancement programs, professional development programs, mental health programs, healthy families programs and family support and engagement programs. Two of these programs, the supportive and TANF-related child care, help children receiving or referred services by the Department of Social Services or the Department of Transitional Assistance.

Public Safety

Twelve state agencies fall under the umbrella of the Executive Office of Public Safety and Security. The largest is the Department of Correction, which operates 18 correctional facilities and centers across the Commonwealth. Other public safety agencies include the State Police, Parole Board, the Department of Fire Services, the Military Division, the Office of the Chief Medical Examiner and six other public safety related agencies.

In addition to expenditures for these twelve state public safety agencies, the Commonwealth provides funding for the departments of the 14 independently elected Sheriffs that operate 23 jails and correctional facilities. In fiscal 2010, all 14 Massachusetts state and county sheriffs were aligned under the state budgeting and finance laws. Prior to the transfer, the Commonwealth had seven sheriffs operating as state agencies under the state accounting and budgeting system and seven sheriffs operating as county entities. The sheriff departments have successfully transitioned onto the state budgeting and accounting system, and all sheriff employees have been placed on the state payroll. Thus, all 14 sheriff departments are now functioning as independent state agencies within the Executive Branch.

Energy and Environmental Affairs

In fiscal 2008, the Executive Office of Environmental Affairs was reorganized into the Executive Office of Energy and Environmental Affairs. This reorganization included the transfer of the Department of Energy Resources and Department of Public Utilities from the Executive Office of Economic Development to the new secretariat. The Executive Office of Energy and Environmental Affairs is responsible for policy development, environmental law

enforcements services and oversight of agencies and programs. Six state agencies and numerous boards fall under the umbrella of the Executive Office of Energy and Environmental Affairs. The largest is the Department of Conservation and Recreation, which operates over 450,000 acres of public parkland, recreational facilities, watersheds and forests across the Commonwealth. Other environmental agencies include the Department of Agricultural Resources, responsible for the state's agricultural and food safety programs, the Department of Environmental Protection, responsible for clean air, water, recycling and environmental remediation programs, and the Department of Fish and Game, responsible for the management and protection of endangered species, fisheries and habitat. Additional agencies include the Department of Public Utilities, responsible for oversight of electric, gas, water and transportation utilities and the Department of Energy Resources, responsible for energy planning, management and oversight.

Debt Service

Debt service expenditures relate to general obligation bonds and notes, special obligation bonds and federal grant anticipation notes issued by the Commonwealth. See "LONG-TERM LIABILITIES."

Other Program Expenditures

The remaining expenditures on other programs and services for state government include the judiciary and district attorneys, the Attorney General, the Executive Office for Administration and Finance, the Executive Office for Housing and Economic Development, the Executive Office of Labor and Workforce Development and various other programs.

Employee Benefits

Group Insurance. The Group Insurance Commission (GIC) provides health insurance benefits to approximately 435,000 people, including state and participating municipalities' employees, retirees, their spouses, and dependents, and certain retired municipal teachers, their spouses and dependents. State employee contributions are currently based on date of hire; employees hired on or before June 30, 2003 contribute 20% of total premium costs, and employees hired after June 30, 2003 pay 25% of premium costs. Similarly, state retirees contribute either 10%, 15% or 20%, depending on their retirement date. The GIC also provides health insurance benefits for the employees and retirees of participating municipalities; the municipalities reimburse the state for their enrollees' premium costs. The contribution ratio(s) for municipal enrollees is set through a collective bargaining process within each community. In fiscal 2015, one municipality terminated its membership with the GIC, while 5,600 members of the MBTA's largest union joined. Three additional municipalities joined at the beginning of fiscal 2015, while another two joined on January 1, 2015 for a net new enrollment of approximately 10,000 employees and retirees. As of July 1, 2015, the GIC provides health insurance to employees and retirees of 54 municipal entities: 11 cities, 33 towns, seven regional school districts, two regional school districts and one educational collaborative.

The fiscal 2015 budget is consistent with Government Accounting Standards Board (GASB) Statement No. 45 and the state's intent to account separately for spending for current retirees with deposits towards the Commonwealth's non-pension retiree liability. See "*Other Post-Retirement Benefit Obligations (OPEB)*" below.

Fiscal 2016 GIC appropriations total $1.696 billion, approximately $570 million of which are offset by municipal revenue and $182 million of which are offset by non-state agency revenue to reimburse the state for providing health insurance benefits to the participating municipalities. In addition, the fiscal 2016 budget authorizes transfers of up to $425 million to the State Retiree Benefits Trust Fund for the purpose of making expenditures for current state retirees and their dependents.

In 2013, the GIC began implementation of the 2012 health care cost containment legislation, with the goal of accelerating changes in the way doctors, hospitals and other health care providers are paid for their services. Through this process the GIC aims to limit growth in premiums, avoid higher co-pays and deductibles and improve patient health. In keeping with this commitment to cost containment, the GIC recently approved a package of benefit changes that is designed to encourage greater use of primary care physicians to coordinate healthcare and to lower the utilization of higher-cost services (the highest-cost hospitals and prescription drugs; the less-efficient and/or lower quality specialists). The average fiscal 2016 premium rates for GIC state and municipal members are projected to increase by 5.7% over fiscal 2015.

Pensions. The Commonwealth is responsible for the payment of pension benefits for Commonwealth employees (members of the state employees' retirement system) and for teachers of the cities, towns and regional school districts throughout the state (including members of the Massachusetts teachers' retirement system and teachers in the Boston public schools, who are members of the State-Boston retirement system but whose pensions are also the responsibility of the Commonwealth). See "PENSION AND OPEB FUNDING."

Other Post-Retirement Benefit Obligations (OPEB). In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care / benefit costs which are comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies. See "PENSION AND OPEB FUNDING – Other Post-Retirement Benefit Obligations (OPEB)."

[*Remainder of page intentionally left blank*]

PENSION AND OPEB FUNDING

Retirement Systems

Almost all non-federal public employees in the Commonwealth participate in defined-benefit pension plans administered pursuant to state law by 104 public retirement systems. The Commonwealth is responsible for the payment of pension benefits for Commonwealth employees (members of the state employees' retirement system) and for teachers of the cities, towns and regional school districts throughout the state (including members of the Massachusetts teachers' retirement system and teachers in the Boston public schools, who are members of the State Boston retirement system but whose pensions are also the responsibility of the Commonwealth). The members of the retirement system do not participate in the Social Security System. Employees of certain independent authorities and agencies, such as the Massachusetts Water Resources Authority, and of counties, cities and towns (other than teachers) are covered by 102 separate retirement systems and the Commonwealth is not responsible for making contributions towards the funding of these retirement systems. Pension benefits for state employees are administered by the State Board of Retirement, and pension benefits for teachers are administered by the Teachers' Retirement Board. Investment of the assets of the state employees' and Massachusetts teachers' retirement systems is managed by the Pension Reserves Investment Management (PRIM) Board. In the case of all other retirement systems, the retirement board for the system administers pension benefits and manages investment of assets. Retirement board members are required to complete 18 hours of training and to file annual statements of financial interest with the Public Employee Retirement Administration Commission. Many such retirement boards invest their assets with the PRIM Board, and legislation approved in 2007 allows the PRIM Board to take over the assets of local retirement systems that are less than 65% funded and have failed to come within 2% of the PRIM Board's performance over a ten-year period. With a very small number of exceptions, the members of these state and local retirement systems do not participate in the federal Social Security System.

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) are the two largest plans of the public contributory retirement systems operated in the Commonwealth. Membership in MSERS and MTRS as of January 1, 2015, the date of the most recent combined valuations, is as follows:

Retirement Systems Membership

	MSERS	MTRS
Retirees and beneficiaries currently receiving benefits	57,774	62,312
Terminated employees entitled to benefits but not yet receiving them	4,340	N/A
Subtotal	62,114	62,312
Current Members	88,508	90,070
Total	150,622	152,382

SOURCE: Public Employee Retirement Administration Commission

The MSERS is a cost sharing, multiple-employer defined-benefit public employee retirement system. The MTRS is a defined-benefit public employee retirement system managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefits of the MTRS. Members become vested after ten years of creditable service. For members who joined the system prior to April 2, 2012 superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with ten years of service. Normal retirement for those employees who were system members before April 2, 2012 occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most members who joined the system after April 1, 2012 cannot retire prior to age 60.

The Commonwealth's retirement systems' funding policies have been statutorily established. The Legislature has the authority to amend these policies. The annuity portion of the MSERS and the MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. The policies provide for uniform benefit and contribution requirements for all contributory public employee retirement systems. These requirements generally provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service and group creditable service, and group classification.

Boston teachers are not included in the membership data shown above for the MTRS. Legislation approved in May, 2010 changed the methodology for the Commonwealth's funding of pension benefits paid to Boston teachers. Prior to this change, the Commonwealth reimbursed the City of Boston for pension benefits paid to Boston teachers as certified by the State Boston Retirement System (SBRS). Those costs were funded one fiscal year in arrears. The cost of pension benefits of the other participants of the SBRS is the responsibility of the City of Boston. The SBRS is a cost-sharing multiple-employer pension system that is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth for accounting purposes. The 2010 legislation clarified that the Commonwealth is responsible for all employer contributions and future benefit requirements for Boston teachers that are members of the SBRS. The Commonwealth's actuarially determined contribution to the SBRS was $109.5 million for fiscal 2015.

Subject to legislative approval, annual increases in cost-of-living allowances are provided in an amount equal to the lesser of 3% or the previous year's percentage increase in the United States consumer price index on the first $13,000 of benefits for members of the MSERS and MTRS. The Legislature approved the 3% increase in cost-of-living allowances for fiscal 2016. The Commonwealth pension funding schedule (discussed below) assumes that annual increases of 3% will be approved for its retirees. Local retirement systems that have established pension funding schedules may opt in to the requirement as well, with the costs and actuarial liabilities attributable to the cost-of-living allowances required to be reflected in such systems' funding schedules. Legislation approved in 1999 allows local retirement systems to increase the cost-of-living allowance up to 3% during years that the previous year's percentage increase in the United States consumer price index is less than 3%.

Employee Contributions

The MSERS and MTRS are partially funded by employee contributions of regular compensation. The following tables indicate current employee contribution rates (figures are approximate):

Employee Contribution Rates

MTRS (1)

Hire Date	% of Compensation (1)	Active Members	% of Total Active
Pre-1975	5%	250	0.3%
1975-1983	7	784	.9
1984-June 30, 1996	8	8,092	9.0
July 1, 1996-Present	9	14,990	16.6
July 1, 2001-Present	11	65,954	73.2
Totals		**90,070**	**100.0%**

SOURCE: Public Employee Retirement Administration Commission. Membership data from Teachers' Retirement System January 1, 2015 Actuarial Valuation.

(1) Employees hired after January 1, 1979 (except those contributing 11%) contribute an additional 2% of any regular compensation in excess of $30,000 annually. Legislation enacted in fiscal 2000 established an alternative superannuation retirement benefit program for teachers hired on or after July 1, 2001 (and others who opt in) with an 11% contribution requirement for a minimum of five years. The contribution rate for most employees hired after April 1, 2012 will be reduced to 6% after 30 years of creditable service.

MSERS (1)

Hire Date	% of Compensation (1)	Active Members	% of Total Active
Pre-1975	5%	884	1.0%
1975-1983	7	5,738	6.5
1984-June 30, 1996	8	20,073	22.7
July 1, 1996-Present	9	61,221	69.2
State Police 1996-Present	12	592	0.7
Totals		**88,508**	**100.0%**

SOURCE: Public Employee Retirement Administration Commission. Membership data from State Board of Retirement January 1, 2015 Actuarial Valuation.
(1) Employees hired after January 1, 1979 contribute an additional 2% of any regular compensation in excess of $30,000 annually.

Funding Schedule

The retirement systems were originally established as "pay-as-you-go" systems, meaning that amounts were appropriated each year to pay current benefits, and no provision was made to fund currently the future liabilities already incurred. In fiscal 1988, the Commonwealth began to address the unfunded liabilities of the two state systems by making appropriations to pension reserves. Under current law such unfunded liability is required to be amortized to zero by June 30, 2040. The law also requires that the Secretary of Administration and Finance file a proposed funding schedule with the legislature every three years identifying the appropriations or transfers required to amortize the unfunded liability to zero, to meet the normal cost of all future benefits for which the Commonwealth is obligated and to meet any other component of the Commonwealth's pension liability. Previously designated amounts can be adjusted based on a new funding schedule so long as the adjustments represent an increase in the scheduled amounts for those years. The law requires the funding schedule submitted by the Secretary to be based on actuarial valuation reports and requires the Secretary to provide the actuarial, economic and demographic assumptions upon which the reports are based. The funding schedule is filed with the House Committee on Ways and Means and is deemed approved if no action is taken by the committee within 45 days.

The most recently approved funding schedule for payments into the Commonwealth's Pension Liability Fund was filed by the Secretary of Administration and Finance on January 14, 2014. The assumptions underlying the funding schedule include valuation of assets and liabilities as of January 1, 2013, an annual rate of return on assets of 8.0%, and appropriation increases of 10% per year until fiscal 2017 with 7% increases thereafter until the final amortization payment in fiscal 2036 (four years before the statutory requirement). The fiscal 2015 and fiscal 2016 budgets enacted by the Legislature and approved by the Governor included the amounts required by the funding schedule for those years. On May 4, 2015, the Governor approved an employee retirement incentive program, designed to be in place by the beginning of fiscal 2016, that was expected to add an annual cost of $48.7 million to the amounts in the approved schedule for 15 years, beginning in fiscal 2016. Just under 2,500 employees of the executive branch agencies applied to retire under the incentive program. They will have an effective retirement date of June 30, 2015. Additional liability to the MSERS as a result of the employee retirement incentive program will be analyzed by PERAC, which must file a report with the Secretary of Administration and Finance, the Joint Committee on Public Service and the House and Senate Committees on Ways and Means on or before January 15, 2016. The fiscal 2016 budget, as enacted by the Legislature, appropriated an additional $48.7 million reserve to defray the expected pension-related costs of the employee retirement incentive program, but this amount was reduced by the Governor (to $29.1 million) to reflect the smaller-than-expected number of employees electing to participate in the program. See "FISCAL 2015 AND FISCAL 2016 – Fiscal 2016."

The next funding schedule is due to be filed by the Secretary of Administration and Finance in early 2017. It is expected to be based on the January 1, 2016 actuarial valuation report and to take into account, among other things, the full costs of the employee retirement incentive program approved in May, 2015. As noted above, the fiscal 2016 budget includes an additional $29.1 million to account for such costs, and a like amount is expected to be included in the fiscal 2017 budget. The funding schedule filed in early 2017 will govern payments in fiscal 2018 and beyond.

Current Funding Schedule for Pension Obligations (in thousands) (1)

Fiscal Year	Payments	Fiscal Year	Payments
2015	$1,793,000	2027	$4,267,000
2016	1,972,000	2028	4,566,000
2017	2,169,000	2029	4,886,000
2018	2,321,000	2030	5,228,000
2019	2,483,000	2031	5,594,000
2020	2,657,000	2032	5,986,000
2021	2,843,000	2033	6,405,000
2022	3,042,000	2034	6,853,000
2023	3,255,000	2035	7,333,000
2024	3,483,000	2036	4,436,342
2025	3,727,000	2037	835,369
2026	3,988,000		

SOURCE: Executive Office for Administration and Finance

(1) Excludes the impact of the early retirement incentive program adopted in fiscal 2015 and to be reflected in the January 1, 2016 actuarial valuation.

Actuarial Valuations

In August or September of each year, PERAC releases an updated actuarial valuation of the Commonwealth's total pension obligation as of the preceding January 1 (based on member data and asset information as of December 31).

On August 28, 2015, the Public Employee Retirement Administration Commission (PERAC) released its actuarial valuation of the Commonwealth's total pension obligation as of January 1, 2015. This valuation was based on the plan provisions in effect at the time and on member data and asset information as of December 31, 2014. The unfunded actuarial accrued liability as of that date for the total obligation was approximately $33.429 billion, including approximately $10.959 billion for the Massachusetts State Employees' Retirement System (MSERS), $20.169 billion for the Massachusetts Teachers' Retirement System (MTRS), $2.115 billion for Boston Teachers and $186.5 million for cost-of-living increases reimbursable to local systems. The valuation study estimated the total actuarial accrued liability as of January 1, 2015 to be approximately $81.535 billion (comprised of $33.679 billion for MSERS, $44.116 billion for MTRS, $3.554 billion for Boston Teachers and $186.5 million for cost-of-living increases reimbursable to local systems). Total assets were valued on an actuarial basis at approximately $48.106 billion based on a five-year average valuation method, which equaled 95.7% of the January 1, 2015 total asset market value.

For the January 1, 2015 Commonwealth actuarial valuation, the investment return assumption was reduced from 8.0% to 7.75%. This change increased the actuarial accrued liability (and therefore the unfunded actuarial accrued liability) for the Commonwealth's total pension obligation by approximately $1.8 billion. Prior to the January 1, 2013 valuation, an 8.25% investment return assumption was used. For the January 1, 2013 and January 1, 2014 valuations, an 8.0% investment return assumption was used. PERAC is considering recommending a further reduction in the investment return assumption for the January 1, 2016 valuation.

A revision to the actuarial standards of practice in 2010 required that future mortality improvements (longer life expectancy) be considered in valuations performed after July 1, 2011. PERAC began implementing this standard in its January 1, 2012 actuarial valuation. The January 1, 2015 valuation reflected the final step toward a fully generational mortality assumption that takes into account all expected future mortality improvements (increasing life expectancy). The revised assumption reflects a two-dimensional table based on the calendar year and each member's age. The actuarial accrued liability (and therefore the unfunded actuarial accrued liability) increased by approximately $1.7 billion to reflect this change.

The two assumption changes increased the actuarial liability (and therefore the unfunded liability) by $3.5 billion. If these changes had not been implemented, the unfunded liability would have been approximately $29.9 billion and the funded ratio 61.6%.

PERAC issued detailed experience analyses in 2014 for MSERS and MTRS. These experience studies encompassed the years 2006-2011 and reviewed salary increases and rates of retirement, disability, turnover and mortality. PERAC recently performed an experience analysis of mortality for retirees of MSERS and MTRS from January 1, 2012 to January 1, 2015. That analysis was the basis for the adoption of a generational mortality assumption described earlier

The Actuarial Cost Method which is used to determine pension liabilities in the Commonwealth's valuations is known as the Entry Age Normal Cost Method. Under this method, the Normal Cost for each active member on the valuation date is determined as the level percent of salary, which, if paid annually from the date the employee first became a retirement system member, would fully fund by retirement, death, disability or termination, the projected benefits which the member is expected to receive. The actuarial accrued liability for each member is determined as the present value as of the valuation date of all projected benefits which the member is expected to receive, minus the present value of future annual Normal Cost payments expected to be made to the fund. Since only active members have a Normal Cost, the actuarial accrued liability for inactive members, retirees and survivors is simply equal to the present value of all projected benefits. The unfunded actuarial accrued liability is the actuarial accrued liability less current assets.

The Normal Cost for a member will remain a level percent of salary for each year of membership, except for changes in provisions of the plan or the actuarial assumptions employed in projection of benefits and present value determinations. The Normal Cost for the entire system will also be changed by the addition of new members or the retirement, death, disability, or termination of members. The actuarial accrued liability for a member will increase each year to reflect the additional accrual of Normal Cost. It will also change if the plan provisions or actuarial assumptions change.

Differences each year between the actual experience of the plan and the experience projected by the actuarial assumptions are reflected by adjustments to the unfunded actuarial accrued liability. An experience difference which increases the unfunded actuarial accrued liability is an actuarial loss and one which decreases the unfunded actuarial accrued liability is an actuarial gain.

The actuarial value of assets is determined in accordance with the deferred recognition method under which 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior are recognized, etc., so that 100% of gains and losses occurring five years ago are recognized. This has the effect of smoothing the short-term volatility of market values over a five-year period. The actuarial value of assets will be adjusted, if necessary, in order to remain between 90% and 110% of market value. In valuations prior to 1998, plan assets were determined at market value. As part of the 1998 valuation, this methodology was adjusted to reduce the potential volatility in the market value approach from year to year. The actuarial value of assets as of January 1, 2015 is 95.7% of the market value.

The following table shows, with respect to the Commonwealth's aggregate pension obligations, a ten-year comparison of the actuarial value of assets to the market values, the ratio of the actuarial value to market value, and the funded ratio based on actuarial value compared to the funded ratio based on the market value of assets:

[*Remainder of page intentionally left blank*]

Ten Year Comparison of Actuarial and Market Values of Pension Assets (in millions)

Valuation Date (Jan. 1)	Actuarial Value of Assets (1)	Market Value of Assets	% of Actuarial Value to Market Value	Funded Ratio (Actuarial Value)	Funded Ratio (Market Value)
2006	$36,377	$39,020	93.2%	71.5	81.5
2007	40,412	44,902	90.0	75.2	83.5
2008	44,532	49,235	90.4	78.6	86.9
2009	37,058	33,689	110.0	62.7	57.0
2010	41,589	37,809	110.0	67.5	61.4
2011	45,631	41,482	110.0	71.1	64.6
2012	43,942	39,947	110.0	65.1	59.1
2013	43,517	43,760	99.4	60.6	60.9
2014	45,894	48,351	94.9	61.2	64.5
2015	48,106	50,290	95.7	59.0	61.7

SOURCE: Public Employee Retirement Administration Commission.
(1) Based on five-year average smoothing methodology.

The following tables show, for each of the MSERS and the MTRS and for Commonwealth obligations in the aggregate (including Boston Teachers and cost-of-living allowances as well as MSERS and MTRS), the historical funded status for the most recent ten years, based on actuarial values and market values of assets:

[*Remainder of page intentionally left blank*]

Historical Pension Funding Progress for the Last Ten Fiscal Years- Actuarial Value

(Amounts in thousands except for percentages)

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
State Employees' Retirement System Actuarial Valuation as of Jan. 1						
2015	$22,720,160	$33,679,150	$10,958,990	67.5%	$5,591,911	196.0%
2014	21,581,133	30,679,600	9,098,467	70.3	5,344,510	170.2
2013	20,317,389	29,385,442	9,068,053	69.1	5,183,195	175.0
2012	20,507,604	27,784,731	7,277,127	73.8	4,922,388	185.7
2011	21,244,900	26,242,776	4,997,876	81.0	4,808,250	103.9
2010	19,019,062	24,862,421	5,843,359	76.5	4,711,563	124.0
2009	16,992,214	23,723,240	6,731,026	71.6	4,712,655	142.8
2008	20,400,656	22,820,502	2,419,846	89.4	4,574,233	52.9
2007	18,445,225	21,670,810	3,225,585	85.1	4,391,891	73.4
2006	16,638,043	20,406,926	3,768,883	81.5	4,200,577	89.7
Teachers' Retirement System Actuarial Valuation as of Jan. 1						
2015	$23,946,759	$44,115,769	$20,169,010	54.3%	$6,204,274	325.1%
2014	22,940,196	40,741,695	17,801,499	56.3	5,962,650	298.6
2013	21,787,470	39,135,218	17,347,748	55.7	5,783,294	300.0
2012	22,141,475	36,483,027	14,341,552	60.7	5,655,353	253.6
2011	23,117,952	34,890,991	11,773,039	66.3	5,558.311	211.8
2010	21,262,462	33,738,966	12,476,504	63.0	5,509,698	226.4
2009	18,927,731	32,543,782	13,616,051	58.2	5,389,895	252.6
2008	22,883,553	30,955,504	8,071,951	73.9	5,163,498	156.3
2007	20,820,392	29,320,714	8,500,322	71.0	4,969,092	171.1
2006	18,683,295	27,787,716	9,104,421	67.2	4,819,325	188.9
Aggregate Commonwealth Pension Obligations Actuarial Valuation as of Jan. 1						
2015	$48,105,862	$81,535,003	$33,429,141	59.0%	$12,302,162	271.7%
2014	45,894,034	74,936,994	29,042,960	61.2	11,793,788	246.3
2013	43,517,498	71,865,832	28,348,334	60.6	11,408,407	248.5
2012	43,941,682	67,546,587	23,604,905	65.1	11,011,466	214.4
2011	45,630,507	64,219,135	18,588,628	71.1	10,811,975	171.9
2010	41,589,706	61,575,676	19,985,970	67.5	10,655,881	187.6
2009	37,057,703	59,142,155	22,084,452	62.7	10,537,212	209.6
2008	44,531,652	56,636,710	12,105,058	78.6	10,156,252	119.2
2007	40,411,920	53,761,095	13,349,175	75.2	9,766,122	136.7
2006	36,376,773	50,864,974	14,488,201	71.5	9,406,336	154.0

SOURCE: Public Employee Retirement Administration Commission.

Historical Pension Funding Progress for the Last Ten Fiscal Years- Market Value
(Amounts in thousands except for percentages)

	Market Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)- Market Value	Funded Ratio	Annual Covered Payroll	UAAL as % of Covered Payroll
State Employees' Retirement System Actuarial Valuation as of Jan. 1						
2015	$23,739,487	$33,679,150	$9,939,663	70.5%	$5,591,911	177.8%
2014	22,721,053	30,679,600	7,958,547	74.1	5,344,510	148.9
2013	20,405,004	29,385,442	8,980,438	69.4	5,183,195	173.3
2012	18,643,313	27,784,731	9,141,418	67.1	4,922,388	147.8
2011	19,313,545	26,242,776	6,929,231	73.6	4,808,250	144.1
2010	17,290,056	24,862,421	7,572,365	69.5	4,711,563	160.7
2009	15,447,467	23,723,240	8,275,773	65.1	4,712,655	175.6
2008	22,538,610	22,820,502	281,892	98.8	4,574,233	6.2
2007	20,494,694	21,670,810	1,176,116	94.6	4,391,891	26.8
2006	17,875,032	20,406,926	2,531,894	81.5	4,200,577	89.7
Teachers' Retirement System Actuarial Valuation as of Jan. 1						
2015	$25,046,692	$44,115,769	$19,069,077	56.8%	$6,204,274	307.4%
2014	24,183,391	40,741,695	16,558,304	59.4	5,962,650	277.7
2013	21,934,211	39,135,218	17,201,007	56.0	5,783,294	297.4
2012	20,128,614	36,483,027	16,354,413	55.2	5,655,353	289.2
2011	21,016,320	34,890,991	13,874,671	60.2	5,558.311	249.6
2010	19,329,511	33,738,966	14,409,455	57.3	5,509,698	261.5
2009	17,207,028	32,543,782	15,336,754	52.9	5,389,895	284.5
2008	25,316,044	30,955,504	5,639,460	81.8	5,163,498	109.2
2007	23,133,769	29,320,714	6,186,945	78.9	4,969,092	124.5
2006	20,013,412	27,787,716	7,774,304	67.2	4,819,325	188.9
Aggregate Commonwealth Pension Obligations Actuarial Valuation as of Jan. 1						
2015	$50,289,770	$81,535,003	$31,245,233	61.7%	$12,302,162	254.0%
2014	48,350,920	74,936,994	26,586,074	64.5	11,793,788	225.4
2013	43,760,381	71,865,832	28,105,451	60.9	11,408,407	246.4
2012	39,946,984	67,546,587	27,599,603	59.1	11,011,466	250.6
2011	41,482,279	64,219,135	22,736,856	64.6	10,811,975	210.3
2010	37,808,823	61,575,676	23,766,853	61.4	10,655,881	223.0
2009	33,688,821	59,142,155	25,453,334	57.0	10,537,212	241.3
2008	49,234,569	56,636,710	7,402,141	86.9	10,156,252	72.9
2007	44,902,133	53,761,095	8,858,962	83.5	9,766,122	90.7
2006	39,020,885	50,864,974	11,844,089	76.7	9,406,336	125.9

SOURCE: Public Employee Retirement Administration Commission.

Annual Required Contributions

The following table sets forth the annual required contribution (ARC) by the Commonwealth under generally accepted accounting principles, its reimbursement to Boston for its payments to SBRS (the fiscal 2010 payment includes both the final payment in arrears and the first annual contribution under the 2010 legislation described above) and payments for municipal COLAs for each of the fiscal years indicated. The ARC is determined annually based on the most recent Commonwealth valuation. Valuations have been performed annually since January 1, 2000. As noted above, the Commonwealth also develops a revised funding schedule by statute at least

every three years, and the Commonwealth made the full contribution required, under the then-current funding schedule, for each year displayed in the table. Since the funding schedule can be several years old when the ARC is determined, the funding schedule information lags the more current ARC information except in the year in which the funding schedule is developed. Accordingly, in some years the ARC will exceed the contribution made and in other years the contribution made will exceed the ARC. Due to significant investment losses in 2008, the unfunded liability (and therefore the ARC) increased significantly for fiscal 2009 and fiscal 2010. However, the funding schedule then in effect was based on the 2008 valuation, before the market downturn. This accounts for most of the discrepancy between the ARC and contributions made in fiscal 2009 and fiscal 2010, with the remainder accounted for by the double payment to SBRS described above.

Annual Required Contributions and Other Pension Contributions
(amounts in thousands)

	SERS	MTRS	Total	COLA(1)	BTRS(1)
2014					
Annual required contribution (ARC)……	$718,909	$1,158,461	$1,877,370	n/a	n/a
Contributions made, excluding COLAs……	573,428	935,936	1,509,364	21,104	99,532
% Funded for the fiscal year……	80%	81%	80%		
ARC as ratio of total government expenditures (2)	1.9%	3.1%	5.0%	n/a	n/a
2013					
Annual required contribution (ARC)……	$699,962	$1,104,486	$1,804,448	n/a	n/a
Contributions made, excluding COLAs……	545,453	891,580	1,437,033	20,121	94,846
% Funded for the fiscal year……	78%	81%	80%		
ARC as ratio of total government expenditures (2)	2.1%	3.3%	5.3%	n/a	n/a
2012					
Annual required contribution (ARC)……	$620,274	$941,918	$1,562,192	n/a	n/a
Contributions made, excluding COLAs……	518,918	849,496	1,368,414	19,187	90,399
% Funded for the fiscal year……	84%	90%	88%		
ARC as ratio of total government expenditures (2)	1.6%	2.6%	4.2%	n/a	n/a
2011					
Annual required contribution (ARC)……	$471,096	$767,960	$1,239,056	n/a	n/a
Contributions made, excluding COLAs……	431,166	855,201	1,286,367	34,153	121,290
% Funded for the fiscal year……	92%	111%	104%		
ARC as ratio of total government expenditures (2)	1.5%	2.4%	3.9%	n/a	n/a
2010					
Annual required contribution (ARC)……	$646,932	$1,106,052	$1,752,984	n/a	n/a
Contributions made, excluding COLAs……	410,682	690,397	1,101,079	32,683	242,857
% Funded for the fiscal year……	63%	62%	63%		
ARC as ratio of total government expenditures (2)	2.1%	3.6%	5.8%	n/a	n/a

SOURCE: Office of the Comptroller.
(1) COLA and BTRS contributions are additional amounts funded by the Commonwealth, but are not part of the Commonwealth's funding of ARC.
(2) Based on total budgeted fund expenditures and other uses.

On June 25, 2012, the Governmental Accounting Standards Board (GASB) voted to approve new standards that will modify the accounting and financial reporting of the Commonwealth's pension obligations. The new standard for governments that provide employee pension benefits will require the Commonwealth to report in its statement of net position a net pension liability, defined as the difference between the total pension liability (the

present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. The new standard will require immediate recognition of more pension expense than is currently required. The rate used to discount projected benefit payments to their present value will be based on a single rate that reflects (a) the long-term expected rate of return on plan investments as long as the plan net position is projected under specified conditions to be sufficient to pay pensions of current employees and retirees and the pension plan assets are expected to be invested using a strategy to achieve that return and (b) a yield or index rate on tax-exempt 20-year AA-or-higher rated municipal bonds to the extent that the conditions for use of the long-term expected rate of return are not met. Under the new standards, the ARC calculation, and the requirement to fund the ARC under GAAP, has been eliminated. The new standard will be effective for the Commonwealth's fiscal 2015 Comprehensive Annual Financial Report (CAFR).

Prospective Funded Status of the Pension System

The following tables project the funded status of the State Employees Retirement System's, Massachusetts Teachers' Retirement System's, Boston Teachers' Retirement System's and the Commonwealth's aggregate pension liabilities through fiscal 2020. The fiscal 2015 actuarial results reflect assumptions outlined in the January 1, 2015 actuarial valuation report. All projections are estimates and will vary based on actual investment returns and plan experience. The projections in this table assume that all assumptions will be realized exactly. The actuarially determined contribution for fiscal 2014 was the ARC identified in the January 1, 2013 actuarial valuation report (4.0% annually increasing amortization of the unfunded actuarial liability to fiscal 2040) brought forward for fiscal 2014. The actuarially determined contribution for fiscal 2015 and beyond reflects the Commonwealth's most recently adopted funding schedule. The revised schedule increases the total appropriation by 10% in fiscal 2015, fiscal 2016, and fiscal 2017, and by 7% each year until fully-funded (fiscal 2036 based on the January 1, 2013 valuation). Although the appropriation under the adopted schedule will be less than the actuarial determined contribution for several years, the annual increases in the schedule are significant and will allow the Commonwealth to be fully funded in approximately 20 years. Actuarial figures other than the actuarially determined contribution reflect January 1 estimates of the fiscal year shown. The actuarial value of assets on January 1, 2014 was 94.9% of the market value of assets. The actuarial value of assets on January 1, 2015 was 95.7% of the market value of assets. The actuarial value of assets on January 1, 2016 is assumed to be 97% of the market value of assets. The actuarial value of assets on January 1, 2017, 2018, 2019 and 2020 is assumed to be 98%, 99%, 100%, and 100% of the market value of assets, respectively. The actuarial value of assets is projected using the past history of PRIT Fund cash flows to estimate future cash flows. The actuarial liability is projected from January 1, 2015 to January 1, 2016 using standard methodology. Projections beyond January 1, 2016 reflect slightly decreasing percentage increases to reflect the impact of pension reform legislation enacted in 2011 as well as employee contribution increases as a percentage of pay. Funding schedule information is based on the funding schedule filed by the Secretary of Administration and Finance on January 14, 2014. For the purpose of calculating the actuarially determined contribution as a percentage of total budgeted operating funds expenditures, the Executive Office for Administration and Finance used the 4.42% compound annual growth rate of budgeted revenues from fiscal 2006 to estimated fiscal 2016. This measure is also used in the Commonwealth's debt affordability analysis. This does not represent an official forecast of the growth in Total Budgeted Operating Funds expenditures by the Executive Office for Administration and Finance. The below actuarial liability and actuarially determined contributions exclude the impact of the early retirement incentive program adopted in fiscal 2015 and to be reflected in the January 1, 2016 actuarial valuation. The actuarially determined contributions were estimated to increase $29 million for fifteen years beginning in fiscal 2016 due to the early retirement incentive program.

[*Remainder of page intentionally left blank*]

Prospective Funded Status of the Pension System (dollars in millions) (1)

Fiscal Year	Actuarially Determined Contribution (ADC)	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	ADC as a % of Total Budgeted Operating Funds Expenditures
State Employees' Retirement System						
2015	$631	$22,720	$33,679	$10,959	67.5%	1.7%
2016	694	23,955	35,151	11,196	68.1	1.7
2017	763	25,192	36,662	11,471	68.7	1.8
2018	817	26,506	38,202	11,696	69.4	1.8
2019	874	27,903	39,769	11,865	70.2	1.9
2020	935	29,162	41,359	12,197	70.5	1.9
Massachusetts Teachers' Retirement System						
2015	$1,030	$23,947	$44,116	$20,169	54.3%	2.7%
2016	1,132	25,060	45,575	20,515	55.0	2.8
2017	1,245	26,120	47,170	21,050	55.4	2.9
2018	1,332	27,228	48,774	21,545	55.8	3.0
2019	1,426	28,388	50,383	21,995	56.3	3.1
2020	1,525	29,342	51,996	22,654	56.4	3.2
Boston Teachers' Retirement System						
2015	$109	$1,439	$3,554	$2,115	40.5%	0.3%
2016	120	1,511	3,661	2,150	41.3	0.3
2017	132	1,579	3,804	2,225	41.5	0.3
2018	141	1,647	3,948	2,301	41.7	0.3
2019	151	1,715	4,094	2,380	41.9	0.3
2020	162	1,754	4,242	2,488	41.4	0.3
Aggregate Commonwealth Pension System						
2015	$1,793	$48,106	$81,535	$33,429	59.0%	4.7%
2016	1,972	50,527	84,554	34,027	59.8	4.9
2017	2,169	52,891	87,787	34,895	60.2	5.1
2018	2,321	55,381	91,060	35,678	60.8	5.2
2019	2,483	58,007	94,368	36,362	61.5	5.4
2020	2,657	60,258	97,706	37,448	61.7	5.5

SOURCE: Executive Office for Administration and Finance and Public Employee Retirement Administration Commission.
(1) All figures as of January 1, 2015.

PRIT Fund Investments

The mission of the PRIT Fund is to ensure that current and future benefit obligations are adequately funded in a cost-effective manner. The PRIT Fund therefore seeks to maximize the total return on investment, within acceptable levels of risk for a public pension fund. Under current law, by the year 2040 the PRIT Fund will have grown, through annual payments in accordance with a legislatively approved funding schedule and through the total return of the fund, to an amount sufficient to meet the then existing pension obligations of the Commonwealth. The funding schedule of state pension appropriations that is currently in place assumes a long-term actuarial rate of return for the PRIT Fund of 8.0%. As of January 1, 2015, the rate of return assumption was reduced to 7.75%, and this assumption will be reflected in the next triennial funding schedule, unless this assumption is adjusted further before that time.

The PRIM Board recognizes that over the long-term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The asset allocation plan adopted by the Board embodies its decisions about what proportions of the Fund are to be invested in domestic and international equity and fixed income securities, real estate, alternative investments and, where appropriate the various sub-asset classes of each category. At reasonable intervals of not more than three to five years, the Board conducts a comprehensive review of its asset allocation plan and its underlying assumptions, including the Commonwealth's current and projected pension assets and liabilities, long-term capital markets rate of return assumptions, and the Board's risk tolerances. The comprehensive review identifies a reasonable time horizon and investment strategy for matching assets and liabilities, a fund-level total return target, and an optimal allocation among available asset classes and sub-asset classes. The Board examines the asset allocation plan annually and makes adjustments to the plan as may be appropriate given the plan's long-term nature and objectives.

The actual asset allocation mix invariably deviates from the plan's targets due to market movement, cash flows, and manager performance. Material deviations from the asset allocation targets can alter the expected return and risk of the PRIT Fund. The following table sets forth the current targets and the actual PRIT Fund asset allocation for each of the most recent five fiscal years. The actual allocation figures are as of June 30 for each of the years indicated. The targets are those contained in the current asset allocation plan, which was most recently reviewed on February 11, 2015.

PRIT Fund Asset Allocation

	2011	2012	2013	2014	2015	Target
Domestic Equity	22.0%	19.2%	20.8%	19.0%	19.2%	18.0%
International Equity	21.7	16.7	18.0	17.1	16.9	16.0
Emerging Markets Equity	6.6	6.7	6.5	7.0	6.6	6.0
Core Fixed Income	13.2	13.0	12.6	13.9	13.7	13.0
Value-Added Fixed Income	6.0	8.6	8.9	8.5	8.3	10.0
Private Equity	10.7	12.1	11.7	11.1	11.3	10.0
Real Estate	8.2	9.7	8.2	8.9	10.0	10.0
Timber/Natural Resources	4.0	3.9	4.0	3.9	3.8	4.0
Hedge Funds	7.2	9.9	9.2	9.6	9.1	9.0
Portfolio Completion Strategies	n/a	n/a	n/a	0.0	0.2	4.0

SOURCE: Pension Reserves Investment Management Board.

The following table sets forth the investment rates of return for the assets in the PRIT Fund for the last ten fiscal years:

PRIT Fund Rates of Return (Gross of Fees)

Fiscal Year	Rate of Return	Fiscal Year	Rate of Return
2015	3.86%	**2010**	12.82
2014	17.53	**2009**	(23.87)%
2013	12.69	**2008**	(1.81)
2012	(0.08)	**2007**	19.92
2011	22.30	**2006**	15.47

3yr average	11.21%
5yr average	10.95%
10yr average	6.98%
Assumed Rate (1)	8.00%

SOURCE: Pension Reserves Investment Management Board.
(1) Assumed rate changed to 8% as of January 1, 2013. As of January 1, 2015, the assumed rate was reduced to 7.75%.

Other Post-Retirement Benefit Obligations (OPEB)

In addition to providing pension benefits, the Commonwealth is statutorily required to provide certain health care and life insurance benefits ("other post-employment benefits" or "OPEB") for retired employees of the Commonwealth, as well as retired employees of housing authorities, redevelopment authorities and certain other governmental agencies (offline agencies). Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age and eligibility while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care / benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies. (Although, as noted above, the Commonwealth is required to pay pensions to retired municipal teachers, the Commonwealth has no OPEB obligations with respect to retired municipal teachers.)

The GIC manages the Commonwealth's other post-employment benefits for all state and certain agency employees and retirees. The GIC has representation on the Board of Trustees of the State Retiree Benefits Trust (SRBT). The SRBT is set up to pay for former state employees' OPEB benefits and to invest state and certain municipalities funds that have been set aside to pay for OPEB benefits and the cost to administer those funds and can only be dissolved when all such health care and other non-pension benefits, current and future, have been paid or defeased.

As of February, 2015, MassDOT completed the transfer of the Massachusetts Turnpike Authority Retiree Benefits Trust ($75 million) to the Commonwealth for the management and administration of the funds. The funds are restricted for the benefit of the retirees of the former Massachusetts Turnpike Authority.

Employer and employee contribution rates are set by statute. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2014, Commonwealth participants contributed 10% to 25% of premium costs, depending on the date of hire and whether the participant is active, retiree or survivor status. The GIC had 157,741 state enrollees as of the end of fiscal 2014.

Accounting standards promulgated in 2004 by the Governmental Accounting Standards Board (GASB) required the Commonwealth to begin disclosing its OPEB liability in its fiscal 2008 financial reports. In 2006, the Comptroller of the Commonwealth contracted with a consulting firm to produce an actuarial valuation that calculated the liability of the present value of benefits if the Commonwealth chose to continue to fund that liability on a pay-as-you-go basis and what the liability would be should the Commonwealth choose to fully fund the liability over 30 years.

The January 1, 2014 actuarial valuation was issued on November 3, 2014. According to the report, the Commonwealth's actuarial accrued OPEB liability, assuming no pre-funding and using a discount rate of 4.5%, was approximately $15.670 billion as of January 1, 2014. The 4.5% discount rate (which is the approximate rate of return since its inception of the Massachusetts Municipal Depository Trust) is intended to approximate the Commonwealth's rate of return on non-pension (liquid) investments over the long term. Assuming pre-funding, the study estimated the Commonwealth's liability to be approximately $9.522 billion using a discount rate of 8.00%. In order to qualify its OPEB liabilities as pre-funded, the Commonwealth must deposit annual contributions in a qualifying trust in accordance with the requirements of GASB Statement No. 45 (and similar to the program for funding the Commonwealth's unfunded actuarial liability for pensions).

As the Commonwealth is not fully funding the amortization of the actuarial liability, a liability for the difference between the amount funded and the actuarially required contribution is reflected on the Commonwealth's statement of net position, as presented on a GAAP basis. The liability increases or decreases each year depending on the amount funded, investment return and changes in amortization and assumptions. This change in liability is reflected either as a revenue or expense item in the Commonwealth's statement of activities as presented on a GAAP basis, dependent on these factors. As of June 30, 2014, this net OPEB obligation as reflected on the Commonwealth's statement of net position is $4.832 billion.

The independent actuarial report covers only the Commonwealth's OPEB obligations for Commonwealth employees and their survivors. Municipalities and authorities of the Commonwealth, even if their health care coverage is administered by the Group Insurance Commission, perform their own valuations, as the Commonwealth

acts only as an agent for the entities that participate in the GIC with respect to providing OPEB health insurance benefits and does not assume the risk or financial burden of their health care costs.

GASB Statement No. 45 requires that OPEB obligations be recalculated at two-year intervals. Such calculations may be affected by many factors, including changing experience and assumptions regarding future health care claims, by whether or not the Commonwealth enacts legislation that qualifies its OPEB obligations to be calculated on a pre-funded basis, by changes in the Commonwealth's employee profile and possibly by changes in OPEB coverage levels and retiree contribution requirements. Accordingly, it should be anticipated that the actuarial accrued liability of the Commonwealth for OPEB liabilities may fluctuate.

The executive and legislative branches have been working to develop a short- and long- term strategy for addressing the Commonwealth's OPEB liability. The State Retiree Benefits Trust Fund was created, and in fiscal 2008 spending for current state retirees' healthcare occurred from the fund, helping to consolidate the state's retiree funding efforts and better project future liabilities. In fiscal 2008, the fund benefited from a one-time transfer of approximately $329 million from the Health Care Security Trust. The actuarial value of plan assets as of January 1, 2015 was approximately $610 million.

State Retiree Benefits Trust
(amounts in thousands)

	Actuarial Value of Plan Assets	Actuarial Liability	Accrued Unfunded Liability (UAAL)	Actuarial Ratio Covered	Funded Payroll	Annual Covered Payroll as % of UAAL
Actuarial Valuation as of Jan. 1, 2015 (1)	$610,000	$16,502,800	$15,892,800	3.7%	$5,591,911	284.2%
Actuarial Valuation as of Jan. 1, 2014	511,200	15,670,200	15,159,000	3.3	5,344,500	283.6
Actuarial Valuation as of Jan. 1, 2013	406,700	15,784,100	15,377,400	2.6	5,183,195	296.7
Actuarial Valuation as of Jan. 1, 2012	360,500	16,559,400	16,298,900	2.2	4,922,388	331.1
Actuarial Valuation as of Jan. 1, 2011	350,500	16,568,600	16,218,100	2.1	4,808,250	337.3
Actuarial Valuation as of Jan. 1, 2010	309,800	15,166,300	14,856,500	2.0	4,711,563	315.3
Actuarial Valuation as of Jan. 1, 2009	273,500	15,305,100	15,031,600	1.8	4,712,655	319.0
Actuarial Valuation as of Jan. 1, 2008	-	9,812,000	9,812,000	0.0	4,574,233	214.5

SOURCE: Office of the Comptroller and Public Employee Retirement Administration Commission.
(1) Based on a draft OPEB report expected to be finalized in mid-November 2015, in which numbers are expected to be substantially similar.

A special commission to study retiree health care benefits for public employees in Massachusetts was mandated as part of the pension reform act passed in November, 2011. The commission held regular meetings between April and December, 2012 and filed a report on January 11, 2013. The report's recommendations include phasing in a higher minimum eligibility age to receive retiree health benefits and pro-rating the level of benefits received based on years of service.

State finance law was amended in 2010 to require deposits, on an annual basis, to the State Retiree Benefits Trust Fund in the amount of 5% of any capital gains tax revenues transferred to the Stabilization Fund because they are in excess of the statutory capital gains threshold. The 5% equated to a $23.4 million deposit in the State Retiree Benefits Trust Fund in fiscal 2013 and $2.3 million in fiscal 2014. This requirement was suspended by the legislature for fiscal 2015.

The fiscal 2012 budget included a requirement that, beginning in fiscal 2013, 10% of annual tobacco settlement payments received by the Commonwealth are to be transferred to the State Retiree Benefits Trust Fund, with the amount to be deposited to the State Retiree Benefits Trust Fund to increase by 10% increments annually thereafter until 100% of all payments are transferred to that Fund. The fiscal 2013 budget followed this

methodology. The fiscal 2014 and fiscal 2015 budgets provided that the transfer was to be funded from excess amounts appropriated for debt service, if available, with any balance to be made up from tobacco settlement payments. See "COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Tobacco Settlement*." The fiscal 2016 budget temporarily suspended this requirement, instead requiring that transfers be made equivalent to 30% of fiscal 2016 tobacco settlement proceeds (the same percentage required in fiscal 2015), or $73 million. However, that transfer is contingent on the availability of unexpended debt service appropriations, and if those are insufficient to fund the 30% transfer, the balance of the 30% will be funded by fiscal 2016 tax revenues exceeding $100 million generated by a tax amnesty program that was also authorized in the fiscal 2016 budget.

[*Remainder of page intentionally left blank*]

STATE WORKFORCE

The following table sets forth information regarding the Commonwealth's workforce as of the end of the last five fiscal years.

State Workforce

	June 2011	June 2012	June 2013	June 2014	June 2015 (2)
Executive Office	76	69	68	70	76
Office of the Comptroller	113	109	111	113	109
Executive Departments					
Administration and Finance	2,679	2,784	2,823	2,882	3,072
Energy and Environmental Affairs	1,960	1,949	1,915	1,900	2,535
Health and Human Services	19,435	19,397	19,379	19,699	20,234
Board of Library Commissioners	10	10	10	10	11
Housing and Economic Development	673	677	684	702	699
Labor and Workforce Development	269	262	236	250	234
Executive Office of Education	318	322	359	523	584
Public Safety and Security	8,259	8,534	8,626	8,815	8,680
Elder Affairs	39	37	38	39	36
Subtotal under Governor's Authority	33,831	34,150	34,249	35,005	36,270
Judiciary	7,109	7,085	7,217	7,188	7,406
Higher Education	12,940	12,539	12,957	13,840	14,006
Other (1)	10,111	10,084	10,356	10,606	10,812
Subtotal funded by the Operating Budget	63,991	63,858	64,779	66,638	68,495
Federal Grant, Trust and Capital Funded	20,078	20,654	20,650	19,963	20,754
Total	**84,069**	**84,512**	**85,429**	**86,602**	**89,249**

SOURCE: Executive Office for Administration and Finance.

(1) Other includes members of the Legislature and their staff, the offices of the State Treasurer, Secretary, Auditor and Attorney General, the eleven District Attorneys, the seven former county sheriffs that have become state agencies, and other agencies independent from the Governor.

(2) June, 2015 figures do not include the approximately 2,500 executive branch employees who took advantage of the Early Retirement Incentive Program (ERIP) and left the state workforce as of July 1, 2015.

Unions and Labor Negotiations

Under Massachusetts law, all employees of the Commonwealth, with the exception of managerial and confidential employees and employees of the Legislature, have the right to bargain collectively with the Commonwealth through certified employee organizations recognized as exclusive bargaining representatives for appropriate bargaining units. The Human Resources Division of the Executive Office for Administration and Finance conducts the collective bargaining negotiations with all employees of the Commonwealth (except those noted below). Such negotiations may cover wages, hours and other terms and conditions of employment, but may not include the levels of pension and group insurance benefits. All labor agreements negotiated by the Human Resources Division are subject to approval by the Secretary of Administration and Finance and, once approved, are forwarded to the Legislature for funding approval. Labor contracts are often funded by supplemental appropriations or advance-funded through reserve accounts.

The Trial Court, the Lottery Commission, state sheriffs, the Registries of Deeds under the control of the Secretary of the Commonwealth, public higher education management and the PCA Council negotiate directly with their respective employee representatives, but all wage increases and other economic provisions contained in such agreements are subject to the review of the Governor and to funding approval by the Legislature. If the Governor does not recommend the requested appropriation to fund contractual increases, he may refer the contracts back to the parties for further negotiation.

Approximately 35,015 executive branch full-time-equivalent state employees are organized in 13 bargaining units, the employees of the Commonwealth's colleges and universities are organized in 30 bargaining units, and the employees of the judicial branch, the Department of Transportation, the Lottery Commission, the Registries of Deeds, sheriffs and the PCAs are organized in 59 bargaining units. Public employees of the Commonwealth do not have a legal right to strike or otherwise withhold services.

The following is a description of certain terms of the most recent agreements with the collective bargaining units within the responsibility of the Human Resources Division. Negotiations have either concluded or are underway to finalize new contracts.

(1) The contract with the National Association of Government Employees, representing Units 1, 3 and 6, runs from July, 2014 to June, 2017 and provides increases of 3%, 3% and 3% in January, 2015, October, 2015 and July, 2016, respectively. The total estimated cost of the contract is $96.3 million.

(2) The contract with the Service Employees International Union, representing employees in units 8 and 10, runs from December 31, 2013 through December 31, 2016 and provides semi-annual salary increases of 1.5% each January and July (equal to an annualized increase of 3.0%) in the years 2014, 2015 and 2016, respectively. The total estimated cost of the contract is $107.1 million.

(3) The contract with the American Federation of State, Country and Municipal Employees, representing unit 2, runs from July, 2014 through June, 2017 and provides semi-annual salary increases of 1.5% each July and January (equal to an annualized increase of 3.0%) in the years 2015, 2016 and 2017, respectively. The total estimated cost of the contract is $53.3 million.

(4) The contract with the Massachusetts Organization of State Engineers and Scientists, representing unit 9, runs from July, 2014 through June, 2017 and provides semi-annual salary increases of 1.5% in each September and February (equal to an annualized increase of 3.0 in the years 2014, 2015 and 2016, respectively. The total estimated cost of the contract is $20.0 million.

(5) The contract with the New England Police Benevolent Association, representing unit 4A, ran from July 1, 2012 through June 30, 2014 and provided for semi-annual increases of 1.5% and a retroactive raise of 3% in June 2012.The total cost of the contract was $1.4 M. This contract has now expired and negotiations are ongoing.

(6) The contract with the Massachusetts Nurses Association runs from January 1, 2015 through December 31, 2017 and provides semi-annual increases of 1.5%, 1.5% and 1.5% effective each January and July, (equal to an annualized increase of 3.0%) in the years 2015, 2016 and 2017, respectively. The total estimated cost of the contract is $25.95 million.

(7) The contract with the State Police Association of Massachusetts runs from Jan 1, 2015 through Dec 31, 2017 and provides annual increases of 2%, 3.75%, and 3.75% respectively. The total estimated cost of the contract is $38.5 million.

(8) The contract with the Massachusetts Correction Officers Federated Union runs from July 1, 2015 through June 30, 2018 and provides annual increases of 2%, 3. 75% and 3. 75%, effective July 1, 2015, 2016 and 2017, respectively. The total estimated cost of the contract is $46.9 million.

(9) The contract with the Coalition of Public Safety ran from July 1, 2013 through June 30, 2015 and provided for semi-annual increases of 1.5%. The total cost of the contract was $1.0 million. This contract has now expired and negotiations are ongoing.

(10) The contract with the International Association of Fire Fighters ran from January 1, 2013 through December 31, 2014 and provided for semi-annual increases of 1.5%. The total cost of the contract was $0.1 million. This contract has now expired and negotiations are ongoing.

The following table sets forth information regarding the 14 bargaining units that are within the responsibility of the Human Resources Division.

Human Resources Division Bargaining Units (1)

Contract Unit	Bargaining Union	Type of Employee	FTEs	Contract Expiration Dates
1, 3, 6	National Association of Government Employees	Clerical, Skilled Trades, Administrative Professionals	9,390	6/30/17
2	Alliance/American Federation of State, County & Municipal Employees and Service Employees International Union	Institutional services	8,144	6/30/17
4	Massachusetts Correction Officers Federated Union	Corrections	4,013	6/30/18
4A	New England Police Benevolent Association	Corrections	84	6/30/14 (2)
5	Coalition of Public Safety	Law enforcement	195	6/30/15 (2)
5A, C22	State Police Association of Massachusetts	State Police	1,999	12/31/17
7	Massachusetts Nurses Association	Health professionals	1,495	12/31/17
8, 10	Alliance/Service Employees International Union	Social workers, Secondary Education	8,013	12/31/16
9	Massachusetts Organization of State Engineers and Scientists	Engineers/scientists	1,627	6/30/17
11	International Association of Fire Fighters	Fire fighters	55	12/31/14 (2)
		Total	**35,015**	

SOURCE: Executive Office for Administration and Finance.

(1) Numbers represent full-time equivalent filled positions (FTEs) in the standard workforce as of July 25, 2015 whose positions are established in accounts funded by all sources (the annual operating budget, capital projects funds, direct federal grants and expendable trusts and other non-appropriated funds).

(2) This contract has now expired and negotiations are ongoing.

[*Remainder of page intentionally left blank*]

SELECTED FINANCIAL DATA

Stabilization Fund

The Stabilization Fund is established by state finance law as a reserve of surplus revenues to be used for the purposes of covering revenue shortfalls, covering state or local losses of federal funds or for any event which threatens the health, safety or welfare of the people or the fiscal stability of the Commonwealth or any of its political subdivisions. The fund is sometimes referred to as the state's "rainy day fund," serving as a source of financial support for the state budget in times of slow or declining revenue growth and as the primary source of protection against having to make drastic cuts in state services in periods of economic downturns. See "FISCAL 2015 AND FISCAL 2016" for a description of fiscal 2015 and 2016 activity in the Stabilization Fund.

Required Deposits and Allowable Stabilization Fund Balance. Beginning July 1, 2004, state finance law provided that (i) 0.5% of current year net tax revenues from each fiscal year be deposited into the Stabilization Fund at fiscal year-end, (ii) 0.5% of current-year net tax revenues be made available for the next fiscal year and (iii) any remaining amount of the year-end surplus be transferred to the Stabilization Fund. State finance law was amended in July, 2010 to provide that any tax revenue from capital gains that exceeds $1 billion in a fiscal year (adjusted annually, beginning in fiscal 2014, for U. S. gross domestic product growth) is to be deposited into the Stabilization Fund, with 5% of the amount so deposited then transferred to the State Retiree Benefits Trust Fund. In 2012, the law was amended to provide that 5% of the amount deposited to the Stabilization Fund from capital gains must be transferred to the Commonwealth's Pension Liability Fund, in addition to the 5% transferred to the State Retiree Benefits Trust Fund. Legislation approved in February, 2015 retains all capital gains tax revenue in the General Fund for fiscal 2015. The fiscal 2016 budget retains all capital gains tax revenue in the General Fund for fiscal 2016. State finance law was further amended in July, 2013 to eliminate the requirement that at year end 0.5% of current year net tax revenue be deposited in the Stabilization fund and that 0.5% of current year net tax revenue be made available for the next fiscal year. Therefore, effective for fiscal years beginning with 2014, state finance law requires the entire year-end surplus to be transferred to the Stabilization Fund. This requirement can be modified or superseded by individual appropriation acts.

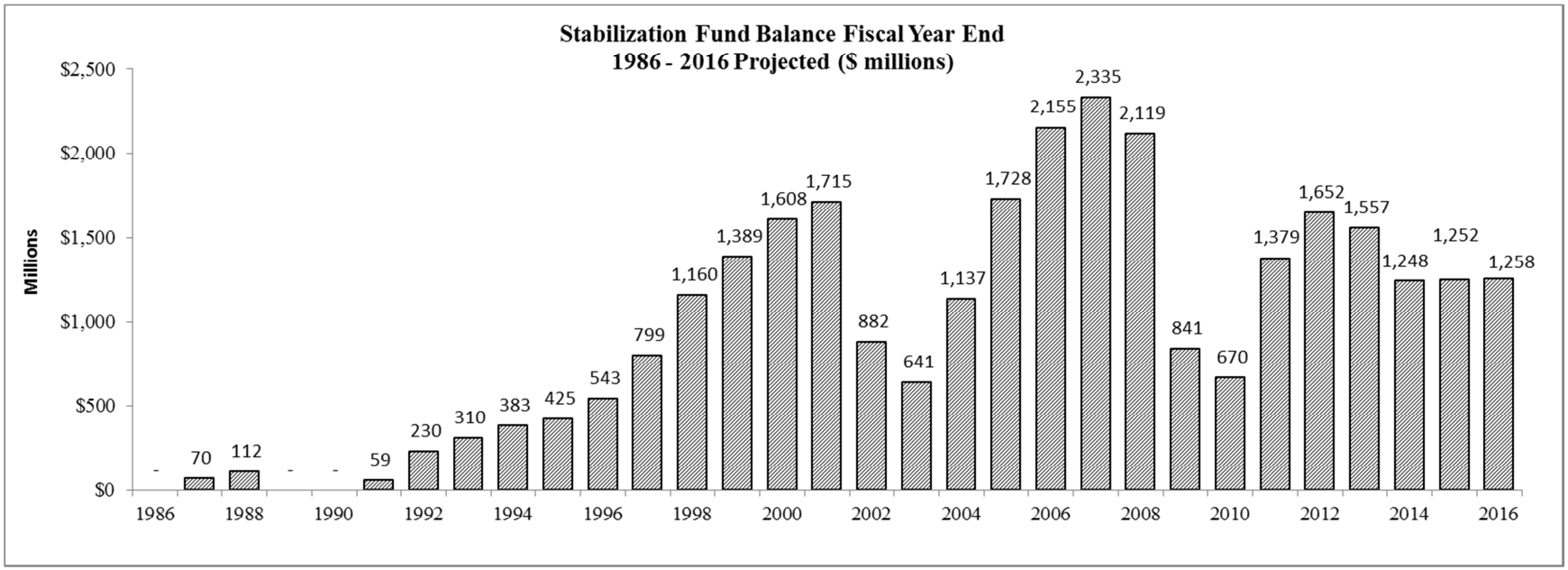
The fiscal 2015 budget included a provision modifying the law with respect to settlements and judgments such that settlements and judgments in excess of $10 million would be deposited in the Stabilization Fund only to the extent that the total of all such settlements and judgments exceeded the average of such total for the five preceding fiscal years. See "COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues - *Settlements and Judgments.*

Prior to fiscal 2004, the allowable Stabilization Fund balance at fiscal year-end could not exceed 10% of the total revenues for that year. Since fiscal 2004, the allowable Stabilization Fund balance has been 15% of total current-year revenues. If the Stabilization Fund balance exceeds the allowable limit, the excess amounts are to be transferred to the Tax Reduction Fund.

On November 2, 2015, the Governor signed into law the final supplemental appropriations bill, which disposed of the consolidated net surplus in the budgetary funds at the close of fiscal 2015 by (i) transferring half of the balance, not to exceed $10 million, to the Massachusetts Community Preservation Trust, (ii) transferring half of the balance, not to exceed $10 million, to the Massachusetts Life Sciences Investment Fund and (iii) transferring any remaining balance to the Stabilization Fund. This resulted in a final transfer to the Stabilization Fund of approximately $124 million for fiscal 2015.

The following chart shows the Stabilization Fund balance from fiscal 1986 through fiscal 2015 (actual and unaudited) and fiscal 2016 (projected).

[*Remainder of page intentionally left blank*]



SOURCE: Fiscal 1986-Fiscal 2015 (unaudited), Office of the Comptroller; Fiscal 2016 (projected), Executive Office for Administration and Finance.

[*Remainder of page intentionally left blank*]

The following table shows the sources and uses of the Stabilization Fund during fiscal 2011 through fiscal 2015:

Stabilization Fund Sources and Uses (in thousands)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Beginning fund balances	$669,803	$1,379,071	$1,652,118	$1,556,657	$1,248,435
Revenues and Other Sources					
Consolidated net surplus	348,605	116,673	-	-	123,507
Deposits made directly during fiscal year	350,000	-	-	-	20,000 (1)
Capital gains tax transfers in excess of $1 billion	-	-	467,500	45,457	-
Deposits due to judgments and settlements in excess of $10 million	-	375,021	32,498	414,310	-
Lottery transfer taxes	1,619	1,353	1,291	867	647
Investment income	9,044	10,408	5,322	7,259	4,646
Excess permissible tax revenue	9,044	-	-	-	-
Total Revenues and Other Sources	718,312	503,455	506,611	467,893	148,800
Total Expenditures and Other Uses	9,044	230,408	602,072	776,115	144,806
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	709,268	273,047	(95,461)	(308,222)	3,994
Ending fund balances	**$1,379,071**	**$1,652,118**	**$1,556,657**	**$1,248,435**	**$1,252,429**
Allowable Stabilization Fund Balance	**$4,961,300**	**$4,881,982**	**$5,066,844**	**$5,320,973**	**$5,735,471**

SOURCE: Office of the Comptroller. Fiscal 2015 is unaudited.
(1) Represents repayment of Massachusetts Gaming Commission start-up funds.

GAAP Basis

The Commonwealth's GAAP financial statements for the year ended June 30, 2014, incorporated herein by reference as Exhibit C, are prepared in accordance with reporting standards first established by GASB Statements 34 and 35, as amended. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS - Fiscal Control, Accounting and Reporting Practices of Comptroller." The GAAP financial statements present a government-wide perspective, including debt, capital assets and accrual activity on a comprehensive statement of net position. All capital assets, including road and bridge infrastructure and all long-term liabilities, including outstanding debt and commitments of long-term assistance to municipalities and authorities, are part of the statements. The Commonwealth's statement of revenues, expenditures and changes in fund balances are presented as a statement of activities.

The table below presents the transition from the Commonwealth's statutory basis budgetary fund balance to the "fund perspective" balance, as depicted in the fund financial statements, and then to the Commonwealth's "entity-wide" governmental financial position. Differences between statutory and GAAP basis can be summarized in five major adjustments. Those adjustments are for Medicaid (as well as the somewhat related liability for uncompensated care), taxes, projected amounts due to the Commonwealth in the next fiscal year under the master tobacco settlement agreement, claims and judgments and amounts due to authorities. As evidenced in the trend line of fund balance (deficit) over time, however, these adjustments connect the GAAP basis measurement when viewed using a fund perspective under GAAP and the statutory basis measurement. While the difference in fund balances may vary in a given fiscal year, both balances generally trend in the same direction. To convert to a full accrual basis, major adjustments are made for the net book value of the Commonwealth's assets, inclusive of infrastructure,

the realizable value of long-term deferred revenues (largely from tax payment plans) and the amount of the Commonwealth's outstanding long-term debt and other liabilities.

Governmental Funds-Statutory to GAAP-Fund Perspective and to Governmental Net Position

(Amounts in Millions of Dollars)

Governmental Funds-Statutory Basis, June 30, 2014	
Budgeted Fund Balance	$1,450.5
Non-budgeted special revenue fund balance	2,269.9
Capital Projects Fund Balance	(1,101.2)
Governmental Fund Balance-Statutory Basis, June 30, 2014	**$2,619.2**
Plus: Expendable Trust and similar fund statutory balances that are considered governmental funds for GAAP reporting purposes	467.9
Less: Massachusetts Department of Transportation Funds	(1,292.2)
Adjusted Statutory Governmental Fund Balance	**$1,795.0**
Short term accruals, net of allowances and deferrals for increases/(decreases)	
Taxes, net of refunds and abatements	1,951.6
Tobacco settlement agreement receivable	126.8
Medicaid	(355.2)
Assessments and other receivables	280.6
Amounts due to authorities and municipalities, net	(576.9)
Claims, judgments and other risks	(33.2)
Amounts due to healthcare providers and insurers	(78.5)
Workers' compensation and group insurance	(133.3)
Other accruals, net	469.2
Net increase to governmental funds balances	**$1,651.1**
Massachusetts School Building Authority fund balance	1,173.3
Total changes to governmental funds	**$2,824.4**
Governmental fund balance (fund perspective)	4,619.4
Plus: Capital assets including infrastructure, net of accumulated depreciation	4,572.6
Deferred revenue, net of other eliminations	682.2
Long term accruals:	
Pension benefits cumulative over/(under) funding	(2,219.0)
Post-employment benefits other than pensions cumulative over/(under) funding	(4,832.0)
Environmental remediation liability	(217.3)
Massachusetts School Building Authority debt and school construction payables	(7,403.8)
Long term debt, unamortized premiums and deferred losses on debt refundings	(23,109.6)
Compensated Absences	(527.2)
Capital leases	(55.9)
Accrued interest on bonds	(353.3)
Other long term liabilities	(115.8)
Total governmental net position/(deficit) (government-wide perspective)	**($28,959.7)**

SOURCE: Office of the Comptroller

The deficit of $28.960 billion in government-wide net position can be largely attributed to the Commonwealth's policy decision to finance the construction of assets owned by other governmental entities, particularly Commonwealth roads and bridges, which as a result of transportation reform completed during fiscal 2010 shifted these assets from the books of the Commonwealth to the Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth. At the end of fiscal 2014, MassDOT held $22.798 billion in road, bridge and other transportation-related assets (excluding assets of the Massachusetts Bay Transportation Authority), net of related depreciation, the vast majority of which were formerly held by the Commonwealth. Those assets were financed by the Commonwealth, and the debt remains a long-term obligation of the Commonwealth. In addition, the Commonwealth has a net liability of $6.174 billion in debt and grant obligations for the school building assistance program that finances construction of schools for the Commonwealth's cities and towns.

Change in Statement of Net Position

(amounts in thousands of dollars)

	Governmental Activities (1)	Business Type Activities (1)	Government Wide (1)
Total net position:			
Fiscal 2013	($25,983,856)	$4,819,317	($21,164,539)
Fiscal 2014	(28,959,690)	5,487,641	(23,472,049)
Change in net position	($2,975,834)	$668,324	($2,307,510)

SOURCE: Office of the Comptroller

(1) During fiscal 2014, the beginning net position of the governmental activities and business type activities were restated by approximately $44 million and $22 million, respectively due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and other various restatements by the University of Massachusetts System, State Universities and Community Colleges; see footnote 1 of the CAFR.

During the fiscal year, approximately $1.366 billion in restricted net position was set aside for unemployment benefits and an additional approximate $1.138 billion was restricted for debt retirement.

Revenues – GAAP Basis. The measurement of revenues for the budgeted operating funds from a statutory basis differs from governmental revenues on a GAAP basis in that certain funds that are not governmental for statutory purposes are included on a GAAP basis, including revenue accruals for Medicaid and taxes, which are included on a GAAP basis but not on a statutory basis. In addition, internal transfers are eliminated under GAAP from an entity-wide perspective. The following table shows the distribution of major sources of revenue in fiscal 2013:

Comparison of Fiscal 2014 Governmental Revenues (in millions)

	Governmental Funds	GAAP Basis – Governmental	
	Statutory Basis	Fund Perspective	Entity-wide Perspective
Taxes	$23,665	$23,786	$23,319
Federal Revenue	11,593	13,147	13,152
Departmental and Miscellaneous Revenue	18,967	20,277	10,369
Total	**$54,225**	**$57,210**	**$46,840**

SOURCE: Office of the Comptroller.

The following table provides financial results on a GAAP basis for all governmental operating funds of the Commonwealth for fiscal 2010 through fiscal 2014.

[*Remainder of page intentionally left blank*]

Governmental Fund Operations – GAAP Basis – Fund Perspective (in millions)

	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014
Beginning fund balances	$5,061.3	$4,585.7	$5,267.6	$6,318.9	$4,869.9
Revenues and Financing Sources	49,853.1	53,898.4	54,370.1	55,289.9	57,210.0
Expenditures and Financing Uses	50,328.7	53,216.5	53,318.8	56,738.9	57,460.5
Excess/(deficit)	(475.6)	681.9	1,051.3	(1,449.0)	(250.5)
Ending fund balances—GAAP fund perspective	**$4,585.7**	**$5,267.6**	**$6,318.9**	**$4,869.9**	**$4,619.4**

SOURCE: Office of the Comptroller.

Financial Reports. The Commonwealth issues annual reports, including financial statements on the statutory basis of accounting (reviewed not audited) and the GAAP basis audited financial statements. These financial statements are issued as two separate reports, the Statutory Basis Financial Report (SBFR) and the Comprehensive Annual Financial Report (CAFR). The SBFR is published by the Comptroller by October 31 and the CAFR is published by the Comptroller by the second Wednesday in January. The SBFR for the year ended June 30, 2014 and the CAFR for the year ended June 30, 2014 are attached hereto as Exhibits B and C, respectively. Copies of these financial reports are also available at the address provided under "CONTINUING DISCLOSURE." The SBFR for fiscal 1997 through fiscal 2014 and the CAFR for fiscal 1995 through fiscal 2014 are also available on the web site of the Comptroller of the Commonwealth located at http://www.mass.gov/osc by clicking on "Financial Reports" under the "Publications and Reports" tab.

The Comptroller retains an independent certified public accounting firm to audit the Commonwealth's financial statements and issue certain other reports required by the single audit. As part of the single audit, the independent auditors render a report on all programs involving federal funding for compliance with federal and state laws and regulations and assess the adequacy of internal control systems. For fiscal 1991 through 2014 the independent auditors' opinions were unqualified.

For each year beginning in fiscal 1991, the Commonwealth CAFRs, from which certain information contained in this Information Statement has been derived, have been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. Fiscal 2014 marked the 24th consecutive year that the Commonwealth has received this award.

Discussion of Financial Condition

As the annual operating budget of the Commonwealth is adopted in accordance with the statutory basis of accounting, public and governmental discourse on the financial affairs of the Commonwealth has traditionally followed the statutory basis. Consequently, the financial information set forth in this document follows the statutory basis, except where otherwise noted. Since fiscal 1990, the Commonwealth has prepared separate audited financial reports on the statutory basis and on a GAAP basis. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Fiscal Control, Accounting and Reporting Practices of Comptroller; *Financial Reports*." Without limiting the generality of the references to the SBFR for the year ended June 30, 2014 and the CAFR for the year ended June 30, 2014, attention is called in particular to the portion of the CAFR under the heading "Management's Discussion and Analysis."

Auditors' Report on Fiscal 2014 CAFR

The basic financial statements included in the CAFR of the Commonwealth for the year ended June 30, 2014 were audited by KPMG LLP (KPMG). The KPMG audit report dated December 23, 2014 on the general purpose financial statements included in the CAFR for the year ended June 30, 2014 contained an unqualified opinion. A copy of the audit report of KPMG dated December 23, 2014 has been filed with EMMA and is included within Exhibit C to this Information Statement. KPMG has not been engaged to perform, and has not performed, since the respective dates of its reports included herein, any procedures on the financial statements addressed in such reports, nor has said independent auditor performed any procedures relating to any official statement of which this Information Statement may be a part.

[*Remainder of page intentionally left blank*]

FISCAL 2015 AND FISCAL 2016

Fiscal 2015

The fiscal 2015 budget was enacted by the Legislature on June 30, 2014 and approved by the former Governor on July 11, 2014. A $4.6 billion interim budget for the first month of fiscal 2015 had been enacted by the Legislature and approved by the former Governor on June 26, 2014. Total spending in the fiscal 2015 budget approved by the former Governor amounted to approximately $36.491 billion, after accounting for $16.1 million in vetoes. The fiscal 2015 budget was approximately $1.946 billion, or 5.6%, greater than fiscal 2014 estimated spending levels at the time of its approval.

The fiscal 2015 budget was based on a consensus tax revenue estimate of $24.337 billion, which represented projected revenue growth of 4.9% over the fiscal 2014 revised estimate. After accounting for statutorily required transfers for pensions, to the MBTA, the MSBA, and the Workforce Training Fund and excess capital gains tax revenue, approximately $20.817 billion of tax revenue was projected to be available for spending in the fiscal 2015 budget at the time of its approval by the former Governor. See "Commonwealth Revenues and Expenditures – Fiscal 2015 and 2016 Tax Revenues; Fiscal 2015." The fiscal 2015 budget also assumed tax revenues to be increased as a result of revenue initiatives enacted as part of the budget, including a one-year delay of the FAS 109 deductions (+ $46 million), a tax amnesty program (+$35 million) and enhanced tax enforcement initiatives (+ $12 million). The enacted fiscal 2015 budget also assumed $240 million from the modification of the existing tax and non-tax judgment and settlement law. See "Commonwealth Revenues and Expenditures – Federal and Other Non-Tax Revenues; Settlements and Judgments."

On July 25, 2014, the former Governor approved legislation that included approximately $15.7 million in supplemental appropriations. On July 28, 2014, the former Governor approved legislation that allowed certain counties to use deeds excise revenues for their required maintenance of efforts, which was expected to result in an estimated revenue loss of approximately $5.3 million in fiscal 2015. On August 6, 2014, the former Governor approved legislation that included approximately $4.5 million in additional supplemental appropriations. On August 13, 2014, the former Governor approved legislation that included approximately $82.4 million in additional supplemental appropriations and transfers. The legislation also authorized a two-day sales tax holiday, which was expected to result in approximately $25.9 million in foregone revenue, plus additional tax credits and exemptions expected to result in an estimated tax revenue loss of approximately $11.6 million in fiscal 2015.

On November 19, 2014, the former Secretary of Administration and Finance announced a revised estimate of revenue available to meet appropriations in fiscal 2015 and announced his determination that, as so revised, revenues would be insufficient to meet authorized expenditures for the fiscal year. The amount of the deficiency was estimated to be $329 million. On the same date, the former Governor reduced spending allotments pursuant to Section 9C of Chapter 29 by $198.1 million and filed legislation, which was not adopted, to reduce spending at most non-executive branch agencies and at MassDOT and to reduce the funding level for unrestricted local aid. In addition, the former Governor sought the return from several quasi-public authorities of a portion of the funding provided by economic development legislation approved in August, 2014. Ultimately, $252 million of the outgoing Governor's proposed solutions were implemented.

On January 8, 2015, a new Governor assumed office. On February 3, 2015, the new Secretary of Administration and Finance announced that she had identified a projected fiscal 2015 budget shortfall of $768 million, after taking into account the $252 million of budget solutions described above and assuming that $200 million of capital gains tax revenue would be retained in the General Fund and not transferred to the Stabilization Fund. The projected budget gap was the result of both revenue shortfalls and spending exposures. The revenue shortfalls included lower than budgeted settlement and judgment receipts, a reduction in the income tax rate from 5.20% to 5.15% effective January 1, 2015, and lower than expected departmental revenues. Spending exposures included MassHealth spending due to temporary coverage and other factors, GIC spending due to enrollment and utilization growth, Emergency Assistance spending due to caseload increases, DCF spending due to caseload increases, snow and ice removal spending due to higher than budgeted costs and supplemental and other spending beyond projected fiscal 2015 revenues.

On the same day, the Governor further reduced spending allotments pursuant to Section 9C by $145 million and announced $168 million in additional MassHealth savings by implementing several management initiatives. The Governor also filed legislation to reduce spending at non-executive branch agencies and at MassDOT, to implement a corporate tax amnesty program and to direct excess capital gains tax collections in fiscal 2015 to the General Fund rather than the Stabilization Fund. The legislation was enacted and approved on February 13, 2015. The Governor's budget balancing plan for fiscal 2015 also assumed $105 million from non-tax revenue opportunities that were expected to generate additional revenue without increases to fees or fines and $108 million in appropriations that were expected to remain unspent by the close of the fiscal year.

On March 31, 2015, the Governor approved legislation that included supplemental appropriations totaling $363.5 million (net after assuming off-setting reimbursements).

On November 2, 2015, the Governor approved legislation that included supplemental appropriation line items totaling approximately $326.3 million ($223.5 million net after assuming offsetting reimbursements) to close out fiscal 2015. These line-item appropriations included $203 million for MassHealth, $39.6 million for snow and ice and other winter-related expenses, $27.8 million for new opioid addiction initiatives and $21.7 million for the state's sheriffs. The legislation also authorized an approximate $120 million transfer to the Commonwealth Stabilization Fund, $113.2 million for debt defeasance and transfers of $10 million each to the Massachusetts Life Sciences Center and the Community Preservation Fund.

The Executive Office for Administration and Finance estimates that approximately $1.2 billion in one-time resources were used in fiscal 2015 to support state spending.

Fiscal 2016

On January 30, 2015, a fiscal 2016 consensus tax revenue estimate of $25.479 billion was agreed upon by the Secretary of Administration and Finance and the chairs of the House and Senate Committees on Ways and Means. The fiscal 2016 consensus tax revenue estimate represents revenue growth of 4.8% actual from the revised fiscal 2015 estimate. After accounting for statutorily required transfers for pensions, to the MBTA, the MSBA, and the Workforce Training Fund, and including expected capital gains tax revenue in excess of the fiscal 2016 threshold, the Secretary and Committee chairs agreed that $21.396 billion would be the maximum amount of tax revenue available for the fiscal 2016 budget. See "Commonwealth Revenues and Expenditures – Fiscal 2015 and 2016 Tax Revenues; Fiscal 2016."

An interim budget of approximately $5.5 billion for the first month of fiscal 2016 was enacted by the Legislature on June 22, 2015 and approved by the Governor on June 23, 2015. The interim budget was immediately superseded by the fiscal 2016 budget when it went into effect. The fiscal 2016 budget was enacted by the Legislature on July 8, 2015 and approved by the Governor on July 17, 2015. Total spending in the fiscal 2016 budget approved by the Governor amounted to approximately $38.2 billion, after accounting for $162.8 million in vetoes.

The fiscal 2016 budget was approximately $38.2 billion, or 3.4%, greater than fiscal 2015 estimated spending levels at the time of its approval. (This calculation assumes that a $565.5 million transfer from the General Fund to the Medical Assistance Trust Fund, which has been delayed into fiscal 2016 to await necessary federal approval, is counted as fiscal 2015 actual spending.) The fiscal 2016 budget relies on approximately $629 million in one-time resources and other solutions to support recurring spending. Among the solutions assumed as part of the fiscal 2016 budget are: projected $300 million above-threshold capital gains tax revenues retained in the General Fund (rather than transferred to the Stabilization Fund), projected $116 million of MassHealth cash management (deferring payments into fiscal 2017), projected $100 million from a non-filer tax amnesty program, $67 million transfer from the Commonwealth Care Trust Fund and $46 million from FAS 109 delay. The fiscal 2016 budget also assumes savings for fiscal 2016 debt service attributable to the $113.2 million debt defeasance included in the final fiscal 2015 supplemental appropriation bill. See "Fiscal 2015" above; "Commonwealth Revenues and Expenditures – Fiscal 2015 and 2016 Tax Revenues; Fiscal 2016"; "Commonwealth Revenues and Expenditures – State Taxes; FAS-109 Deduction"; "Pension and OPEB Funding – Other Post-Retirement Benefit Obligations (OPEB)."

The fiscal 2016 budget also assumes gross payroll related savings of approximately $200 million due to an early retirement incentive program signed into law by the Governor on May 4, 2015. The Executive Office for Administration and Finance currently estimates gross payroll related savings due to an early retirement incentive program of approximately $189.8 million. This program is expected to result in fiscal 2016 net payroll related savings of approximately $109 million, net of the costs of pension contributions, vacation and sick leave buyback, and a limited amount of re-hiring. The Executive Office for Administration and Finance has identified approximately $15 million in additional federal revenues to partially offset the payroll related saving necessary to meet fiscal 2016 payroll savings targets, and is authorized to take additional measures to meet those payroll savings targets, including hiring and headcount restrictions, one-time incentive payments to induce additional retirements, and other initiatives. The early retirement incentive program is projected to increase the Commonwealth's annual required contribution to the pension fund for the next 15 years by approximately $29.2 million annually. The fiscal 2016 budget provides for this additional contribution and includes language that would increase accordingly the scheduled fiscal 2017 pension funding payment. See "Pension and OPEB Funding – Funding Schedule."

Legislation was approved as part of the fiscal 2016 budget establishing a Fiscal Control and Management Board to focus specifically on improving management of the MBTA, as originally proposed by the Governor. These MBTA provisions have no fiscal impact on the Commonwealth in fiscal 2016. In subsequent fiscal years, the legislation requires the Fiscal Control and Management Board to establish one- and five-year operating budgets that are balanced through a combination of internal cost controls and increased own-source revenues. Also enacted as part of the fiscal 2016 budget were provisions allowing the University of Massachusetts to retain all the tuition it collects. This change is not expected to have any fiscal impact in fiscal 2016. The Executive Office for Administration and Finance is developing its analysis of the fiscal impact of the change in fiscal 2017 and later years. See "Commonwealth Revenues and Expenditures – Education; Department of Higher Education."

On July 28, 2015, the Legislature passed overrides to the Governor's vetoes in the amount of $97.9 million. On August 6, 2015, the Governor approved legislation that authorized a two-day suspension of the sales tax imposed by Chapter 64H of the General Laws on August 15 and 16, 2015, which is expected to result in approximately $25.5 million in foregone revenue.

The Executive Office for Administration and Finance regularly reviews the Commonwealth's fiscal condition throughout the fiscal year, and employs a number of tools to control spending. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Cash and Budgetary Controls."

On October 15, 2015, the Secretary of Administration and Finance maintained the fiscal 2016 tax revenue estimate of $25.611 billion without change. The Secretary of Administration and Finance did reduce the fiscal 2016 non-tax revenue estimate by $145 million. The Executive Office for Administration and Finance has identified other potential non-tax revenue exposures and will monitor these exposures closely as the fiscal year progresses.

The Executive Office for Administration and Finance has identified potential deficiencies in the fiscal 2016 budget in the range of approximately $200 million to $250 million. These potential deficiencies relate to, but are not limited to, compensation for legally appointed private counsel in connection with a program providing legal services for those unable to afford an attorney, collective bargaining and emergency shelter services. This estimate does not include an approximate $150 million spending deficiency at MassHealth (see "MEDICAID AND THE HEALTH CONNECTOR"), nor does it include potential shortfalls from budgetary savings initiatives, additional spending associated with budget veto overrides, the lower non-tax revenue estimate noted above or the tax revenue reduction related to the two-day suspension of the sales tax, also noted above. The Executive Office for Administration and Finance will closely monitor these exposures, as well as any other trends or exposures that may emerge, as the fiscal year progresses. Projected and actual revenue and spending will be considered to ensure that the Commonwealth achieves fiscal balance in fiscal 2016. The Commonwealth will implement any gap-closing measures necessary in light of the facts and circumstances as they develop.

Cash Flow

The State Treasurer is responsible for cash management and ensuring that all Commonwealth financial obligations are met on a timely basis. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Cash Management Practices of State Treasurer." The Commonwealth does not engage in inter-fund borrowing. Cash

flow management incorporates the periodic use of short-term borrowing to meet cash flow needs for both capital and operating expenditures. All revenue anticipation notes, including those issued as commercial paper, must be repaid by the end of the fiscal year. The state currently has liquidity support for a $200 million tax-exempt commercial paper program for general obligation notes. The Commonwealth has relied upon the commercial paper program for additional liquidity since 2002.

The Commonwealth ended fiscal 2015 with a non-segregated cash balance of approximately $2.141 billion. The most recent cash flow statement projects a fiscal 2016 ending balance of approximately $2.563 billion.

The fiscal 2015 and fiscal 2016 cash flow statements released by the State Treasurer and the Secretary of Administration and Finance on September 1, 2015 are summarized in the tables below. The fiscal 2015 statement is based upon the fiscal 2015 budget signed on July 11, 2014 and all supplemental appropriations filed, enacted or anticipated, and includes all prior appropriations continued into fiscal 2015. Fiscal 2016 projections are based on actual spending and revenue through July, 2015 and estimates for the remainder of the fiscal year. The fiscal 2016 statement is based upon the fiscal 2016 budget approved by the Governor on July 17, 2015 and subsequent overrides of the Governor's vetoes. Quarterly cash flow statements, as submitted by the State Treasurer to the House and Senate Committees on Ways and Means, are posted on the cash management page of the State Treasurer's website.

Commonwealth cash deposits are held in insured or collateralized bank accounts and with the Massachusetts Municipal Depository Trust (MMDT), the Commonwealth's investment pool for governmental entities.

MMDT is comprised of two portfolios, professionally managed by Federated Investors Inc., the Cash Portfolio and the Short Term Bond Fund. The Cash Portfolio investments are carried at amortized cost, which approximates fair value and the Short Term Bond Fund investments are carried at fair value.

The Cash Portfolio invests in a diversified portfolio of high quality United States dollar-denominated money market instruments (eligible under Rule 2a-7 of the Securities and Exchange Commission) of domestic and foreign issuers, United States government securities and repurchase agreements. As of September 30, 2015, the Cash Portfolio holdings were made up of commercial paper and notes (40.0%), variable rate instruments (24.0%), repurchase agreements (16.2%) and bank instruments (19.8%). As of October 31, 2015 the Cash Portfolio's monthly weighted average life was 72 days, and the monthly weighted average maturity was 41 days.

The Short Term Bond Fund invests in a diversified portfolio of investment grade debt securities. As of September 30, 2015, the Short Term Bond Fund holdings were made up of U. S. Treasury securities (53.2%), Financial Institution – Banking (6.1%), FNMA MBS (2.8%), Technology (2.1%), FHLMC MBS (1.9%), FNMA Agency (1.8%), Commercial MBS (1.5%), Consumer Non-Cyclical Food/Beverage (1.5%), Energy – Integrated (1.4%), Energy – Midstream (1.4%), Other (26.3%).

The fiscal 2016 capital plan provides for $4.107 billion of spending on capital projects, including $2.125 billion of general obligation bond cap spending, $405.9 million of spending authorized under the accelerated bridge program, $394.0 million in special obligation spending, $716.6 million in federal reimbursements and grants, $98.6 million of spending on projects funded by anticipated savings or revenues, $168.0 million in non-Commonwealth borrowings such as contributions from campuses, and $198.0 million in pay-as-you go capital funded by tolls.

The capital spending federal reimbursement estimates included in the fiscal 2016 cash flow forecast assume re-capitalization of the Federal Highway Trust Fund. If necessary, future cash flow forecasts will be updated to take into account any lapse of federal funding or delay in reimbursements.

For cash flow needs for fiscal 2016, the State Treasurer issued $1.2 billion in revenue anticipation notes (RANs) on September 29, 2015. As in previous years, the RANs will be repaid in April, May and June, 2016.

The next cash flow statement is expected to reflect additional spending in connection with the final supplemental appropriation act approved on November 2, 2015 as well as other timing issues related to cash flows from operations, transfers and projected and actual borrowing. As a result of these and other factors, it is anticipated

that the next cash flow statement, which is expected to be released on or about November 30, 2015 will be substantially revised from the last published cash flow statement reflected in the tables below.

The following table provides General Fund ending cash balances by month for fiscal 2012 through fiscal 2016.

Month End General Fund Cash Balances (in millions)
(as of September 1, 2015)

	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016
July	$ 2,194.7	$ 1,944.4	$ 1,253.7	$ 768.9	$1,380.2
August	2,153.1	1,505.4	1,065.1	948.9	677.0 (1)
September	1,462.0	675.8	1,918.9	1,762.7	1,610.9 (1)
October	1,522.5	2,175.8	1,744.4	1,453.2	1,435.6 (1)
November	1,973.0	1,625.7	1,272.2	1,240.7	627.6 (1)
December	1,287.4	1,018.4	1,437.6	991.5	826.9 (1)
January	1,995.5	1,597.6	1,186.3	953.9	1,231.2 (1)
February	1,551.2	1,334.9	603.2	414.1	443.8 (1)
March	860.1	368.3	749.5	743.0	614.7 (1)
April	1,823.8	2,001.3	1,204.6	1,860.9	1,827.1 (1)
May	1,643.4	1,829.7	703.9	1,691.2	1,457.9 (1)
June	2,096.7	2,276.6	1,340.8	2,140.5	2,563.6 (1)

SOURCE: Office of the Treasurer and Receiver-General.

(1) Fiscal 2016 ending balances are estimated for August to June.

The following tables provide cash flow detail for fiscal 2015 and fiscal 2016.

[*Remainder of page intentionally left blank*]

Overview of Fiscal 2015 Non-Segregated Operating Cash Flow (in millions) (1)

(as of September 1, 2015)

	Jul-14	Aug-14	Sep -14	Oct-14	Nov -14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	June-15	Total FY 2015
Opening Non-Segregated Operating Cash Balance	**$1,340.8**	**$769.0**	**$948.9**	**$1,762.7**	**$1,453.2**	**$1,240.7**	**$991.5**	**$953.9**	**$414.1**	**$743.1**	**$1,861.0**	**$1,775.0**	**$1,340.8**
Operating Activities:													
Budgetary Funds:													
Transfer from/(to) Stabilization Fund	84.6	300.5	2.5	0.0	135.5	0.0	0.0	0.0	1.8	0.0	1.0	0.0	525.8
Total Budgetary Revenue/Inflows	3,045.2	2,990.9	3,327.6	2,965.6	2,709.1	3,397.1	3,731.4	2,672.1	3,808.6	5,105.4	3,160.2	3,858.8	40,771.9
Total Budgetary Expenditures/Outflows	3,354.0	3,445.8	3,039.6	3,126.5	3,146.3	3,143.8	3,334.9	2,956.0	3,162.0	3,122.5	2,978.8	2,289.2	37,099.4
Net Budgetary Funds	(308.8)	(454.9)	288.0	(160.8)	(437.3)	253.3	396.5	(283.9)	646.6	1,982.9	181.4	1,569.6	3,672.5
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	959.5	1,351.6	654.8	802.3	1,209.5	824.5	722.4	682.9	783.4	515.6	972.4	236.9	9,715.8
Total Non Budgetary Expenditures/Outflows	1,081.4	1,061.1	1,115.4	967.7	909.3	1,373.7	949.5	1,118.1	1,001.3	1,008.9	973.6	1,236.3	12,796.2
Net Non Budgetary Funds	(122.0)	290.5	(460.5)	(165.3)	300.2	(549.2)	(227.1)	(435.2)	(217.9)	(493.3)	(1.2)	(999.4)	(3,080.4)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	0.9	1.2	0.9	16.8	1.2	1.2	1.4	6.9	3.9	3.2	1.5	2.3	41.4
Net Operating Activities	**($429.9)**	**($163.2)**	**($171.6)**	**($309.3)**	**($135.9)**	**($294.8)**	**$170.8**	**($712.2)**	**$432.6**	**$1,492.8**	**$181.8**	**$572.5**	**$633.6**
Federal Grants:													
Total Federal Grants Revenue/Inflows	27.6	44.7	161.8	145.7	131.8	205.2	134.2	234.7	208.0	269.3	192.6	524.9	2,280.4
Total Federal Grants Expenditures/Outflows	157.7	228.5	152.5	156.6	170.7	247.5	187.7	166.0	225.0	201.0	184.9	251.2	2,329.4
Net Federal Grants	**($130.1)**	**($183.9)**	**$9.3**	**($10.9)**	**($38.9)**	**($42.4)**	**($53.5)**	**$68.7**	**($17.0)**	**$68.2**	**$7.7**	**$273.7**	**$(49.0)**
Capital Funds:													
Total Capital Revenue/Inflows	298.0	787.5	79.8	265.2	203.3	399.0	94.8	276.9	139.6	154.9	323.8	407.8	3,430.6
Total Capital Expenditures/Outflows	309.9	260.5	303.6	254.5	241.0	311.2	249.7	173.1	226.2	194.6	279.1	400.2	3,203.6
Net Capital Funds	**($11.9)**	**$526.9**	**($223.8)**	**$10.7**	**($37.7)**	**$87.9**	**($154.8)**	**$103.7**	**($86.6)**	**($39.7)**	**$44.7**	**$7.6**	**$226.9**
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Anticipation Notes (RANS)	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Total Cash Flow Financing Activities Inflows	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Cash Flow Financing Activities Outflows:													
Commercial Paper – (Principal + Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RANS – (Principal + Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	403.4	403.9	404.4	1,211.7
Total Cash Flow Financing Activities Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	403.4	403.9	404.4	1,211.7
Net Financing Activities	**$0.0**	**$0.0**	**$1,200.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**($403.4)**	**($403.9)**	**($404.4)**	**($11.7)**
Ending Non-Segregated Operating Cash Balance	**$769.0**	**$948.9**	**$1,762.7**	**$1,453.2**	**$1,240.7**	**$991.5**	**$953.9**	**$414.1**	**$743.1**	**$1,861.0**	**$1,691.2**	**$2,140.6**	**$2,140.6**

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

Overview of Fiscal 2016 Non-Segregated Operating Cash Flow (in millions) (1)

(as of September 1, 2015)

	Jul-15	Aug-15 (2)	Sep -15 (2)	Oct-15 (2)	Nov -15 (2)	Dec-15 (2)	Jan-16 (2)	Feb-16 (2)	Mar-16 (2)	Apr-16 (2)	May-16(2)	June-16(2)	Total FY 2016 (2)
Opening Non-Segregated Operating Cash Balance	**$2,140.6**	**$1,380.2**	**$677.0**	**$1,610.9**	**$1,435.6**	**$627.6**	**$826.9**	**$1,231.2**	**$443.8**	**$614.7**	**$1,827.1**	**$1,457.9**	**$2,140.6**
Operating Activities:													
Budgetary Funds:													
Transfer from/(to) Stabilization Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Budgetary Revenue/Inflows	3,258.7	2,837.0	3,644.3	2,965.9	2,800.5	3,614.1	3,768.8	2,956.5	4,013.7	4,781.0	3,337.5	4,089.4	42,067.4
Total Budgetary Expenditures/Outflows	3,950.3	3,539.9	3,834.6	3,143.6	3,478.2	3,318.0	3,152.9	3,585.8	3,524.5	3,285.2	3,153.4	2,373.4	40,340.0
Net Budgetary Funds	(691.6)	(702.9)	(190.3)	(177.7)	(677.7)	296.1	615.9	(629.3)	489.2	1,495.8	184.1	1,716.0	1,727.5
Non Budgetary Funds (Non Budgetary, Higher Ed and Trust Funds):													
Total Non Budgetary Revenue/Inflows	1,218.9	1,214.2	1,008.7	898.1	897.7	1,031.7	904.1	824.7	864.7	1,160.1	893.7	986.6	11,903.1
Total Non Budgetary Expenditures/Outflows	1,166.8	1,027.7	1,148.5	1,036.5	1,034.7	1,126.5	1,073.5	1,017.7	1,153.5	1,041.5	1,038.2	1,153.5	13,018.4
Net Non Budgetary Funds	52.1	186.4	(139.8)	(138.3)	(137.1)	(94.8)	(169.3)	(193.1)	(288.8)	118.7	(144.6)	(166.8)	(1,115.3)
Net Undesignated Revenue/Inflows and Expenditures/Outflows	1.3	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	12.3
Net Operating Activities	**(638.2)**	**(515.5)**	**(329.1)**	**(315.1)**	**(813.8)**	**202.4**	**447.5**	**(821.3)**	**201.4**	**1,615.5**	**40.5**	**1,550.1**	**624.4**
Federal Grants:													
Total Federal Grants Revenue/Inflows	155.5	170.0	190.0	185.0	190.0	185.0	190.0	185.0	190.0	185.0	190.0	215.0	2,230.5
Total Federal Grants Expenditures/Outflows	193.1	213.7	191.3	168.7	191.3	198.7	236.3	168.7	221.3	178.7	210.3	198.6	2,370.7
Net Federal Grants	**(37.7)**	**(43.7)**	**(1.3)**	**16.3**	**(1.3)**	**(13.7)**	**(46.3)**	**16.3**	**(31.3)**	**6.3**	**(20.3)**	**16.4**	**(140.3)**
Capital Funds:													
Total Capital Revenue/Inflows	284.3	111.4	331.9	390.8	278.7	277.8	279.3	276.0	280.2	282.0	308.4	313.5	3,414.4
Total Capital Expenditures/Outflows	368.8	255.5	267.6	267.3	271.6	267.2	276.2	258.4	279.4	288.3	294.9	370.3	3,465.5
Net Capital Funds	**(84.5)**	**(144.1)**	**64.3**	**123.5**	**7.1**	**10.6**	**3.1**	**17.6**	**0.8**	**(6.3)**	**13.5**	**(56.8)**	**(51.2)**
Financing Activities:													
Cash Flow Financing Activities Inflows:													
Commercial Paper	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Anticipation Notes (RANS)	0.0	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Total Cash Flow Financing Activities Inflows	0.0	0.0	1,200.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,200.0
Cash Flow Financing Activities Outflows:													
Commercial Paper – (Principal + Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RANS – (Principal + Interest)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	403.0	403.0	404.0	1,210.0
Total Cash Flow Financing Activities Outflows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	403.0	403.0	404.0	1,210.0
Net Financing Activities	**0.0**	**0.0**	**1,200.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(403.0)**	**(403.0)**	**(404.0)**	**(10.0)**
Ending Non-Segregated Operating Cash Balance	**$1,380.2**	**$677.0**	**$1,610.9**	**$1,435.6**	**$627.6**	**$826.9**	**$1,231.2**	**$443.8**	**$614.7**	**$1,827.1**	**$1,457.9**	**$2,563.6**	**$2,563.6**

SOURCE: Office of the Treasurer and Receiver-General.

(1) Totals may not add due to rounding.

(2) Figures are estimated.

LONG-TERM LIABILITIES

General Authority to Borrow

Under its constitution, the Commonwealth may borrow money (a) for defense or in anticipation of receipts from taxes or other sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (b) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. The constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the Commonwealth may give, loan or pledge its credit by a two-thirds vote of the members of each house of the Legislature present and voting thereon, but such credit may not in any manner be given or loaned to or in aid of any individual, or of any private association, or of any corporation which is privately owned or managed.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, which includes bonds and notes issued by it and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for payment of principal of or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, hereafter enacted extending the time for payment or imposing other constraints upon enforcement, insofar as the same may be constitutionally applied. The United States Bankruptcy Code is not applicable to states.

Commonwealth Debt. The State Treasurer is statutorily responsible for the borrowing needs of the Commonwealth, including short-term cash flow needs and long-term borrowing needs for the capital budget. Borrowing is accomplished through the sale of short-term notes and long-term bonds. The Commonwealth is authorized to issue three types of direct debt – general obligation debt, special obligation debt and federal grant anticipation notes. General obligation debt is secured by a pledge of the full faith and credit of the Commonwealth. See "General Obligation Debt" below. Special obligation debt may be secured either with a pledge of receipts credited to the Commonwealth Transportation Fund (formerly the Highway Fund) or with a pledge of receipts credited to the Convention Center Fund. See "Special Obligation Debt" below. Federal grant anticipation notes are secured by a pledge of federal highway construction reimbursements. See "Federal Grant Anticipation Notes" below.

Other Long-Term Liabilities. The Commonwealth is also authorized to pledge its credit in aid of and provide contractual support for certain independent authorities and political subdivisions within the Commonwealth. These Commonwealth liabilities are classified as (a) general obligation contract assistance liabilities, (b) budgetary contract assistance liabilities or (c) contingent liabilities. In addition, the Commonwealth is authorized to pledge its credit in support of scheduled, periodic payments to be made by the Commonwealth under interest rate swaps and other hedging agreements related to bonds or notes of the Commonwealth.

General obligation contract assistance liabilities arise from statutory requirements for (i) payments by the Commonwealth to the Massachusetts Clean Water Trust, the Massachusetts Department of Transportation and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds and (ii) payments from the Social Innovation Financing Trust Fund on "pay for success" contracts, as described below. Such liabilities constitute a pledge of the Commonwealth's credit for which a two-thirds vote of the Legislature is required. See "General Obligation Contract Assistance Liabilities" below.

Budgetary contract assistance liabilities arise from statutory requirements for payments by the Commonwealth under capital leases and other contractual agreements. Such liabilities do not constitute a pledge of the Commonwealth's credit. See "Budgetary Contract Assistance Liabilities" below.

Contingent liabilities relate to debt obligations of certain independent authorities and agencies of the Commonwealth that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These liabilities consist of guaranties and similar obligations with respect to which the Commonwealth's credit has been or may be pledged, as in the case of certain debt obligations of the MBTA (pre-2000), the Woods Hole, Martha's Vineyard and Nantucket Steamship Authority, and the higher education building authorities. The Commonwealth has certain statutorily contemplated

payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to fund debt service, solely from moneys otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the former Massachusetts Health and Educational Facilities Authority (now the Massachusetts Development Finance Agency) and the Massachusetts State College Building Authority. See "Contingent Liabilities" below.

Statutory Limit on Direct Debt. Since December, 1989, state finance law has included a limit on the amount of outstanding "direct" bonds of the Commonwealth. For fiscal 2012, the debt limit was $18.944 billion under the statute in place during fiscal 2012. In August, 2012, state finance law was amended, effective January 1, 2013, to specify that the debt limit be calculated for fiscal years starting in fiscal 2013 using a fiscal 2012 base value of $17,070,000,000 and increasing the limit for each subsequent fiscal year to 105% of the previous fiscal year's limit. Based on this calculation, the statutory limit on "direct" bonds during fiscal 2016 is $20,748,691,688. Prior to June 10, 2013, this limit was calculated using a statutory definition that differed from GAAP in that the principal amount of outstanding bonds included the amount of any premium and was measured net of any discount, costs of issuance and other financing costs ("net proceeds"). On June 10, 2013, state finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal outstanding, a change that brings the outstanding debt definition in conformance with GAAP.

The debt limit law provides that bonds to be refunded from the proceeds of Commonwealth refunding bonds are to be excluded from outstanding "direct" bonds upon the issuance of the refunding bonds. Pursuant to special legislation enacted over the years, certain outstanding Commonwealth debt obligations are not counted in computing the amount of bonds subject to the limit, including Commonwealth refunding/restructuring bonds issued in September and October, 1991, federal grant anticipation notes, bonds issued to pay operating notes issued by the MBTA or to reimburse the Commonwealth for advances to the MBTA, bonds payable from the Central Artery and Statewide Road and Bridge Infrastructure Fund, bonds issued to finance the Massachusetts School Building Authority and bonds issued to finance the Commonwealth's Accelerated Bridge Program.

The outstanding Commonwealth debt, the amounts of such outstanding debt excluded from the statutory debt limit, the net amounts of such outstanding Commonwealth debt subject to the statutory debt limit and the statutory debt limit as of the end of each of the last five fiscal years are shown in the following table on a statutory basis. Previous versions of this table published in Commonwealth Information Statements and in the corresponding schedules to the Commonwealth's Comprehensive Annual Financial Reports contained incorrect information for fiscal 2011 and fiscal 2012. That information has been corrected in this table. For fiscal 2011 through fiscal 2012, the table below shows the calculation of the debt limit prior to the passage of the legislation approved on June 10, 2013, as described above, and is presented showing net proceeds. For fiscal 2013 and thereafter the limit calculations are presented showing principal amounts as required by the amended law.

[*Remainder of page intentionally left blank*]

Calculation of the Debt Limit
(in thousands)

	Fiscal 2011	Fiscal 2012	Fiscal 2013 (3)	Fiscal 2014 (4)	Fiscal 2015 (5)	Fiscal 2016 (6)
Principal balance	$20,875,055	$21,433,553	$21,513,039	$22,419,852	$23,826,301	$23,362,399
Plus/ (less) amounts excluded:						
Net unamortized (discount)/premium and issuance costs	335,078	477,815	N/A	N/A	N/A	N/A
Total net proceeds/principal	21,210,133	21,911,368	21,513,039	22,419,852	23,826,301	23,362,399
Less: net proceeds/principal of direct debt excluded from the statutory debt limit:						
Special obligation debt (1)	(1,025,739)	(986,050)	(935,095)	(888,405)	(829,340)	(829,340)
Accelerated bridge program	(672,587)	(1,035,859)	(988,605)	(1,403,850)	(1,495,150)	(1,495,150)
Federal grant anticipation notes (1)	(691,398)	(628,290)	(449,100)	(530,935)	(699,855)	(699,855)
Assumed county debt	(150)	(75)	-	-	-	-
MBTA forward funding	(45,907)	(207)	(207)	(207)	(207)	(207)
Transportation Infrastructure Fund	(1,362,894)	(1,345,406)	(1,303,013)	(1,241,263)	(1,197,127)	(1,175,325)
School Building Assistance (SBA)	(841,841)	(811,088)	(764,338)	(723,917)	(689,446)	(652,563)
Outstanding direct debt, net proceeds/principal (2)	$16,569,617	$17,104,393	$17,072,681	$17,631,275	$18,915,176	$18,509,959
Statutory Debt Limit	**$18,042,424**	**$18,944,152**	**$17,923,500**	**$18,819,675**	**$19,760,659**	**$20,748,692**

SOURCE: Office of the Comptroller.

(1) Includes federal grant anticipation notes issued as crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.

(2) Includes capital appreciation bonds reported at original net proceeds.

(3) For fiscal 2011 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.

(4) In accordance with GAAP, includes $200 million in principal related to commercial paper bond anticipation notes (BANs) which were retired subsequent to year-end upon the issuance of long-term general obligation bonds on July 11, 2014.

(5) Amounts are unaudited and are as of June 30, 2015.

(6) Amounts are unaudited and are as of October 31, 2015.

General Obligation Debt

The Commonwealth issues general obligation bonds and notes pursuant to Chapter 29 of the General Laws. General obligation bonds and notes issued thereunder are deemed to be general obligations of the Commonwealth to which its full faith and credit is pledged for the payment of principal and interest when due, unless specifically provided otherwise on the face of such bond or note.

As of October 31, 2015, the Commonwealth had approximately $20.3 billion in general obligation bonds outstanding, of which $16.7 billion, or approximately 82% was fixed rate debt and $3.6 billion, or 18%, was variable rate debt. The Commonwealth's outstanding general obligation variable rate debt consists of several variable rate structures. Much of the outstanding variable rate bonds is in the form of variable rate demand bonds, which account for $666.7 million of outstanding general obligation debt as of October 31, 2015. Other outstanding variable rate structures include LIBOR Index bonds, auction rate securities, SIFMA Index Bonds and consumer price index bonds. The variable rate demand bonds are generally supported by liquidity facilities that require the bonds to be tendered by a specified date if the facility is not replaced or the bonds are not otherwise refinanced. See "Liquidity Facilities." Certain of the Commonwealth's variable rate demand bonds have been converted to an "index

floating mode" for direct purchase by a bank. As of October 31, 2015, the Commonwealth had approximately $441.1 million of bonds in such a mode. Of the variable rate debt outstanding, the interest rates on $2.4 billion, or approximately 12% of total general obligation debt, have been synthetically fixed by means of floating-to-fixed interest rate swap agreements. These agreements are used as hedges to mitigate the risk associated with variable rate bonds.

Under state finance law, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date constitute general obligations of the Commonwealth to which its full faith and credit are pledged. The remaining variable rate debt of $1.2 billion, or approximately 6% of the total outstanding general obligation debt, is unhedged and, accordingly, floats with interest rates re-set on a periodic basis.

The Commonwealth has announced its intention to implement a multi-year asset/liability management strategy. The intent of the asset/liability strategy is to better balance the Commonwealth's interest rate exposure between its cash assets and debt liabilities by increasing the portion of its outstanding debt issued as unhedged, floating rate bonds. The Commonwealth intends to achieve this balance over a number of years, in part by issuing additional variable rate debt.

As of October 31, 2015, the Commonwealth had outstanding approximately $136.3 million ($77.6 million principal and including a discount equal to $58.7 million) of variable rate "U. Plan" bonds, sold in conjunction with a college savings program administered by the Massachusetts Educational Financing Authority, which bear deferred interest at a rate equal to the percentage change in the consumer price index plus 2%, together with current interest at the rate of 0.5%.

The Commonwealth has issued general obligation bonds in the form of Build America Bonds (BABs). BABs were authorized under the federal American Recovery and Reinvestment Act of 2009 (ARRA). Pursuant to ARRA, the Commonwealth is entitled to receive a cash subsidy from the federal government equal to 35% of the investment payable on the BABs provided the Commonwealth makes certain required filings in accordance with applicable federal rules. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. On March 4, 2013, the Internal Revenue Service indicated that such interest subsidy payment would be subject to a sequestration reduction of 8.7% through September 30, 2013 under the Budget Control Act of 2011, and on September 30, 2013, the Internal Revenue Service announced that such interest subsidy payment would be subject to a sequestration reduction of 7.2% through September 30, 2014. Federal legislation approved by the President on February 15, 2014 extended the sequestration provisions applicable to BABs through federal fiscal year 2024, and the Bipartisan Budget Act of 2015, approved by the President on November 2, 2015, further extended the provisions through federal fiscal year 2025. On October 16, 2014, the Internal Revenue Service announced that the sequestration reduction would be 7.3% through September 30, 2015. On August 5, 2015, the Internal Revenue Service announced that the sequestration reduction will be 6.8% for the federal fiscal year ending September 30, 2016. Beginning in fiscal 2012, such payments received by the Commonwealth are required to be deposited in a Build America Bonds Subsidy Trust Fund and used, without further legislative appropriation, to pay debt service on the related BABs. The Commonwealth is obligated to make payments of principal and interest on the BABs whether or not it receives interest subsidy payments. As of October 31, 2015, the Commonwealth had approximately $2.1 billion of BABs outstanding.

The Commonwealth is authorized to issue short-term general obligation debt as revenue anticipation notes or bond anticipation notes. Revenue anticipation notes may be issued by the State Treasurer in any fiscal year in anticipation of revenue receipts for that year. Revenue anticipation notes must be repaid no later than the close of the fiscal year in which they are issued. Bond anticipation notes may be issued by the State Treasurer in anticipation of the issuance of bonds, including, in some circumstances special obligation bonds. See "Special Obligation Debt" below. In addition, as of October 31, 2015 the Commonwealth had liquidity support for a $200 million commercial paper program which it utilizes for cash flow purposes. In addition to borrowing via its commercial paper program, the Commonwealth issues fixed-rate revenue anticipation notes (or "RANs").

Special Obligation Debt

Commonwealth Transportation Fund. Section 2*O* of Chapter 29 of the General Laws, as amended, authorizes the Commonwealth to issue special obligation bonds secured by all or a portion of revenues accounted to the Commonwealth Transportation Fund (formerly the Highway Fund). Revenues which are accounted to the Commonwealth Transportation Fund are primarily derived from taxes and fees relating to the operation or use of motor vehicles in the Commonwealth, including the motor fuels excise tax and registry of motor vehicles fees. In addition, a portion of the Commonwealth's receipts from the sales tax is dedicated to the Commonwealth Transportation Fund (see "COMMONWEALTH REVENUES AND EXPENDITURES – State Taxes; *Sales and Use Tax*"), and state finance law currently provides for a series of substantial transfers from the General Fund to the Commonwealth Transportation Fund through fiscal 2020; none of the sales tax receipts or General Fund transfers has been pledged to secure Commonwealth special obligation bonds.

Between 1992 and 2005, the Commonwealth issued special obligation bonds secured by a lien on a specified portion of the motor fuels excise tax. As of October 31, 2015, the Commonwealth had outstanding approximately $210.6 million of such special obligation bonds secured by a pledge of 6.86¢ of the 24¢ motor fuels excise tax. In December, 2010, the trust agreement securing such bonds was closed to further issuance of debt.

The Commonwealth is also authorized to issue approximately $1.876 billion of special obligation bonds secured by a pledge of all or a portion of revenues accounted to the Commonwealth Transportation Fund to fund a portion of the Commonwealth's accelerated structurally-deficient bridge program and other transportation improvements (CTF Bonds). As of October 31, 2015, the Commonwealth had outstanding approximately $1.5 billion of CTF Bonds, which are secured by a pledge of registry fees and a specified portion of the motor fuels excise tax. On November 5, 2015, the Commonwealth sold, with an expected closing date of November 18, 2015, $50 million in CTF Bonds, the proceeds of which are expected to fund ongoing costs of the accelerated structurally-deficient bridge program.

In April, 2014, the Commonwealth was authorized to issue either general obligation or special obligation debt for the purpose of funding capital expenditures of MassDOT, for the benefit of the MBTA and for other rail improvement projects. As a part of that authorization, on November 5, 2015 the Commonwealth sold, with an expected closing date of November 18, 2015, $450 million in CTF Bonds under its rail enhancement program. These bonds represent the first issuance of CTF Bonds that are not related to the accelerated structurally-deficient bridge program. Future issuances are planned under this program in accordance with a stated capital improvement plan.

A portion of the outstanding CTF Bonds was issued as BABs (approximately $419.8 million) and as Recovery Zone Economic Development Bonds (RZEDBs) (approximately $156.4 million). Pursuant to ARRA, the Commonwealth is entitled to receive cash subsidy payments from the federal government equal to 35% of the debt service payable on the BABs and 45% of the debt service payable on the RZEDBs, provided, in both cases, that the Commonwealth makes certain required filings in accordance with applicable federal rules. As noted above, such subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. On March 4, 2013, the Internal Revenue Service indicated that such interest subsidy payment would be subject to a sequestration reduction of 8.7% through September 30, 2013 under the Budget Control Act of 2011, and on September 30, 2013, the Internal Revenue Service announced that such interest subsidy payment would be subject to a sequestration reduction of 7.2% through September 30, 2014. Federal legislation approved by the President on February 15, 2014 extended the sequestration provisions applicable to BABs and RZEDBs through federal fiscal year 2024, and the Bipartisan Budget Act of 2015 approved by the President on November 2, 2015 further extended the provisions through federal fiscal year 2025. On October 16, 2014, the Internal Revenue Service announced that the sequestration reduction would be 7.3% through September 30, 2015. On August 5, 2015, the Internal Revenue Service announced that the sequestration reduction will be 6.8% for the federal fiscal year ending September 30, 2016. Beginning in fiscal 2012, such payments received by the Commonwealth are required to be deposited in a Build America Bonds Subsidy Trust Fund, to be used, without further legislative appropriation, to pay debt service related to such bonds. Subsidy payments received on account of CTF Bonds are pledged to secure the payment of debt service on CTF Bonds.

Convention Center Fund. Chapter 152 of the Acts of 1997, as amended, authorized $694.4 million of special obligation bonds to be issued for the purposes of building a new convention center in Boston ($609.4 million), the Springfield Civic Center ($66 million) and the Worcester convention center ($19 million). The bonds are payable from moneys credited to the Convention Center Fund created by such legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge and Springfield. The legislation requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). In June, 2004, the Commonwealth issued $686.7 million of special obligation bonds secured solely by the pledge of receipts of tax revenues within the special districts surrounding the centers and other special revenues connected to such facilities, and in June, 2005, the Commonwealth issued $527.6 million of special obligation refunding bonds, which advance refunded, in part, the 2004 issue. Of the 2004 and 2005 special obligation bonds secured solely by the pledge of receipts of tax revenues in the Convention Center Fund, approximately $618.7 million remained outstanding as of October 31, 2015.

On July 29, 2014, the Governor approved legislation authorizing the Commonwealth to issue an additional $1.1 billion in special obligation bonds to finance an expansion of the convention center in Boston, to finance costs of issuance and fund a debt service reserve fund. Such bonds would be secured by and payable from the Convention Center Fund, with the State Treasurer and Secretary of Administration and Finance having the authority to pledge additional state hotel/motel room occupancy excises to the new bonds. The expansion project is currently on hold.

Federal Grant Anticipation Notes

Between 1998 and 2003, the Commonwealth issued federal grant anticipation notes yielding aggregate net proceeds of $1.5 billion, the full amount authorized to finance the current cash flow needs of the Central Artery/Ted Williams Tunnel (CA/T) project, in anticipation of future federal reimbursements. Principal amortization of the notes began in fiscal 2006 and continued through fiscal 2015 with the final maturity being repaid in June, 2015. The lien securing such notes has been closed to further issuance.

The Commonwealth is also authorized to issue an additional $1.1 billion of grant anticipation notes secured by future federal funds to fund a portion of the Commonwealth's accelerated structurally deficient bridge program. Such notes are secured by a back-up pledge of net amounts in the Commonwealth Transportation Fund after application of such amounts in accordance with the trust agreement securing the CTF Bonds and previously issued bonds secured by motor fuels excise taxes. Similar to the notes issued for the CA/T project, the Commonwealth expects to pay interest on the notes for the bridge program from state appropriations. As of October 31, 2015, $699.9 million of such notes was outstanding.

Of the outstanding grant anticipation notes, $100 million were issued as BABs, eligible for federal subsidy payments. As noted above, on October 1, 2013, the Internal Revenue Service indicated that such interest subsidy payment would be subject to a sequestration reduction of 7.2% through September 30, 2014 under the Budget Control Act of 2011. Federal legislation approved by the President on February 15, 2014 extended the sequestration provisions applicable to BABs through federal fiscal year 2024, and the Bipartisan Budget Act of 2015 approved by the President on November 2, 2015 further extended the provisions through federal fiscal year 2025. On October 16, 2014, the Internal Revenue Service announced that the sequestration reduction would be 7.3% through September 30, 2015. On August 5, 2015, the Internal Revenue Service announced that the sequestration reduction would be 6.8% during the federal fiscal year ending September 30, 2016. Beginning in fiscal 2012, such payments received by the Commonwealth are required to be deposited in a Build America Bonds Subsidy Trust Fund, to be used, without further legislative appropriation, to pay debt service related to such bonds.

The following table shows long-term debt of the Commonwealth issued and retired from fiscal 2011 through fiscal 2015, exclusive of unamortized bond premiums:

General and Special Obligation Long-Term Debt Issuance and Repayment Analysis (in thousands) (1)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014 (4)	Fiscal 2015 (5)
Beginning Balance as of July 1	$19,726,507	$20,875,055	$21,433,553	$21,513,039	$22,419,852
Debt Issued	2,233,368	1,759,627	1,470,473	2,359,899	2,918,817
Subtotal	21,959,875	22,634,682	22,904,026	23,672,983	25,338,669
Debt retired or defeased, exclusive of refunded debt	(974,770)	(1,202,094)	(1,386,527)	(1,434,511)	(1,486,243)
Refunding debt issued, net of refunded debt (3)	(110,050)	965	(4,460)	(18,575)	(26,125)
Ending Balance June 30 (2)	**$20,875,055**	**$21,433,553**	**$21,513,039**	**$22,419,852**	**$23,826,301**

SOURCE: Office of the Comptroller.
(1) Including premium, discount and accretion of capital appreciation bonds.
(2) Includes federal grant anticipation notes issued as crossover refunding bonds. The refunding escrows funded by these bonds and related premiums are used to pay interest on the refunding bonds until the refunded bonds are callable and then to redeem the refunded bonds. Interest on the refunded bonds prior to redemption continues to be paid from pledged revenues as before.
(3) Amounts may be negative due to defeasances of debt of authorities from the issuance of Commonwealth debt as afforded under General Laws.
(4) In accordance with GAAP, includes $200 million in principal related to commercial paper bond anticipation notes (BANs) which were retired subsequent to year-end upon the issuance of long-term general obligation bonds on July 11, 2014.
(5) Amounts are unaudited and are as of June 30, 2015.

The following table sets forth the amounts of Commonwealth long-term general obligation debt, special obligation debt and federal grant anticipation notes outstanding, exclusive of unamortized bond premiums, as of the end of the last five fiscal years.

Outstanding Long Term Commonwealth Debt (in thousands)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014 (1)	Fiscal 2015 (2)
General Obligation Debt	$18,516,760	$18,851,538	$19,140,239	$19,596,662	$20,801,956
Special Obligation Debt	1,591,505	1,971,630	1,923,700	2,292,255	2,324,490
Federal Grant Anticipation Notes	766,790	610,385	449,100	530,935	699,855
TOTAL	**$20,875,055**	**$21,433,553**	**$21,513,039**	**$22,419,852**	**$23,826,301**

SOURCE: Office of the Comptroller.
(1) In accordance with GAAP, includes $200 million in principal related to commercial paper bond anticipation notes (BANs) which were retired subsequent to year-end upon the issuance of long-term general obligation bonds on July 11, 2014.
(2) Amounts are unaudited and are as of June 30, 2015.

Debt Service Requirements

The following table sets forth, as of October 31, 2015, the annual fiscal year debt service requirements on outstanding Commonwealth general obligation bonds, special obligation bonds and federal grant anticipation notes. For variable-rate bonds with respect to which the Commonwealth is a fixed-rate payor under an associated interest rate swap agreement, the debt service schedule assumes payment of the fixed rate due under such agreement. For other variable-rate bonds, the schedule assumes a 5% interest rate.

[*Remainder of page intentionally left blank*]

Debt Service Requirements on Commonwealth Bonds as of October 31, 2015 through Maturity (in thousands)

Period Ending	General Obligation Bonds						Federal Highway Grant Anticipation Notes				
	Principal	Gross Interest	CABs	Build America Bond Subsidies	Net Interest	Debt Service	Principal	Gross Interest	Build America Bond Subsidies	Net Interest	Debt Service
6/30/2016	$869,915	$588,740	$ -	($24,658)	$564,081	$1,433,996	$42,815	$33,234	($1,434)	$31,799	$74,614
6/30/2017	1,429,482	867,131	5,580	(36,557)	830,574	2,265,635	44,440	31,582	(1,302)	30,280	74,720
6/30/2018	1,218,810	812,016	4,958	(36,557)	775,459	1,999,227	47,150	29,776	(1,147)	28,629	75,779
6/30/2019	1,099,555	762,378	4,852	(36,557)	725,821	1,830,228	49,300	27,606	(973)	26,634	75,934
6/30/2020	1,145,879	712,378	4,410	(36,300)	676,078	1,826,367	51,615	25,261	(782)	24,479	76,094
6/30/2021	1,193,738	655,065	4,265	(35,014)	620,051	1,818,055	54,125	22,724	(577)	22,147	76,272
6/30/2022	1,096,617	601,443	3,915	(32,698)	568,745	1,669,277	56,780	20,053	(357)	19,696	76,476
6/30/2023	953,482	553,332	3,753	(31,412)	521,920	1,479,155	65,470	17,236	(122)	17,114	82,584
6/30/2024	968,931	507,546	3,555	(31,412)	476,134	1,448,621	67,725	14,371	-	14,371	82,096
6/30/2025	937,347	461,429	3,569	(31,177)	430,252	1,371,168	70,190	10,991	-	10,991	81,181
6/30/2026	856,800	419,257	3,665	(30,776)	388,481	1,248,947	73,425	7,492	-	7,492	80,917
6/30/2027	747,307	381,707	3,843	(30,203)	351,504	1,102,653	76,820	3,828	-	3,828	80,648
6/30/2028	749,120	348,382	3,899	(28,953)	319,429	1,072,448	-	-	-	-	-
6/30/2029	784,828	313,275	3,385	(26,687)	286,588	1,074,800	-	-	-	-	-
6/30/2030	745,500	276,445	3,103	(22,892)	253,553	1,002,157	-	-	-	-	-
6/30/2031	705,080	236,544	2,980	(16,808)	219,737	927,796	-	-	-	-	-
6/30/2032	569,293	210,522	2,529	(14,776)	195,746	767,568	-	-	-	-	-
6/30/2033	348,981	188,754	1,869	(12,440)	176,314	527,164	-	-	-	-	-
6/30/2034	369,856	172,278	1,070	(11,068)	161,210	532,135	-	-	-	-	-
6/30/2035	343,581	156,287	506	(9,647)	146,640	490,727	-	-	-	-	-
6/30/2036	352,733	139,975	-	(8,177)	131,798	484,739	-	-	-	-	-
6/30/2037	358,380	123,049	-	(6,654)	116,395	474,775	-	-	-	-	-
6/30/2038	343,570	106,202	-	(5,077)	101,125	444,695	-	-	-	-	-
6/30/2039	339,495	89,725	-	(3,445)	86,280	425,775	-	-	-	-	-
6/30/2040	330,500	72,811	-	(1,609)	71,202	401,702	-	-	-	-	-
6/30/2041	324,630	56,952	-	-	56,952	381,582	-	-	-	-	-
6/30/2042	318,140	42,098	-	-	42,098	360,238	-	-	-	-	-
6/30/2043	370,130	28,288	-	-	28,288	398,418	-	-	-	-	-
6/30/2044	262,725	11,463	-	-	11,463	274,188	-	-	-	-	-
6/30/2045	117,485	5,261	-	-	5,261	122,746	-	-	-	-	-
6/30/2046	18,320	427	-	-	427	18,747	-	-	-	-	-
Totals (1)	**$20,270,212**	**$9,901,160**	**$65,914**	**($561,556)**	**$9,339,604**	**$29,675,730**	**$699,855**	**$244,153**	**($6,694)**	**$237,459**	**$937,314**

SOURCE: Office of the Comptroller.
(1) Totals may not add due to rounding.

Period Ending	Special Obligation Revenue Bonds (Convention Center)			Special Obligation Revenue Bonds (CTF- Accelerated Bridge Program)					Special Obligation Revenue Bonds (Gas Tax)		
	Principal	Gross Interest	Debt Service	Principal	Gross Interest	Build America Bond Subsidies	Net Interest	Debt Service	Principal	Interest	Debt Service
6/30/2016	$21,075	$16,718	$37,793	$9,260	$74,627	($12,314)	$62,313	$71,573	$39,900	$11,006	$50,906
6/30/2017	22,210	32,330	54,540	9,840	74,164	(12,314)	61,850	71,690	42,465	8,811	51,276
6/30/2018	23,310	31,164	54,474	10,635	73,672	(12,314)	61,358	71,993	23,040	6,785	29,825
6/30/2019	24,475	30,126	54,601	11,460	73,141	(12,314)	60,826	72,286	24,300	5,518	29,818
6/30/2020	23,380	28,842	52,222	12,530	72,568	(12,314)	60,253	72,783	25,640	4,182	29,822
6/30/2021	24,610	27,673	52,283	13,660	71,941	(12,314)	59,627	73,287	26,905	2,916	29,821
6/30/2022	25,970	26,380	52,350	14,480	71,258	(12,314)	58,944	73,424	28,385	1,436	29,821
6/30/2023	27,440	24,952	52,392	24,500	70,534	(12,314)	58,220	82,720	-	-	-
6/30/2024	28,990	23,443	52,433	34,005	69,309	(12,314)	56,995	91,000	-	-	-
6/30/2025	30,625	21,848	52,473	50,825	67,598	(11,937)	55,660	106,485	-	-	-
6/30/2026	32,360	20,164	52,524	53,415	65,011	(11,529)	53,482	106,897	-	-	-
6/30/2027	34,190	18,384	52,574	56,100	62,323	(11,065)	51,258	107,358	-	-	-
6/30/2028	36,125	16,504	52,629	45,975	59,429	(10,575)	48,853	94,828	-	-	-
6/30/2029	38,170	14,517	52,687	48,240	57,161	(10,058)	47,104	95,344	-	-	-
6/30/2030	40,330	12,418	52,748	50,555	54,850	(9,512)	45,338	95,893	-	-	-
6/30/2031	42,610	10,199	52,809	53,125	52,277	(8,935)	43,342	96,467	-	-	-
6/30/2032	45,020	7,856	52,876	55,865	49,536	(8,316)	41,220	97,085	-	-	-
6/30/2033	47,565	5,380	52,945	58,825	46,575	(7,661)	38,914	97,739	-	-	-
6/30/2034	50,250	2,764	53,014	61,850	43,553	(6,970)	36,584	98,434	-	-	-
6/30/2035	-	-	-	65,065	40,337	(6,239)	34,099	99,164	-	-	-
6/30/2036	-	-	-	68,455	36,946	(5,466)	31,479	99,934	-	-	-
6/30/2037	-	-	-	72,035	33,368	(4,650)	28,718	100,753	-	-	-
6/30/2038	-	-	-	75,625	29,778	(3,718)	26,060	101,685	-	-	-
6/30/2039	-	-	-	79,565	25,836	(2,546)	23,289	102,854	-	-	-
6/30/2040	-	-	-	83,665	21,735	(1,308)	20,427	104,092	-	-	-
6/30/2041	-	-	-	87,995	17,408	-	17,408	105,403	-	-	-
6/30/2042	-	-	-	91,665	13,740	-	13,740	105,405	-	-	-
6/30/2043	-	-	-	95,935	9,470	-	9,470	105,405	-	-	-
6/30/2044	-	-	-	100,000	5,000	-	5,000	105,000	-	-	-
6/30/2045	-	-	-	-	-	-	-	-	-	-	-
6/30/2046	-	-	-	-	-	-	-	-	-	-	-
Totals (1)	**$618,705**	**$371,662**	**$990,367**	**$1,495,150**	**$1,443,145**	**($231,314)**	**$1,211,830**	**$2,706,980**	**$210,635**	**$40,654**	**$251,289**

SOURCE: Office of the Comptroller.
(1) Totals may not add due to rounding.

Interest Rate Swaps

The Commonwealth has entered into interest rate swap agreements for the sole purpose of hedging changes in the interest rates on a portion of its outstanding variable rate bonds, predicated on the assumption that the interest on such bonds, combined with the cost of the associated interest rate swaps, would produce lower aggregate interest costs than fixed-rate bonds. Approximately $2.4 billion of the Commonwealth's outstanding variable-rate debt is synthetically fixed via floating-to-fixed interest rate swap hedge agreements. Not included in this figure is an additional $163.1 million in synthetically fixed debt associated with special obligation issues as shown in the table below.

Under the terms of these floating-to-fixed rate hedge agreements, the counterparties to the swaps are obligated to pay the Commonwealth an amount equal or approximately equal to the variable-rate payment on the related bonds or a payment based on a market index, and the Commonwealth is obligated to pay the counterparties a stipulated fixed rate. The floating rate received by the Commonwealth from swap counterparties is used to offset the variable rate paid to bondholders. Only the net difference in interest payments is actually exchanged with the counterparty. The net payments made or received on these agreements are reported as part of interest expense in the Commonwealth's basic financial statements. In all cases, the Commonwealth remains responsible for making interest payments to the variable-rate bondholders.

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. In both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. This allows the Commonwealth to finance its capital budget using floating rate bonds, which, combined with interest rate swaps, are assumed to be less costly than fixed-rate bonds, while hedging the risk of rising interest rates on those bonds to provide long-term budget certainty. As of October 31, 2015, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and were deemed effective hedges, as provided for in GASB Statement No. 53.

The bonds and related swap agreements have final maturities ranging from 2016 to 2037. The total notional value of approximately $2.6 billion effectively matches the par amount of the related variable-rate bonds. Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 3.616% to 5.25% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds or a payment based on a market index.

All of the Commonwealth's counterparties are required to post collateral in certain circumstances. The Commonwealth is not required to post collateral under any of its existing swap agreements.

Prior to the bankruptcy filings by Lehman Brothers Holdings Inc. and its subsidiaries in September, 2008, the Commonwealth was a party to two master interest rate swap agreements relating to six different swap transactions with Lehman Brothers affiliates. Following the bankruptcy filings, the Commonwealth terminated those agreements in October and November, 2008, made termination payments to Lehman Brothers Special Financing Inc. (LBSF) and entered into replacement swap agreements with other counterparties. In early 2010, LBSF notified the Commonwealth that it disagreed with the termination amounts that the Commonwealth had paid in 2008 and issued a subpoena related to the terminations. In 2012, the Commonwealth participated in mandatory court-ordered mediation with LBSF, which concluded without resolution in 2013. On July 24, 2015, Lehman Brothers Holdings Inc., in its capacity as bankruptcy plan administrator on behalf of LBSF, brought suit against the Commonwealth alleging that the Commonwealth breached the interest rate swap agreements when it failed to pay LBSF the full amount due under the agreements. Lehman claims that the Commonwealth owes LBSF an additional payment of approximately $10.3 million, plus an unliquidated amount in interest, cost and fees. The Commonwealth disputes the claims asserted by Lehman in the complaint and intends to defend vigorously against the complaint. Discovery is ongoing and no trial date has been set by the bankruptcy court. The parties continue to discuss resolution of the dispute and have agreed to participate in a second, voluntary mediation on November 23, 2015.

[*Remainder of page intentionally left blank*]

The following table describes the interest rate swap agreements, all of which are floating-to-fixed rate hedges that the Commonwealth has entered into in connection with certain of its outstanding variable rate bond issues as of October 31, 2015.

Associated Bond Issue	Outstanding Notional Amount (thousands)	Bond Floating Rate	Swap Fixed Rate Paid (Range)	Swap Variable Rate Received	Effective Date	Termination Date	Fair value as of 10/31/2015	Counterparty
General Obligation Bonds:								
Series 1998A (refunding) Consolidated Loan of 2006, Series A Central Artery Loan of 2000, Series A Central Artery Loan of 2000, Series B	$24,105	VRDB	4.174%	60% 1-Month LIBOR + 25 basis points	11/17/2008	September 1, 2016	($812,901)	Deutsche Bank AG
Series 1998A (refunding) **(1)**	10,185	VRDB	4.174%	Cost of Funds	9/17/1998	September 1, 2016	(379,903)	Wells Fargo Bank
Series 2001B & C	482,230	VRDB	4.150%	Cost of Funds	2/20/2001	January 1, 2021	(49,281,762)	Morgan Stanley Capital Services
Series 2012A, 2013A, 2014B, 2014D & 2014E (refunding)	508,915	SIFMA	3.616% - 4.004%	SIFMA	3/15/2005	February 1, 2028	(87,834,229)	Wells Fargo Bank
Series 2006C (refunding)	100,000	CPI	3.73%-3.85%	CPI-based formula	1/1/2007	November 1, 2020	(6,529,415)	Wells Fargo Bank
Series 2007A	400,000	LIBOR	4.420%	67% 3-Month LIBOR + 0.57%	10/8/2008	May 1, 2037	(23,483,132)	Barclays Bank PLC
Series 2007A (refunding)	31,665	LIBOR	3.936%	67% 3-Month LIBOR + 0.46%	10/8/2008	November 1, 2020	(3,997,507)	Deutsche Bank AG
Series 2007A (refunding)	414,130	LIBOR	4.083%	67% 3-Month LIBOR + 0.55%	10/8/2008	November 1, 2025	(69,285,393)	Bank of NY Mellon
Series 2000A	97,092	VRDB	3.942%	SIFMA - 3 basis points	8/16/2007	August 1, 2018	(4,355,680)	Merrill Lynch Capital Services
Series 2000A	49,308	VRDB	3.942%	SIFMA - 3 basis points	8/16/2007	August 1, 2018	(2,011,782)	JP Morgan formerly Bear Stearns

Associated Bond Issue	Outstanding Notional Amount (thousands)	Bond Floating Rate	Swap Fixed Rate Paid (Range)	Swap Variable Rate Received	Effective Date	Termination Date	Fair value as of 10/31/2015	Counterparty
Series 2006B, Series 2000D	$294,000	VRDB/ ARS	4.515%	67% 3-MonthLIBOR	4/2/2009	June 15, 2033	($92,913,437)	Barclays Bank PLC
Subtotal	**$2,411,630**						**($340,865,140)**	
Special Obligation Dedicated Tax Revenue Bonds								
Series 2004 (Convention Ctr)	22,198	CPI	4.45% - 5.25%	CPI-based formula	6/29/2004	January 1, 2018	(797,645)	Goldman Sachs Capital Markets
Series 2004 (Convention Ctr)	22,199	CPI	4.45% - 5.25%	CPI-based formula	6/29/2004	January 1, 2018	(483,298)	JP Morgan formerly Bear Stearns
Series 2004 (Convention Ctr)	22,198	CPI	4.45% - 5.25%	CPI-based formula	6/29/2004	January 1, 2018	(482,831)	JPMorgan Chase Bank
Series 2005A (Gas Tax)	96,490	CPI	4.771% - 5.059%	CPI-based formula	1/12/2005	June 1, 2022	(6,504,265)	Merrill Lynch Capital Services
Subtotal	**$163,085**						**($8,268,670)**	
Total	**$2,574,715**						**($349,133,810)**	

SOURCE: Office of the Treasurer and Receiver General.

(1) The Series 1998A swap with Citi Swapco was partially terminated as part of the novation of the Commonwealth's swaps with Citi Swapco and Citibank to Wells Fargo on September 20, 2013.

Liquidity Facilities

Much of the Commonwealth's outstanding variable rate debt consists of variable rate demand bonds whose interest rates re-set daily or weekly through a remarketing process. Because these bonds offer a "put" or tender feature, they are supported by standby bond purchase agreements with commercial banks which require the applicable bank to purchase any bonds that are tendered and not successfully remarketed. The following table describes the liquidity facilities that the Commonwealth had with respect to such bonds as of October 31, 2015.

Variable Rate Bonds	Outstanding Principal Amount (in thousands)	Bank	Termination Date
2000 Series A	200,000	Citibank	4/24/2018
2000 Series B	75,590	Bank of America	4/24/2018
2001 Series C (Refunding)	241,115	State Street Bank	4/17/2017
2006 Series A	150,000	Wells Fargo Bank	8/08/2017

SOURCE: Office of the Treasurer and Receiver General.

The Commonwealth also has liquidity support for a $200 million commercial paper program. A line of credit provided by TD Bank, N. A. expires on April 17, 2018.

Direct Purchase Agreements

Certain of the Commonwealth's variable rate demand bonds have been converted to an "index floating mode" for direct purchase by a bank. The following table describes the Commonwealth's direct purchase agreements, each with a different bank, as of October 31, 2015.

Direct Purchase Bonds	Outstanding Principal Amount (in thousands)	Mandatory Tender Date
2001 Series B (Refunding)	$241,115	8/01/2017
2006 Series B, Subseries B-1	100,000	5/31/2016
2006 Series B, Subseries B-2	100,000	5/31/2016

SOURCE: Office of the Treasurer and Receiver General.

General Obligation Contract Assistance Liabilities

Massachusetts Department of Transportation, as successor to the Massachusetts Turnpike Authority. On February 19, 1999, the Commonwealth and the Massachusetts Turnpike Authority entered into a contract which provides for the Commonwealth to make annual operating assistance payments to the Massachusetts Department of Transportation (MassDOT), as successor to the Authority, which are capped at $25 million annually and extend until the end of the 40th fiscal year following the transfer of certain facilities associated with the Commonwealth's Central Artery/Ted Williams Tunnel Project (CA/T) to MassDOT. On June 30, 2009, the Commonwealth and the Turnpike Authority entered into a contract for financial assistance which provides for the payment by the Commonwealth to MassDOT, as successor to the Authority, of $100 million per fiscal year, commencing July 1, 2009 until June 30, 2039. Payments under both contracts constitute a general obligation pledge of the Commonwealth for which the full faith and credit of the Commonwealth are pledged.

Massachusetts Clean Water Trust. The Massachusetts Clean Water Trust (the "Trust") manages the Commonwealth's state revolving fund program under the federal Clean Water Act and the federal Safe Drinking Water Act. The Trust is authorized to apply for and accept federal grants and associated Commonwealth matching grants to capitalize the revolving funds and to issue debt obligations to make loans to local governmental units and others to finance eligible water pollution abatement and drinking water projects. Under state law, loans made by the Trust are required to provide for subsidies or other financial assistance to reduce the debt service expense on the loans. Currently, most new loans made by the Trust bear interest at 2%. Other loans made by the Trust may bear interest at lower rates, including a zero rate of interest, and a portion of the principal of certain loans has also been subsidized by the Trust. To provide for a portion of the subsidy on most of its loans, the Trust receives contract assistance payments from the Commonwealth. Under the Trust's enabling act, the aggregate annual contract assistance payment for the Trust's programs may not exceed $138 million. The Commonwealth's agreement to provide contract assistance constitutes a general obligation of the Commonwealth for which its full faith and credit are pledged, and the Commonwealth's contract assistance payments are pledged as security for repayment of the Trust's debt obligations. As of October 31, 2015 the Trust had approximately $2.8 billion of bonds outstanding. Approximately 7.83% of the Trust's aggregate debt service is covered by Commonwealth contract assistance. Prior to August, 2014, the Trust was known as the Massachusetts Water Pollution Abatement Trust.

Massachusetts Development Finance Agency. Under the infrastructure investment incentive program, known as "I-Cubed," up to $600 million of public infrastructure improvements to support significant new private developments may be financed by bonds issued by the Massachusetts Development Finance Agency (MassDevelopment) that are secured by and payable from a general obligation pledge of contract assistance from the Commonwealth. Until a related new private development is completed and occupied, the developer's property is assessed by the municipality in which the development is located in amounts equal to the debt service cost on the bonds to reimburse the Commonwealth for such cost. After each phase of the private development is completed and occupied, the municipality is required to reimburse the Commonwealth for any portion of the debt service cost on the bonds that is not covered by new state tax revenues generated from the related private development. The municipality's reimbursement obligation is secured by a general obligation pledge of the municipality, a local aid intercept and a reserve fund which must be funded in an amount equal to or greater than two years of debt service on the bonds. The obligation of the municipality ends when the Commonwealth has collected revenues sufficient to pay principal and interest payments to date, or in some cases to the next redemption date, plus all remaining principal payments due. Pursuant to this program, MassDevelopment has issued tax-exempt contract assistance bonds to finance and refinance infrastructure projects associated with the Fan Pier development in Boston, the Assembly Row project in Somerville, the Chestnut Hill Square project in Newton, the Boston Landing project in Boston and the Boylston West project in Boston. As of October 31, 2015, total "I-Cubed" program bonds were outstanding in the amount of approximately $94.5 million.

Legislation approved by the Governor on August 8, 2008 included an authorization to finance up to $43 million of the costs of a parkway at the former South Weymouth naval air base to support the development of the former base. Similar to the I-Cubed program financing model, the bonds issued by MassDevelopment to finance the parkway are secured by and payable from a general obligation pledge of contract assistance from the Commonwealth. As of October 31, 2015, approximately $26.5 million of such bonds were outstanding.

Social Innovation Financing Trust Fund. Legislation approved by the Governor on July 8, 2012 established a Social Innovation Financing Trust Fund for the purpose of funding contracts to improve outcomes and lower costs for contracted government services, referred to as "pay for success contracts." The legislation authorized the Secretary of Administration and Finance to enter into pay for success contracts in which a substantial portion of Commonwealth payments, from amounts appropriated by the Legislature to the Trust Fund, would be conditioned on the achievement of specified performance outcomes. The legislation authorizes the Secretary of Administration and Finance to provide in any such contract that such payments constitute general obligations of the Commonwealth for which the full faith and credit of the Commonwealth shall be pledged for the benefit of the providers of the contracted government services. The total amount of payments backed by the full faith and credit of the Commonwealth under such contracts may not exceed, in the aggregate, $50 million. The first such contract was entered into in January, 2014 with a nonprofit intermediary organization and a nonprofit social service agency that helps young men leaving the juvenile justice system or on probation avoid re-offending. The contract obligates the Commonwealth to make up to $28 million in success payments, in the aggregate, through fiscal 2020, and the Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith

and credit are pledged. The Commonwealth entered into a second such contract in December, 2014 to address chronic individual homelessness through permanent stable, supportive housing. The contract obligates the Commonwealth to make up to $6 million in success payments, in the aggregate, through fiscal 2021. The Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged.

The following table sets forth the Commonwealth's general obligation contract assistance requirements for fiscal 2015 and thereafter pursuant to contracts with the Massachusetts Clean Water Trust, the Massachusetts Department of Transportation (as successor to the Massachusetts Turnpike Authority) and Massachusetts Development Finance Agency (including the I-Cubed Program and the South Weymouth naval air base contract assistance requirements) and contracts associated with the Social Innovation Financing Trust Fund.

General Obligation Contract Assistance Requirements
(in thousands)

Fiscal Year	Massachusetts Clean Water Trust	Massachusetts Department of Transportation	Massachusetts Development Finance Agency	Social Innovation Financing Trust Fund (3)	Total
2016	$59,324	$125,000	$6,963	$1,782	$193,069
2017	49,969	125,000	7,839	2,633	185,441
2018	44,086	125,000	7,837	14,630	191,553
2019	43,714	125,000	7,835	5,037	181,586
2020	38,242	125,000	7,832	8,661	179,735
2021	31,260	125,000	7,837	563	164,660
2022	21,934	125,000	7,836	-	154,770
2023	22,185	125,000	7,836	-	155,021
2024	13,987	125,000	7,838	-	146,825
2025	9,896	125,000	7,838	-	142,734
2026	7,599	125,000	7,836	-	140,435
2027 through 2049	26,068 (1)	1,875,000	136,085	-	2,037,153
Total	**$368,264**	**$3,250,000 (2)**	**$221,411**	**$33,306**	**$3,872,981**

SOURCES: Massachusetts Clean Water Trust column – Office of the Treasurer and Receiver-General; Massachusetts Department of Transportation, Massachusetts Development Finance Agency and Social Innovation Financing Trust Fund columns - Executive Office for Administration and Finance.

(1) Current contract assistance payments end in fiscal 2045.

(2) Represents $25 million per year for fiscal years 2027 to 2049, inclusive and $100 million per year for fiscal years 2027 to 2039, inclusive.

(3) Projected payment schedule. The actual amount and timing of payments will be based on the achievement of specified performance outcomes. Up to $10,770,000 of these payments may be funded through a grant from the U. S. Department of Labor.

Budgetary Contract Assistance Liabilities

City of Chelsea Commonwealth Lease Revenue Bonds. In November, 1993, the Chelsea Industrial Development Financing Authority issued approximately $95.8 million of lease revenue bonds. The proceeds of the bonds were loaned to the Massachusetts Industrial Finance Agency (now MassDevelopment) and applied to the cost of the Massachusetts Information Technology Center, a tax and data processing facility of the Department of Revenue and certain other departments and agencies of the Commonwealth. The bonds bore interest at a variable rate, and under two interest rate swap agreements that were entered into at the time with Lehman Brothers Special Financing, Inc. (LBSF), MassDevelopment received variable rate payments with respect to the bonds and was obligated to make fixed rate payments in exchange therefor. Simultaneously with the issuance of the bonds, the Commonwealth entered into a 30-year lease, which provided for the payment of debt service on the bonds, including swap related payments, and certain other expenses associated with the project. In September, 2008, LBSF and its parent, Lehman Brothers Holdings Inc. (LBHI), filed for bankruptcy. In December, 2008, the bonds were refinanced by the Commonwealth through the issuance of general obligation debt, and the Commonwealth made a $2.3 million payment to LBSF to terminate the swap agreements. In May, 2010, LBHI advised the Executive Office for Administration and Finance that it calculated the termination value to be approximately $13.7 million. In June, 2011, LBHI issued a subpoena to the Executive Office for Administration and Finance relating to the

termination of the swap agreements. In April, 2012, LBHI issued a Derivative ADR Notice obligating the parties to submit to mandatory court ordered mediation. The Derivative ADR notice contains a settlement demand from LBHI in the amount of approximately $16.5 million. A formal mediation process commenced on October 11, 2012 and concluded without resolution. Any obligation of the Commonwealth with respect to this termination does not constitute a general obligation or a pledge of the credit of the Commonwealth or of MassDevelopment and is subject to appropriation by the Legislature. The parties continue to discuss resolution of the dispute and have agreed to participate in a second, voluntary mediation on November 23, 2015.

Long-Term Operating Leases and Capital Leases. In addition to Commonwealth-owned buildings and facilities, the Commonwealth leases additional space from private parties. In certain circumstances, the Commonwealth has acquired certain types of capital assets under long-term capital leases; typically, these arrangements relate to computer and telecommunications equipment and to motor vehicles. Minimum future rental expenditure commitments of the Commonwealth under operating leases and long-term principal and interest obligations related to capital leases in effect as of June 30, 2014 are set forth in the table below.

The following table sets forth the Commonwealth's budgetary contract assistance requirements. These figures are as of June 30, 2014.

Budgetary Contract Assistance Liabilities (in thousands)

Fiscal Year	Leases (1)
2015	$191,637
2016	133,818
2017	121,314
2018	107,948
2019	83,623
2020	60,752
2021	33,999
2022	24,780
2023	21,549
2024	19,385
2025	16,173
2026 through 2044	114,696
Total	**$929,674**

SOURCES: Office of the Comptroller.

(1) Includes operating and capital leases. Leases with the institutions of higher education that are supported by tuition and fees are not included.

Contingent Liabilities

Massachusetts Bay Transportation Authority. The MBTA issues its own bonds and notes. Prior to July 1, 2000, the Commonwealth supported MBTA bonds, notes and other obligations through guaranties of the debt service on its bonds and notes, contract assistance generally equal to 90% of the debt service on outstanding MBTA bonds and payment of the MBTA's net cost of service (current expenses, including debt service, minus current income). Beginning July 1, 2000, the Commonwealth's annual obligation to support the MBTA for operating costs and debt service is limited to a portion of the revenues raised by the Commonwealth's sales tax, but the Commonwealth remains contingently liable for the payment of MBTA bonds and notes issued prior to July 1, 2000 and for MBTA payment obligations related to leases, reimbursement obligations, interest exchange agreements and other financing obligations entered into prior to July 1, 2000. The Commonwealth's obligation to pay such prior bonds is a general obligation for which its full faith and credit have been pledged. As of October 31, 2015, the Massachusetts Bay Transportation Authority had approximately $229.9 million of such prior bonds outstanding. Such bonds are currently scheduled to mature annually through fiscal 2030.

Massachusetts Development Finance Agency. Under legislation approved in 2010 and amended in 2011, the Massachusetts Development Finance Agency (MassDevelopment) is authorized to issue bonds for the benefit of nonprofit community hospitals and nonprofit community health centers. Such bonds are to be secured by capital

reserve funds funded at the time of bond issuance in an amount equal to the maximum annual debt service on the bonds. The legislation provides that MassDevelopment is to notify the Governor if any such capital reserve fund needs to be replenished, and that the Legislature is to appropriate the amount necessary to restore the fund to its required level. The legislation contains no limit on the amount of such bonds that may be issued. Any project to be financed by such bonds must be approved by the Secretary of Health and Human Services, and any loan to a community hospital or community health center (and the issuance and terms of the related bonds) must be approved by the Secretary of Administration and Finance. If any such institution defaults on a loan, any moneys in the custody of the Commonwealth that are payable to the institution may be withheld by the Commonwealth and used to pay debt service or to replenish the applicable capital reserve fund. If, following a Commonwealth transfer to replenish a capital reserve fund, the applicable institution fails to reimburse the Commonwealth within six months, the Commonwealth may withhold funds payable to the institution, and all contracts issued by the Group Insurance Commission, the Commonwealth Health Insurance Connector Authority and MassHealth to a third party for the purposes of providing health care insurance paid for by the Commonwealth are to provide that the third party is to withhold payments to the institution and transfer the withheld amounts to the Commonwealth.

Woods Hole, Martha's Vineyard and Nantucket Steamship Authority. The Steamship Authority operates passenger and vehicle ferries to Martha's Vineyard and Nantucket. The Steamship Authority issues its own bonds and notes. Commonwealth support of the bonds and notes of the Steamship Authority includes a Commonwealth guaranty pursuant to statutory provisions requiring the Commonwealth to provide the Authority with funds sufficient to meet the principal of and interest on their bonds and notes as they mature to the extent that funds sufficient for this purpose are not otherwise available to the Authority and the Commonwealth's payment, under applicable statutory provisions, of the net cost of service of the Steamship Authority (current expenses, including debt service, minus current income). The Steamship Authority is currently self-supporting, requiring no net cost of service or contract assistance payments. As of October 31, 2015 the Steamship Authority had approximately $71.9 million of bonds outstanding. The Commonwealth's obligations to the Steamship Authority are general obligations for which its full faith and credit have been pledged.

University of Massachusetts Building Authority and Massachusetts State College Building Authority. These higher education building authorities, created to assist institutions of public higher education in the Commonwealth, have outstanding bonds some of which are guaranteed as to their principal and interest by the Commonwealth. The guaranty is a general obligation of the Commonwealth for which its full faith and credit is pledged. In addition to such guaranty, certain revenues of these authorities, including dormitory rental income and student fees, are pledged to their respective debt service requirements. As of October 31, 2015, the Massachusetts State College Building Authority had approximately $7.8 million of Commonwealth-guaranteed debt outstanding. Under its enabling act, the Massachusetts State College Building Authority is not permitted to issue any additional Commonwealth-guaranteed debt. The University of Massachusetts Building Authority may have outstanding up to $200 million in Commonwealth-guaranteed debt and had approximately $121.6 million of Commonwealth-guaranteed debt outstanding as of October 31, 2015.

Authorized and Unissued Debt

General obligation bonds of the Commonwealth are authorized to correspond with capital appropriations. See "COMMONWEALTH BUDGET AND FINANCIAL MANAGEMENT CONTROLS – Capital Investment Process and Controls." Over the last decade, the Commonwealth has typically had a large amount of authorized and unissued debt. However, the Commonwealth's actual expenditures for capital projects in a given year relate more to the capital needs which the Commonwealth determines it can afford to finance in such year than to the total amount of authorized and unissued debt. The table below presents authorized and unissued debt at year end:

Authorized and Unissued Debt (in thousands)

Fiscal Year	Authorized and Unissued Debt
2011	$15,870,432
2012	13,893,469
2013	13,762,257
2014	26,255,768
2015	29,071,339 (1)

SOURCE: Office of the Comptroller.
(1) Amount is unaudited and is as of June 30, 2015.

Authorized and unissued debt is measured in accordance with the statutory basis of accounting, which is different from GAAP. Only the net proceeds of bonds issued (exclusive of underwriters' discount, costs of issuance and other financing costs) are deducted from the amount of authorized and unissued debt. Therefore, the change in authorized and unissued debt at the end of any fiscal year is not intended to correlate to the change in the principal amount of debt outstanding as measured and reported in conformity with GAAP.

The Legislature has enacted various bond authorizations to fund the Commonwealth's capital investment plan. See "COMMONWEALTH CAPITAL INVESTMENT PLAN." Capital spending and subsequent debt issuance is constrained by the debt affordability policy and the statutory debt limit, and will be published annually in the five-year capital investment plan.

[*Remainder of page intentionally left blank*]

COMMONWEALTH CAPITAL INVESTMENT PLAN

The Executive Office for Administration and Finance annually updates its five-year capital investment plan on a rolling basis. The five-year plan coordinates capital expenditures by state agencies and authorities that are funded primarily by Commonwealth debt and federal reimbursements. The capital investment plan for fiscal 2016 through fiscal 2020 provides resources for various Commonwealth facilities and programs.

The Executive Office for Administration and Finance also sets an annual administrative limit on the amount of bond-funded capital expenditures. The purpose of the administrative limit, known as the "bond cap," is to keep Commonwealth debt within affordable levels. On June 19, 2015, the Governor announced a five-year capital investment plan for fiscal 2016 through fiscal 2020 and an administrative bond cap of $2.125 billion for fiscal 2016.

The following table shows the allocation of administrative bond cap spending by agency and the allocation of total capital spending from all sources of funding for fiscal 2016:

Fiscal Year 2016 Capital Budget
(in millions)

Agency	Bond Cap	Project-Financed	Federal Funds	Other Funds	Total
Administration and Finance	$186.0	$8.0	-	$86.0	$280.0
Capital Asset Management	389.4	42.0	$400.0	68.5	500.3
Energy and Environmental Affairs	236.4	-	1.9	5.5	243.8
Housing and Community Development	185.0	-	10.0	-	195.0
Housing and Economic Development	126.5	-	-	-	126.5
MassIT	168.0	45.0	29.6	8.9	251.5
Public Safety	17.8	3.2	-	-	21.0
MassDOT	816.0	-	674.7	998.6	2,489.4
Total (1)	**$2,125.0**	**$98.2**	**$716.6**	**$1,167.5**	**$4,107.2**

SOURCE: Executive Office for Administration and Finance as of Executive Office for Administration and Finance as of June 19, 2015.
(1) Totals may not add due to rounding.

The different sources of funding for the capital program, as reflected in the table above, include:

- Administrative Bond Cap – Commonwealth general obligation borrowing to support the regular capital program.
- Project Financed – General obligation bonds, the debt service for which is supported by savings or revenue related to the project; for example, energy efficiency improvements to Commonwealth facilities, the capital costs for which are expected to be reimbursed through operating savings as a result of reduced energy consumption.
- Federal Funds – Federal reimbursements for capital expenditures.
- Other Funds:
    - Accelerated Bridge Program (ABP) – Commonwealth special obligation bonds secured by revenues credited to the Commonwealth Transportation Fund (CTF) or federal grant anticipation notes secured by federal highway reimbursements issued to fund capital improvements to structurally deficient bridges through the ABP.
    - Rail Enhancement Program (REP) – Commonwealth special obligation bonds to be secured by revenues credited to the CTF to finance certain transit infrastructure projects through the REP, previously referred to as Special Obligation Transit Bonds.
    - Pay-As-You-Go – Funding from current revenue for capital projects, including toll revenue.

- Contributions made by third parties to capital projects being carried out by the Commonwealth, including the I-Cubed program, contributions from campuses for higher education projects, and capital projects funded by assessments.

The administrative bond cap is reviewed and subject to revision annually. Actual capital spending is subject to variance from budget due to the nature of capital projects and programs comprising the plan. In addition, debt affordability analysis and the assumptions and methodology that inform the analysis are subject to periodic review and are updated annually. These and other factors are expected to affect the out-years of the current five-year plan.

The Commonwealth aggregates its capital expenditures into seven major categories based primarily on the agencies responsible for spending and carrying out capital projects: information technology, infrastructure and facilities, environment, housing, public safety, transportation and other. The following table sets forth capital spending in fiscal 2011 through fiscal 2015 according to these categories.

Commonwealth Historical Capital Spending (in millions) (1)

Investment Category:	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015
Information technology	$ 119	$ 129	$133	$190	$207
Infrastructure/facilities	458	518	452	457	449
Environment	142	131	130	138	221
Housing	174	185	183	182	188
Public safety	7	17	17	22	26
Transportation	1,512	1,618	1,528	1,790	2,041
Other	127	125	183	227	242
Total (2)	$2,539	$2,724	$2,626	$3,006	$3,374

SOURCE: Fiscal 2011-2015, Executive Office for Administration and Finance and Office of the State Comptroller.

(1) Includes all spending funded by capital appropriations, including General Obligation, Special Obligation, Project Financed, and spending that will receive federal reimbursement.

(2) Totals may not add due to rounding.

One project for which capital spending is anticipated during fiscal 2016 is the extension of the MBTA's Green Line into Somerville and Medford. That project is currently undergoing a comprehensive review by MassDOT and the MBTA following a preliminary analysis that projected a cost increase ranging from $700 million to $1 billion, as compared to the prior estimate. This review includes possible changes to the project and/or additional sources of funding, as well as reconsideration of whether MassDOT and the MBTA will continue with the project. It is anticipated that MassDOT and the MBTA will develop recommendations for the best path forward for the Green Line Extension project by the end of December, 2015. As noted, this recommendation may include substantial changes in cost, scope, scheduling and financing of the project. General obligation bonds as well as bonds funded from the Commonwealth Transportation Fund may be used to finance additional project costs. *See* "LONG-TERM LIABILITIES – Special Obligation Debt."

Debt Affordability Policy

The Executive Office for Administration and Finance has established a debt affordability policy for the Commonwealth. Pursuant to the debt affordability policy, the Executive Office for Administration and Finance has set an annual borrowing limit at a level designed to keep debt service on the Commonwealth's direct debt within 8% of budgeted revenues.

For this purpose, debt service includes programs expected to be funded both within and outside of the bond cap, including principal and interest payments on all general obligation debt, special obligation gas tax debt, ABP debt, projected debt service for REP, general obligation contract assistance payment obligations and budgetary contract assistant payment obligations on certain capital lease financings. This inclusive definition ensures that while

some programs are expected to be funded outside of the bond cap, the related debt service costs of the programs should be fully accounted for under the debt affordability policy in setting the bond cap at appropriate levels.

For the purpose of the debt affordability analysis, budgeted revenue includes all Commonwealth taxes and other revenues available to pay Commonwealth operating expenses, including debt service, pensions and other budgetary obligations. It does not include off-budget revenues dedicated to the Massachusetts Bay Transportation Authority (MBTA), the Massachusetts School Building Authority (MSBA) and the Massachusetts Convention Center Authority (MCCA).

For the fiscal 2016 capital budget, the Governor maintained the administrative bond cap at $2.125 billion. The fiscal 2016 debt affordability analysis is based on debt service as described above and assumed growth of budgeted revenues at a rate of 4% annually. The compound annual growth rate in budgeted revenues from fiscal 2006 through fiscal 2016 (estimated) is 4.42%. In addition to keeping debt service within 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap for the regular capital program to not more than $125 million.

The following table shows the projected total annual debt service payment obligations for the five-year capital investment plan period from fiscal 2016 through fiscal 2020, projected budgetary revenues and the resulting projected debt service as a percentage of projected budgeted revenues within 8% as prescribed by the Debt Affordability Policy.

Affordability of Commonwealth Indebtedness (in thousands)

	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Total Debt Service (1)	$2,756,808	$3,057,899	$3,035,931	$3,059,112	$3,307,630
Estimated Budgeted Revenues (2)	$40,041,900	$41,643,576	$43,309,319	$45,041,692	$46,843,359
Debt Service as % of Net Budgeted Revenues	6.88%	7.34%	7.01%	6.79%	7.06%

SOURCE: Executive Office for Administration and Finance.

(1) For purposes of Debt Affordability Analysis, debt service includes principal and interest payments on all general obligation debt, special obligation debt, accelerated bridge program debt, general obligation contract assistance and budgetary contract assistant obligations. Projected general obligation borrowings assume level funding of administrative bond cap throughout the five-year capital plan period, special obligation transit spending and remaining authorized accelerated bridge program spending in fiscal years 2016-2020. Interest on new debt obligations is assumed to be payable at an annual rate of 4.5% for 30 year bonds, increasing annually by 0.10%. Debt structure is assumed to be level annual principal and interest payments. Projections are for planning purposes only and assumptions are subject to change. New debt service is added to existing debt service in the information statement, and does not take into account Treasury's active debt service management. Debt service projections will therefore exceed actual debt service in the short term.

(2) Budgeted revenues are projected to grow at a rate of 4% annually. For purposes of Debt Affordability Analysis, budgeted revenues include all Commonwealth taxes and other revenues available to pay Commonwealth operating expenses, including debt service, pensions and other budgetary obligations. Budgeted revenues do not include off-budget revenues dedicated to the MBTA, the MSBA and the MCCA.

The Capital Debt Affordability Committee is charged with reviewing on a continuing basis the amount and condition of the Commonwealth's tax-supported debt, as well as the debt of certain state authorities. The Committee is also responsible for providing an estimate of the total amount of new Commonwealth debt that can prudently be authorized for the next fiscal year, taking into account certain criteria, to the Governor and Legislature on or before December 15 of each year. The committee's estimates are advisory and not binding on the Governor or the Legislature. The Legislature is responsible for authorizing Commonwealth debt. The Governor determines the total amount capital spending for each fiscal year and the amount of new Commonwealth debt that he considers advisable to finance such spending. For fiscal 2016, the committee determined that up to $2.25 billion of capital debt issuance could be prudently authorized. The Committee consists of seven voting members – the Secretary of Administration and Finance (who chairs the committee), the State Treasurer, the Comptroller, the Secretary of Transportation, one appointee of the Governor and two appointees of the State Treasurer – and eight legislative leaders who are non-voting members.

It is the policy of the Executive Office for Administration and Finance to monitor the Commonwealth's debt capacity and affordability of proposed capital spending periodically, and to review the affordability analysis and revise estimates for future years annually in connection with the preparation of the five-year capital plan. The Committee is preparing its annual report of its findings, which is statutorily required to be released by December 15, 2015.

[*Remainder of page intentionally left blank*]

LEGAL MATTERS

There are pending in state and federal courts within the Commonwealth and in the Supreme Court of the United States various suits in which the Commonwealth is a party. In the opinion of the Attorney General, no litigation is pending or, to her knowledge, threatened which is likely to result, either individually or in the aggregate, in final judgments against the Commonwealth that would affect materially its financial condition.

Programs and Services

From time to time actions are brought against the Commonwealth by the recipients of governmental services, particularly recipients of human services benefits, seeking expanded levels of services and benefits and by the providers of such services challenging the Commonwealth's reimbursement rates and methodologies. To the extent that such actions result in judgments requiring the Commonwealth to provide expanded services or benefits or pay increased rates, additional operating and capital expenditures might be needed to implement such judgments.

Rosie D., et al. v. The Governor, United States District Court, Western Division. In a memorandum of decision dated January 26, 2006, the District Court ruled in favor of a class of Medicaid-recipient children that the Commonwealth fails to provide the home- and community-based services required under the Early and Periodic Screening, Diagnosis and Treatment ("EPSDT") provisions of the Medicaid Act. In February 2007, the District Court adopted the defendants' proposed remedial plan, with some modifications, and, in July 2007, entered judgment in accordance with that plan, as modified. The Commonwealth did not appeal from that judgment and has undertaken implementation of its remedial plan. The plan originally contemplated full implementation by June 30, 2009, but, on the Commonwealth's motion, the court modified the judgment to extend the date for full implementation to November 30, 2009. MassHealth estimates that its implementation of program changes in compliance with the remedy order will increase its costs, including administrative costs, prospectively by over $20 million annually. The Court has extended the monitoring period several times, most recently through June 30, 2016. The Commonwealth maintains that it is in full compliance with the court's judgment and is providing the plaintiffs and the court monitor with a large volume of documentation that the plaintiffs requested. The next hearing is scheduled for December 10, 2015.

SEIU v. Department of Mental Health, Supreme Judicial Court. The Service Employees International Union ("SEIU") has challenged the Department of Mental Health's contracts for the provision of Community Based Flexible Supports ("CBFS") as unlawful privatization contracts under the so-called Pacheco Law. The union seeks declaratory relief invalidating portions of the CBFS contracts as well as reinstatement of and back pay for up to 100 former Department case managers who the union claims were laid off in 2009 as a result of these allegedly unlawful contracts. On August 15, 2012, the Department of Mental Health ("Department") filed a motion for judgment on the pleadings dismissing the case due to lack of subject matter jurisdiction based on SEIU's lack of standing to pursue the action and its failure to include as defendants in the action the private contractors whose contracts would be partially invalidated were the requested relief granted. By Memorandum of Decision and Order dated March 8, 2013, the Superior Court allowed the Department's motion, and on March 24, 2013, judgment entered dismissing the case. SEIU subsequently appealed. On August 15, 2014, the Supreme Judicial Court issued a decision affirming the Superior Court's determination that the complaint was deficient for failing to name the state contractors in the CBFS program as parties. It remanded the case to the Superior Court for the sole purpose of allowing SEIU to move to amend its complaint to add as necessary parties the DMH contractors. In its August 15, 2014 decision, the Supreme Judicial Court reversed the Superior Court's separate determination that, based on the pleadings, SEIU lacked direct standing to seek enforcement of the Pacheco Law. The union filed an amended complaint naming the CBFS contractors on October 8, 2014. In addition to other defenses, the Department continues to deny that it violated the Pacheco Law or that the 2009 lay-offs were due to the CBFS procurement. The 2009 layoffs were instead the result of mid-fiscal-year budget reductions. The Department further denies that reinstatement or back pay would be available as relief in the action even if portions of the CBFS contracts were invalidated. The Department believes that the potential cost associated with rehiring the laid-off case managers would be $10 million annually. This would be in addition to whatever back pay might be awarded if the plaintiff prevails. In late August, 2015, the Superior Court issued a memorandum of decision dismissing SEIU's complaint for lack of jurisdiction on the ground that the only extant contracts are renewal contracts, which are expressly excluded from the purview of the Pacheco Law. A judgment dismissing the case with prejudice was entered on August 28, 2015. SEIU has filed a notice of appeal and a motion for direct appellate review by the Supreme Judicial Court is pending.

Hutchinson et al v. Patrick et al, United States District Court, Massachusetts. This is a class action, commenced in 2007, brought by two organizations and five individuals with brain injuries who are residents of various nursing facilities. Plaintiffs claim that they and a class of between 2,000 and 4,000 brain-injured individuals are entitled to, among other things, placement in community settings. Plaintiffs asserted claims under the Americans with Disabilities Act, the Rehabilitation Act and the Medicaid Act; they sought declaratory and injunctive relief. After the court certified a class in October 2007, the parties engaged in an intensive period of settlement negotiations. In May, 2008, the parties entered into a settlement agreement which was subsequently amended in July, 2013 ("Agreement"). Under the terms of the Agreement, the defendants will use the Massachusetts Money Follows the Person Demonstration Project ("MFP Project") and various waiver programs to provide community residential and non-residential supports in an integrated setting to Massachusetts Medicaid-eligible persons with an acquired brain injury who are in nursing and long-term rehabilitation facilities ("Class Members in Facilities"). Over the six-year term of the Agreement, the defendants will provide between 905 and 1,174 waiver slots for Class Members in Facilities. The exact number of slots to be added will depend on the level of demand for waiver services.

The cost of implementing these programs was originally projected to be approximately $386 million, phased in over six years, with approximately half of that amount expected to be reimbursed by the federal government. The fiscal 2015 budget provided a new, $34.3 million line item at EHS/MassHealth specifically for the purposes of funding the Hutchinson Settlement. The fiscal 2016 budget increased the appropriation to $49.4 million. The majority of this funding will be allocated to the Department of Developmental Services and the Massachusetts Rehabilitation Commission to fund Hutchinson-related services, while the residual EHS/MassHealth funding will pay for the development of the IT systems necessary to support and track these services. By year six of the agreement, fiscal 2019, when the program will be fully implemented, the annualized cost of the program as initially projected will be approximately $112 million (gross) or $56 million (net) state cost.

Massachusetts Council of Human Service Providers, Inc., et al. v. Secretary of the Executive Office of Health and Human Services (Suffolk Superior Court). A coalition of providers of social services has brought suit against EOHHS, alleging that EOHHS has failed to promulgate new (higher) rates of reimbursement to providers of various behavioral health services, and to reimburse those providers consistent with such rates, notwithstanding statutory requirements which set a timetable by which such rates were required to be promulgated and to become effective. The plaintiffs argue that EOHHS had a non-discretionary statutory duty to promulgate the new rates, and to reimburse providers consistent with such rates, but has failed to do so in a timely manner. Plaintiffs have brought an action seeking relief under the mandamus and declaratory judgment statutes. In their complaint, plaintiffs allege that, if EOHHS is ordered promptly to set and pay according to all rates that have not yet been promulgated, EOHHS would be liable for approximately $52 million in higher rate payments (*i.e.*, the difference between the currently extant rates and the new rates required to be set) in fiscal 2015 alone. The complaint was filed on or about June 30, 2014; on July 29, 2014, EOHHS filed its answer denying some allegations and asserting several affirmative defenses. The plaintiffs filed a motion for judgment on the pleadings on October 30, 2014. On January 12, 2015, the court granted the Plaintiffs' motion for judgment on the pleadings, but permitted the parties to attempt to negotiate a schedule for rate promulgation and implementation. After negotiations, the court granted a joint motion for entry of judgment in the form proposed by the parties on May 14, 2015. Pursuant to this interim, agreed-upon resolution, the promulgation of new rates will be delayed up to two years – but, in the meanwhile, service providers will benefit from interim supplemental payments representing some fraction of the liability plaintiffs had alleged in their complaint.

Paszko and Fowler, for themselves and others similarly situated v. Carol Higgins O'Brien, in her official capacity as the Commissioner of the Massachusetts Department of Correction, and the Massachusetts Partnership for Correctional Healthcare, LLC, United States District Court, Massachusetts. Two state prisoners have filed a class action suit relating to treatment of the Hepatitis C virus (HCV) among prisoners in the custody of the Massachusetts Department of Correction. The suit alleges that the Department of Correction and its healthcare services provider, the Massachusetts Partnership for Correctional Healthcare, have failed to provide HCV-positive prisoners with access to new medications that, plaintiffs claim, enjoy higher success rates, fewer side effects, and shorter treatment duration than prior treatments. Employing the uppermost range estimate for the rate of HCV infection among prisoners nationwide—41.1%—to the Massachusetts prison population, the number of HCV-infected individuals in Massachusetts custody could be as high as 4,800. The new generation of HCV drugs costs

between $83,000 to $95,000 per patient, depending on the regimen. Based on these figures, the total cost of providing such treatments to all HCV-infected prisoners could run into the hundreds of millions of dollars.

Medicaid Audits and Regulatory Reviews

In re: Centers for Medicare and Medicaid Services regulations (Uncompensated Care Pool/Health Safety Net Trust Fund). The federal Health Care Financing Administration (now CMS) asserted in June, 2000 that the portion of the Medicaid program funded by the Commonwealth's Health Safety Net Trust Fund (formerly the Uncompensated Care Pool) might violate federal regulations regarding permissible taxes on health care providers. Since 1993, MassHealth has sought federal waivers for the Commonwealth's assessment on acute care hospitals and surcharge payers, respectively, which fund the Uncompensated Care Pool and its successor, the Health Safety Net Trust Fund. The Commonwealth believes that the assessments are within the federal law pertaining to health care-related taxes. Under federal regulations, if the Commonwealth were ultimately determined to have imposed an impermissible health care-related tax, the federal government could seek retroactive repayment of federal Medicaid reimbursements. Updated federal regulations on health care-related taxes took effect June 30, 2010. By the end of Health Safety Net fiscal year 2015, the Commonwealth will have collected an estimated $5.646 billion in acute hospital assessments since 1990 and an estimated $2.527 billion in surcharge payments since 1998.

In re: Office of the Inspector General Report Number: A-01-12-0006 (Claiming the correct Federal medical assistance percentage for claim adjustments made to the Form CMS-64). On April 6, 2012, the federal Office of the Inspector General (OIG) initiated an audit of MassHealth's federal reporting of certain claims with dates of service between January 1, 2006 and December 31, 2010. The OIG issued a draft report on June 3, 2014. MassHealth responded on July 3, 2014. The OIG draft report concludes that during the audit period MassHealth over-claimed $105 million in federal financial participation (FFP) due to timing issues associated with the temporary FMAP increase due to ARRA and EOHHS' "void and replace" claiming system. EOHHS' response to the draft report states that MassHealth worked closely with the federal Centers for Medicare and Medicaid Services (CMS) to develop the system it uses to submit claims and adjustments for federal matching funds on the CMS form since June 2009, and that CMS validated and accepted the "void and replace" claims adjustment system EOHHS used. The OIG's audit focused on a specific time period that, based on its calculations, resulted in a federal overpayment. Based on the OIG's methodology, there was a $108 million federal underpayment to the Commonwealth for the subsequent period of January, 2011 through September, 2013. Based on the OIG's audit report, MassHealth has implemented the OIG's interpretation of the claiming rules after the audit period, and has requested increased federal reimbursement totaling approximately $108.2 million from CMS, which will offset OIG's recommended adjustment. In its response to the OIG's report, EOHHS advised the OIG that if CMS agrees with the OIG's interpretation of federal claiming rules and the rules are applied consistently, EOHHS has no objection to the OIG's recommended finding. The OIG issued its final report in September, 2014. The OIG did not accept EOHHS' position. EOHHS is pursuing this matter further with CMS. CMS has not taken any action to disallow the $108.2 million that the OIG insists is an overpayment.

In re: Centers for Medicare and Medicaid Financial Management Review: 01-MS-2012-MA-01 (Massachusetts Medicaid Nursing Facility User Fees – Federal Fiscal Year 2010). In 2011, the Centers for Medicare and Medicaid Services (CMS) Office initiated a financial review of Massachusetts' Nursing Facility User Fees for federal fiscal year 2010. In September 2013, CMS issued a draft audit report. In its report, CMS referenced that the Commonwealth collected $220.7 million in federal fiscal year 2010 in nursing facility user fees and that non-compliance with requirements for federal funding could result in recoupment of federal funds. The findings and recommendations included a request to submit a new application for a waiver of federal requirements applicable to the user fee. EOHHS responded to CMS's draft report agreeing to seek new waiver authority from CMS. In June, 2014, CMS issued a final audit report accepting EOHHS' response and stating it would work with EOHHS to implement a new waiver. A change in state law was required to allow EOHHS to seek this new waiver authority from CMS. The necessary authority was requested and obtained in the fiscal 2016 budget. EOHHS is now working with CMS to gain approval of modifications to its nursing facility user fee structure.

Taxes

Comcast of Massachusetts I, Inc. v. Commissioner of Revenue, Appellate Tax Board. The two petitions filed by this taxpayer relate to ten others filed by related entities. All twelve appeals have been consolidated. In its first petition, the taxpayer is appealing the Commissioner's refusal to refund corporate excise tax for the years 2003-2008 on the basis that the correct apportionment methodology is cost of performance instead of market-based sourcing. In its second petition, the taxpayer is appealing the Commissioner's refusal to abate additionally assessed corporate excise tax for the years 2002-2008. This petition raises several issues: (1) apportionment; (2) bonus depreciation; (3) capital loss deduction; (4) charitable loss deductions; (5) combined return group; (6) exclusion of dividends; (7) addback; (8) loss carryforward deduction; (9) nexus; and (10) non-income measure. On September 4, 2014, the taxpayer filed an amended petition in which it conceded in full the issues relating to bonus depreciation, capital loss deduction, charitable loss deductions, and conceded, in part, the issues of exclusion of dividends and add back. The abatement amount at issue is around $32 million while the refund claims total $130 million. A trial of all disputed issues commenced on October 13, 2015. Eight witnesses have testified. The parties are planning to resume the trial on November 20, 2015, at which time the remaining two expert witnesses will be examined.

Northeastern University, et al. v. Commissioner of Revenue (Suffolk Superior Court) and related Brownfields Credits Claims. The plaintiffs in a consolidated Superior Court case, three Massachusetts universities and one corporation, allege that the Commissioner of Revenue ("Commissioner") wrongfully denied their requests for Brownfields Tax Credits and, in the case of the corporate plaintiff, the request to transfer or sell tax credits already obtained. Legislation in 2006 made not-for-profit institutions eligible, for the first time, to claim tax credits for work those institutions performed to remediate an environmentally contaminated site. (Because not-for-profits do not typically pay corporate excise taxes, against which such a credit may be applied, the legislation also made it possible, for the first time, for taxpayers granted such a credit to "sell" that credit to individuals or corporations who do incur tax liability, so that the buyer can make use of the credit. The law specifies that any unused portion of a credit, as reduced from year to year, can be carried over and applied to a tax liability for any subsequent year, not to exceed five years.) The sole issue in the *Northeastern University* litigation, filed in August, 2014, is whether the taxpayers may be eligible for a Brownfields Tax Credit arising from site-remediation work performed prior to June 2006 (*i.e.*, prior to the effective date of the amended legislation). The Commissioner denied the plaintiffs' applications for the credit, and to transfer the credit, because the site remediation work had been achieved prior to the taxable year commencing after June 24, 2006. But the plaintiffs have prevailed in the superior court and, if all other application conditions are met, they would be entitled to tax credits in the cumulative amount of $17.1 million. Additionally, other entities may now be bolstered in their as-yet unasserted claims for credits worth tens of millions of dollars. In the category of claims not yet docketed at the Appellate Tax Board, the Department of Revenue estimates $30.3 million worth of potential revenue loss (even though none of the individual credit amounts exceeds $10 million). The Commonwealth is presently considering whether to appeal from the adverse judgment.

Other Revenues

Commonwealth of Massachusetts v. Philip Morris Inc., RJ Reynolds Tobacco Company, Lorillard Tobacco Company, et al., Supreme Judicial Court, Middlesex Superior Court (a/k/a the Tobacco Master Settlement Agreement, Nonparticipating Manufacturer ("NPM") Adjustment Disputes)

These matters arise under the Tobacco Master Settlement Agreement ("MSA"), entered into in 1998, that settled litigation and claims by Massachusetts and 51 other states or dependencies (collectively the "States") against the major tobacco manufacturers. Under the MSA, yearly payments made by the Original Participating Manufacturers ("OPMs") and Subsequent Participating Manufacturers (collectively the Participating Manufacturers or "PMs") are subject to a number of adjustments. One such adjustment is the Non-Participating Manufacturer ("NPM") Adjustment, which can be triggered if the PMs suffer a specified market share loss as compared to their market share during the base year 1997. Under the MSA, a nationally recognized economic firm selected jointly by the States and the PMs must make a determination that "the disadvantages experienced" by the PMs as a result of complying with the MSA were "a significant factor contributing to the Market Share Loss" for a given year. Even if such a determination is made, the States can still avoid the NPM adjustment if it is determined that the States "diligently enforced" their individual NPM Escrow Statutes.

(a) (2004 NPM Adjustment) The PMs seek to reduce, by approximately $1.1 billion, the MSA payments they made to the States for 2004 sales and so they deposited a portion of this amount into an escrow account pending a resolution of this claim. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2004 following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. If the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $17 million, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2004 sales, depending upon the outcome of similar NPM proceedings against other states. An arbitration to resolve the 2004 NPM Adjustment Dispute has been commenced, and arbitrator selection is currently underway.

(b) (2005 NPM Adjustment) In the same manner as described above, the PMs seek to reduce, by approximately $753 million, the MSA payments they made to the States for 2005 sales. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2005 following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. If the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $30 million, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2005 sales, depending upon the outcome of similar NPM proceedings against other states.

(c) (2006 NPM Adjustment) In the same manner as described above, the PMs seek to reduce, by approximately $704 million, the MSA payments they made to the States for 2006 sales. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2006 following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. If the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $7 million, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2006 sales, depending upon the outcome of similar NPM proceedings against other states.

(d) (2007 NPM Adjustment) In the same manner as described above, the PMs seek to reduce, by approximately $791 million, the MSA payments they made to the States for 2007 sales. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2007 following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. If the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $8.8 million, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2007 sales, depending upon the outcome of similar NPM proceedings against other states.

(e) (2008 NPM Adjustment) In the same manner as described above, the PMs seek to reduce, by approximately $888 million, the MSA payments they made to the States for 2008 sales. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2008 following the conclusion of the 2003 NPM Adjustment Arbitration proceedings. If the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $900,000, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2008 sales, depending upon the outcome of similar NPM proceedings against other states.

(f) (2009 NPM Adjustment) In the same manner as described above, the PMs seek to reduce, by approximately $859 million, the MSA payments they made to the States for 2009 sales. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs have not yet

notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2009. If the matter is arbitrated and the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $1.3 million, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2009 sales, depending upon the outcome of similar NPM proceedings against other states.

(g) (2010 NPM Adjustment) In the same manner as described above, the PMs seek to reduce, by approximately $873 million, the MSA payments they made to the States for 2010 sales. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs have not yet notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2010. If the matter is arbitrated and the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $500,000, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2010 sales, depending upon the outcome of similar NPM proceedings against other states.

(h) (2011 NPM Adjustment) In the same manner as described above, the PMs seek to reduce, by approximately $728 million, the MSA payments they made to the States for 2011 sales. This amount is subject to revision until a Final Calculation in March, 2016. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs have not yet notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2011. If the matter is arbitrated and the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $500,000, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2011 sales, depending upon the outcome of similar NPM proceedings against other states.

(i) (2012 NPM Adjustment) In the same manner as described above, the PMs seek to reduce by approximately $791 million, the MSA payments they made to the States for 2012 sales. This amount is subject to revision until a Final Calculation in March, 2017. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs have not yet notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2012. If the matter is arbitrated and the Commonwealth does not prevail, future MSA payments to Massachusetts would be reduced by an amount yet to be determined, between $200,000, plus interest, up to but not exceeding the full amount of the state's MSA payment for 2012 sales, depending upon the outcome of similar NPM proceedings against other states.

(j) (2013 NPM Adjustment) In the same manner as described above, the PMs seek to reduce by approximately $815 million, the MSA payments they made to the States for 2013 sales. This amount is subject to revision until a Final Calculation in March, 2018. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs have not yet notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2013. The largest PMs have not yet had an opportunity to designate funds related to 2013 sales as disputed and place the funds in escrow. Until they have had such an opportunity and Final Calculations are received in March, 2018, the Commonwealth's potential exposure cannot be determined.

(k) (2014 NPM Adjustment) In the same manner as described above, the PMs seek to reduce by approximately $825 million, the MSA payments they made to the States for 2014 sales. This amount is subject to revision until a Final Calculation in March, 2019. A determination has been made that the PMs suffered a market share loss and that the disadvantages experienced by the PMs as a result of complying with the MSA were a significant factor contributing to the market share loss. The PMs have not yet notified the States of their intent to arbitrate the issue of whether each state diligently enforced its NPM Escrow Statute during 2014. The largest PMs have not yet had an opportunity to designate funds related to 2014 sales as disputed and place the funds in escrow. Until they have had such an opportunity and Final Calculations are received in March, 2019, the Commonwealth's potential exposure cannot be determined.

Environment

In re Massachusetts Military Reservation (pre-litigation). The Commonwealth, through the Executive Office of Energy and Environmental Affairs, the Department of Environmental Protection and the Attorney General's office, were engaged in discussions with federal Natural Resource Trustees, including the United States Army and Air Force, the Department of the Interior and the National Oceanic and Atmospheric Administration, and private contractors regarding natural resource damages at the Massachusetts Military Reservation on Cape Cod. Federal Trustees and private contractors claim that the Commonwealth and others are liable for natural resource damages due to widespread contamination primarily from past military activities at the Reservation and are responsible for response actions and related clean-up activities. The assessment process for natural resource damages is set out in federal regulations and has not been completed. While no recent comprehensive estimate of natural resource damages and response actions is available, it is expected that the damages and response actions may cost at least tens of millions of dollars. In 2013, the state and federal trustees reopened preliminary discussions per a Trustee Council resolution on a potential settlement framework.

Other

Drug Testing Laboratory disputes. In August, 2012, a chemist formerly employed at the state's drug testing laboratory in Boston admitted to several types of misconduct involving her handling of laboratory samples, which were used in criminal cases. The Attorney General's office conducted a criminal investigation and, in December, 2012, the former chemist was indicted by a statewide grand jury on charges in connection with altering drug evidence during the testing process and obstructing justice; she pled guilty in 2013 and was sentenced to 3-to-5 years in state prison. In January, 2013, a chemist formerly employed at the state's Amherst drug testing laboratory was arrested for theft of a controlled substance and tampering with evidence. In January, 2014, she pled guilty to charges that she removed drug samples for her own use and mixed drug evidence samples with counterfeit drugs to hide the theft, and she was sentenced to 2.5 years in state prison. The Attorney General's office is conducting a criminal investigation to determine whether any criminal cases over the course of this chemist's employment at the Amherst state lab were tainted by malfeasance. Given the thousands of cases potentially affected by these chemists' misconduct, there likely will be continuing significant, but as yet undetermined, state costs to remedy alleged malfeasance, including costs to defend civil complaints alleging state liability in both state and federal court and for potential judgments.

MedImmune, LLC v. Board of Trustees of the University of Massachusetts d/b/a University of Massachusetts Biologic Laboratories, Maryland Court of Special Appeals. This case relates to a license agreement between MedImmune LLC and University of Massachusetts Biologic Laboratories ("MassBiologics"). Under the agreement, MedImmune currently pays MassBiologics approximately $25 million per year in royalties based upon net sales of MedImmune's leading product, Synagis®. In the lawsuit, MedImmune alleges (1) breach of the license agreement and (2) that the agreement was terminable in August 2011, when suit was brought, or that it terminates on a date certain in the future. During the pendency of the lawsuit, MedImmune has continued to pay MassBiologics royalties when due. MassBiologics has agreed that, if MedImmune obtains a judgment in any trial court that its obligations to pay royalties to MassBiologics ended on a date certain earlier than the date judgment is entered, MassBiologics would return any royalties paid during the pendency of the lawsuit for sales occurring after MedImmune's obligations were found to have ended, while retaining the right to contend in further litigation that MassBiologics was entitled to keep any and all of such royalties. In the lawsuit, MedImmune sought as damages for the alleged breaches repayment of any royalties paid after a breach occurred. The trial court granted summary judgment in favor of the University of Massachusetts ("UMass") as to all breach of contract allegations.

After a trial, the court ruled that the agreement was not terminated or terminable in August 2011 and will not terminate unless and until MedImmune stops making and selling Synagis®. MedImmune appealed the judgment to the Court of Special Appeals, Maryland's intermediate appellate court. UMass cross-appealed on the ground that the agreement continues indefinitely, unless terminated for cause under its termination provisions, and therefore MedImmune must pay royalties on other royalty-bearing products even if it ceases to make and sell Synagis®.

On June 3, 2015, the Court of Special Appeals issued its decision, denying MedImmune's appeal in its entirety and also denying UMass's cross-appeal. As a result, the trial court rulings that were challenged on appeal have been affirmed.

On June 30, 2015, MedImmune filed a petition for a writ of certiorari seeking further review by the Maryland Court of Appeals, Maryland's highest court. On July 15, UMass opposed MedImmune's petition and filed its own petition for a writ of certiorari seeking further review of the issue raised in UMass's cross-appeal. UMass also requested that the Maryland Court of Appeals certify a question of Massachusetts contract law to the Massachusetts Supreme Judicial Court. On August 24, 2015, the Maryland Court of Appeals denied both petitions. Accordingly, the Maryland Court of Appeals will not consider MedImmune's appeal or UMass's cross-appeal. Either party may petition the U.S. Supreme Court for a writ of certiorari to review the decision of the Court of Special Appeals within 90 days after the Maryland Court of Appeals entered its order denying further review.

Given the amount of royalties that have been paid on sales of Synagis® made after August, 2011, if the Supreme Court grants certiorari, and MedImmune ultimately prevails on a claim that the agreement was terminable prior to the date of judgment, MassBiologics would be required initially to return royalties to MedImmune in an amount that could exceed $50 million, while retaining the right to contend that MassBiologics was entitled to keep any and all of such royalties. The precise amount of the repayment contingency would depend on the amount of royalties paid on sales made after August, 2011 or after the date of termination.

In addition, given the amount of royalties that have been paid since the alleged breaches, if MedImmune ultimately prevails on its claim that the agreement was breached and that it is entitled to repayment of any royalties paid after the breach, MassBiologics could be required to pay in excess of $50 million to MedImmune. Again, the precise amount of the repayment contingency depends on the amount of royalties paid between the date of breach and date of final judgment.

Woodlands Commercial Corp. f/k/a Lehman Bros. Commercial Bank v. Massachusetts Department of Transportation, Supreme Court of the State of New York, County of New York: On or about November 14, 2013, the plaintiff corporation (previously known as Woodlands Commercial Bank, a wholly-owned subsidiary of Lehman Bancorp, Inc.) filed suit against MassDOT, as successor to the Massachusetts Turnpike Authority, in New York state court. The suit seeks recovery of an unspecified amount allegedly withheld in breach of a contract concerning six derivatives transactions between the Turnpike Authority and a Lehman Brothers affiliate. According to the plaintiff, the Turnpike Authority terminated the contractual arrangement without making a full termination payment, which the plaintiff contends constituted a breach of the Authority's contractual obligations. In December, 2008, the Authority made an early termination payment of approximately $3.17 million, but the plaintiff contends that payment should have been in the range of $30 million to $40 million. In addition to contractual damages, the plaintiff seeks interest on its claim of unpaid sums, dating back to late 2008, and attorneys' fees. The complaint acknowledges that the Legislature created MassDOT as "a body politic and corporate" that performs various public functions but is nonetheless separate from the Commonwealth. MassDOT answered the Complaint, denying the principal substantive allegations and asserting a variety of affirmative defenses. No claims are expressly lodged against the Commonwealth in this suit. The parties began the initial stages of discovery but suspended those efforts while they conducted early mediation. If mediation does not lead to a resolution of this matter, the parties will likely resume discovery efforts. A preliminary court conference is scheduled for November 19, 2015.

[*Remainder of page intentionally left blank*]

MISCELLANEOUS

Any provisions of the constitution of the Commonwealth, of general and special laws and of other documents set forth or referred to in this Information Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Information Statement contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the Commonwealth and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the Commonwealth and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "will," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

All estimates and assumptions in this Information Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Information Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the Commonwealth's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The information, estimates and assumptions and expressions of opinion in this Information Statement are subject to change without notice. Neither the delivery of this Information Statement nor any sale made pursuant to any official statement of which this Information Statement is a part shall, under any circumstances, create any implication that there has been no change in the affairs of the Commonwealth or its agencies, authorities or political subdivisions since the date of this Information Statement, except as expressly stated.

[*Remainder of page intentionally left blank*]

CONTINUING DISCLOSURE

The Commonwealth prepares its Statutory Basis Financial Report and its Comprehensive Annual Financial Report with respect to each fiscal year ending June 30. The Statutory Basis Financial Report becomes available by October 31 of the following fiscal year and the Comprehensive Annual Financial Report becomes available in January of the following fiscal year. Copies of such reports and other financial reports of the Comptroller referenced in this document may be obtained by requesting the same in writing from the Office of the Comptroller, One Ashburton Place, Room 909, Boston, Massachusetts 02108. The financial statements are also available at the Comptroller's web site located at http://www.mass.gov/osc by clicking on "Financial Reports" under the "Publications and Reports" tab.

The Department of the State Auditor audits all agencies, departments and authorities of the Commonwealth at least every two years. Copies of audit reports may be obtained from the State Auditor, State House, Room 229, Boston, Massachusetts 02133.

On behalf of the Commonwealth, the State Treasurer will provide to the Municipal Securities Rulemaking Board (MSRB), through its Electronic Municipal Market Access (EMMA) System no later than 270 days after the end of each fiscal year of the Commonwealth, certain financial information and operating data relating to such fiscal year, as provided in said Rule 15c2-12, together with audited financial statements of the Commonwealth for such fiscal year. Except as noted below, the Commonwealth has not failed in the last five years to comply with its continuing disclosure undertakings with respect to any of its debt.

In 2010, the Commonwealth failed to file event notices concerning rating changes related to bonds insured by Financial Security Assurance Inc. ("FSA"), which was subsequently renamed Assurance Guaranty Municipal Corp. ("Assured"). In October, 2010, S&P downgraded Assured from AAA to AA+. The Commonwealth failed to file an event notice in October, 2013 when the Moody's rating on outstanding junior-lien GANs was upgraded from Aa2 to Aa1, and failed to file an event notice in March, 2014 when the S&P rating on certain insured special obligation bonds payable from the Convention Center Fund was upgraded from A to AA-. The Commonwealth has filed notices of all such rating changes with respect to the bonds that are currently outstanding.

The fiscal 2011, fiscal 2012 and fiscal 2013 annual financial information filed by the Commonwealth pursuant to its continuing disclosure undertakings related to its grant anticipation note program contained incorrect information concerning the amounts of CTF pledged funds. Amended filings have been posted with EMMA.

The fiscal 2011 annual financial information filed by the Commonwealth on March 26, 2012 and the fiscal 2012 annual financial information filed by the Commonwealth on March 26, 2013 pursuant to its continuing disclosure undertakings related to its general obligation bond program contained incorrect information about the amount of outstanding direct debt subject to the statutory debt limit and, in the case of the fiscal 2012 filing, about the amount of the limit. Amended filings for fiscal 2011 and for fiscal 2012 have been posted with EMMA, and a corrected table is included in this Information Statement. See "LONG-TERM LIABILITIES – General Authority to Borrow; *Statutory Limit on Direct Debt*."

The fiscal 2014 annual financial information was filed by the Commonwealth on March 27, 2015 pursuant to its continuing disclosure undertakings with respect to its general obligation bonds; however, there was a failure to link the filing to certain CUSIP numbers for Commonwealth general obligation bonds issued from October 29, 2014 through December 31, 2014. Corrective filings have since been posted on EMMA.

In the course of substituting liquidity facilities in connection with certain Commonwealth general obligation variable rate demand bonds, supplements to the respective official statements for such bonds were posted in a timely manner to EMMA setting forth detailed information regarding the substituted liquidity facilities; however, separate event notices were not posted at the time. Event notices of the liquidity substitutions have since been posted.

In the course of reviewing its event notice filings, the Commonwealth discovered that bond call notices were not posted in a timely manner to EMMA in connection with certain advance refunding transactions and that a notice of defeasance was not timely posted to EMMA until approximately three and a half months after the

defeasance occured. The Commonwealth has posted such notices with respect to all Commonwealth bonds that have been advance refunded, where the funds to redeem or pay the bonds remain held in escrow.

The State Treasurer also regularly files information with EMMA beyond the documents required by the Commonwealth's continuing disclosure undertakings, including updated Information Statements. In addition, information of interest to investors may be posted on the Commonwealth's investor website at www.massbondholder.com, on twitter at twitter.com/BuyMassBonds and on the Commonwealth's "Mass. Investor Disclosure" mobile app.

[*Remainder of page intentionally left blank*]

AVAILABILITY OF OTHER FINANCIAL INFORMATION

Questions regarding this Information Statement or requests for additional information concerning the Commonwealth should be directed to Sue Perez, Assistant Treasurer, Office of the Treasurer and Receiver-General, 3 Center Plaza, Suite 430, Boston, Massachusetts 02108, telephone (617) 367-3900, or to Jennifer Sullivan, Assistant Secretary for Capital Finance, Executive Office for Administration and Finance, State House, Room 373, Boston, Massachusetts 02133, telephone (617) 727-2040. Questions regarding legal matters relating to this Information Statement should be directed to John R. Regier, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, Massachusetts 02111, telephone (617) 348-1720.

THE COMMONWEALTH OF MASSACHUSETTS

By */s/ Deborah B. Goldberg*
Deborah B. Goldberg
Treasurer and Receiver-General

By */s/ Kristen Lepore*
Kristen Lepore
Secretary of Administration and Finance

November 13, 2015

43966222v.8

[THIS PAGE INTENTIONALLY LEFT BLANK]

Exhibit A

[THIS PAGE INTENTIONALLY LEFT BLANK]

The Massachusetts Economic Due Diligence Report

FIRST QUARTER FY 2016

Produced by the University of Massachusetts President's Office Donahue Institute, Economic and Public Policy Research
Funding provided by the Massachusetts State Treasurer's Office of Debt Management

The UMass Amherst campus formally celebrated completion of the $93 million Integrative Learning Center December 9, 2014 with a ribbon-cutting ceremony and tours of the 150,000-square-foot facility, which provides state-of-the-art classrooms for students in multiple disciplines.

TABLE OF CONTENTS

Statistical Overview ……A-1
Population Characteristics ……A-2
Migration ……A-7
Personal Income, Consumer Prices and Poverty ……A-8
Personal Income ……A-8
Annual Pay in Nominal Dollars ……A-10
Wage and Salary Disbursements ……A-10
Consumer Prices ……A-11
Consumer Confidence, Present Situation and Future Expectations ……A-13
Poverty ……A-15
Transfer Payments ……A-16
Health Insurance ……A-17
Employment ……A-18
Employment by Industry ……A-18
Largest Employers in Massachusetts ……A-20
Massachusetts Companies in the Fortune 500 ……A-20
Unemployment Insurance Trust Fund ……A-21
Unemployment ……A-21
Education and Technology ……A-24
Educational Attainment ……A-24
Higher Education Data ……A-25
Internet Access ……A-27
Patents ……A-27
Primary and Secondary Education Expenditures ……A-28
National Assessment of Educational Progress ……A-29
Economic Base and Performance ……A-30
Economic Indicators ……A-30
Comparing BEA GDP for the U.S., Region and Massachusetts ……A-30
State Coincident Indexes ……A-31
Institute for Supply Management Purchasing Manager Indexes ……A-32
International Trade ……A-33
Exports, Imports and Trade Deficit ……A-33
Industry Sector Detail (NAICS Basis) ……A-36
GDP Subsectors ……A-36
Industry Sector Analysis ……A-38
Government Revenues and Spending ……A-59
Federal Spending in Massachusetts ……A-59
Federal Contracts ……A-61
State Revenues and Expenditures ……A-64
Supplementary Section ……A-Appendix-1
Building Permits ……A-Appendix-2
Home Sales ……A-Appendix-3
Home Prices ……A-Appendix-4
Electricity Prices, Supply and Capacity by Source ……A-Appendix-5
Travel and Tourism ……A-Appendix-6
Transportation and Warehousing ……A-Appendix-6
Exports ……A-Appendix-8
Sources ……A-Source List

ECONOMIC INFORMATION - QUARTER 1, FY 2016

The information in this section was prepared by the Massachusetts State Data Center (MassSDC) at the University of Massachusetts Donahue Institute Economic and Public Policy Research group. It may be relevant in evaluating the economic and financial condition and prospects of the Commonwealth of Massachusetts. The State Data Center archives data about Massachusetts. The economic and demographic data, which have been obtained by the MassSDC from the sources indicated, do not necessarily present all factors that may have a bearing on the Commonwealth's fiscal and economic affairs.

All information is presented on a calendar-year basis unless otherwise indicated. **Information in the text, tables, charts, and graphs is current as of October 30, 2015.** Sources of information are indicated in the text or immediately following the charts and tables, and also from the *Sources* on the last page of the Exhibit A section. Although the Commonwealth considers the sources to be reliable, it makes no independent verification of the information presented herein and therefore does not warrant its accuracy.

Statistical Overview

***Population* (p. A-2)**	***Massachusetts***	***United States***
Estimated Percent Change in Population, July 1, 2010 - July 1, 2014	3.1%	2.8%
***Personal Income, Consumer Prices, and Poverty* (p. A-8)**		
Per Capita Personal Income, 2014	$58,737	$46,049
Average Annual Pay, All Industries, 2014	$64,103	$51,364
Percent Change in CPI-U*, 2013-2014	1.6%	1.6%
Percent Change in CPI-U*, September 2014 - September 2015	0.3%	0.0%
Poverty Rate, 2014	11.6%	15.5%
Average Weekly Earnings, Manufacturing Production Workers: 2014	$877.40	$822.24
Percent Change from previous year	0.1%	1.8%
***Employment* (p. A-18)**		
Percent Change in Nonfarm Payroll Employment (Not Seasonally Adjusted), September 2014 - September 2015p	2.0%	2.0%
Unemployment Rate, 2014	5.8%	6.2%
Unemployment Rate, September 2015 (seasonally adjusted)	4.6%	5.1%
***Education* (p. A-24)**		
Expenditure Per Pupil K-12 Public, 2013	$14,515	$10,700
Percent of Adults with a Bachelor's Degree or Higher, 2014	41.2%	30.1%
***Economic Base and Performance* (p. A-30)**		
Percent Change in Gross Domestic Product, 2013-2014	2.3%	2.2%
Percent Change in International Exports, 2013-2014	2.0%	2.8%
Percent Change in Housing Permits Authorized, 2013-2014	-2.3%	4.8%

*NOTE: Percent changes in the Consumer Price Index for All Urban Consumers (CPI-U) are for the Boston-Worcester-Lawrence, MA-NH-ME-CT CMSA & the United States. p = preliminary.

Massachusetts is a densely populated state with a well-educated population, comparatively high income levels, and a relatively diversified economy. While the total population of Massachusetts has remained fairly stable in the last 25 years, significant changes have occurred in the age distribution of the population. Dramatic growth in residents between the ages of 20 and 44 since 1980 is expected to lead to a population distributed more heavily in the 65 and over age group in the next 25 years. Just as the working-age population has increased, income levels in Massachusetts since 1980 have grown significantly more than the national average, and a variety of measures of income show that Massachusetts residents have significantly higher amounts of annual income than the national average. These higher levels of income have been accompanied by a consistently lower poverty rate. State unemployment rates have typically remained below the national average with the exception of a slight increase during the recession of the early 1990s and a seventeen-month stretch between 2006 and 2007. More recently, Massachusetts unemployment has hovered closer to the national average and currently stands at 4.6 percent, compared to the national rate of 5.3 percent. In 2014, Massachusetts was ranked second in the U.S. according to the American Human Development Index, modeled after the United Nations Human Development Index, which compares health, income, and education outcomes.

The following five sections provide detailed information on population characteristics, personal income, employment, human resources, economic base and performance, and infrastructure.

POPULATION CHARACTERISTICS

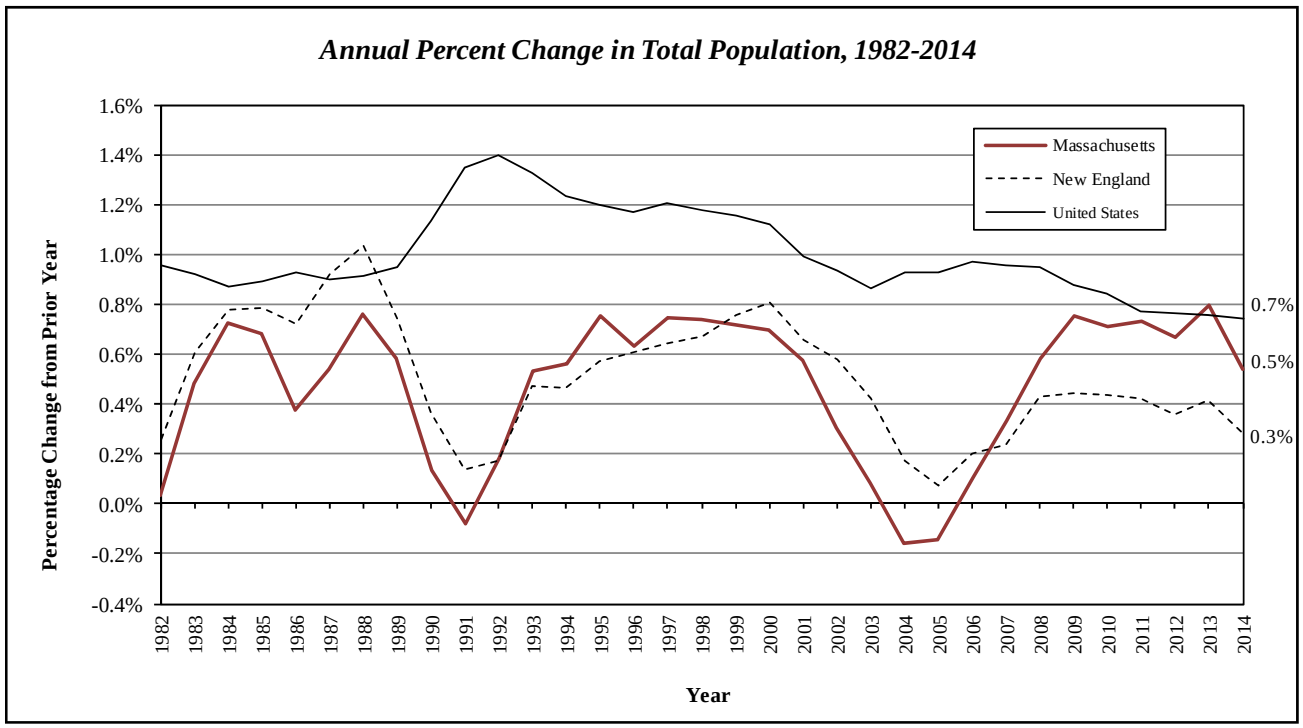
Massachusetts is a relatively slow growing but densely populated state with a comparatively large percentage of its residents living in metropolitan areas. The population density of Massachusetts was estimated as of July 1, 2014 to be 864.8 persons per square mile, as compared to 90.3 for the United States as a whole. Among the 50 states, only Rhode Island and New Jersey have a greater population density. Massachusetts also ranked just behind the same two states in percentage of residents living in metropolitan areas. According to the current county-based definition, 97.8 percent of the state's population live in metropolitan areas.

The state's population is concentrated in its eastern portion. The city of Boston is the largest city in New England, with a July 1, 2014 population estimated at 655,884 or 9.7 percent of the total state population. Boston is the hub of the seven-county Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA), which includes the two southeastern New Hampshire counties, and had a total population as of July 1, 2014 estimated at 4,732,161, or 32 percent of the total New England population. The Boston, MA Metropolitan division is the largest component of that MSA, with a total population as of July 1, 2014 estimated at 1,945,220.

The second largest MSA in the state is the Worcester, MA MSA, with a July 1, 2014 population estimated at 930,473. The city of Worcester, situated approximately 40 miles west of Boston with a July 1, 2014 estimated population of 183,016, is the second largest city, both in New England and the state. As a major medical and education center, the Worcester area is home to 18 patient care facilities, and 13 colleges and universities, including the University of Massachusetts Medical School.

The third largest MSA in Massachusetts is the three-county Springfield, MA MSA, with a July 1, 2014 population estimated at 629,100. Springfield, the third largest city in the Commonwealth with a July 1, 2013 estimated population of 153,991, is located in the Connecticut River Valley in Western Massachusetts and enjoys a diverse body of corporate employers, the largest of which are Baystate Health Systems, Big Y Supermarkets, Hartford Hospital, and MassMutual Financial Group. In addition, Springfield is home to three independent colleges.

As the following graph and table indicate, the population in Massachusetts generally grows at a rate similar to the population of New England and more slowly than the nation as a whole. According to the Census Bureau's latest revised estimates released in December 2014, the Massachusetts population has only grown by 6 percent since Census 2000, while the U.S. has grown 13 percent.



SOURCE: United States Department of Commerce, Bureau of the Census.
NOTE: Figures for all years shown are estimates as of July 1.

The following table compares the population level and percentage change in the population of Massachusetts to the six-state New England region and to the United States.

Population, 1974-2014
(in thousands)

	Massachusetts		New England		United States	
Year	Total	Percent Change	Total	Percent Change	Total	Percent Change
1974	5,774	-0.1%	12,146	0.0%	213,342	0.9%
1975	5,758	-0.3%	12,163	0.1%	215,465	1.0%
1976	5,744	-0.2%	12,192	0.2%	217,563	1.0%
1977	5,738	-0.1%	12,239	0.4%	219,760	1.0%
1978	5,736	0.0%	12,283	0.4%	222,095	1.1%
1979	5,738	0.0%	12,322	0.3%	224,567	1.1%
1980	5,737	0.0%	12,348	0.2%	226,546	0.9%
1981	5,769	0.6%	12,436	0.7%	229,466	1.3%
1982	5,771	0.0%	12,468	0.3%	231,664	1.0%
1983	5,799	0.5%	12,544	0.6%	233,792	0.9%
1984	5,841	0.7%	12,642	0.8%	235,825	0.9%
1985	5,881	0.7%	12,741	0.8%	237,924	0.9%
1986	5,903	0.4%	12,833	0.7%	240,133	0.9%
1987	5,935	0.5%	12,951	0.9%	242,289	0.9%
1988	5,980	0.8%	13,085	1.0%	244,499	0.9%
1989	6,015	0.6%	13,182	0.7%	246,819	0.9%
1990	6,023	0.1%	13,230	0.4%	249,623	1.1%
1991	6,018	-0.1%	13,248	0.1%	252,981	1.3%
1992	6,029	0.2%	13,271	0.2%	256,514	1.4%
1993	6,061	0.5%	13,334	0.5%	259,919	1.3%
1994	6,095	0.6%	13,396	0.5%	263,126	1.2%
1995	6,141	0.8%	13,473	0.6%	266,278	1.2%
1996	6,180	0.6%	13,555	0.6%	269,394	1.2%
1997	6,226	0.7%	13,642	0.6%	272,647	1.2%
1998	6,272	0.7%	13,734	0.7%	275,854	1.2%
1999	6,317	0.7%	13,838	0.8%	279,040	1.2%
2000	6,361	0.7%	13,950	0.8%	282,162	1.1%
2001	6,398	0.6%	14,041	0.7%	284,969	1.0%
2002	6,417	0.3%	14,122	0.6%	287,625	0.9%
2003	6,423	0.1%	14,182	0.4%	290,108	0.9%
2004	6,412	-0.2%	14,207	0.2%	292,805	0.9%
2005	6,403	-0.1%	14,217	0.1%	295,517	0.9%
2006	6,410	0.1%	14,246	0.2%	298,380	1.0%
2007	6,432	0.3%	14,279	0.2%	301,231	1.0%
2008	6,469	0.6%	14,340	0.4%	304,094	1.0%
2009	6,518	0.8%	14,404	0.4%	306,772	0.9%
2010	6,564	0.7%	14,466	0.4%	309,347	0.8%
2011	6,612	0.7%	14,527	0.4%	311,721	0.8%
2012	6,656	0.7%	14,579	0.4%	314,112	0.8%
2013	6,709	0.8%	14,640	0.4%	316,498	0.8%
2014	6,745	0.5%	14,681	0.3%	318,857	0.7%

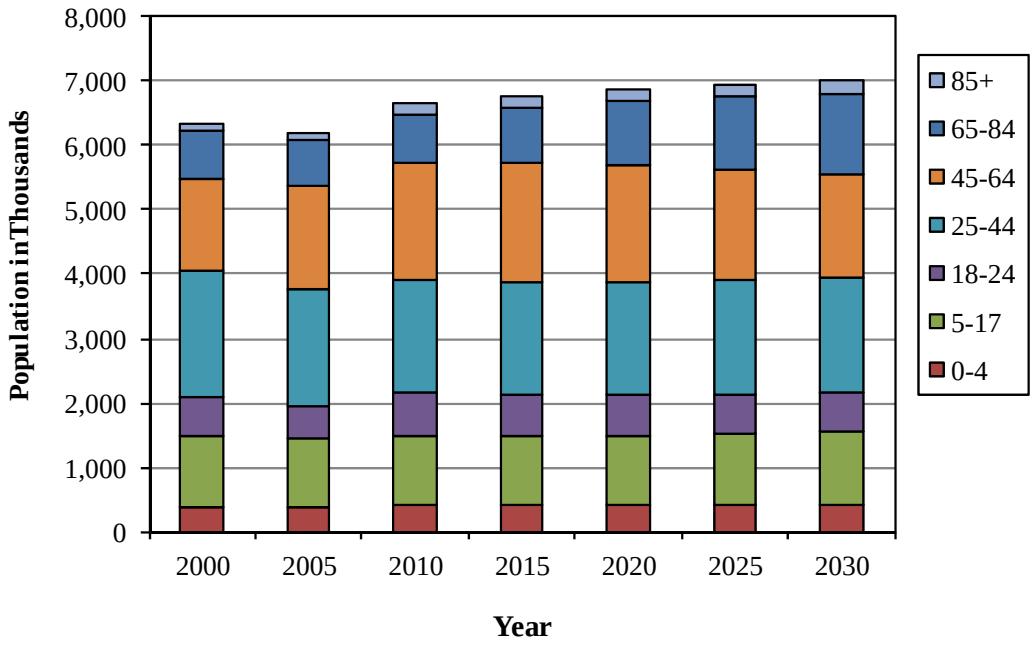
SOURCE: United States Department of Commerce, Bureau of the Census.
NOTE: Figures for all years shown are estimates as of July 1.

The next 16 years are expected to bring about a continued change in the age distribution of the Massachusetts population. As the following table and chart show, the share of the 65 and over age group and especially the 85 and over age group will continue to grow. The chart, table, and population pyramids (below, and on the following page) show the projected population by age for Massachusetts for 2000 through 2030. Census has not updated these projections to reflect the 2010 Census.

Projected Massachusetts Population by Age Group 2000-2030 (in thousands)

Year	0-4	5-17	18-24	25-44	45-64	65-84	85+	All Ages	Median Age
2000	397.3	1,102.8	579.3	1,989.8	1,419.8	743.5	116.7	6,349.1	36.5
2005	395.1	1,055.6	488.9	1,844.0	1,602.5	693.1	103.7	6,182.9	38.2
2010	400.7	1,083.1	670.2	1,769.7	1,817.1	750.6	158.0	6,649.4	38.8
2015	409.7	1,064.2	656.0	1,746.1	1,857.1	856.5	168.9	6,758.6	39.2
2020	422.3	1,070.9	617.5	1,775.8	1,809.3	987.8	172.0	6,855.5	39.5
2025	431.0	1,087.7	616.2	1,782.5	1,703.3	1,137.8	180.1	6,938.6	39.7
2030	430.6	1,115.0	610.7	1,783.9	1,608.7	1,251.2	211.9	7,012.0	40.2

Projected Massachusetts Population by Age Group 2000-2030

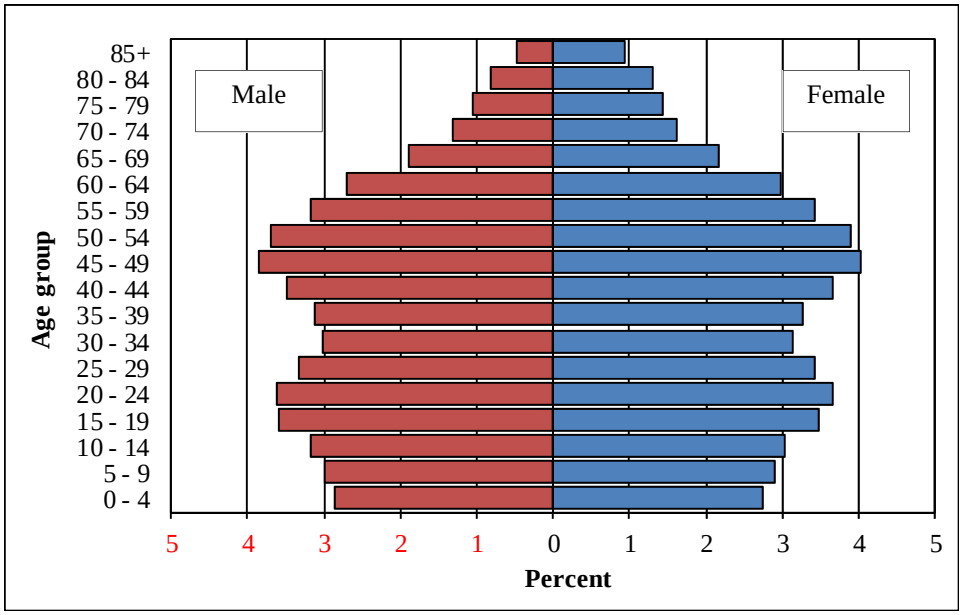


SOURCE: Interim Population Projections through 2030 released April 21, 2005 by the Population Division, Bureau of the Census, United States Department of Commerce.
NOTE: Actual Census 2000 counts as of April 1; Population Estimates for 2005 as of July 1; all other figures are projections as of July 1 of the indicated year.

Population Pyramids of Massachusetts

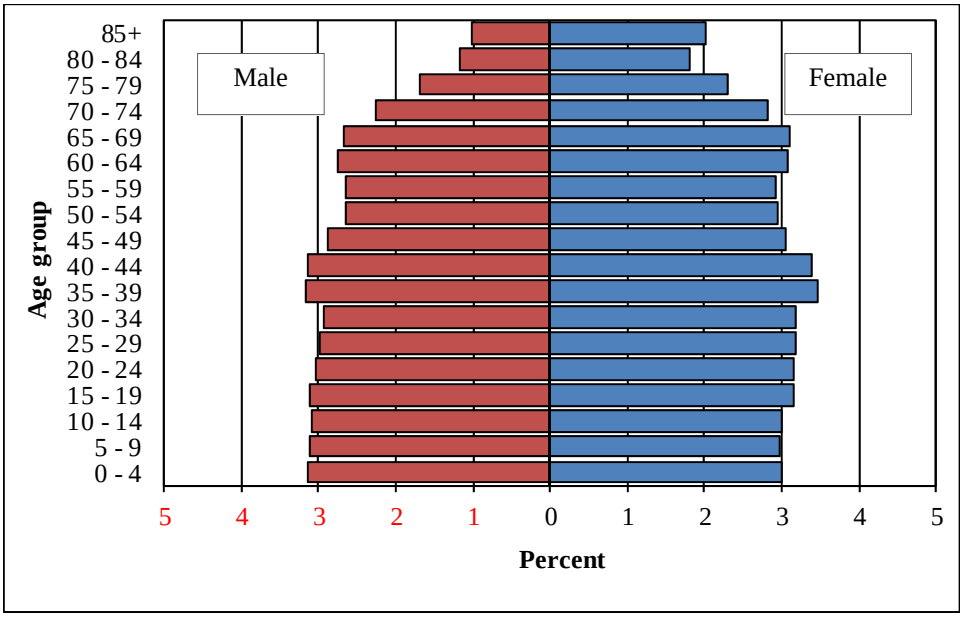
Percent of Total Population

2010



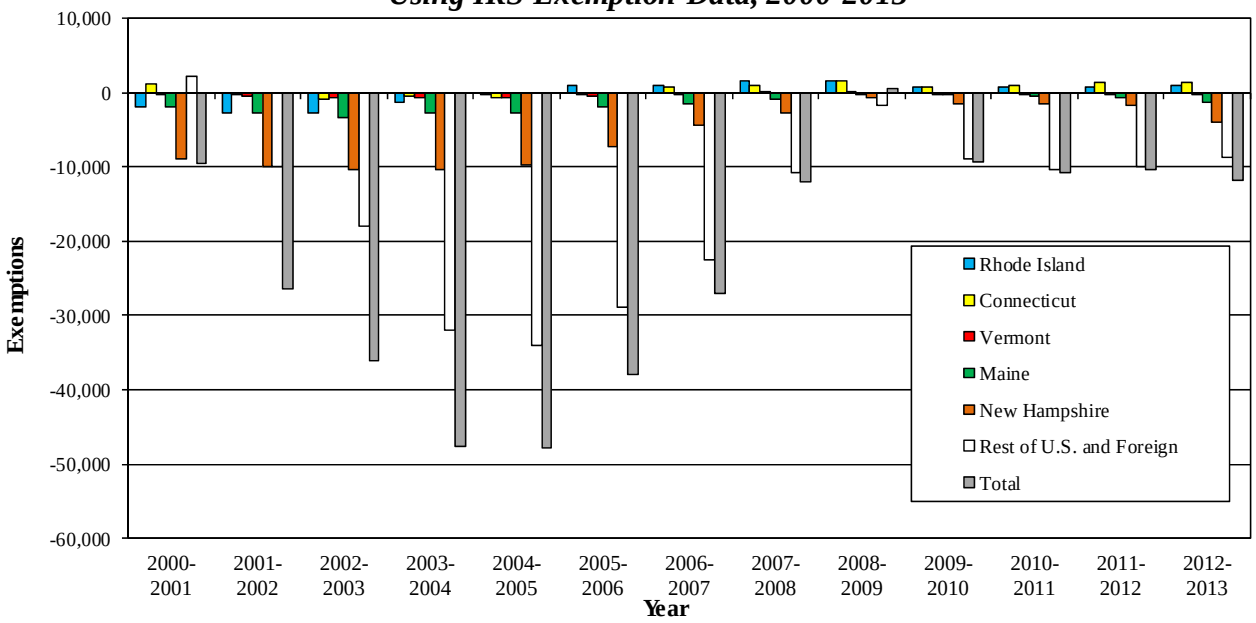
SOURCE: U.S. Census Bureau, 2010 Census.

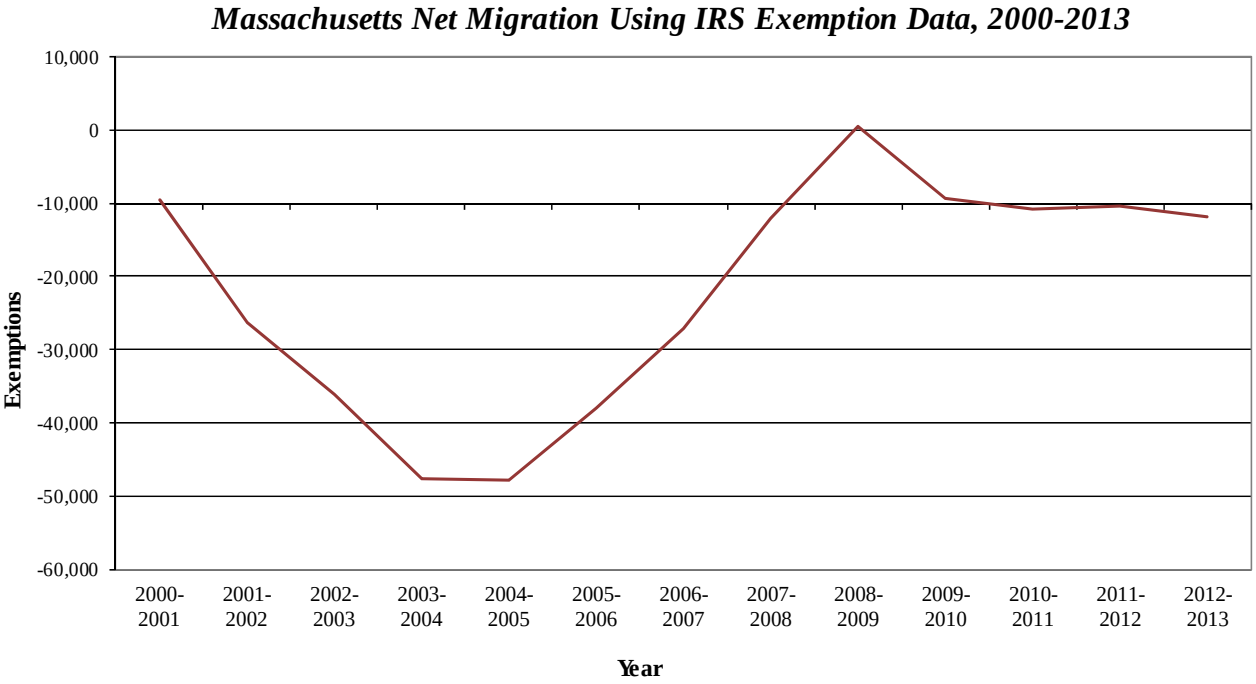
2030



SOURCE: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005.
Internet Release Date: April 21, 2005.

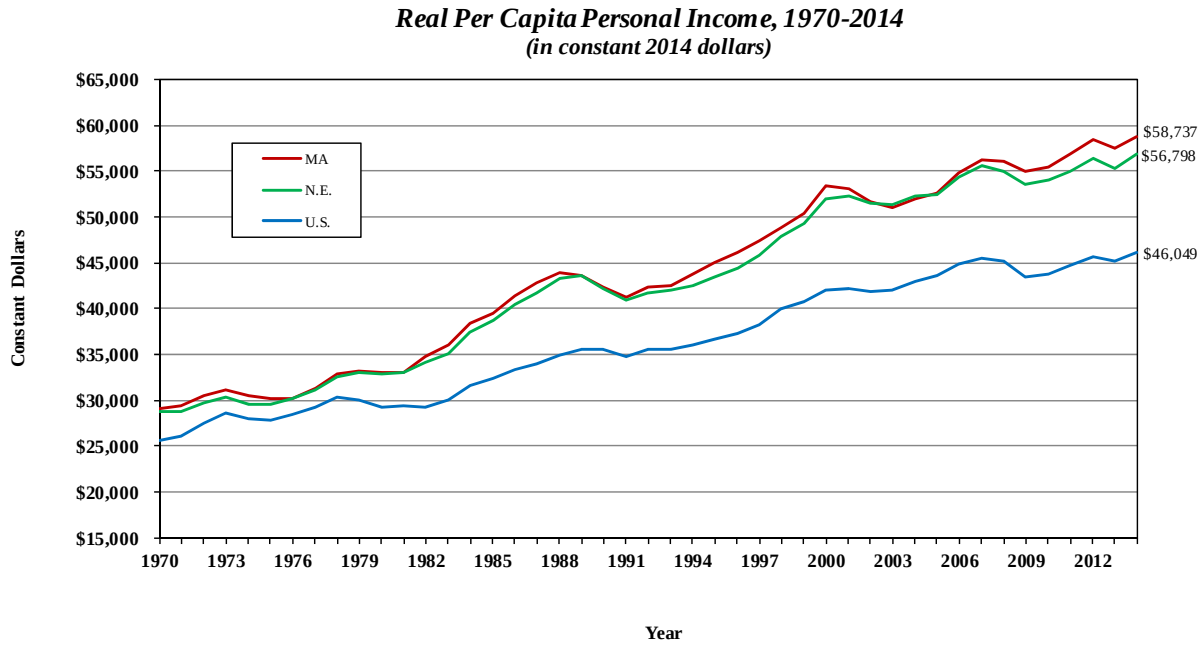
Migration. Migration is one of several components of annual population change in Massachusetts. The movement of people from place to place is often linked to economic opportunities or downturns. These data are derived from the filing addresses and number of exemptions submitted with federal tax returns. A tax filer is considered a migrant when he/she files a tax return with an address different from the previous year's filing address. Of the New England states, New Hampshire was the largest net loss for Massachusetts and Connecticut was the largest net gain for Massachusetts from 2000 through 2013. Massachusetts also sends many more migrants to California, North Carolina, Maine, Texas, and Georgia than it gains. The charts below illustrate the net migration for Massachusetts to and from the New England states and the rest of the country using IRS data.





SOURCE: U.S. Internal Revenue Service.

Personal Income. Real per capita income levels in Massachusetts increased faster than the national average between 1992 and 1997. In 2000, Massachusetts had its highest per capita income growth in 16 years, exceeding the national growth rate by 2.5 percentage points. From 2001 to 2003, real income declined in Massachusetts while staying roughly flat for the nation. However, real income levels in Massachusetts remained well above the national average. Following a significant decline in 2009, Massachusetts, New England, and the U.S. steadily increased until 2012. However, from 2006 to 2012, Massachusetts personal income either declined more slowly, or grew more quickly, than the nation during the recession and its aftermath. Only the District of Columbia and Connecticut have had higher levels of per capita personal income. In 2013, Massachusetts, New England and the U.S. all experienced a slight decline in real income. Most recently, the 2014 Massachusetts Per Capita Personal Income remains higher than New England and the Nation as a whole. The following graph illustrates these changes in real per capita personal income in Massachusetts, New England, and the United States since 1970.



SOURCE: United States Department of Commerce, Bureau of Economic Analysis.

The following table compares per capita personal income in Massachusetts, New England, and the United States for the period 1970-2014.

Per Capita Personal Income, 1970-2014

	Nominal Income (in current dollars)			Real Income (in 2014 dollars)			Percent Change in Real Income		
Year	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.
1970	$4,575	$4,547	$4,196	$29,041	$28,699	$25,602	12.2%	12.4%	14.2%
1971	$4,859	$4,795	$4,468	$29,382	$28,754	$26,117	1.2%	0.2%	2.0%
1972	$5,228	$5,156	$4,853	$30,529	$29,719	$27,485	3.9%	3.4%	5.2%
1973	$5,647	$5,589	$5,352	$31,124	$30,344	$28,536	1.9%	2.1%	3.8%
1974	$6,108	$6,056	$5,824	$30,443	$29,573	$27,967	-2.2%	-2.5%	-2.0%
1975	$6,592	$6,516	$6,312	$30,146	$29,481	$27,775	-1.0%	-0.3%	-0.7%
1976	$7,098	$7,061	$6,856	$30,188	$30,214	$28,525	0.1%	2.5%	2.7%
1977	$7,733	$7,701	$7,494	$31,273	$31,207	$29,276	3.6%	3.3%	2.6%
1978	$8,547	$8,527	$8,338	$32,847	$32,519	$30,275	5.0%	4.2%	3.4%
1979	$9,500	$9,501	$9,212	$33,118	$32,949	$30,039	0.8%	1.3%	-0.8%
1980	$10,695	$10,716	$10,153	$33,041	$32,912	$29,170	-0.2%	-0.1%	-2.9%
1981	$11,868	$11,914	$11,262	$32,990	$33,053	$29,330	-0.2%	0.4%	0.6%
1982	$13,005	$12,939	$11,947	$34,750	$34,098	$29,309	5.3%	3.2%	-0.1%
1983	$14,067	$13,896	$12,652	$35,969	$35,153	$30,072	3.5%	3.1%	2.6%
1984	$15,755	$15,472	$13,860	$38,399	$37,379	$31,580	6.8%	6.3%	5.0%
1985	$16,938	$16,591	$14,719	$39,509	$38,640	$32,384	2.9%	3.4%	2.5%
1986	$18,197	$17,795	$15,459	$41,387	$40,437	$33,391	4.8%	4.7%	3.1%
1987	$19,608	$19,182	$16,265	$42,730	$41,748	$33,895	3.2%	3.2%	1.5%
1988	$21,403	$20,900	$17,426	$43,975	$43,321	$34,872	2.9%	3.8%	2.9%
1989	$22,437	$22,218	$18,653	$43,607	$43,618	$35,612	-0.8%	0.7%	2.1%
1990	$23,080	$22,764	$19,591	$42,402	$42,165	$35,485	-2.8%	-3.3%	-0.4%
1991	$23,468	$23,056	$19,985	$41,301	$40,848	$34,737	-2.6%	-3.1%	-2.1%
1992	$24,639	$24,360	$21,060	$42,311	$41,752	$35,536	2.4%	2.2%	2.3%
1993	$25,487	$25,152	$21,698	$42,537	$41,942	$35,548	0.5%	0.5%	0.0%
1994	$26,603	$26,092	$22,538	$43,826	$42,471	$36,002	3.0%	1.3%	1.3%
1995	$27,933	$27,394	$23,568	$44,944	$43,469	$36,610	2.5%	2.4%	1.7%
1996	$29,523	$28,763	$24,728	$46,135	$44,386	$37,310	2.7%	2.1%	1.9%
1997	$31,152	$30,401	$25,950	$47,347	$45,794	$38,276	2.6%	3.2%	2.6%
1998	$32,875	$32,260	$27,510	$48,859	$47,909	$39,955	3.2%	4.6%	4.4%
1999	$34,783	$33,853	$28,627	$50,432	$49,260	$40,679	3.2%	2.8%	1.8%
2000	$38,438	$36,904	$30,602	$53,425	$51,934	$42,071	5.9%	5.4%	3.4%
2001	$39,774	$38,222	$31,540	$53,001	$52,330	$42,161	-0.8%	0.8%	0.2%
2002	$39,742	$38,347	$31,815	$51,611	$51,441	$41,866	-2.6%	-1.7%	-0.7%
2003	$40,744	$39,328	$32,692	$50,992	$51,312	$42,062	-1.2%	-0.3%	0.5%
2004	$42,674	$41,435	$34,316	$51,980	$52,252	$43,006	1.9%	1.8%	2.2%
2005	$44,596	$43,157	$35,904	$52,589	$52,509	$43,522	1.2%	0.5%	1.2%
2006	$47,940	$46,271	$38,144	$54,834	$54,334	$44,792	4.3%	3.5%	2.9%
2007	$50,103	$48,568	$39,821	$56,222	$55,605	$45,466	2.5%	2.3%	1.5%
2008	$51,742	$49,977	$41,082	$56,098	$55,024	$45,172	-0.2%	-1.0%	-0.6%
2009	$50,296	$48,585	$39,376	$54,901	$53,483	$43,450	-2.1%	-2.8%	-3.8%
2010	$51,643	$49,994	$40,277	$55,501	$53,969	$43,727	1.1%	0.9%	0.6%
2011	$54,327	$52,463	$42,453	$56,845	$54,959	$44,679	2.4%	1.8%	2.2%
2012	$56,752	$54,796	$44,266	$58,467	$56,305	$45,642	2.9%	2.4%	2.2%
2013	$56,549	$54,582	$44,438	$57,469	$55,333	$45,151	-1.7%	-1.7%	-1.1%
2014	$58,737	$56,798	$46,049	$58,737	$56,798	$46,049	2.2%	2.6%	2.0%

SOURCE: United States Department of Commerce, Bureau of Economic Analysis.
NOTES: Using midyear population estimates from the Census Bureau and two CPI-U series from the U.S. Bureau of Labor Statistics for

Annual Pay in Nominal Dollars. Massachusetts saw steady growth in average annual pay for most of the past decade, lost ground in 2009, but resumed growth in 2010. Average annual pay is computed by dividing the total annual payroll of employees covered by Unemployment Insurance programs by the average monthly number of employees. Data are reported by employers covered under the Unemployment Insurance programs. Since 2004, average annual wages in the state have grown at an annual rate of 2.8 percent, compared to 2.7 percent for the nation. The level of average annual pay in Massachusetts in 2014 was 24.8 percent higher than the national average: $64,103 compared to $51,364.

Wage and Salary Disbursements. Wage and salary disbursements by place of work is a component of personal income and measures monetary disbursements to employees. This includes compensation of corporate officers, commissions, tips, bonuses, and receipts in-kind. Although the data are recorded on a place-of-work basis, they are then adjusted to a place-of-residence basis so that the personal income of the recipients whose place of residence differs from their place of work will be correctly assigned to their state of residence. The table below details Wage and Salary Disbursements since 1990. Between 1998 and 2000, the Massachusetts share of the New England and overall U.S. totals increased. In subsequent years, the Massachusetts share of New England and the U.S. decreased slightly until 2006 when it began to rise again, reaching 51.8 and 3.0 percent respectively in 2014.

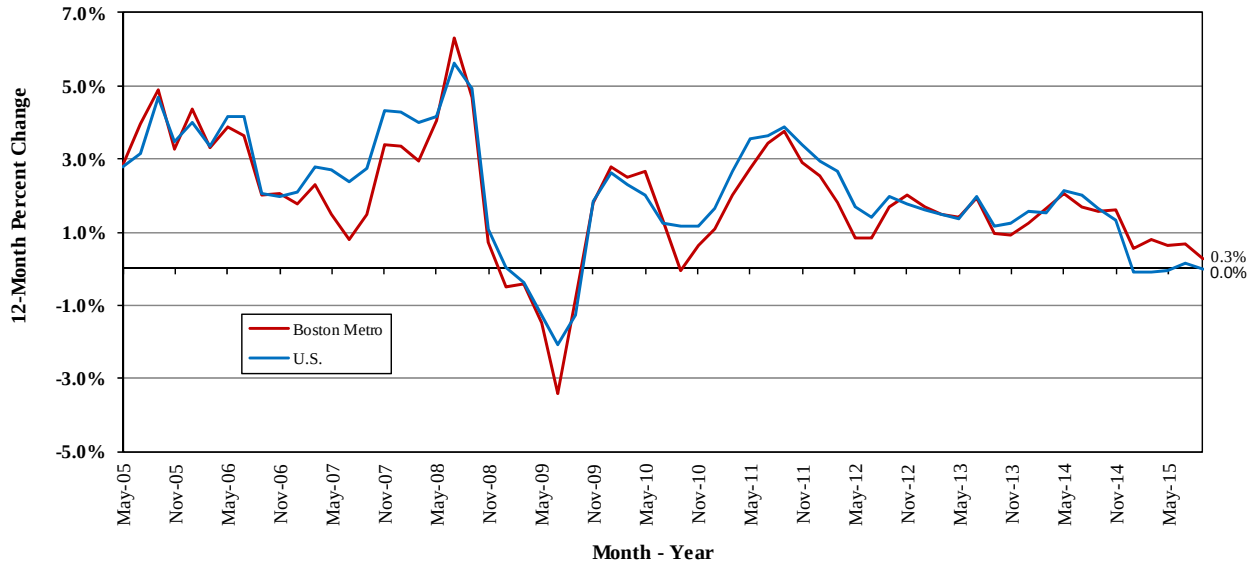
Annual Wage and Salary Disbursements, 1990-2014
(in millions of dollars)

Year	U.S.	N.E.	MA	MA as a pct. of N.E.	MA as a pct. of U.S.
1990	$ 2,730	$170	$82	48.4%	3.0%
1991	$ 2,802	$169	$82	48.3%	2.9%
1992	$ 2,965	$177	$85	48.3%	2.9%
1993	$ 3,070	$182	$88	48.5%	2.9%
1994	$ 3,226	$189	$92	48.8%	2.9%
1995	$ 3,414	$201	$98	49.0%	2.9%
1996	$ 3,612	$212	$105	49.3%	2.9%
1997	$ 3,872	$229	$113	49.3%	2.9%
1998	$ 4,177	$246	$122	49.5%	2.9%
1999	$ 4,457	$264	$133	50.2%	3.0%
2000	$ 4,824	$292	$149	51.2%	3.1%
2001	$ 4,950	$299	$152	50.7%	3.1%
2002	$ 4,993	$297	$149	50.1%	3.0%
2003	$ 5,134	$303	$151	49.6%	2.9%
2004	$ 5,417	$320	$159	49.6%	2.9%
2005	$ 5,689	$331	$163	49.4%	2.9%
2006	$ 6,052	$349	$173	49.5%	2.9%
2007	$ 6,391	$369	$184	49.9%	2.9%
2008	$ 6,529	$378	$190	50.2%	2.9%
2009	$ 6,244	$362	$182	50.3%	2.9%
2010	$ 6,369	$371	$188	50.6%	2.9%
2011	$ 6,623	$385	$196	50.8%	3.0%
2012	$ 6,922	$398	$204	51.2%	2.9%
2013	$ 7,106	$408	$210	51.4%	3.0%
2014	$ 7,469	$428	$222	51.8%	3.0%

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

Consumer Prices. Higher income levels in Massachusetts relative to the rest of the United States are offset to some extent by the higher cost of living in Massachusetts. The following graph presents consumer price trends for the Boston metropolitan area and the United States for the period between May 2005 and September 2015. The latest available data for September 2015 show that the CPI-U for Boston area increased at a rate of 0.3 percent over September of 2014. Concurrently, the U.S. index remained unchanged over the same period.

12-Month Percent Change in the Consumer Price Index for All Urban Consumers, Not Seasonally Adjusted, May 2005 - September 2015



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

In 2009, the Boston metropolitan area and U.S. experienced their first monthly year-over-year declines in the CPI-U since 1954 and 1955, respectively. The 2014 U.S. CPI-U increased 8.6 percent since 2010 while Boston's CPI-U only increased 7.5 percent during that period. However, the annual percent change from 2013 to 2014 shows that Boston and the U.S. increased at the same rate of 1.6 percent. The table on the following page shows the annual average of the Consumer Price Index for All Urban Consumers (CPI-U) and the percentage change in that average from the previous year from 1970 through the present.

Consumer Price Index for All Urban Consumers (CPI-U), 1970-2015

(not seasonally adjusted; 1982-1984 base period average=100)

	Boston Metro Area		United States	
Year	CPI-U	Pct.Change	CPI-U	Pct. Change
1970	40.2		38.8	
1971	42.2	5.0%	40.5	4.4%
1972	43.7	3.6%	41.8	3.2%
1973	46.3	5.9%	44.4	6.2%
1974	51.2	10.6%	49.3	11.0%
1975	55.8	9.0%	53.8	9.1%
1976	60.0	7.5%	56.9	5.8%
1977	63.1	5.2%	60.6	6.5%
1978	66.4	5.2%	65.2	7.6%
1979	73.2	10.2%	72.6	11.3%
1980	82.6	12.8%	82.4	13.5%
1981	91.8	11.1%	90.9	10.3%
1982	95.5	4.0%	96.5	6.2%
1983	99.8	4.5%	99.6	3.2%
1984	104.7	4.9%	102.9	3.3%
1985	109.4	4.5%	106.6	3.6%
1986	112.2	2.6%	109.1	2.3%
1987	117.1	4.4%	112.4	3.0%
1988	124.2	6.1%	116.8	3.9%
1989	131.3	5.7%	122.7	5.1%
1990	138.9	5.8%	128.7	4.9%
1991	145.0	4.4%	135.2	5.1%
1992	148.6	2.5%	139.2	3.0%
1993	152.9	2.9%	143.7	3.2%
1994	154.9	1.3%	147.2	2.4%
1995	158.6	2.4%	151.5	2.9%
1996	163.3	3.0%	155.8	2.8%
1997	167.9	2.8%	159.9	2.6%
1998	171.7	2.3%	162.3	1.5%
1999	176.0	2.5%	165.4	1.9%
2000	183.6	4.3%	170.8	3.3%
2001	191.5	4.3%	176.6	3.4%
2002	196.5	2.6%	178.9	1.3%
2003	203.9	3.8%	183.3	2.5%
2004	209.5	2.7%	187.6	2.3%
2005	216.4	3.3%	193.2	3.0%
2006	223.1	3.1%	200.6	3.8%
2007	227.4	1.9%	205.7	2.5%
2008	235.4	3.5%	214.4	4.2%
2009	233.8	-0.7%	213.1	-0.6%
2010	237.4	1.6%	217.5	2.1%
2011	243.9	2.7%	223.6	2.8%
2012	247.7	1.6%	228.9	2.3%
2013	251.1	1.4%	232.4	1.5%
2014	255.2	1.6%	236.4	1.7%
Sep-14	255.9		238.0	
Sep-15	256.6	0.3%	237.9	0.0%

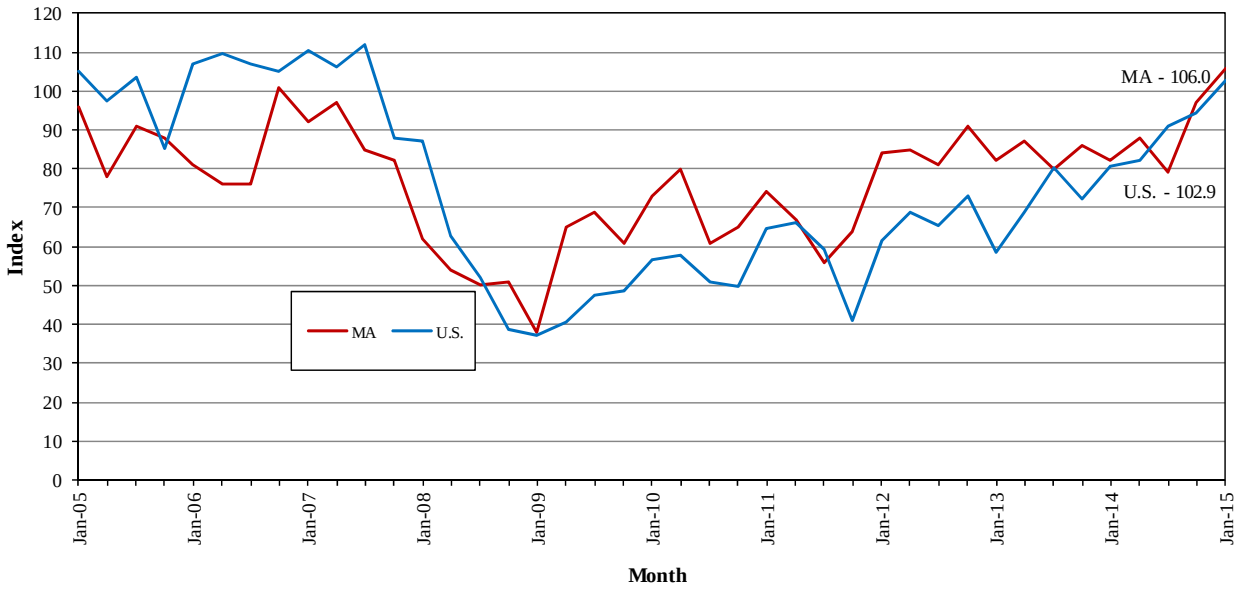
SOURCE: United States Department of Labor, Bureau of Labor Statistics.

Consumer Confidence, Present Situation, and Future Expectations. These three measures offer multiple insights into consumer attitudes. The U.S. measures are compiled from a national monthly survey of 5,000 households and are published by The Conference Board, Inc. The survey for Massachusetts is conducted in a similar manner and the results are published by the Mass Insight Corporation, based on quarterly polling of 500 adult residents of Massachusetts. The "Present Situation" index measures consumers' appraisal of business and employment conditions at the time of the survey. The "Future Expectations" index focuses on consumers' expectations for six months hence regarding business and employment conditions, as well as expected family income. The overall "Consumer Confidence" index is a weighted average of the two sub-indices. Although the U.S. measures are compiled by a different source than the Massachusetts measures, according to the Federal Reserve Bank of Boston, the numbers are generally comparable. A score of 100 is considered neutral.

According to the Conference Board, consumer confidence nationally reached a six-year high of 111.9 in July 2007, followed by an all time low of 38.0 in February 2009. The Massachusetts index has been higher than the U.S. index since sharing lows in January 2009, except for a brief period when they tracked closely together in 2011 and then experienced a slight dip in July of 2013. Following a year of stable numbers higher than the U.S. index, the Mass Insight Corporation reported that the Massachusetts index dropped significantly to 79 points in July of 2014 only to bounce back in October with a gain of 18 points and an overall index of 97. In contrast, the U.S. index managed to grow slightly in July but as of October stood at 94.5, 2.5 points below that of Massachusetts.

In the first quarter of 2015, Consumer Confidence for both the Massachusetts and the U.S. reached an index over 100; something not experienced since 2006 and 2007, respectively. The following graph and table detail the recent record of these measures.

Consumer Confidence: Massachusetts and the U.S., January 2005 – January 2015
(Massachusetts index not seasonally adjusted; 1985=100)



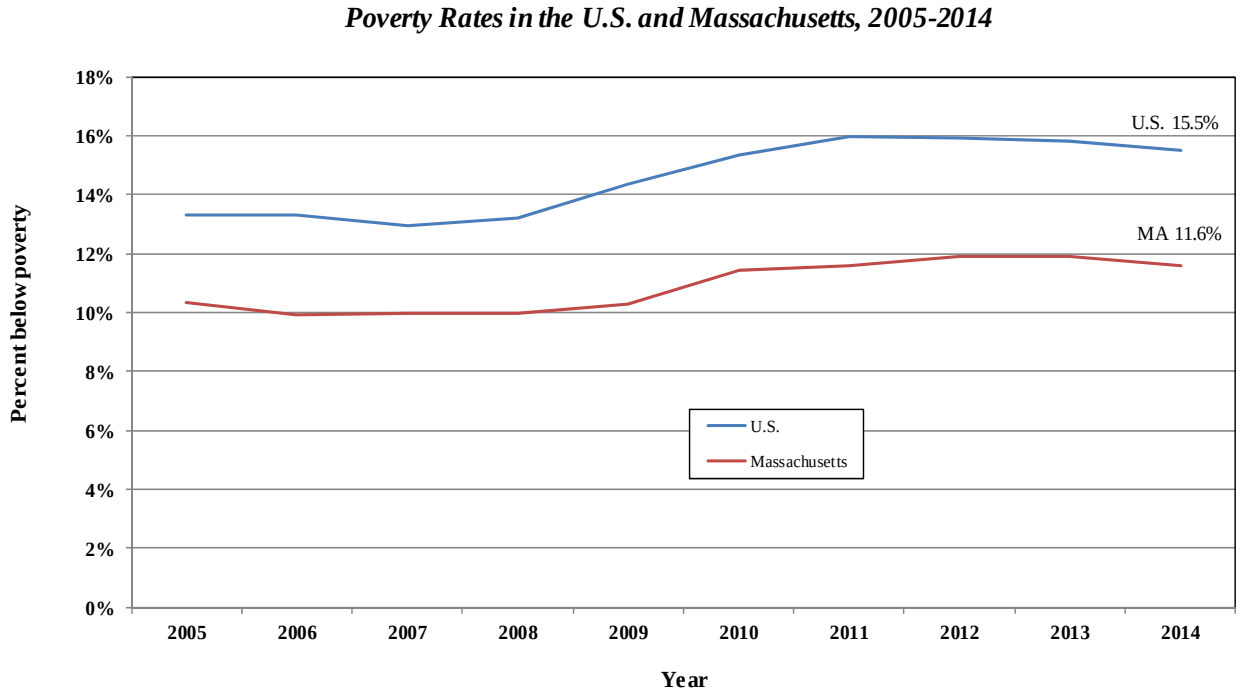
SOURCES: The Conference Board, Inc. (for U.S. measures, seasonally adjusted);
Mass Insight Corporation (for MA measures, not seasonally adjusted).

Consumer Confidence, Present Situation, and Future Expectations for Massachusetts and the U.S. (1985=100)

	Consumer Confidence		Present Situation		Future Expectations	
	MA	U.S.	MA	U.S.	MA	U.S.
Oct-04	90.0	92.9	64.0	94.0	108.0	92.2
Jan-05	96.0	105.1	70.0	112.1	114.0	100.4
Apr-05	78.0	97.5	63.0	113.8	88.0	86.7
Jul-05	91.0	103.6	80.0	119.3	99.0	93.2
Oct-05	88.0	85.2	80.0	107.8	95.0	70.1
Jan-06	81.0	106.8	71.0	128.8	87.0	92.1
Apr-06	76.0	109.8	77.0	136.2	76.0	92.3
Jul-06	76.0	107.0	68.0	134.2	81.0	88.9
Oct-06	101.0	105.1	86.0	125.1	111.0	91.9
Jan-07	92.0	110.2	74.0	133.9	104.0	94.4
Apr-07	97.0	106.3	89.0	133.5	102.0	88.2
Jul-07	85.0	111.9	80.0	138.3	90.0	94.4
Oct-07	82.0	87.8	76.0	115.7	86.0	69.1
Jan-08	62.0	87.3	49.0	114.3	71.0	69.3
Apr-08	54.0	62.8	35.0	81.9	67.0	50.0
Jul-08	50.0	51.9	24.0	65.8	68.0	42.7
Oct-08	51.0	38.8	27.0	43.5	66.0	35.7
Jan-09	38.0	37.4	9.0	29.7	58.0	42.5
Apr-09	65.0	40.8	24.0	25.5	92.0	51.0
Jul-09	69.0	47.4	16.0	23.3	105.0	63.4
Oct-09	61.0	48.7	14.0	21.1	93.0	67.0
Jan-10	73.0	56.5	14.0	25.2	112.0	77.3
Apr-10	80.0	57.7	22.0	28.2	119.0	77.4
Jul-10	61.0	51.0	16.0	26.4	91.0	67.5
Oct-10	65.0	49.9	15.0	23.5	99.0	67.5
Jan-11	74.0	64.8	17.0	31.1	112.0	87.3
Apr-11	67.0	66.0	24.0	40.2	96.0	83.2
Jul-11	56.0	59.5	20.0	35.7	80.0	75.4
Oct-11	64.0	40.9	24.0	27.1	91.0	50.0
Jan-12	84.0	61.5	34.0	38.8	118.0	76.7
Apr-12	85.0	68.7	41.0	51.2	114.0	80.4
Jul-12	81.0	65.4	40.0	45.9	109.0	78.4
Oct-12	91.0	73.1	48.0	56.7	120.0	84.0
Jan-13	82.0	58.6	48.0	57.3	105.0	59.5
Apr-13	87.0	69.0	54.0	61.0	109.0	74.3
Jul-13	80.0	80.3	56.0	73.6	97.0	84.7
Oct-13	86.0	72.4	64.0	72.6	101.0	72.2
Jan-14	82.0	80.7	55.0	79.1	99.0	81.8
Apr-14	88.0	82.3	66.0	78.3	103.0	84.9
Jul-14	79.0	90.9	69.0	88.3	86.0	92.7
Oct-14	97.0	94.5	76.0	93.7	111.0	95.0
Jan-15	106.0	102.9	84.0	112.6	120.0	96.4

SOURCES: The Conference Board, Inc. (for U.S. measures, seasonally adjusted);
Mass Insight Corporation (for MA measures, not seasonally adjusted).

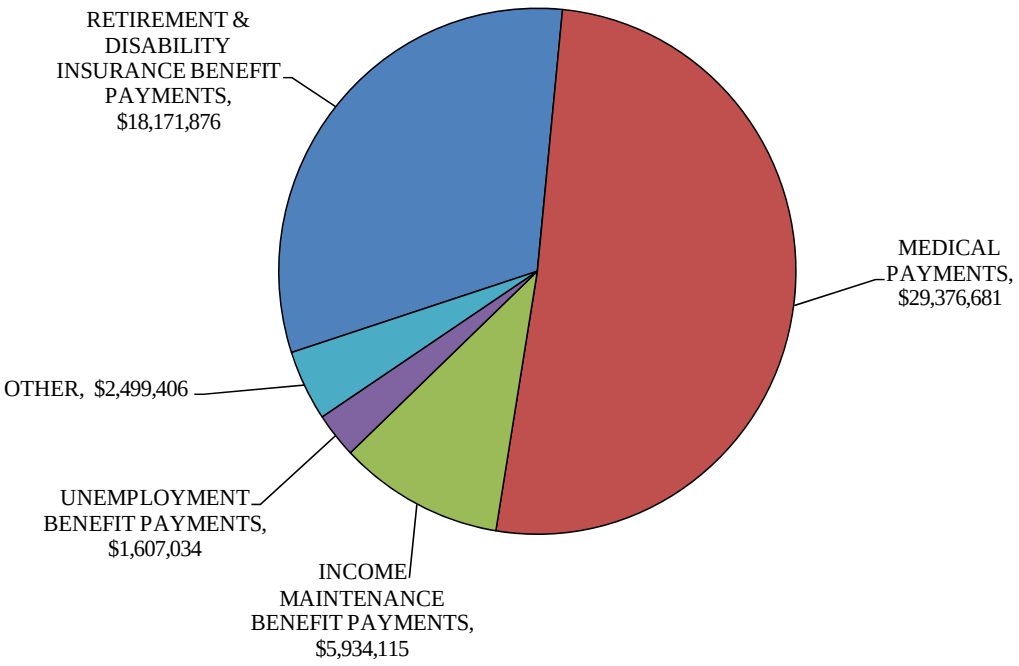
Poverty. Since 2005, the Massachusetts poverty rate, which was 11.6 percent in 2014, has been three to four percentage points lower than the national average, which was 15.5 percent in 2014. Massachusetts ranked 42nd out of the 50 states and the District of Columbia in 2014, for percent of persons whose ratio of income to the poverty level was below 100 percent in the past 12 months. Poverty status is not determined for all people. Institutionalized people, people in military quarters, people in college dormitories, and unrelated individuals under 15 years old are excluded.



SOURCE: United States Department of Commerce, Bureau of the Census, American Community Survey.

Transfer Payments. Transfer payment income is payment to individuals from all levels of government and from businesses for which no current services are performed, including payments to nonprofit institutions serving individuals. These payments accounted for 14.9 percent of total personal income in Massachusetts in 2014, dropping from 15.0 percent in 2013. The chart below does not include transfer payments from business or payments to non-profit organizations. Total transfer payments to individuals in Massachusetts from governments and businesses totaled $58.9 billion for 2014. Fifty-one percent of government transfer payments to individuals were medical payments, up from just over 48.4 percent in 2013.

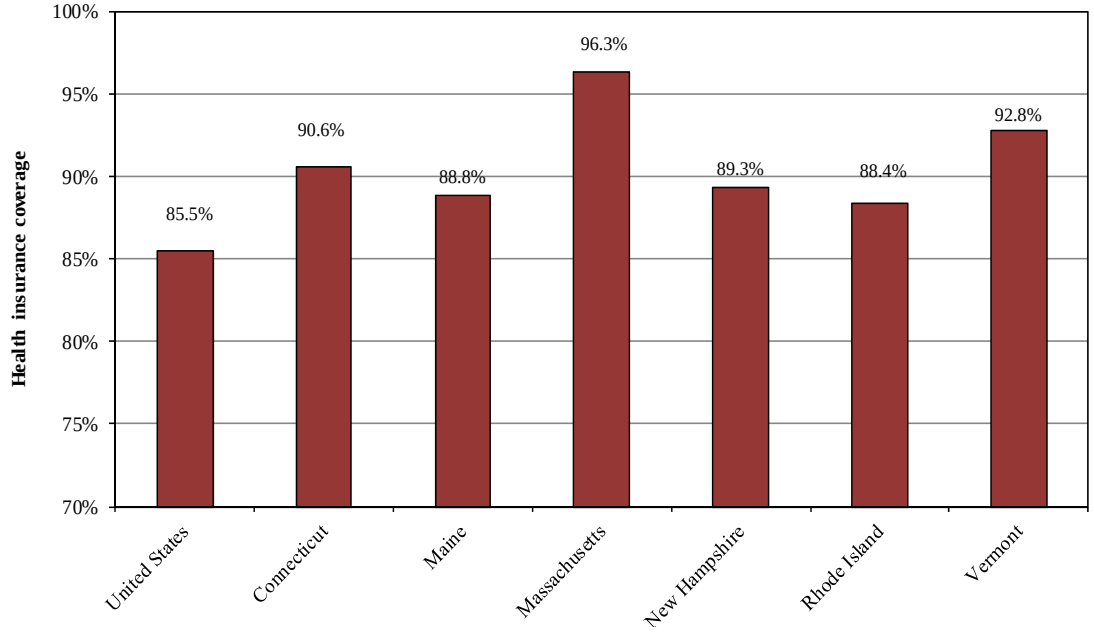
Transfer Payments from Governments to Individuals in Massachusetts in 2014
(From Annual State Personal Income Estimates)
(in thousands of current dollars)



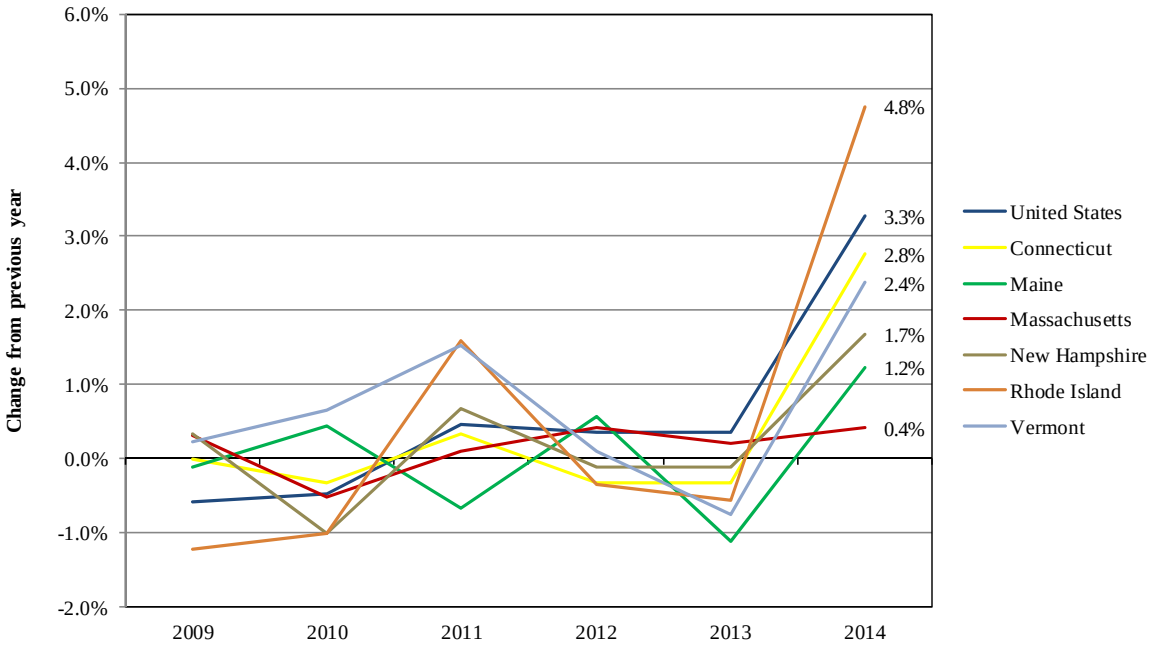
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Annual State Personal Income Estimates.
NOTE: The category "other" includes veterans' benefit payments, federal education and training assistance payments, and a small residual of miscellaneous other payments to individuals.

Health Insurance Coverage. Massachusetts leads the nation in the percent of individuals with health insurance coverage. Massachusetts passed legislation in 2006 mandating universal coverage in the Commonwealth. In 2013, 96.3 percent of the civilian non-institutionalized population was covered in the state by either public or private insurance, compared with 85.5 percent nationwide. Massachusetts also leads the other New England states in coverage, with Vermont as the next closest at 92.8 percent. All of the New England states have higher rates of coverage than the nation. These data do not indicate the comprehensiveness of coverage, however.

Health Insurance Coverage, U.S. and New England States 2014



Change in Health Insurance Coverage: United States and the New England States



SOURCE: American Community Survey, U.S. Census Bureau, 2014 1-Year Estimates.

EXHIBIT A-17 Quarter 1, FY 2016

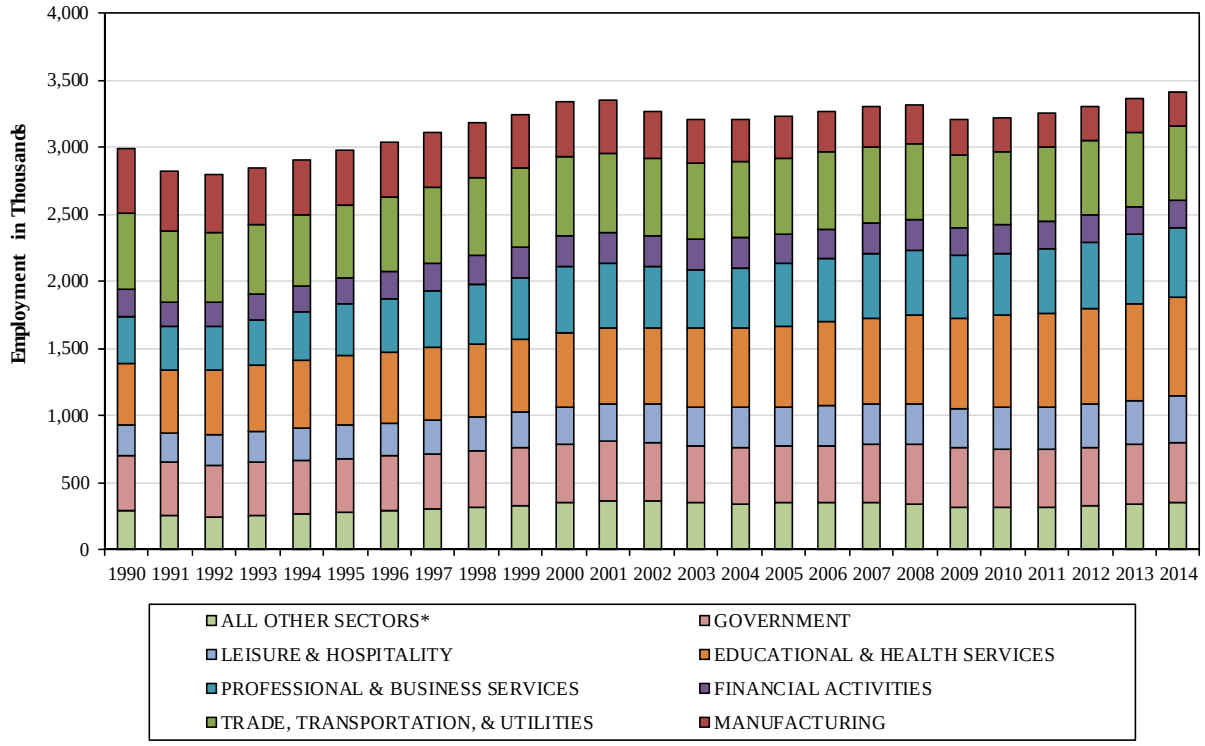
EMPLOYMENT

Employment by Industry. The chart on this page shows the annual level of non-agricultural payroll employment in Massachusetts based on the North American Industry Classification System (NAICS) for the seven largest NAICS supersectors starting with 1990, the earliest year for which NAICS data are available. The chart on the following page compares the super-sector shares for the 2013-2014 period with the corresponding shares for the 1992-1993 period. Like many industrial states, Massachusetts has seen a steady decline of its manufacturing jobs base over the last two decades, not only as a share of total employment, but in absolute numbers of jobs as well. Several NAICS service sectors, Education and Health Services, Professional and Business Services, and Leisure and Hospitality have grown to take the place of manufacturing in driving the Massachusetts economy and now account for almost half of total payroll employment, while Financial Activities, Government, Information, and Trade, Transportation & Utilities have remained relatively level or declined in share.

After significant declines from 2002 to 2004, total non-agricultural employment in Massachusetts eventually increased 0.6 percent in 2005 and continued to increase every year through 2008. After a large dip in 2009, employment has continued to grow steadily with Non-Farm employment increasing 1.6 percent in 2014. With an annual average over 3.4 million Non-Farm employees, 2014 had the highest numbers to date. This trend continues to the present with employment averaging almost 3.5 million in the third quarter of 2015.

After years of moderate but steady declines or near-zero growth in the late nineties and early 2000s, manufacturing employment in the state experienced steep annual declines in 2002 (10.2 percent) and 2003 (7.1 percent) before returning to more moderate declines in 2004 (3.5 percent). After a steep drop of 9.5 percent in 2009, the decline returned to a less dramatic 2.4 percent in 2010. Employment fell by 0.2 percent in 2011 and 2012 and has since been decreasing slightly each year. December 2014 saw Manufacturing employment drop 0.5% since December of 2013. The seasonally adjusted estimate for 2014 was slightly lower than the 2013 estimate (249.8 thousand compared to 250.8). The third quarter data for 2015 shows Manufacturing employment increasing to 249.9 thousand.

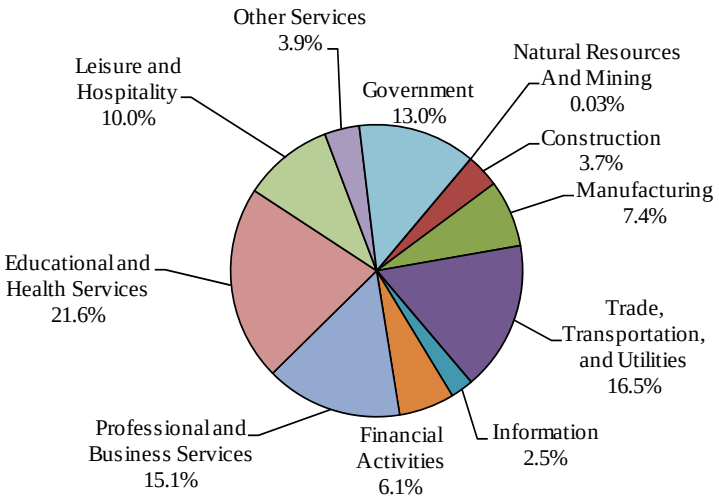
Annual Average Employment in Massachusetts, NAICS Super-Sectors, 1990-2014



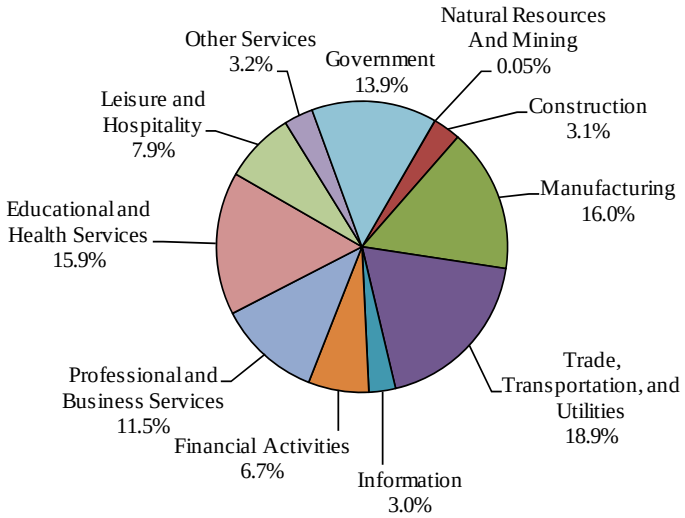
SOURCE: United States Department of Labor, Bureau of Labor Statistics.
*Includes Mining & Natural Resources, Construction, Information, and Other Services.

Massachusetts Non-Farm Payroll Employment
(NAICS Industry basis)

NAICS Super-Sectors: 2013-2014 Average Share



NAICS Super-Sectors: 1992-1993 Average Share



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

Largest Employers in Massachusetts. The following inset lists the 25 largest private employers in Massachusetts based upon employment covered by the Unemployment Insurance system for March 2014. Tufts University and the Whole Foods Market Group replace TJX Companies and Verizon New England from the June 2013 list. As noted, the list may not include some employers who do business in the state under multiple legal names or register each facility as a separate employer**.**

Twenty-five Largest Private Employers in Massachusetts in March 2014
(listed alphabetically)

Baystate Medical Center, Inc.	Raytheon Company
Beth Israel Deaconess Medical Center	Shaw's Supermarkets, Inc.
Boston Medical Center Corporation	Southcoast Hospitals Group, Inc.
Boston University	State Street Bank & Trust Company
Brigham & Women's Hospital, Inc.	Target Corporation
CVS Pharmacy, LLC	The Children's Hospital Corporation
Demoulas Super Markets, Inc.	The Stop & Shop Supermarkets Corporation
E.M.C. Corporation	Tufts University
General Hospital Corporation	UMass Memorial Medical Center
Harvard University	United Parcel Service, Inc.
Home Depot U.S.A., Inc.	Wal-Mart Associates, Inc.
Massachusetts Institute of Technology	Whole Foods Market Group
Partners Healthcare Systems, Inc.	

SOURCE: Massachusetts Executive Office of Labor & Workforce Development, Research Department, 10-15-14
NOTES: This alphabetic listing includes private employers reporting large numbers of jobs covered by the MA unemployment insurance program. The information is based on the March 2014 employment for employers as registered for unemployment insurance. The list may not include those employers who do business in MA under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

Massachusetts Companies in the Fortune 500 List. The economic base of Massachusetts is anchored by the twelve 2015 Fortune 500 companies headquartered here, the same twelve as 2014. When comparing the 2015 Fortune 500 list to the 2014, seven Massachusetts companies lost and five gained rank. Biogen located in Weston, climbed 77 places on the list, the largest leap for a Massachusetts company.

Massachusetts Companies in the 2015 Fortune 500

Rank 2015	Rank 2014	Company (location)	Industry	2014 revenues (billions)
78	76	Liberty Mutual Ins. Group (Boston)	Insurance: P & C (stock)	$39.8
94	96	Mass. Mutual Life Ins. (Springfield)	Insurance: Life, Health (mutual)	$33.5
103	108	TJX (Framingham)	Specialty Retailers: Apparel	$29.1
121	128	EMC (Hopkinton)	Computer Peripherals	$24.4
129	126	Raytheon (Waltham)	Aerospace and Defense	$22.8
133	127	Staples (Framingham)	Specialty Retailers: Other	$22.5
180	146	Global Partners (Waltham)	Wholesalers: Diversified	$17.3
181	215	Thermo Fisher Scientific (Waltham)	Scientific, Photo, Control Equipment	$17.1
278	275	State St. Corp. (Boston)	Commercial Banks	$10.7
298	375	Biogen Idec (Weston)	Pharmaceuticals	$9.7
367	359	Eversource (Springfield)	Utilities: Gas and Electric	$7.7
378	367	Boston Scientific (Natick)	Medical Products & Equipment	$7.4

SOURCE: *Fortune*, May 2015 issue.

Unemployment Insurance Trust Fund. The unemployment insurance system is a federal-state cooperative program established by the Social Security Act and the Federal Unemployment Tax Act to provide for the payment of benefits to eligible individuals when they become unemployed through no fault of their own. Benefits are paid from the Commonwealth's Unemployment Insurance Trust Fund, financed through employer contributions. The assets and liabilities of the Commonwealth Unemployment Insurance Trust Fund are not assets and liabilities of the Commonwealth.

As of July 31, 2015, the preliminary Massachusetts Unemployment Trust Fund had a balance of $1.169 billion. This balance is the sum of the private contributory account balance of $1.054 billion and the government contributory account balance of $115 million. This compares to the May 31, 2015 balance of $1.114 billion with a private contributory portion of $1.002 billion. The August 2015 Unemployment Insurance Trust Fund report indicated that the private contributory account balance was estimated to be $1.183 billion by the end of 2019 according to the Moody's-based outlook.

Unemployment. The unemployment rate in Massachusetts was consistently below the national average from mid-1995 through November 2005, with similar patterns of gradual improvement after the mid-2003 peak. The Massachusetts rate exceeded the U.S. rate for 17 months between January 2006 and May 2007, but only seven of those months exceeded a 0.2 percent change. Between June and December 2007 the Massachusetts rate was 4.6 percent, the lowest it had been since October 2001. From October 2009 to January 2010, the rate peaked at 8.8 percent. From June 2007 to October 2013, the state rate remained at or below the comparable (seasonally adjusted) U.S. unemployment rate.

Since reaching 7.2 percent in August 2013, The Massachusetts Unemployment rate has slowly declined to its present rate of 4.6 percent in September of 2015, 0.5% below the national rate of 5.1%. The tables and graphs on the following two pages compare the unemployment rate in the state with those in New England and the U.S.

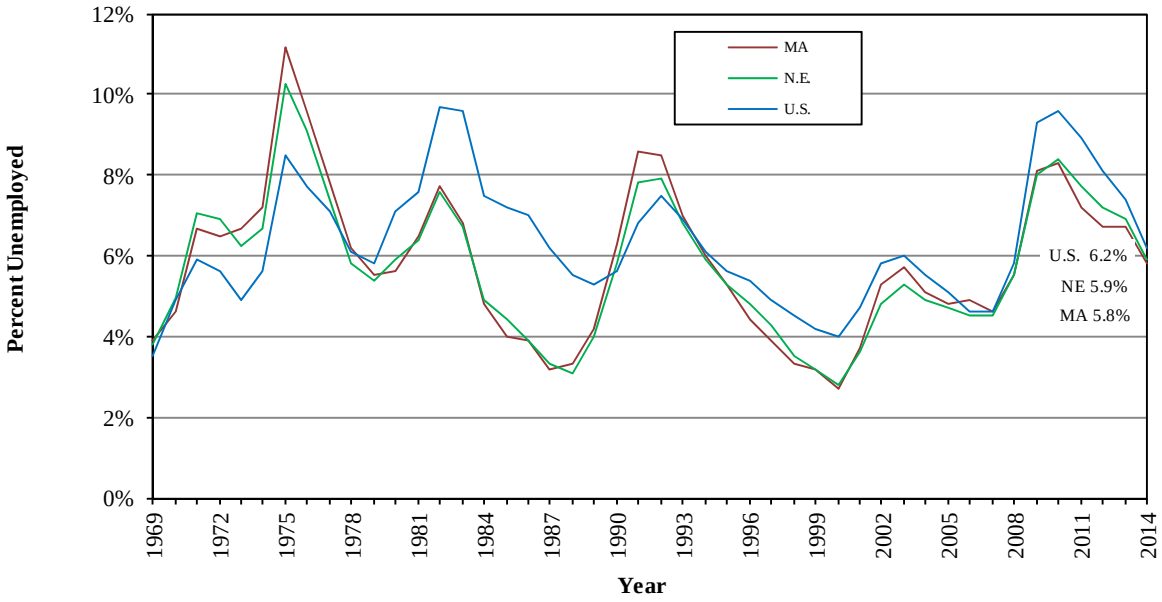
Annual Average Civilian Labor Force and Unemployment, 1969-2014

(in thousands)

	Civilian Labor Force			Unemployed			Unemployment Rate			MA Rate as
Year	MA	N.E.	U.S.	MA	N.E.	U.S.	MA	N.E.	U.S.	Pct. of U.S.
1969	2,581	5,201	80,734	100	198	2,832	3.9%	3.8%	3.5%	111.2%
1970	2,465	5,128	82,771	113	253	4,093	4.6%	4.9%	4.9%	93.7%
1971	2,459	5,157	84,382	163	364	5,016	6.6%	7.1%	5.9%	112.7%
1972	2,487	5,260	87,034	161	363	4,882	6.5%	6.9%	5.6%	115.6%
1973	2,557	5,387	89,429	171	336	4,365	6.7%	6.2%	4.9%	136.1%
1974	2,637	5,514	91,949	190	368	5,156	7.2%	6.7%	5.6%	128.5%
1975	2,725	5,633	93,775	305	578	7,929	11.2%	10.3%	8.5%	131.5%
1976	2,722	5,706	96,158	262	518	7,406	9.6%	9.1%	7.7%	124.7%
1977	2,763	5,821	99,009	96	433	6991	7.8%	7.4%	7.1%	109.9%
1978	2,814	5,936	102,251	175	344	6,202	6.2%	5.8%	6.1%	101.6%
1979	2,853	6,071	104,962	157	328	6,137	5.5%	5.4%	5.8%	94.8%
1980	2,868	6,148	106,940	162	363	7,637	5.6%	5.9%	7.1%	78.9%
1981	2,942	6,259	108,670	190	403	8,273	6.5%	6.4%	7.6%	85.5%
1982	2,987	6,341	110,204	231	482	10,678	7.7%	7.6%	9.7%	79.4%
1983	2,997	6,392	111,550	202	428	10,717	6.8%	6.7%	9.6%	70.8%
1984	3,037	6,525	113,544	145	319	8,539	4.8%	4.9%	7.5%	64.0%
1985	3,051	6,633	115,461	121	289	8,312	4.0%	4.4%	7.2%	55.6%
1986	3,066	6,726	117,834	119	264	8,237	3.9%	3.9%	7.0%	55.7%
1987	3,094	6,825	119,865	100	227	7,425	3.2%	3.3%	6.2%	51.6%
1988	3,141	6,909	121,669	103	216	6,701	3.3%	3.1%	5.5%	60.0%
1989	3,176	7,007	123,869	132	277	6,528	4.2%	4.0%	5.3%	79.2%
1990	3,206	7,109	125,840	202	412	7,047	6.3%	5.8%	5.6%	112.5%
1991	3,195	7,117	126,346	275	554	8,628	8.6%	7.8%	6.8%	126.5%
1992	3,181	7,102	128,105	269	564	9,613	8.5%	7.9%	7.5%	113.3%
1993	3,174	7,051	129,200	222	481	8,940	7.0%	6.8%	6.9%	101.4%
1994	3,201	7,033	131,056	193	415	7,996	6.0%	5.9%	6.1%	98.4%
1995	3,215	7,049	132,304	170	374	7,404	5.3%	5.3%	5.6%	94.6%
1996	3,241	7,118	133,943	144	340	7,236	4.4%	4.8%	5.4%	81.5%
1997	3,306	7,220	136,297	130	312	6,739	3.9%	4.3%	4.9%	79.6%
1998	3,341	7,264	137,673	110	254	6,210	3.3%	3.5%	4.5%	73.3%
1999	3,354	7,327	139,368	107	234	5,880	3.2%	3.2%	4.2%	76.2%
2000	3,330	7,335	142,583	90	205	5,692	2.7%	2.8%	4.0%	67.5%
2001	3,381	7,394	143,734	126	267	6,801	3.7%	3.6%	4.7%	78.7%
2002	3,431	7,476	144,863	181	360	8,378	5.3%	4.8%	5.8%	91.4%
2003	3,422	7,504	146,510	195	401	8,774	5.7%	5.3%	6.0%	95.0%
2004	3,396	7,478	147,401	175	363	8,149	5.1%	4.9%	5.5%	92.7%
2005	3,384	7,521	149,320	164	352	7,591	4.8%	4.7%	5.1%	94.1%
2006	3,413	7,605	151,428	167	345	7,001	4.9%	4.5%	4.6%	106.5%
2007	3,426	7,648	153,124	158	344	7,078	4.6%	4.5%	4.6%	100.0%
2008	3,452	7,704	154,287	191	426	8,924	5.5%	5.5%	5.8%	94.8%
2009	3,470	7,729	154,142	281	620	14,265	8.1%	8.0%	9.3%	87.1%
2010	3,480	7,751	153,889	289	649	14,825	8.3%	8.4%	9.6%	86.5%
2011	3,470	7,737	153,617	251	597	13,747	7.2%	7.7%	8.9%	80.9%
2012	3,485	7,728	154,975	233	559	12,506	6.7%	7.2%	8.1%	82.7%
2013	3,509	7,735	155,389	237	533	11,460	6.7%	6.9%	7.4%	90.5%
2014	3,557	7,785	155,922	205	458	9,617	5.8%	5.9%	6.2%	93.5%

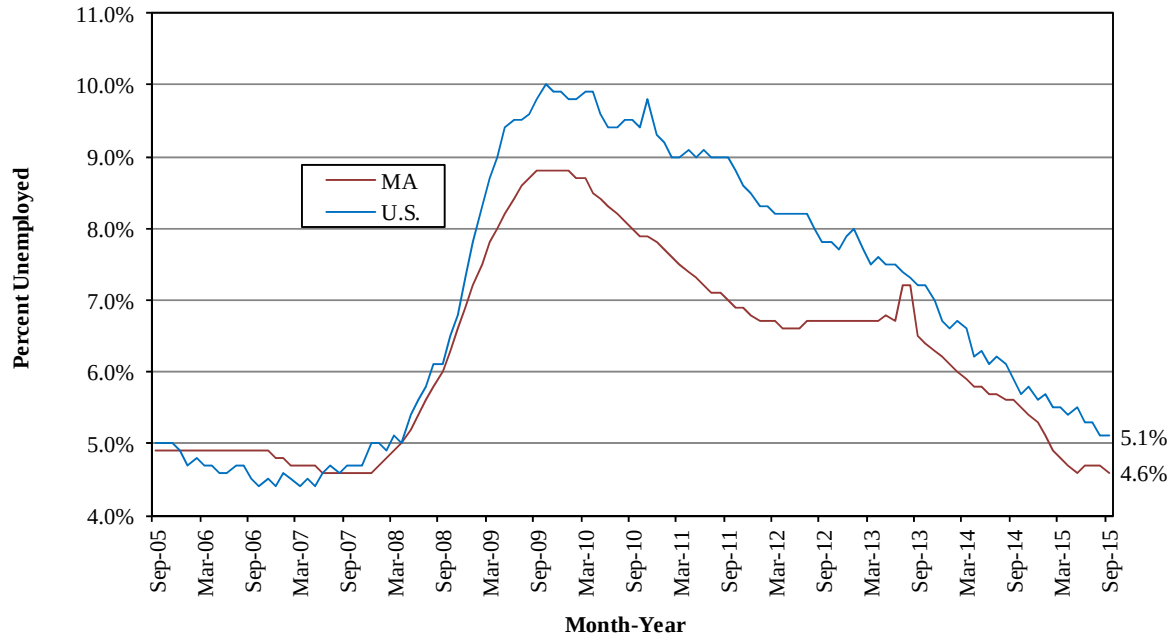
SOURCE: United States Department of Labor, Bureau of Labor Statistics.

Annual Average Unemployment Rate, 1969-2014
Massachusetts, New England, and United States



SOURCE: United States Department of Labor, Bureau of Labor Statistics.

Monthly Unemployment Rate, September 2005 - September 2015
Massachusetts and United States
(seasonally adjusted)

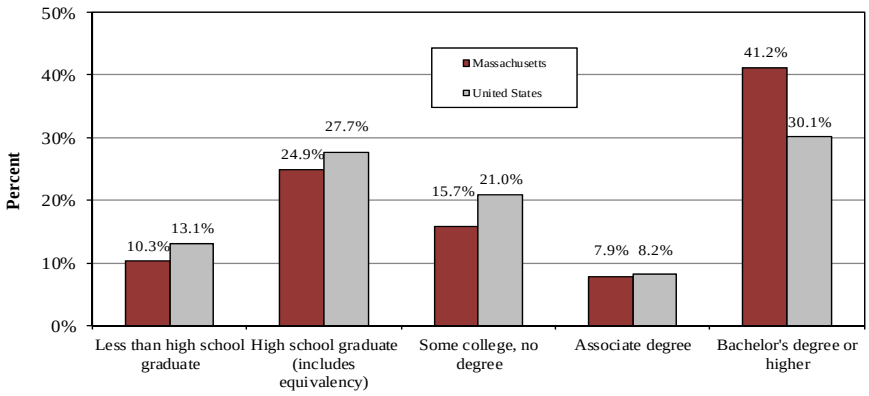


SOURCE: MA Executive Office of Labor and Workforce Development,
United States Department of Labor, Bureau of Labor Statistics.

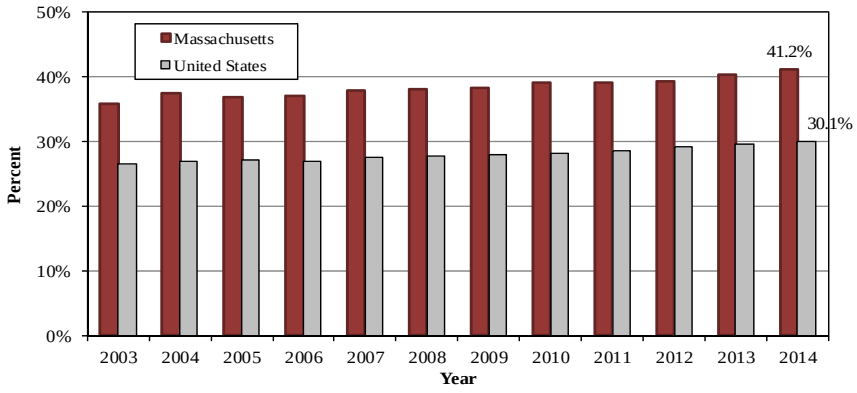
EDUCATION AND TECHNOLOGY

Educational Attainment. The availability of a skilled and well-educated population is an important resource for the Commonwealth. Only the District of Columbia had a higher percentage of adults with a bachelor's degree or higher in 2014, according to the Census Bureau's American Community Survey (ACS). The ACS also reported that Massachusetts ranked 30th of persons who had not completed high school, 10.3 percent, less than the national average of 13.1. Massachusetts's black and Hispanic populations achieved college degrees at a lower rate than its white population but their rates were higher than their national averages. The most current Census data are shown below.

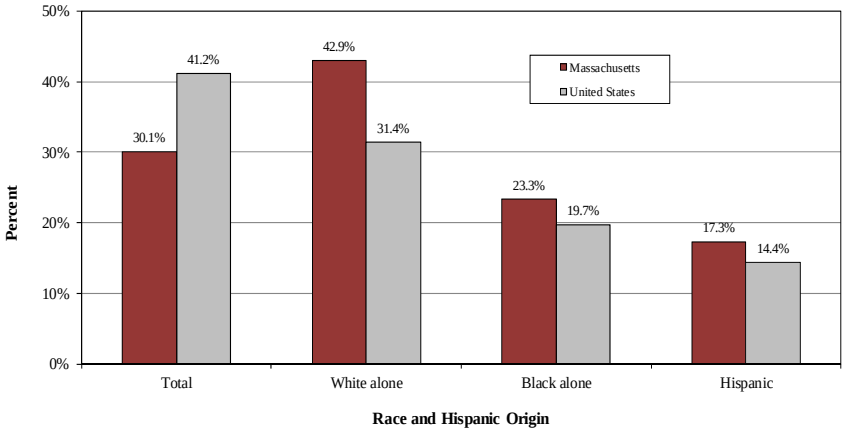
Educational Attainment of Persons 25 Years and Older in the U.S. and Massachusetts in 2014



Percent of Persons 25 Years and Older in the U.S. and Massachusetts with a Bachelor's Degree or Higher, 2003-2014



Persons in the U.S. and Massachusetts 25 Years and Older with a Bachelor's Degree or Higher in 2014



SOURCE: U.S. Census Bureau, ACS Estimates.

Higher Education Data. The table below compares Massachusetts residents' higher education enrollment by race and Hispanic Origin to the U.S. There were 0.3% less people enrolled in college in the U.S. in 2014 compared to 2013. This was a statistically significant change from 2013. Total enrollment in Massachusetts remained relatively unchanged.

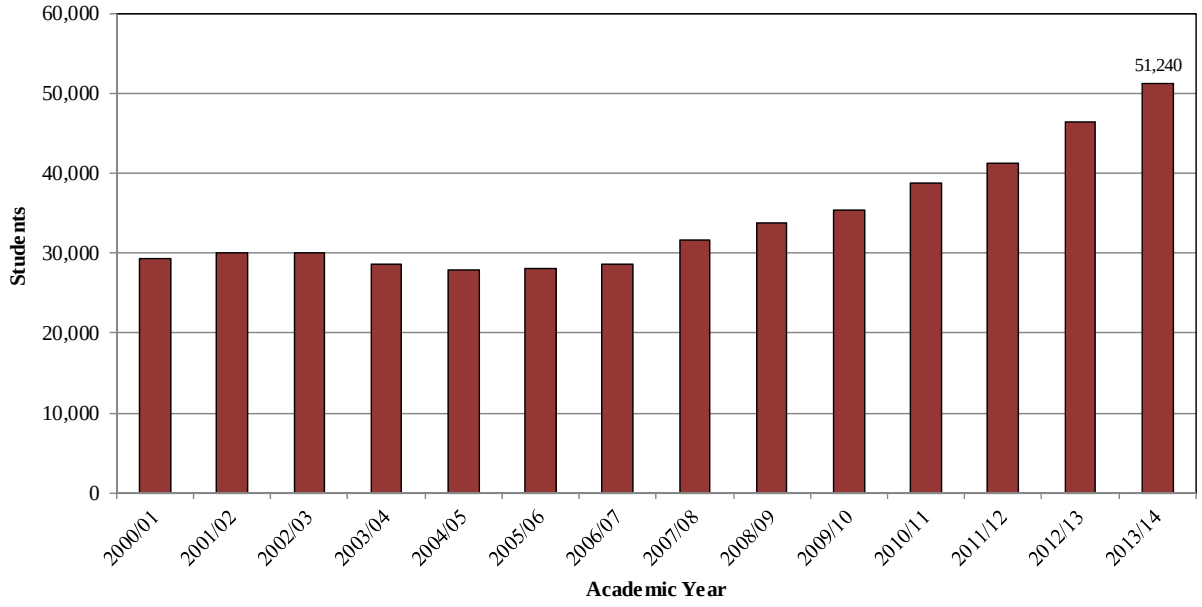
Higher Education Enrollment by Race and Hispanic Origin in 2014

	Total	White alone	Black alone	Asian alone	All other races	Hispanic or Latino
United States	22,994,851	67.8%	15.1%	8.2%	9.0%	16.4%
Massachusetts	588,870	72.7%	9.2%	10.4%	7.6%	10.4%

SOURCE: U.S. Census Bureau, American Community Survey estimates.

Survey data released by the Institute of International Education state that 51,240 foreign students were enrolled in Massachusetts colleges and universities in the 2013/2014 school year. This was an increase of 10.2 percent from the previous year. The national enrollment increased 8.1 percent. Massachusetts remains fourth ranked among states for foreign student enrollment.

International Higher Education Students Enrolled in Massachusetts

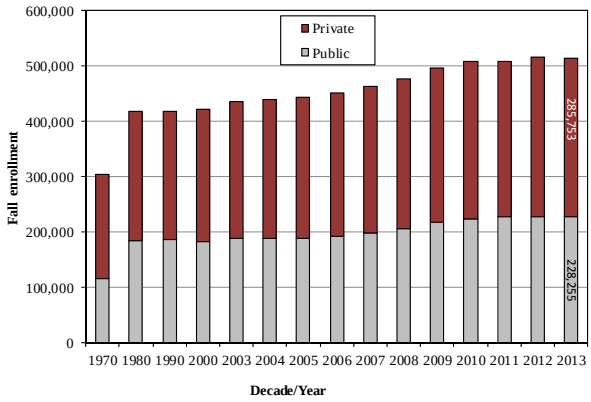


SOURCE: Institute of International Education.

U.S. Department of Education data show that from 2013 to 2014, higher education enrollment decreased 1.3 percent in the United States and 0.4 percent at Massachusetts institutions. During that 2000-2014 period, enrollment in public higher education increased 25 percent in the United States and 25 percent at Massachusetts institutions. Enrollment in private institutions increased 58 percent in the United States and 20 percent at Massachusetts institutions.

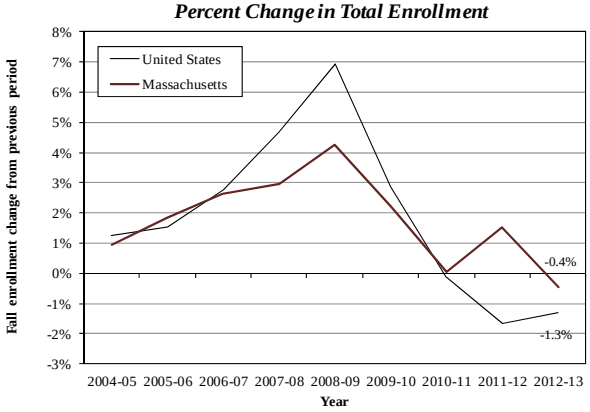
Research and development expenditures at universities and colleges increased 62percent in the United States and 86 percent in Massachusetts between 2003 and 2013.

Massachusetts Higher Education Public/Private Enrollment



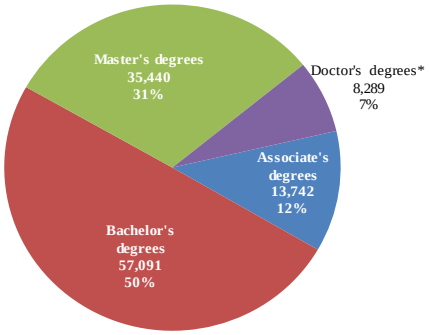
SOURCE: U.S. Department of Education, Digest of Education Statistics.

Massachusetts Total Higher Education Enrollment Percent Change in Total Enrollment



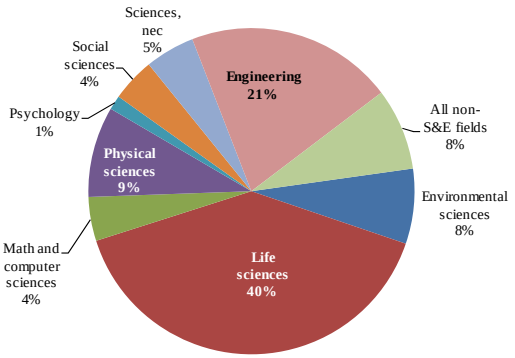
SOURCE: U.S. Department of Education, Digest of Education Statistics.

Degrees Conferred by Degree-Granting Institutions in Massachusetts 2012-13



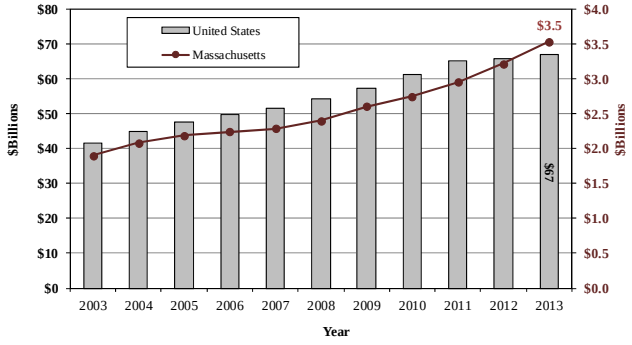
SOURCE: U.S. Department of Education, Digest of Education Statistics. *Includes Ph.D., Ed.D., and comparable degrees at the doctoral level.

R&D Expenditures at Massachusetts Universities and Colleges, by Science and Engineering Field: FY 2013



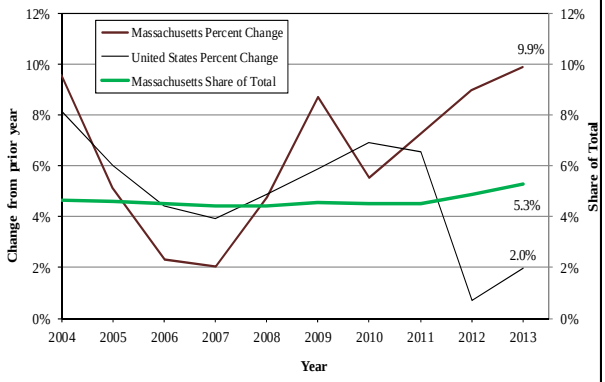
SOURCE: National Science Foundation. $3.53 Billion in FY 2013.

Research and Development Expenditures at Universities and Colleges



SOURCE: National Science Foundation.

Research and Development Expenditures at Universities and Colleges

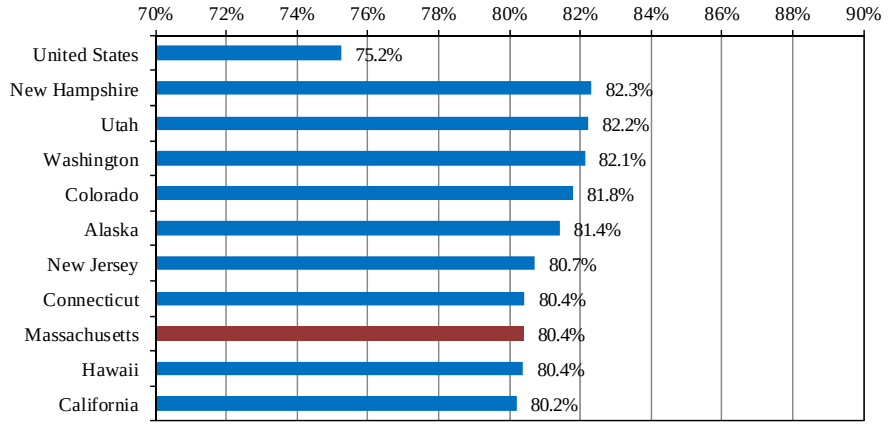


SOURCE: National Science Foundation.

Enrollment -2013	MA Rank	Degrees Awarded - 2013	MA Rank	Research & Development$ - FY 2013	MA Rank
Total	13	Total	10	Total	4
Public	23	Associate's	25	Environmental sciences	3
Private	7	Bachelor's	10	Life sciences	8
		Master's	6	Math/computer sciences	7
		Professional/Doctorate	7	Physical sciences	2
				Psychology	8
				Social sciences	3
				Sciences, nec	2
				Engineering	5

Internet Access. Massachusetts is tied for seventh highest household internet subscription rate in the U.S. according to the Census Bureau's 2014 American Community Survey.

Top Ten States by Percent of Households with an Internet Subscription in 2014

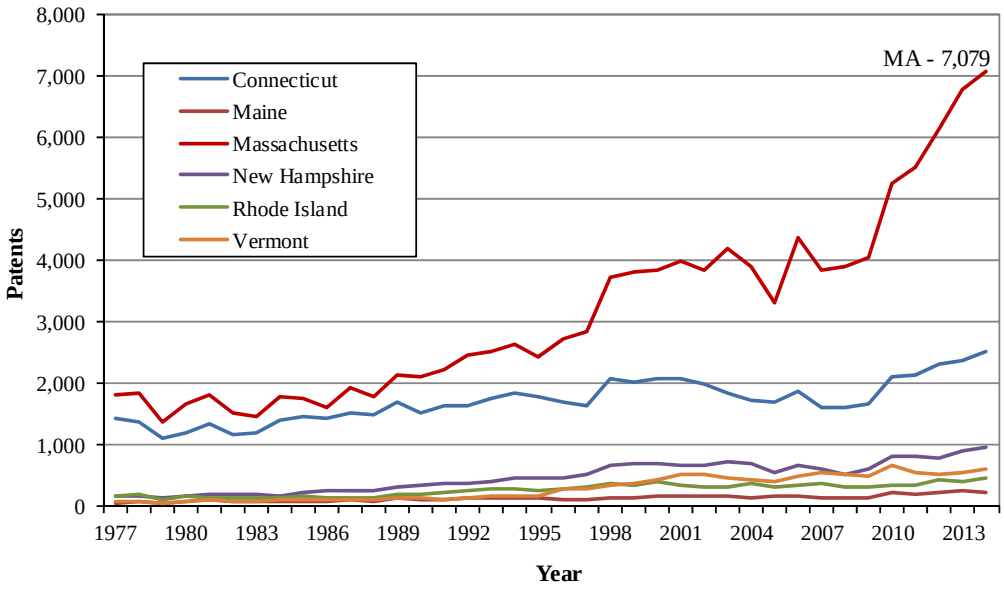


SOURCE: U.S. Census Bureau, 2014 American Community Survey.

Patents. The U.S. Patent and Trademark Office notes: "This report shows the number of U.S. patent documents (i.e., utility patents, design patents, plant patents, reissue patents, defensive publications, and statutory invention registrations) granted since 1977, broken down by the state or country of origin (patent origin is determined by the residence of the first-named inventor)."

In 2014, Massachusetts was fifth among all states for the number of new patents issued. Only five nations originated more U.S. patents than Massachusetts, putting the state on par with Japan, Germany, The United Kingdom, Taiwan, and Canada for origination of U.S. patents. Since 1977, Massachusetts has received more new patents than any other New England state. With 7,079 new patents in 2014, a 4.6 percent increase since 2013, Massachusetts innovators were responsible for 60 percent of the new patents in New England.

U.S. Patents for New England States, 1977-2014

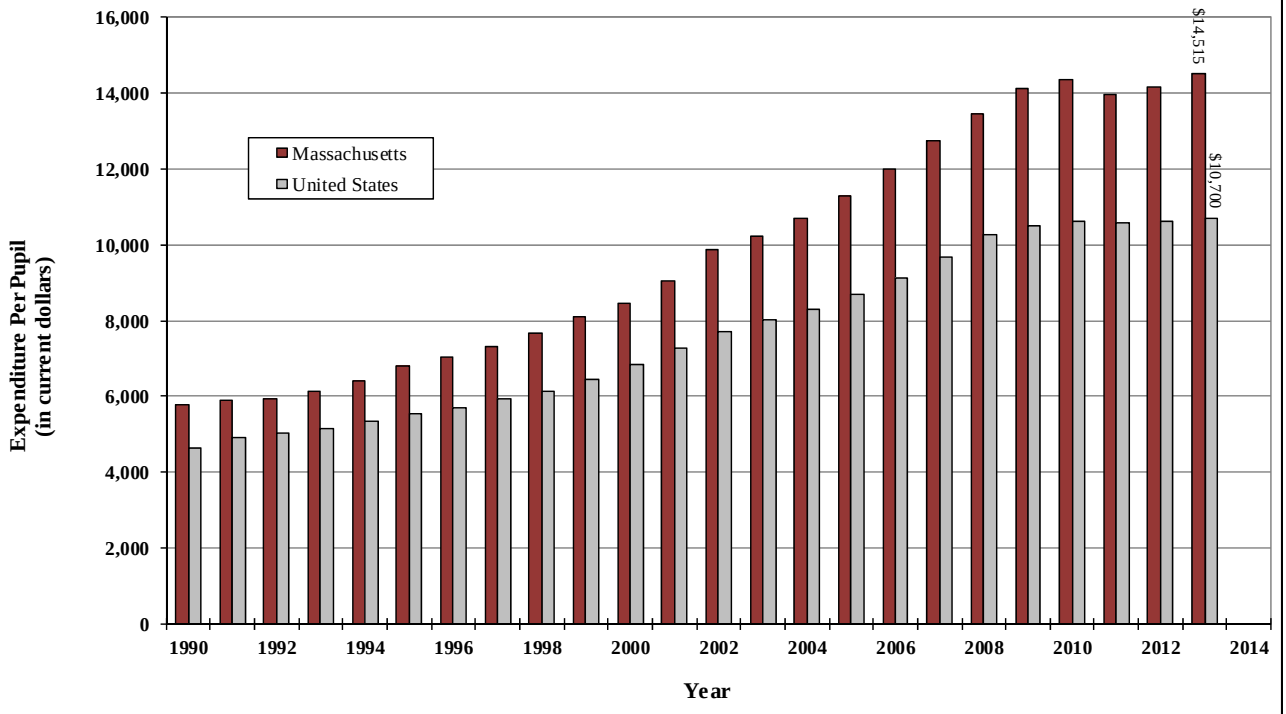


SOURCE: U.S. Patent and Trademark Office, Patent Technology Monitoring Team (PTMT).

Primary and Secondary Education Expenditures. Massachusetts has spent from 12 to 36 percent more per pupil on primary and secondary education than the national average since 1981. During the 2012-2013 school year, the average Massachusetts per student expenditures increased 2.6 percent to $14,515. Massachusetts was ranked 8th in the nation among states and the District of Columbia in 2013. The table and chart below show expenditures per pupil for Massachusetts and the U.S. since fiscal year 1985.

Per Pupil Expenditure in Public Elementary and Secondary Schools
(in current, unadjusted dollars)

Fiscal Year	Massachusetts	United States	Ratio (MA/U.S.)	MA change from previous year
1985	$3,653	$3,222	1.13	10.8%
1990	5,766	4,643	1.24	5.1%
1995	6,783	5,529	1.23	5.6%
1996	7,033	5,689	1.24	3.7%
1997	7,331	5,923	1.24	4.2%
1998	7,651	6,137	1.25	4.4%
1999	8,106	6,458	1.26	5.9%
2000	8,444	6,836	1.24	4.2%
2001	9,038	7,284	1.24	7.0%
2002	9,856	7,701	1.28	9.1%
2003	10,223	8,019	1.27	3.7%
2004	10,693	8,287	1.29	4.6%
2005	11,267	8,701	1.29	5.4%
2006	11,981	9,138	1.31	6.3%
2007	12,738	9,666	1.32	6.3%
2008	13,454	10,259	1.31	5.6%
2009	14,118	10,499	1.34	4.9%
2010	14,350	10,615	1.35	1.6%
2011	13,941	10,560	1.32	-2.9%
2012	14,142	10,608	1.33	1.4%
2013	14,515	10,700	1.36	2.6%

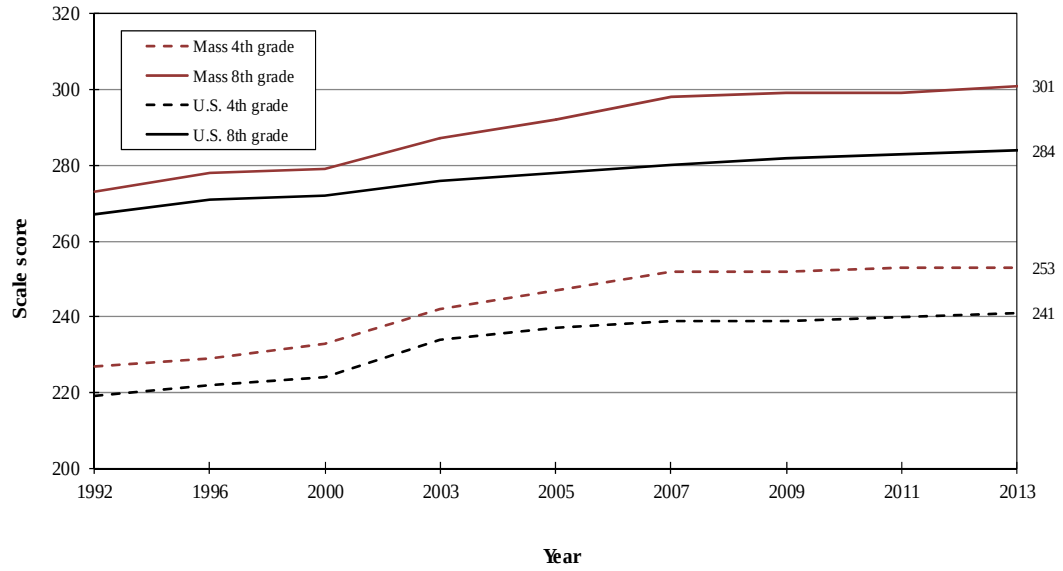


SOURCE: U.S. Census Bureau, http://www.census.gov/govs/www/school.html.

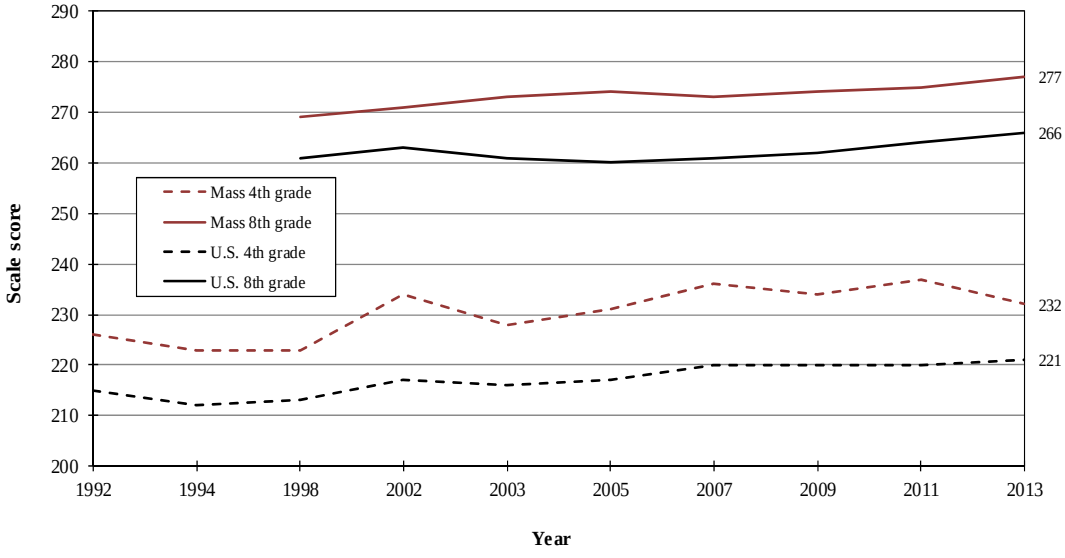
National Assessment of Educational Progress (NAEP) scores. The National Assessment of Educational Progress (NAEP), also known as "the Nation's Report Card," is the only nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since 1969, assessments have been conducted periodically in reading, mathematics, science, writing, U.S. history, civics, geography, and the arts. Under the current structure, the Commissioner of Education Statistics, who heads the National Center for Education Statistics in the U.S. Department of Education, is responsible by law for administering the NAEP project.

Since 1990, NAEP assessments have also been conducted to give results for participating states. Those that choose to participate receive assessment results that report on the performance of students in that state. In its content, the state assessment is identical to the assessment conducted nationally. However, because the national NAEP samples were not, and are not currently designed to support the reporting of accurate and representative state-level results, separate representative samples of students are selected for each participating jurisdiction/state. The graphs below compare the data available for Massachusetts to the nation.

NAEP Mathematics Scores for the U.S. and Massachusetts



NAEP Reading Scores for the U.S. and Massachusetts



SOURCE: National Center for Education Statistics.

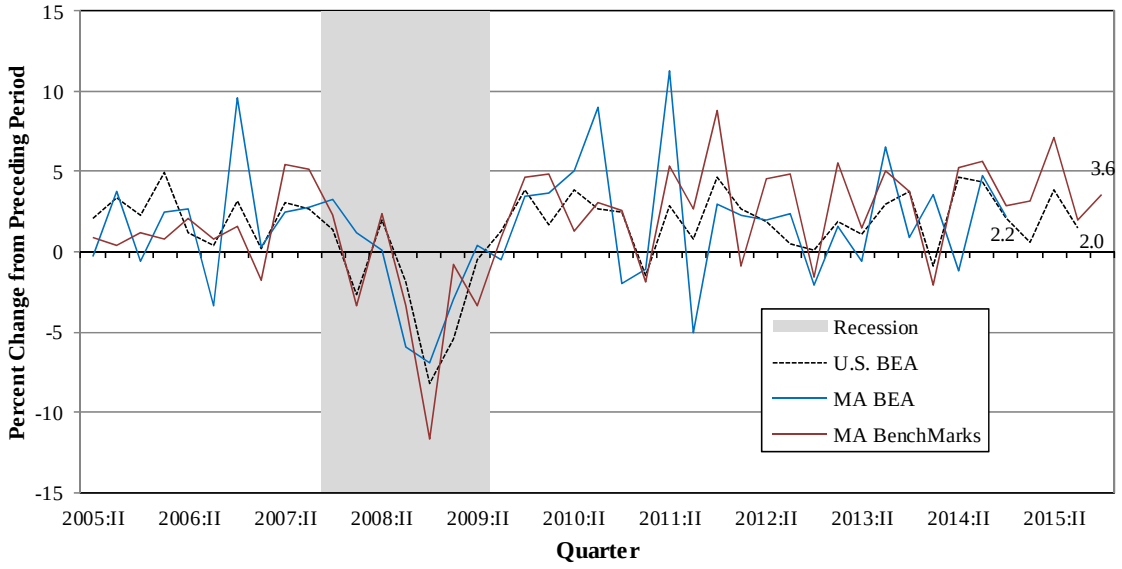
Comparing BEA GDP for the U.S., the region, and Massachusetts. The U.S. Bureau of Economic Analysis (BEA) defines Gross Domestic Product by State (GDP) as "the value added in production by the labor and property located in a state. GDP for a state is derived as the sum of the gross state product originating in all industries in a state. In concept, an industry's GDP, referred to as its "value added", is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported)."

The BEA provides national (in January) and state (in June) annual and quarterly GDP estimates. *Mass*Benchmarks releases quarterly estimates of Massachusetts economic activity. This is reported in the following section. While we do not have access to many of the components that BEA uses to calculate state GDP in advance of its release, we provide an overview of our state's components when they are available. Additionally, we provide state economic indexes and industrial sector data that are released more frequently and in some cases, are among the components used to calculate state GDP.

State Gross Domestic Product - Annual Change
(billions of chained 2009 dollars)

	Massachusetts		New England		United States	
Year	GDP	Annual change	GDP	Annual change	GDP	Annual change
2000	$348		$720		$12,560	
2001	$351	1.0%	$728	1.1%	$12,682	1.0%
2002	$353	0.5%	$734	0.8%	$12,909	1.8%
2003	$362	2.5%	$753	2.6%	$13,271	2.8%
2004	$369	2.1%	$781	3.6%	$13,774	3.8%
2005	$375	1.6%	$793	1.5%	$14,234	3.3%
2006	$381	1.6%	$809	2.1%	$14,614	2.7%
2007	$391	2.6%	$826	2.1%	$14,874	1.8%
2008	$392	0.2%	$816	-1.2%	$14,830	-0.3%
2009	$382	-2.6%	$793	-2.9%	$14,419	-2.8%
2010	$395	3.4%	$814	2.6%	$14,784	2.5%
2011	$404	2.3%	$821	0.9%	$15,021	1.6%
2012	$411	1.7%	$830	1.1%	$15,369	2.3%
2013	$415	1.2%	$839	1.1%	$15,710	2.2%
2014	$425	2.3%	$853	1.6%	$16,086	2.4%

Real GDP: Percent Change from Preceding Quarter
Seasonally Adjusted Annual Rates



SOURCES: U.S. Bureau of Economic Analysis, *Mass*Benchmarks calculations by Dr. Alan Clayton-Matthews. Updated October 29, 2015.

State Coincident Indexes. To track more recent changes in the state and national economies, we use the Federal Reserve Bank of Philadelphia's Coincident Indexes. It "produces a monthly coincident index for each of the 50 states. The indexes are released a few days after the Bureau of Labor Statistics (BLS) releases the employment data for the states.

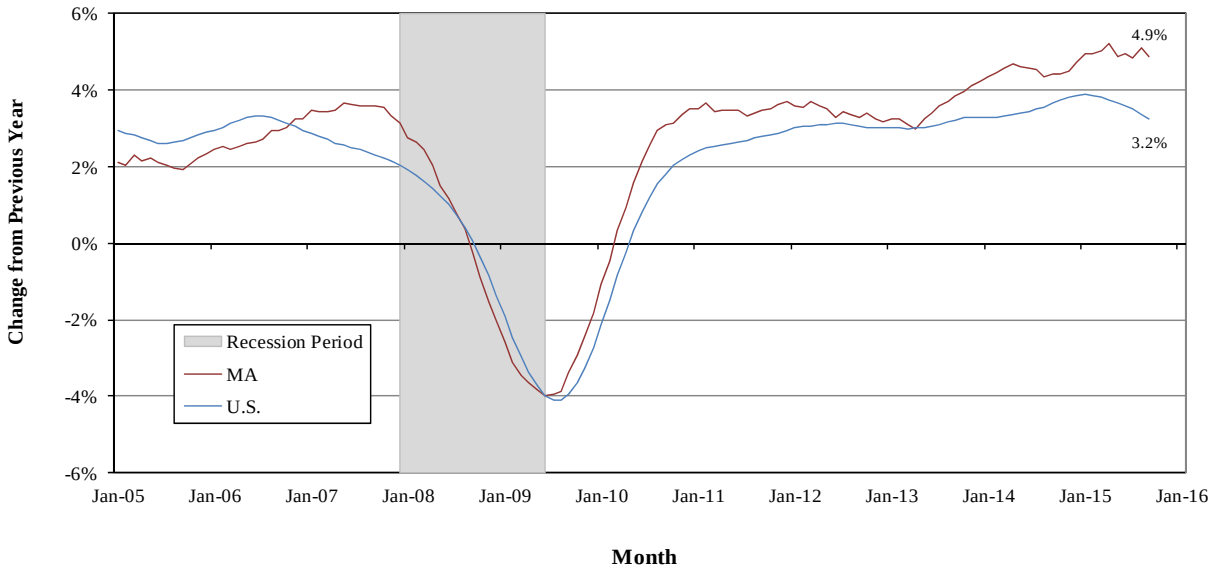
The coincident indexes combine four state-level indicators to summarize current economic conditions in a single statistic. The four state-level variables in each coincident index are nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average). The trend for each state's index is set to the trend of its gross domestic product (GDP), so long term growth in the state's index matches long term growth in its GDP."

The graph below indicates the state and national index change from 12 months prior. Recent revisions to BLS data the Philadelphia Federal Reserve Bank uses to construct its indexes resulted in an improved trend for Massachusetts since the recession ended in 2009. The table below compares the Massachusetts index to its New England neighbors and the U.S.

Comparing the U.S. and New England States Coincident Indexes

Area	September 2015	1-Month Change	3-Month Change	12-Month Change
U.S.	175.4	0.2%	0.7%	3.2%
Massachusetts	195.8	0.3%	1.0%	4.9%
Connecticut	168.4	0.2%	0.9%	3.6%
Maine	147.7	0.3%	1.2%	3.5%
New Hampshire	205.3	0.2%	0.6%	2.7%
Rhode Island	170.8	0.7%	1.2%	4.5%
Vermont	167.5	-0.3%	-0.2%	2.5%

Comparing the U.S. and Massachusetts Coincident Indexes



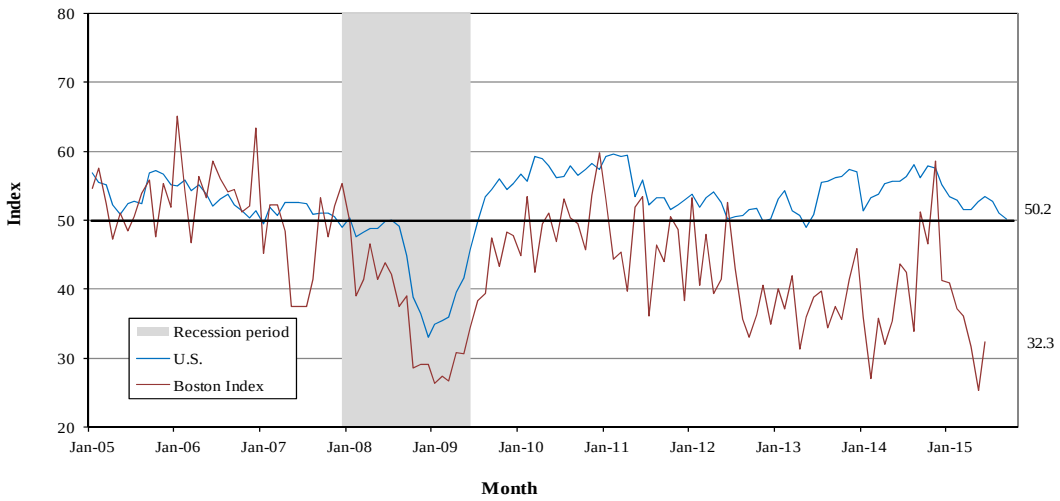
SOURCE: Federal Reserve Bank of Philadelphia. October, 2015. Shaded areas are recession periods.
Note: Indexes are set to 100 at July 1992.

Institute for Supply Management Purchasing Manager Indexes (PMI). These indexes are compiled using survey data from purchasing and supply executives and are used as a leading business indicator. While the national index is based on a survey of manufacturers, the Boston region's is based on a survey of "companies representing industries as diverse as the banking and financial services, pharmaceuticals and biotechnology, software development and communication, medical products and equipment, computers, chemicals, consumer products, education, and the public sector."

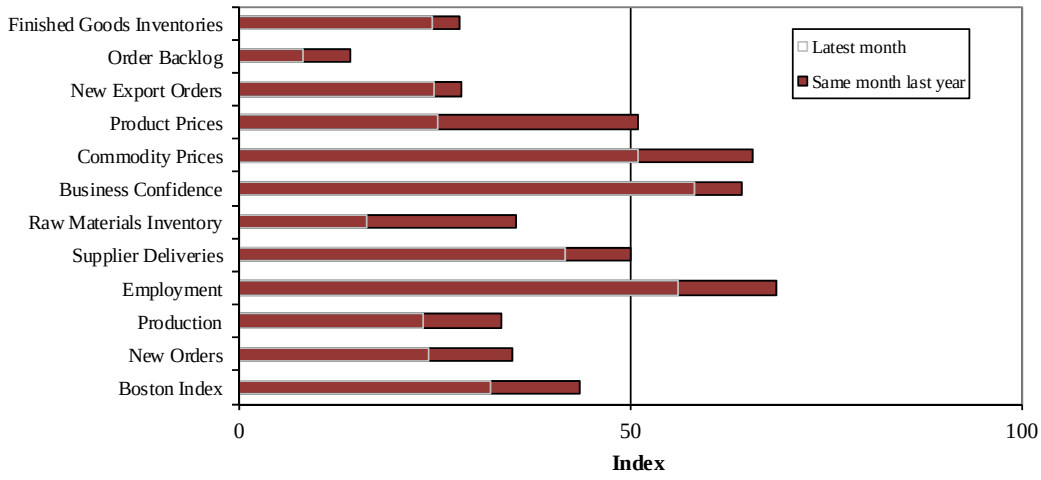
Index readings above 50 indicate the economy is generally expanding. Readings below 50 indicate the economy is generally contracting, although a reading above 42 for a period of time indicates the economy is generally expanding. Components of the national index include new orders, production, employment, supplier deliveries, inventories, customer inventories, prices, backlog of orders, exports and imports. The Boston region's components are slightly different and include new orders, production, employment, supplier deliveries, raw monthly materials inventory, business confidence, commodity prices, product prices, new export orders, order backlog and finished goods inventories. These components show which segments of the business supply chain are expanding or contracting.

The September 2015 national index indicated that the manufacturing sector has been expanding since May 2009. The Boston region's June 2015 index of 32.3 indicated that overall business conditions were contracting after hitting a four year high of 58.5 in November 2014. Eight of the eleven Boston region index components were contracting in the June 2015 survey but the business confidence, employment components, and commodity prices were expanding.

U.S. and Boston Region Purchasing Managers Indexes



Boston Region PMI Components - June 2015



SOURCE: Institute for Supply Management and the Purchasing Management Association of Boston. Updated July 1, 2015.

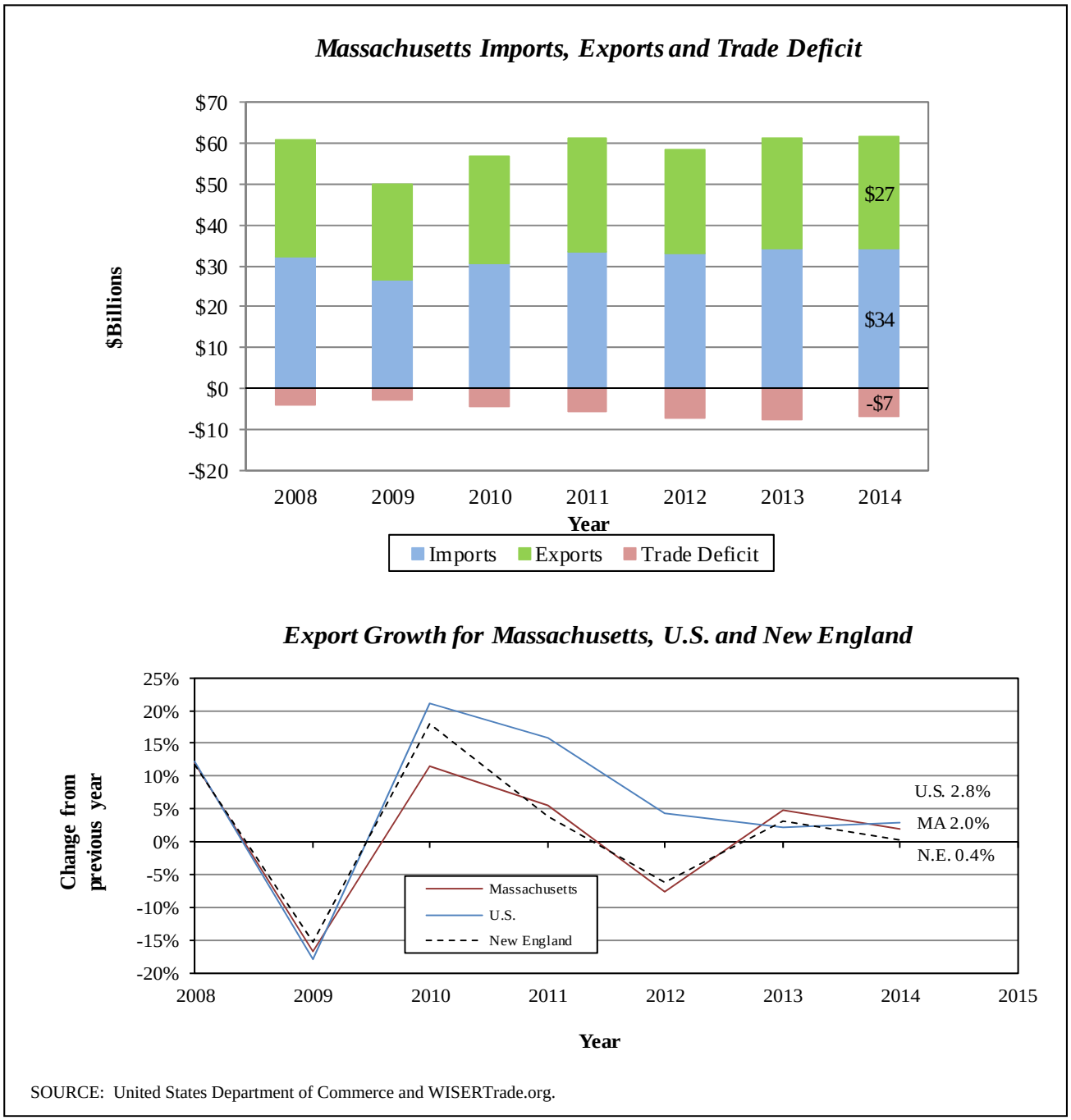
EXHIBIT A-32 Quarter 1, FY 2016

ECONOMIC BASE AND PERFORMANCE—INTERNATIONAL TRADE

Total Trade Volume. Total trade volume, exports and imports, increased 0.7 percent from 2013 to $61.5 billion in 2014. Canada trade volume was $12.0 billion and 15.0 percent of the total state trade and was by far our most valuable trading partner. Massachusetts trade deficit, $6.8 billion, shrank 9.3 percent in 2014. See appendix 8 for more trade data.

Exports. Massachusetts ranked 18th in the United States in 2014 and first in New England with $27.4 billion in exports. This was a 2.0 percent increase from the previous year's export value, while national exports increased by 2.8 percent. Total exports from New England grew by 0.4 percent. Canada was again our top export destination in 2014 with $3.6 billion.

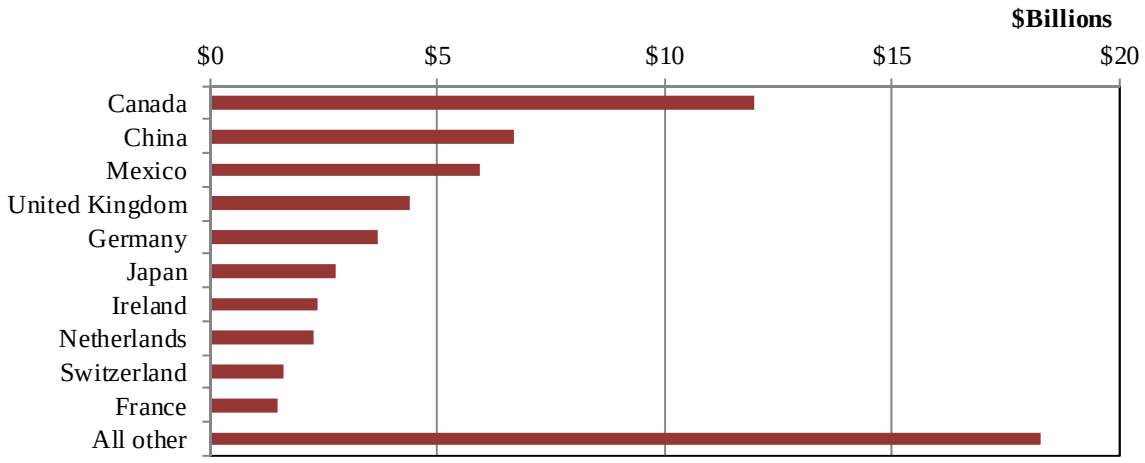
Imports. Imports decreased 0.5 percent to $34.2 billion in 2014 after growing 4.0 percent in 2013. Canada was also the largest source for Massachusetts imports in 2014, from which we imported $8.3 billion or 24.4 percent of our total.



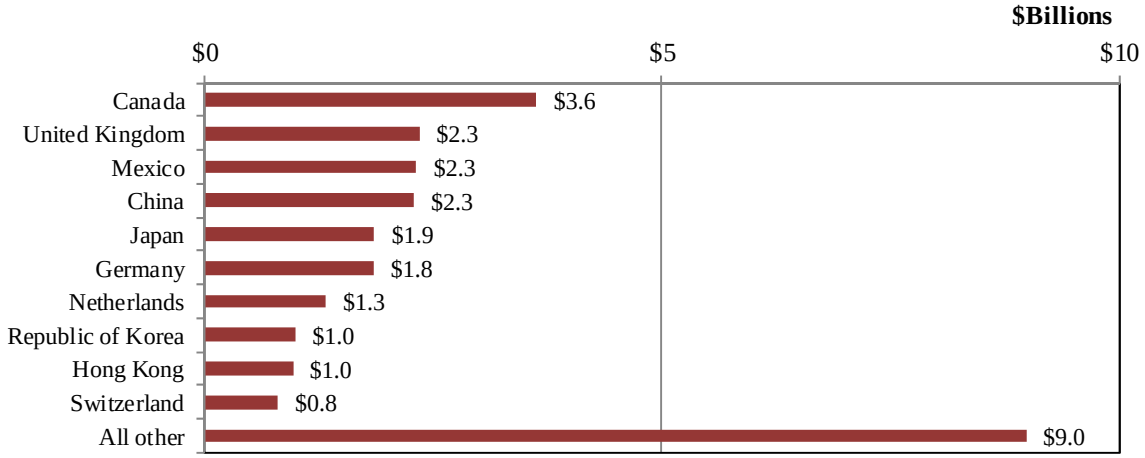
SOURCE: United States Department of Commerce and WISERTrade.org.

Top Ten Trade Partners by Trade Type from WISERTrade.org.

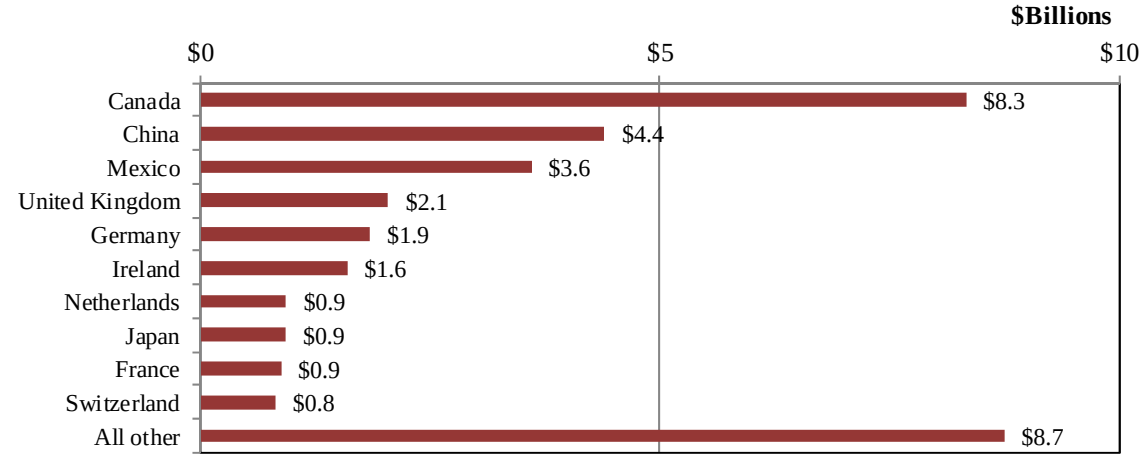
Massachusetts 2014 Top Ten Trade Partners



Massachusetts 2014 Top Ten Export Partners

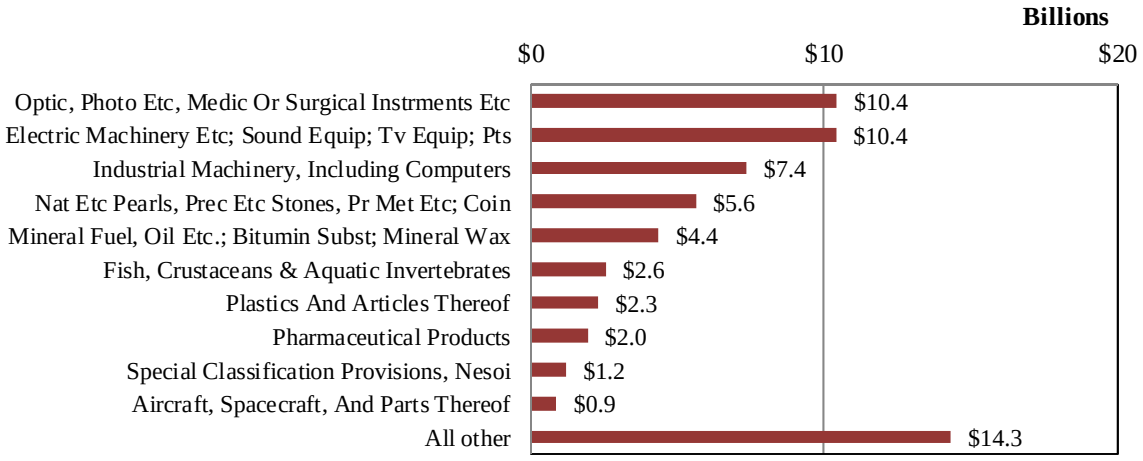


Massachusetts 2014 Top Ten Import Partners

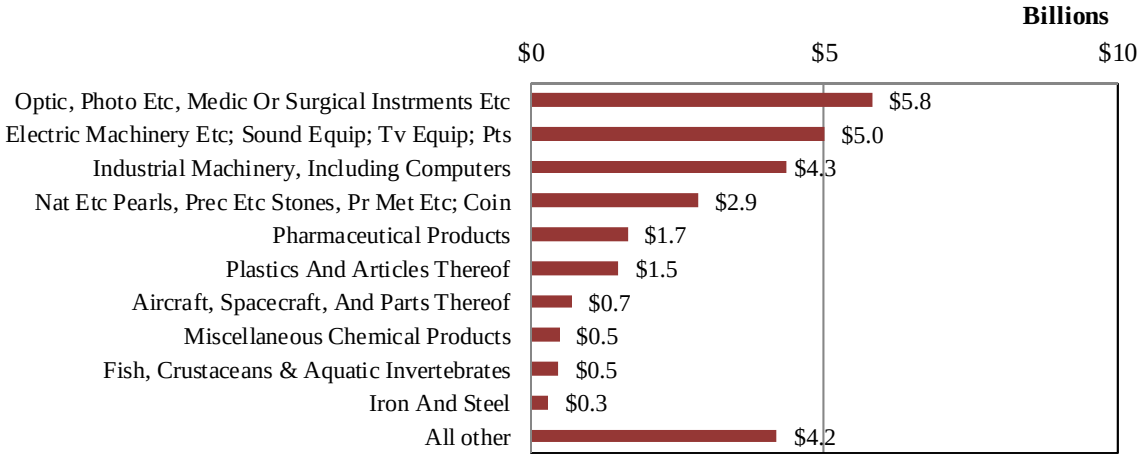


Top Ten Commodities Traded by Trade Type from WISERTrade.org.

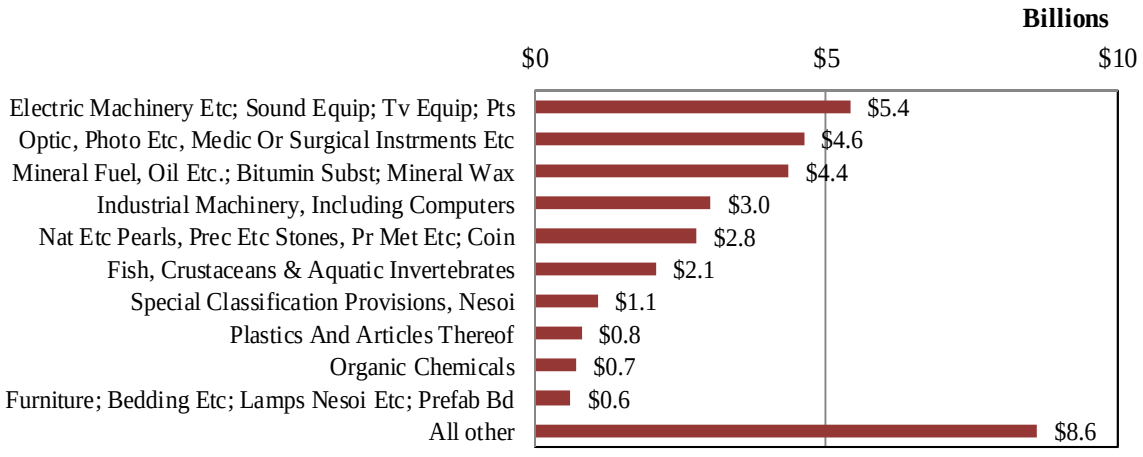
Massachusetts 2014 Top Commodities Imported and Exported



Massachusetts 2014 Top Ten Commodities Exported



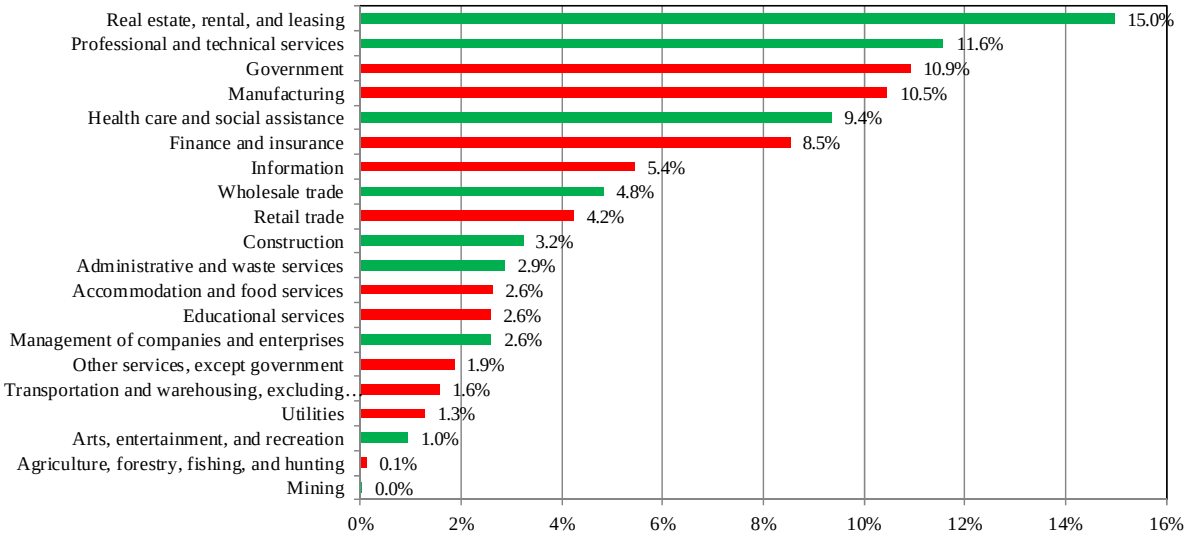
Massachusetts 2014 Top Ten Commodities Imported



ECONOMIC BASE AND PERFORMANCE—INDUSTRY SECTOR DETAIL (NAICS BASIS)

The Massachusetts economy remains diversified among several industrial and non-industrial sectors. The four largest sectors of the economy, real estate, rental and leasing, professional and technical services, government, and manufacturing, contributed 47.9 percent of the GDP in 2014. The real estate, rental and leasing sector remained the largest contributor in 2014. The following bar chart displays the latest sector contributions to the Massachusetts GDP.

NAICS* Sector Composition of Massachusetts Gross Domestic Product 2014
(as a percent of total GDP in chained 2009 dollars)



SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Green bar indicates positive change from previous year, red is a negative change. Transportation and warehousing excludes U.S. Post Office.
*****North American Industry Classification System.

GDP Subsectors. When measured in chained 2009 dollars, the change in Massachusetts total GDP grew 15 percent between 2003 and 2013. Between 2003 and 2013 (the latest data available for subsector data), several industries grew much faster than the state average. Industry subsectors that experienced substantial cumulative growth or reduction are listed in the following chart.

Industry Subsectors with a Substantial Growth or Reduction
(chained 2009 dollars)

NAICS* Industry Subsector	Percent change 2003-2013
Computer systems design and related services	134%
Motion picture and sound recording industries	84%
Computer and electronic products manufacturing	70%
Publishing industries, except Internet (includes software)	70%
Legal services	-13%
Plastics and rubber products manufacturing	-24%
Electrical equipment, appliance, and components manufacturing	-26%
Other transportation equipment manufacturing	-51%

SOURCE: United States Department of Commerce, Bureau of Economic Analysis. Updated June 2015.
Note: Subsector represents at least a half percent of Massachusetts GDP in the latest year.
*North American Industry Classification System.

Gross Domestic Product by Industry in Massachusetts

(millions of chained 2009 dollars)

NAICS* Industry Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Gross Domestic Product by State	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Private industries	88.3%	88.4%	88.4%	88.4%	88.2%	87.9%	88.4%	88.1%	88.9%	89.0%	89.1%
Agriculture, forestry, fishing, and hunting	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%
Mining	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Utilities	1.3%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Construction	5.0%	4.7%	4.3%	3.9%	3.6%	3.3%	3.1%	3.1%	3.3%	3.3%	3.2%
Manufacturing	9.8%	10.0%	10.6%	11.5%	10.8%	10.5%	11.2%	10.8%	10.7%	10.4%	10.5%
Wholesale trade	5.9%	5.7%	5.9%	5.8%	5.8%	5.3%	5.2%	5.1%	4.8%	4.9%	4.8%
Retail trade	5.1%	5.1%	4.8%	4.5%	4.3%	4.4%	4.4%	4.3%	4.2%	4.2%	4.2%
Transportation and warehousing, excluding Postal Service	1.7%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.6%
Information	4.5%	4.9%	4.8%	5.1%	5.4%	5.2%	5.6%	5.4%	5.4%	5.3%	5.4%
Finance and insurance	8.6%	8.4%	8.6%	8.2%	7.5%	8.5%	8.1%	7.9%	8.5%	8.5%	8.5%
Real estate, rental, and leasing	14.2%	14.5%	14.1%	14.1%	14.2%	14.5%	14.6%	14.9%	15.1%	15.2%	15.0%
Professional and technical services	9.9%	10.0%	10.1%	10.1%	11.2%	10.8%	10.8%	10.9%	11.2%	11.3%	11.6%
Management of companies and enterprises	2.5%	2.5%	2.4%	2.3%	2.3%	2.2%	2.2%	2.4%	2.4%	2.5%	2.6%
Administrative and waste services	2.5%	2.7%	2.7%	2.8%	2.8%	2.6%	2.7%	2.8%	2.8%	2.8%	2.9%
Educational services	2.7%	2.6%	2.6%	2.6%	2.7%	2.8%	2.8%	2.8%	2.7%	2.7%	2.6%
Health care and social assistance	8.0%	8.1%	8.4%	8.4%	8.9%	9.2%	9.1%	9.1%	9.1%	9.3%	9.4%
Arts, entertainment, and recreation	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%
Accommodation and food services	2.9%	2.8%	2.7%	2.6%	2.6%	2.5%	2.6%	2.6%	2.7%	2.7%	2.6%
Other services, except government	2.4%	2.3%	2.2%	2.1%	2.1%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%
Government	11.7%	11.6%	11.6%	11.6%	11.8%	12.1%	11.6%	11.9%	11.1%	11.1%	10.9%

Rank of Industry Contribution to GDP in Massachusetts

(millions of chained 2009 dollars)

NAICS* Industry Sector	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Gross Domestic Product by State											
Private industries											
Agriculture, forestry, fishing, and hunting	19	19	19	19	19	19	19	19	19	19	19
Mining	20	20	20	20	20	20	20	20	20	20	20
Utilities	17	17	17	17	17	17	17	17	17	17	17
Construction	9	10	10	10	10	10	10	10	10	10	10
Manufacturing	4	4	3	3	4	4	3	4	4	4	4
Wholesale trade	7	7	7	7	7	7	8	8	8	8	8
Retail trade	8	8	8	9	9	9	9	9	9	9	9
Transportation and warehousing, excluding Postal Service	16	16	16	16	16	16	16	16	16	16	16
Information	10	9	9	8	8	8	7	7	7	7	7
Finance and insurance	5	5	5	6	6	6	6	6	6	6	6
Real estate, rental, and leasing	1	1	1	1	1	1	1	1	1	1	1
Professional and technical services	3	3	4	4	3	3	4	3	2	2	2
Management of companies and enterprises	13	14	14	14	14	14	14	14	14	14	13
Administrative and waste services	14	12	12	11	11	12	12	11	11	11	11
Educational services	12	13	13	13	12	11	11	12	12	12	14
Health care and social assistance	6	6	6	5	5	5	5	5	5	5	5
Arts, entertainment, and recreation	18	18	18	18	18	18	18	18	18	18	18
Accommodation and food services	11	11	11	12	13	13	13	13	13	13	12
Other services, except government	15	15	15	15	15	15	15	15	15	15	15
Government	2	2	2	2	2	2	2	2	3	3	3

SOURCE: United States Department of Commerce, Bureau of Economic Analysis.
* North American Industry Classification System.

Industry Sector Analysis. The following section contains a summary for each of the twenty major NAICS sectors. The data series start in 2001, the last time the state experienced a downturn, commonly referred to as "The Telecom Bubble". We report the latest quarterly data at an annual rate where available. This may skew sectors that experience seasonal trends, such as construction. Graphs include data value labels for the latest annual and quarterly annualized points.

Not all datasets are reported for all of the major NAICS sectors. The Massachusetts Department of Workforce and Labor Development's Employment and Wages (ES-202) data series are available for every sector and contain the number of establishments, average monthly employment, total annual wages and average weekly wages for the establishments with employees. The data are reported quarterly and annually for employees in the private, federal government, state government, and local government sectors. **NOTE:** Beginning with the first quarter 2013, a code change for employees from private households (NAICS 814110) into services for the elderly and persons with disabilities (NAICS 624120) moved 33,960 employees in Massachusetts in January 2013 on QCEW.

The next graph, nonemployer businesses and receipts, uses the U.S. Census Nonemployer Statistics series and is available for every sector except 55 - Management of Companies and Enterprises and 92 - Public Administration. Some sectors also lack subsector (we used four digit NAICS) detail. These are annual data, with a two-year reporting lag for businesses that do not have paid employees and are subject to federal income tax. Census reports that "Nonemployers account for a majority of all business establishments, but average less than four percent of all sales or receipts." These can be second or part-time businesses and not the owner's primary source of income.

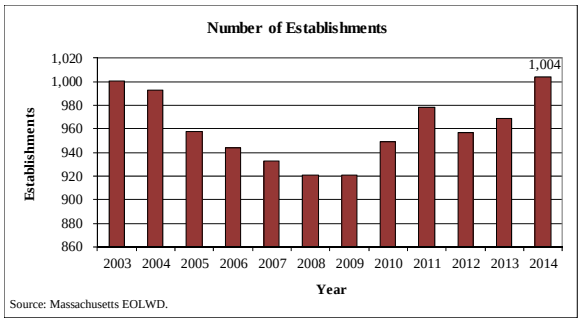
State Gross Domestic Product is an annual series from the U.S. Bureau of Economic Analysis's Regional Economic Accounts. **NEW:** U.S. and state GDP is inflation adjusted to 2009. U.S. GDP is available quarterly and beginning in August 2014, quarterly state GDP will be reported. The June 2014 release included a comprehensive revision of gross domestic product by state. Go to http://www.bea.gov/newsreleases/regional/gdp_state/gsp_newsrelease.htm for more information.

Foreign exports from the U.S. Census Bureau's Foreign Trade Division and WISERTrade, are available for four industries on a monthly basis. Total state exports are available on a monthly basis. Sector exports and the top ten export destinations for this industry sector are by dollar value.

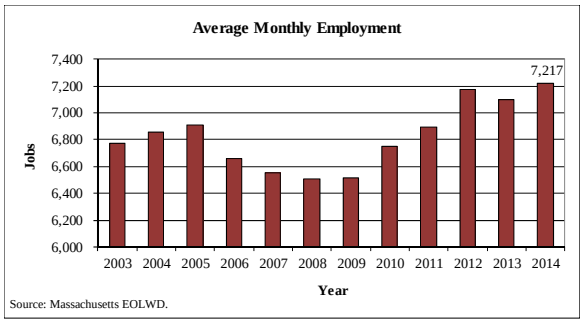
Each sector analysis has a summary at the bottom of each page. The summary provides (when available):

1. GDP contribution to state total: this sector's GDP divided by the state's total GDP. A green figure indicates it is larger than the previous year's GDP contribution. Red indicates it is smaller than the previous year's and black indicates no change from the previous year's GDP contribution.
2. GDP rank: this sector's GDP rank versus all state sectors. A green figure indicates it is higher than the previous year's rank. Red indicates that it is lower than the previous year's and black indicates that no change from the previous year's GDP rank.
3. Nonemployer to employer establishment ratio: the number of nonemployer establishments divided by the number of establishments with employers. In general, a ratio greater than one means there are more small businesses. A number less than one means there are more large businesses.
4. Establishments with employees: the subsector with the largest number of establishments who have employees.
5. Nonemployer establishments: the subsector with the largest number of establishments that do not have employees.
6. Employees: the subsector with the largest number of employees, at establishments with employees.
7. Annual wages: the subsector with the largest total annual wages, at establishments with employees.
8. Average weekly wage: the subsector with the largest average weekly wage, at establishments with employees.
9. Annual receipts at nonemployer establishments: the subsector with the most receipts, at establishments that do not have employees.
10. Most valuable export: the subsector export with the highest dollar value.

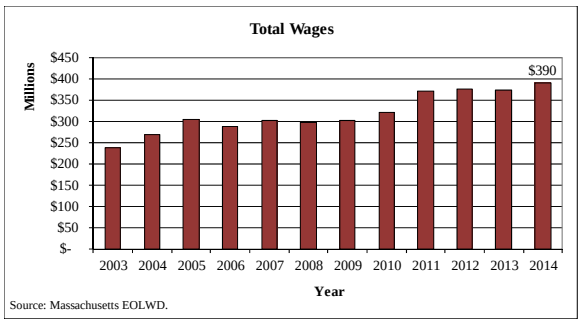
NAICS 11 - Agriculture, Forestry, Fishing & Hunting. The Agriculture, Forestry, Fishing and Hunting sector comprises establishments primarily engaged in growing crops, raising animals, harvesting timber, and harvesting fish and other animals from a farm, ranch, or their natural habitats.



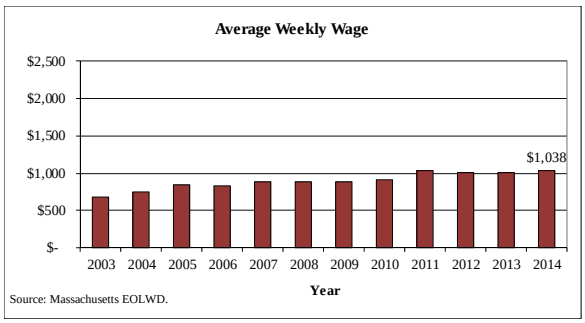
Source: Massachusetts EOLWD.



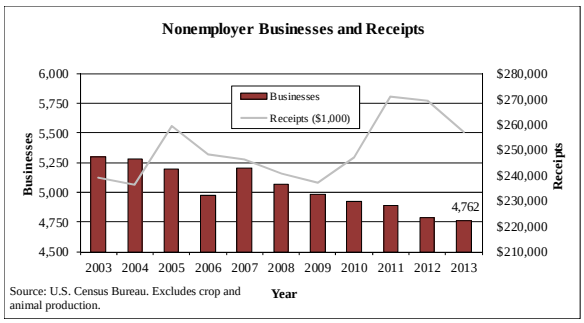
Source: Massachusetts EOLWD.



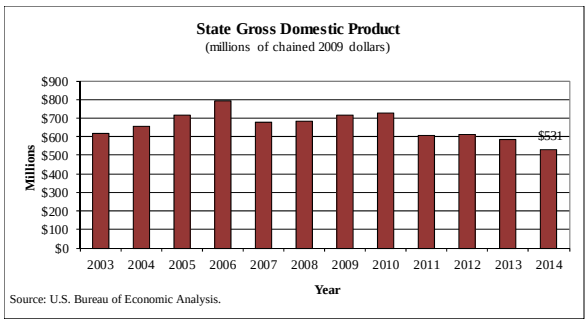
Source: Massachusetts EOLWD.



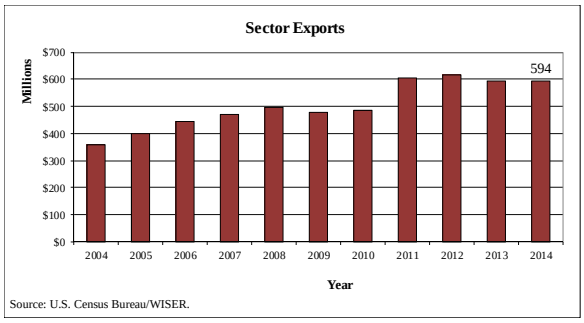
Source: Massachusetts EOLWD.



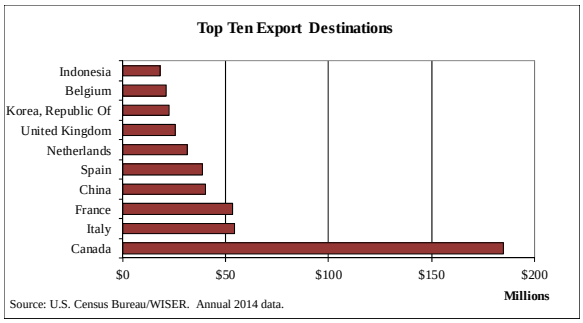
Source: U.S. Census Bureau. Excludes crop and animal production.



Source: U.S. Bureau of Economic Analysis.



Source: U.S. Census Bureau/WISER.

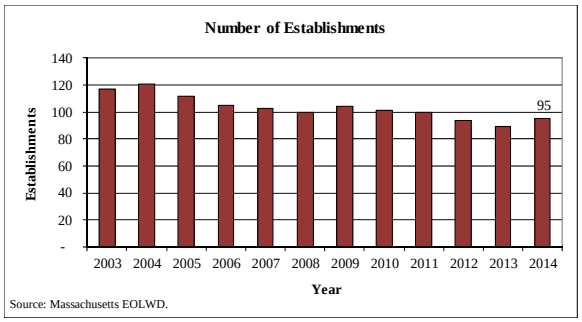


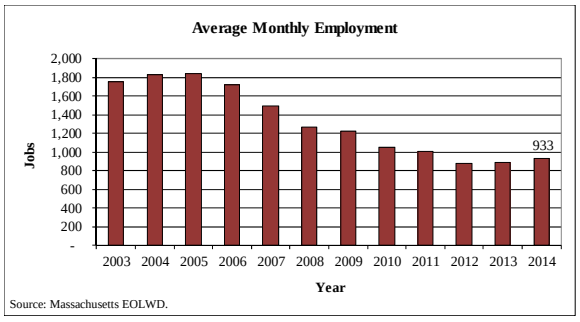
Source: U.S. Census Bureau/WISER. Annual 2014 data.

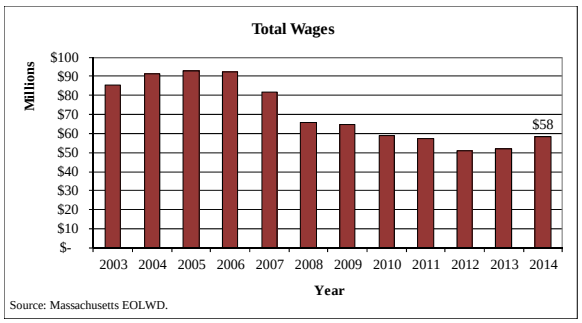
Summary.
GDP contribution to state total: **0.1%**
GDP rank: **19 of 20**
Nonemployer to employer establishment ratio: **4.9 to 1**

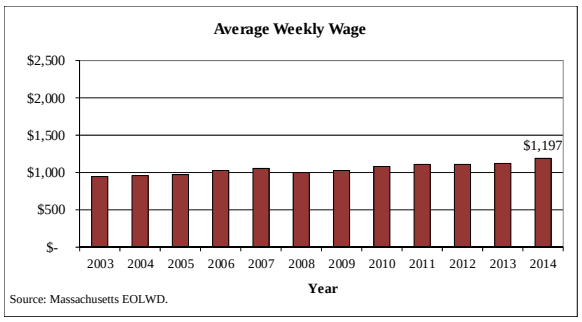
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Fishing**
Nonemployer establishments: **Fishing**
Employees: **Greenhouse and nursery production**
Annual wages: **Fishing**
Average weekly wage: **Fishing**
Annual receipts at nonemployer establishments: **Fishing**
Most valuable export: **Fish, fresh, chilled or other frozen marine products**

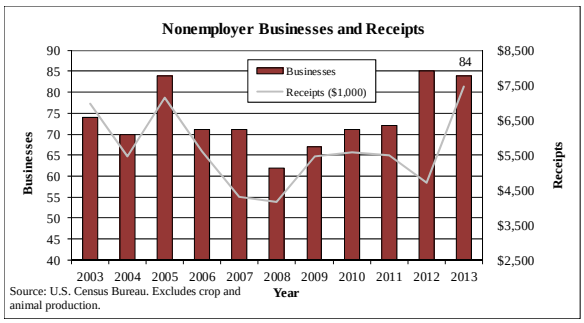
NAICS 21 – Mining. The Mining, Quarrying, and Oil and Gas Extraction sector comprises establishments that extract naturally occurring mineral solids, such as coal and ores; liquid minerals, such as crude petroleum; and gases, such as natural gas. The term mining is used in the broad sense to include quarrying, well operations, beneficiating (e.g., crushing, screening, washing, and flotation), and other preparation customarily performed at the mine site, or as a part of mining activity.

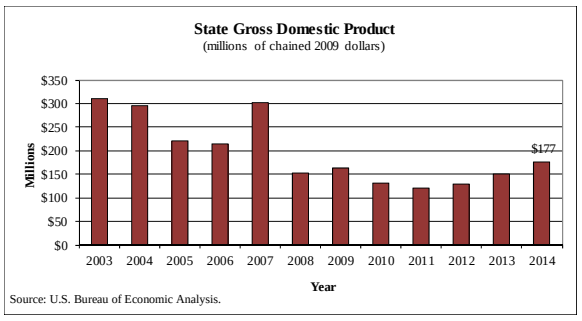


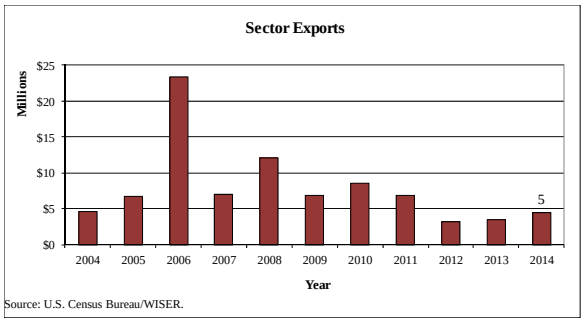


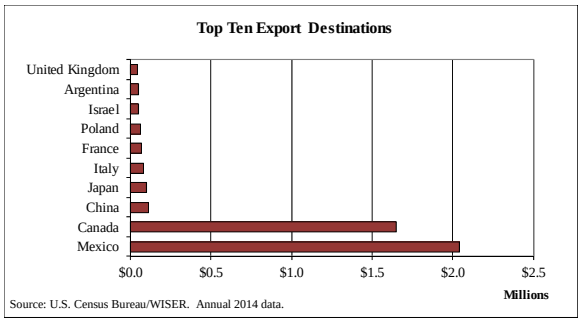








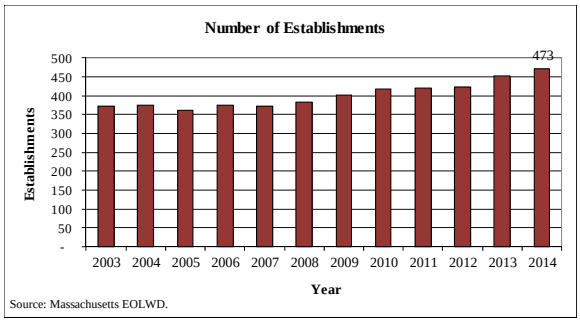




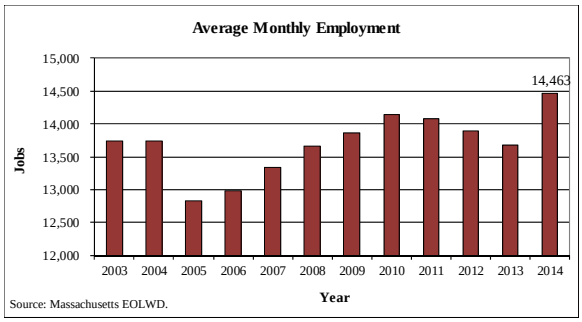
Summary.
GDP contribution to state total: **0.04%**
GDP rank: **20 of 20**
Nonemployer to employer establishment ratio: **0.9 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Nonmetallic mineral mining and quarrying**
Nonemployer establishments: **Nonmetallic mineral mining and quarrying**
Employees: **Nonmetallic mineral mining and quarrying**
Annual wages: **Nonmetallic mineral mining and quarrying**
Average weekly wage: **Oil and gas extraction**
Annual receipts at nonemployer establishments: **Nonmetallic mineral mining and quarrying**
Most valuable export: **Minerals and ores**

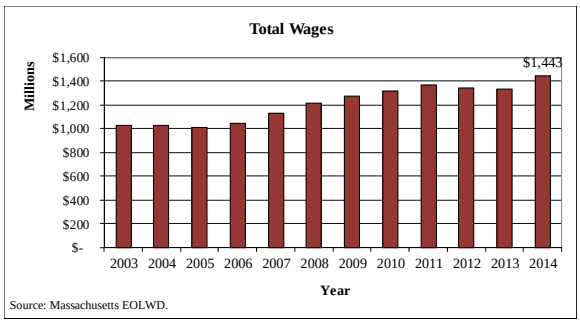
NAICS 22 – Utilities. The Utilities sector comprises establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply, and sewage removal. See the appendix, pages five and six for supplemental tables regarding electricity generation, supply and capacity.



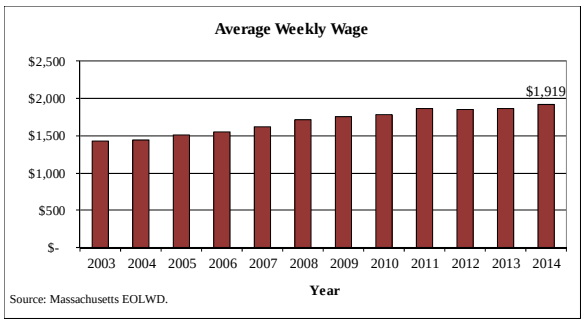
Source: Massachusetts EOLWD.



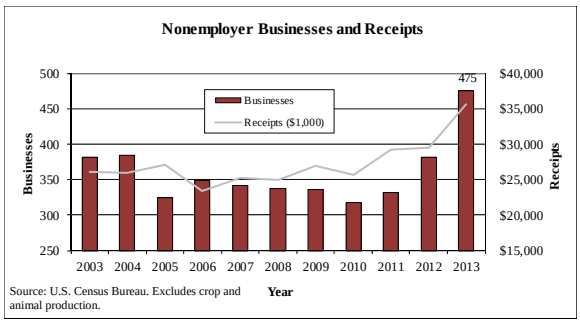
Source: Massachusetts EOLWD.



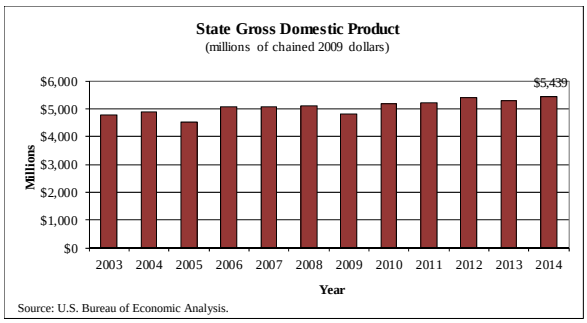
Source: Massachusetts EOLWD.



Source: Massachusetts EOLWD.



Source: U.S. Census Bureau. Excludes crop and animal production.



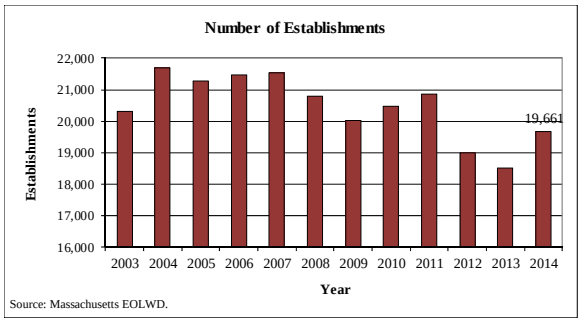
Source: U.S. Bureau of Economic Analysis.

State export data are not available for this sector.

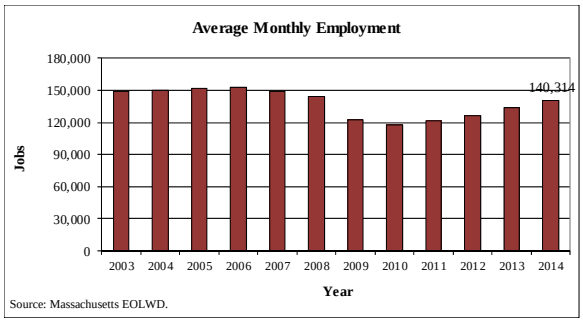
Summary.
GDP contribution to state total: **1.3%**
GDP rank: **17 of 20**
Nonemployer to employer establishment ratio: **1.1 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Power generation and supply**
Nonemployer establishments: Subsector detail N/A
Employees: **Power generation and supply**
Annual wages: **Power generation and supply**
Average weekly wage: **Power generation and supply**
Annual receipts at nonemployer establishments: Subsector detail N/A

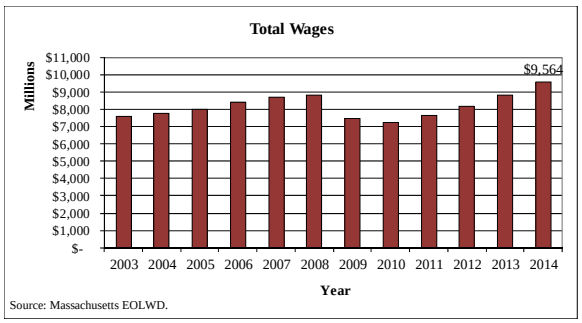
NAICS 23 – Construction. The Construction sector comprises establishments primarily engaged in the construction of buildings or engineering projects (e.g., highways and utility systems). Establishments primarily engaged in the preparation of sites for new construction and establishments primarily engaged in subdividing land for sale as building sites also are included in this sector. See the appendix pages two through four for housing permits, housing sales, and housing sale prices.



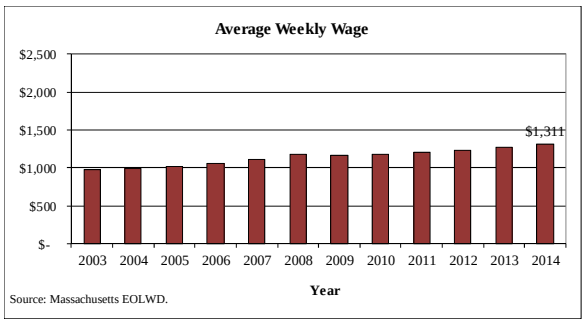
Source: Massachusetts EOLWD.



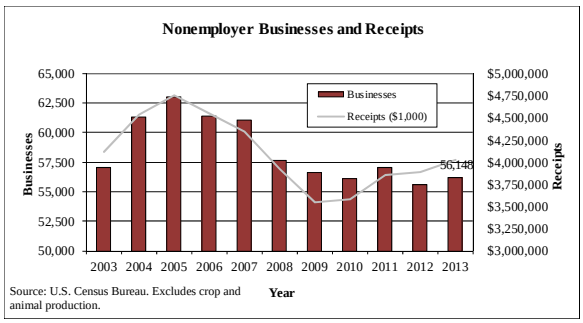
Source: Massachusetts EOLWD.



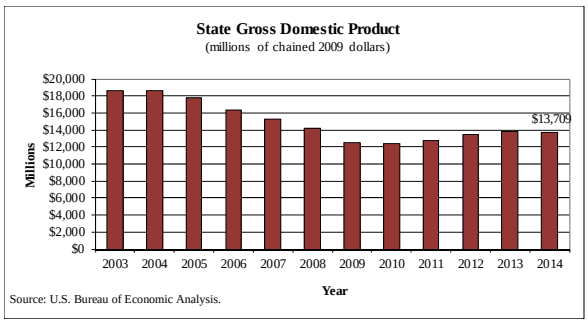
Source: Massachusetts EOLWD.



Source: Massachusetts EOLWD.



Source: U.S. Census Bureau. Excludes crop and animal production.



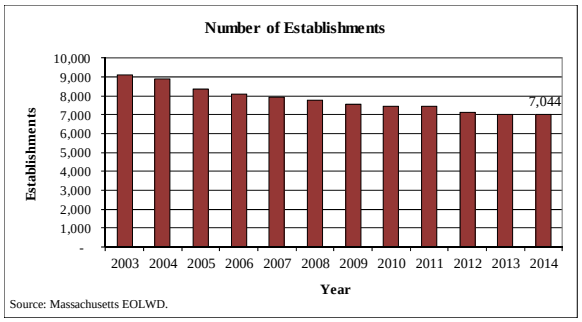
Source: U.S. Bureau of Economic Analysis.

State export data are not available for this sector.

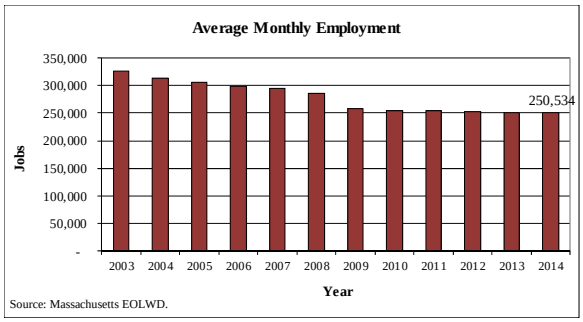
Summary.
GDP contribution to state total: **3.2%**
GDP rank: **10 of 20**
Nonemployer to employer establishment ratio: **3.0 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Building equipment contractors**
Nonemployer establishments: **Building finishing contractors**
Employees: **Building equipment contractors**
Annual wages: **Building equipment contractors**
Average weekly wage: **Utility system construction**
Annual receipts at nonemployer establishments: **Residential building construction**
Large employers in Massachusetts: **Suffolk Construction Company, J&S Electric Company, R.H. White Company and Interstate Electrical Services Group.**

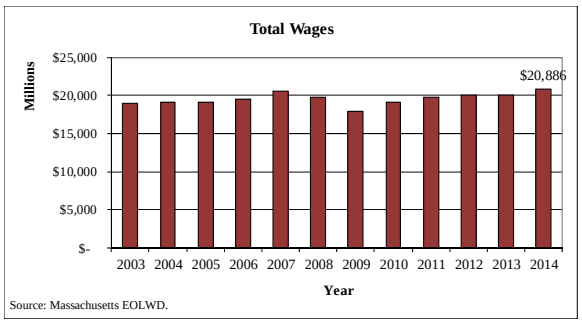
NAICS 31-33 – Manufacturing. The Manufacturing sector comprises establishments engaged in the mechanical, physical, or chemical transformation of materials, substances, or components into new products. The assembling of component parts of manufactured products is considered manufacturing, except in cases where the activity is appropriately classified in Sector 23, Construction.



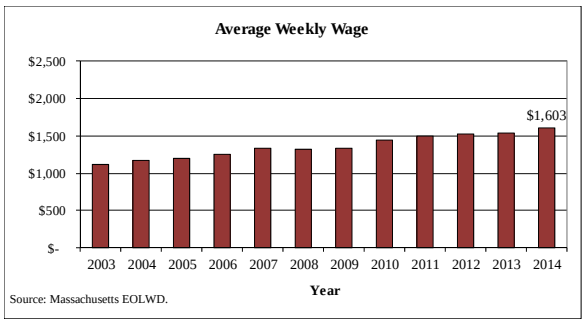
Source: Massachusetts EOLWD.



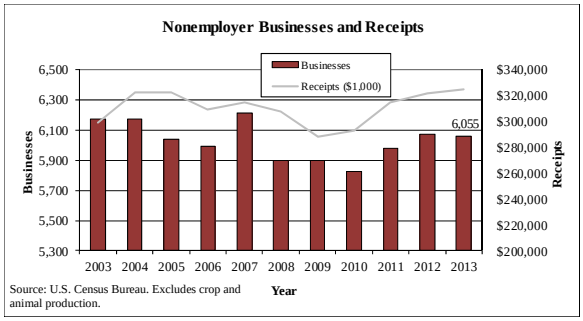
Source: Massachusetts EOLWD.



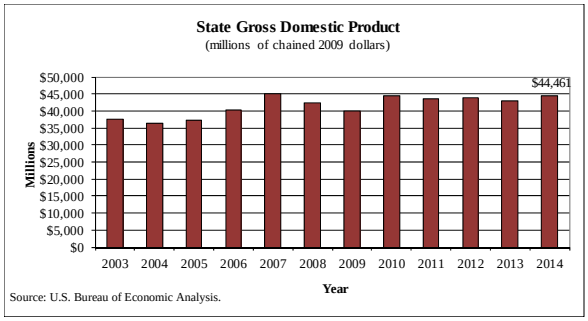
Source: Massachusetts EOLWD.



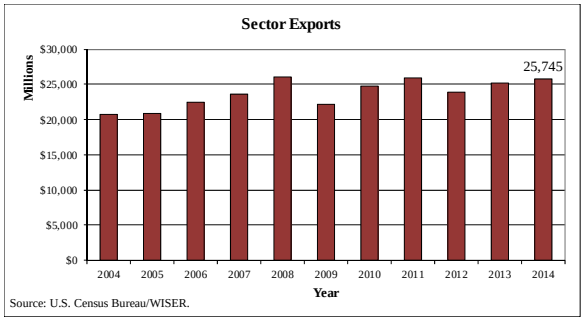
Source: Massachusetts EOLWD.



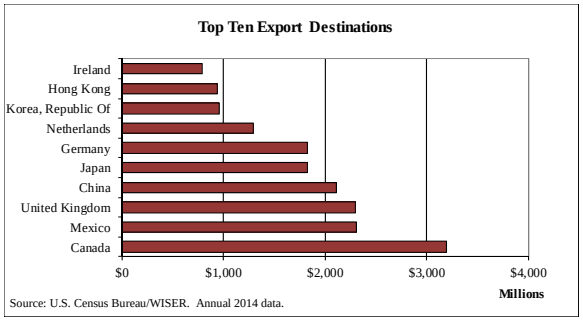
Source: U.S. Census Bureau. Excludes crop and animal production.



Source: U.S. Bureau of Economic Analysis.



Source: U.S. Census Bureau/WISER.

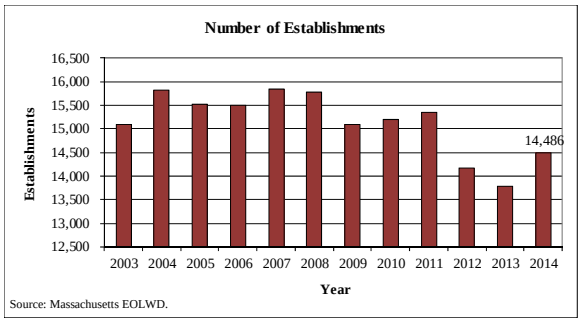


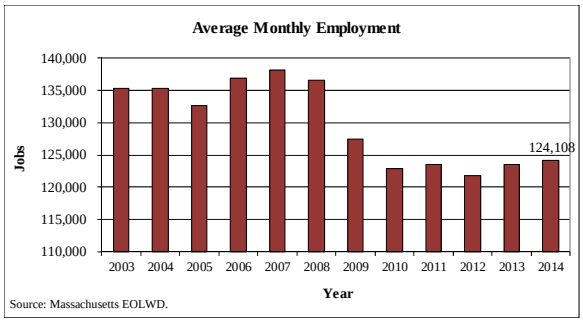
Source: U.S. Census Bureau/WISER. Annual 2014 data.

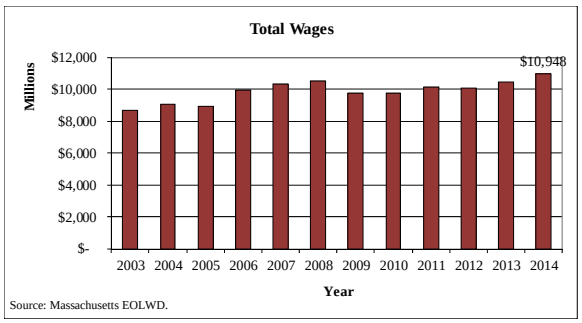
Summary.
GDP contribution to state total: **10.5%**
GDP rank: **4 of 20**
Nonemployer to employer establishment ratio: **0.9 to 1**

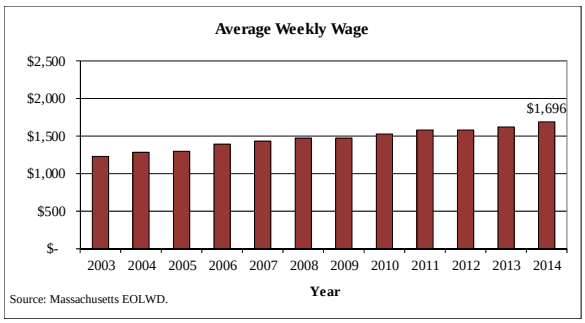
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Printing and related support activities**
Nonemployer establishments: **Other miscellaneous manufacturing**
Employees: **Electronic instrument manufacturing**
Annual wages: **Electronic instrument manufacturing**
Average weekly wage: **Computers and peripheral equipment**
Annual receipts at nonemployer establishments: **Other miscellaneous manufacturing**
Most valuable export: **Computers and electronic products**

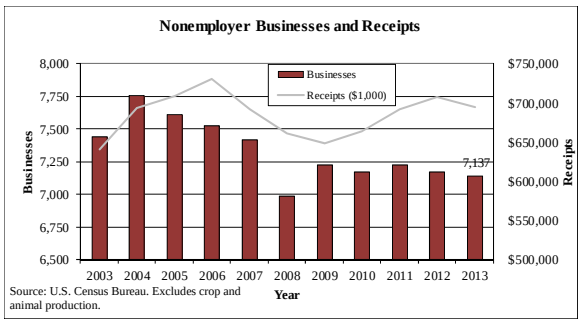
NAICS 42 - Wholesale Trade. The sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The merchandise described in this sector includes the outputs of agriculture, mining, manufacturing, and certain information industries, such as publishing. The wholesaling process is an intermediate step in the distribution of merchandise.

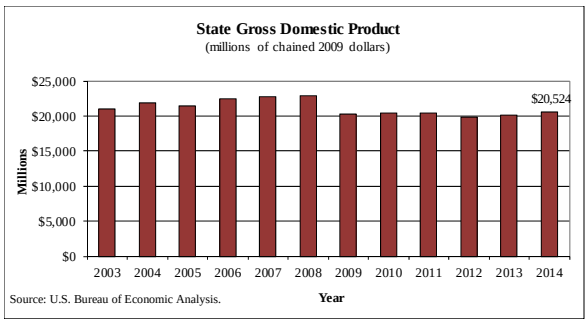










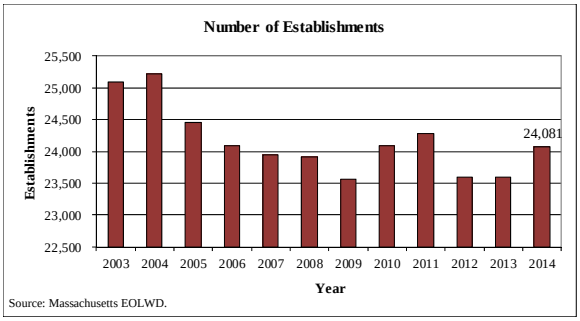


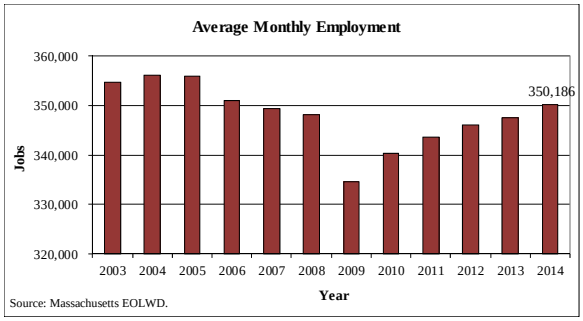
State export data are not available for this sector.

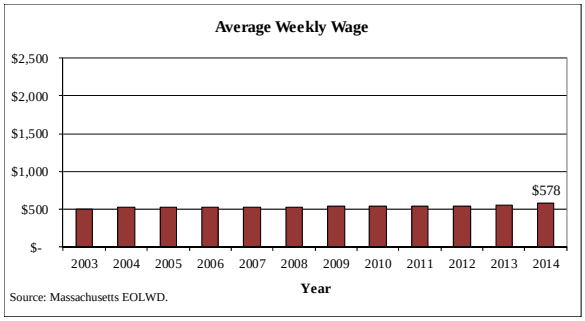
Summary.
GDP contribution to state total: **4.8%**
GDP rank: **8 of 20**
Nonemployer to employer establishment ratio: **0.5 to 1**

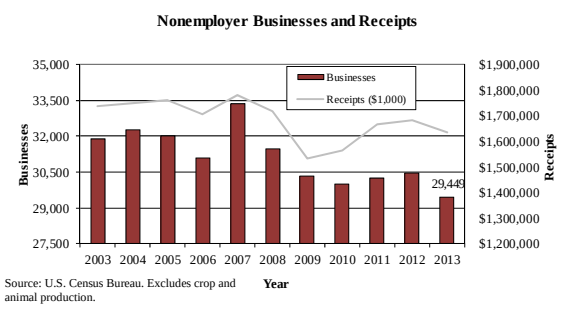
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Electronic markets and agents/brokers**
Nonemployer establishments: **Miscellaneous durable goods merchant wholesalers**
Employees: **Electronic markets and agents/brokers**
Annual wages: **Electronic markets and agents/brokers**
Average weekly wage: **Druggists' goods merchant wholesalers**
Annual receipts at nonemployer establishments: **Miscellaneous durable goods merchant wholesalers**

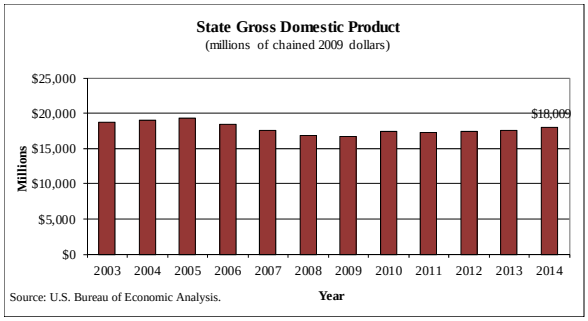
NAICS 44-45 - Retail Trade. The Retail Trade sector comprises establishments engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The retailing process is the final step in the distribution of merchandise; retailers are therefore organized to sell merchandise in small quantities to the general public. This sector comprises two main types of retailers: store and nonstore retailers.









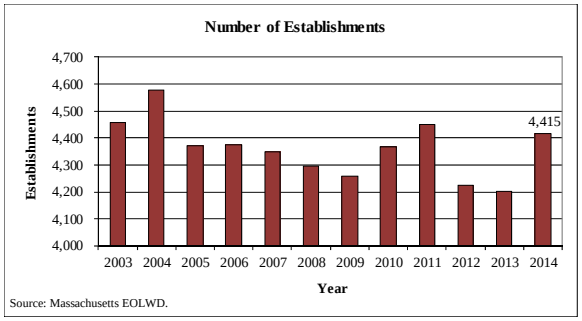


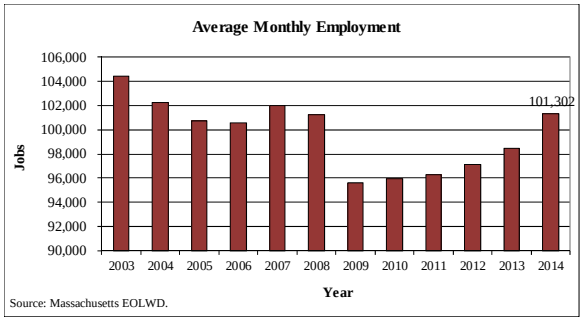
State export data are not available for this sector.

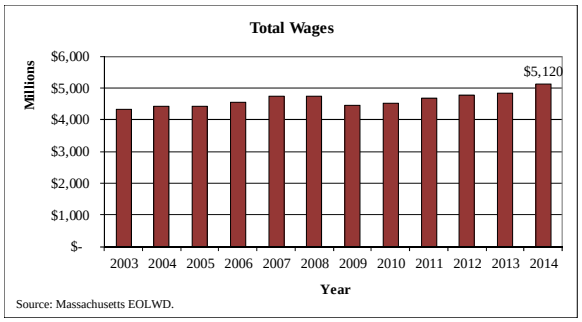
Summary.
GDP contribution to state total: **4.2%**
GDP rank: **9 of 20**
Nonemployer to employer establishment ratio: **1.2 to 1**

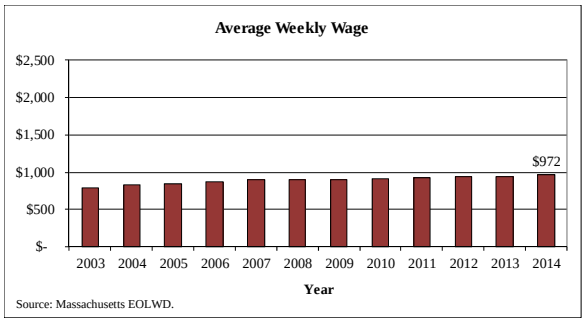
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Grocery stores**
Nonemployer establishments: **Direct selling establishments**
Employees: **Grocery stores**
Annual wages: **Grocery stores**
Average weekly wage: **Electronic shopping and mail-order houses**
Annual receipts at nonemployer establishments: **Direct selling establishments**

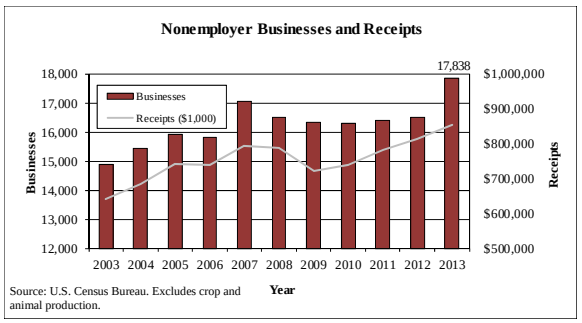
NAICS 48-49 - Transportation and Warehousing. The Transportation and Warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Establishments in these industries use transportation equipment or transportation related facilities as a productive asset. The type of equipment depends on the mode of transportation. The modes of transportation are air, rail, water, road, and pipeline. See pages six and seven of the appendix for more information regarding transportation and warehousing.

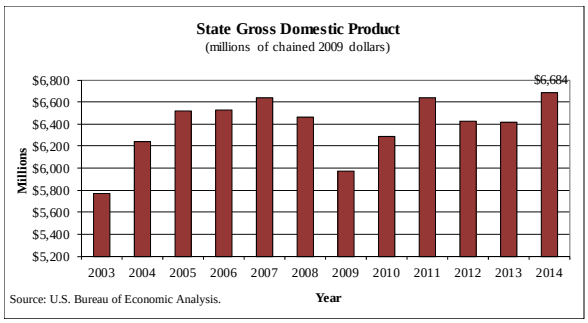










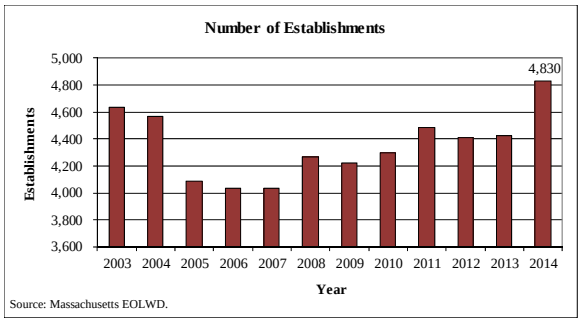


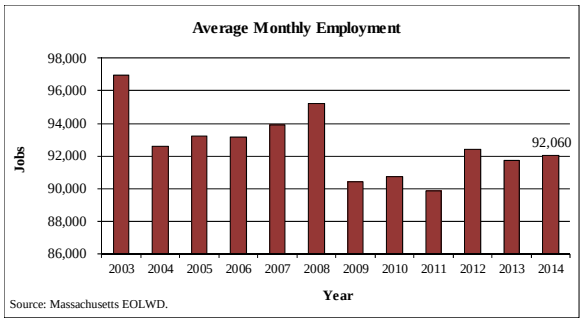
State export data are not available for this sector.

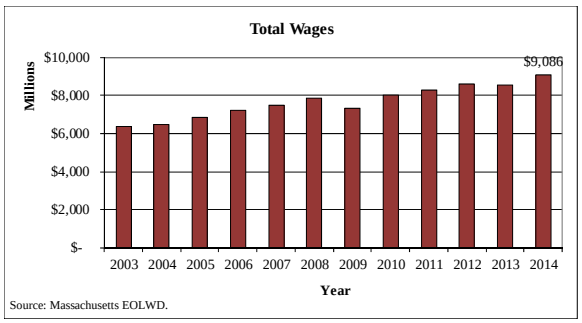
Summary.
GDP contribution to state total: **1.6%**
GDP rank: **16 of 20**
Nonemployer to employer establishment ratio: **4.2 to 1**

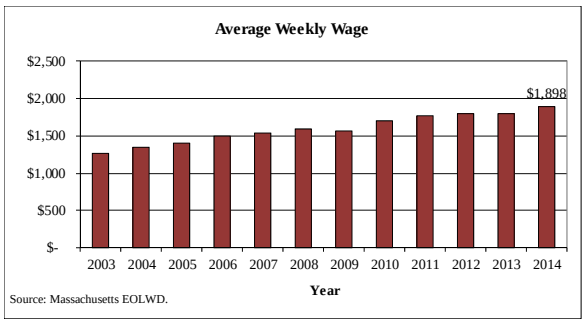
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **General freight trucking**
Nonemployer establishments: **Taxi and limousine service**
Employees: **Couriers**
Annual wages: **Warehousing and storage**
Average weekly wage: **Pipeline transportation of natural gas**
Annual receipts at nonemployer establishments: **General freight trucking**

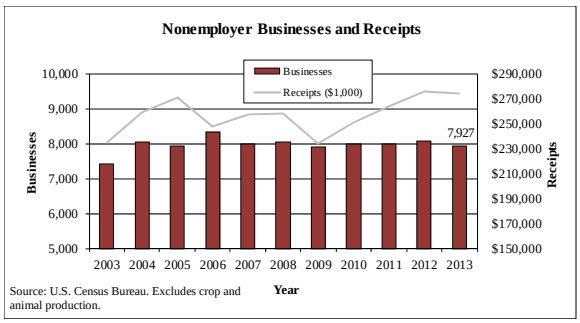
NAICS 51 – Information. The Information sector comprises establishments engaged in the following processes: producing and distributing information and cultural products, providing the means to transmit or distribute these products as well as data or communications, and processing data. In 2014, Information exports of prepackaged software, NAICS code 511, were recoded to the Manufacturing NAICS code 334.

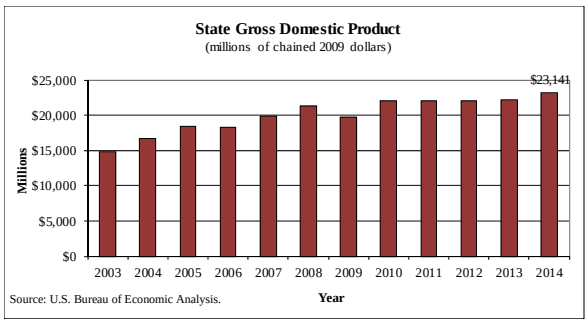


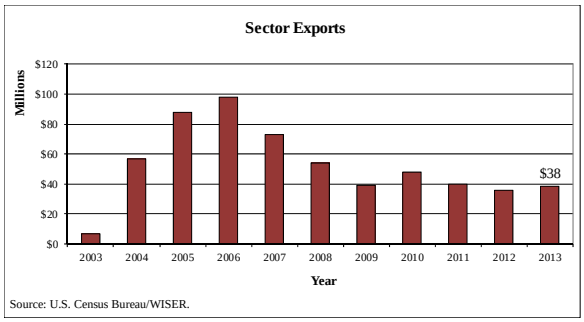


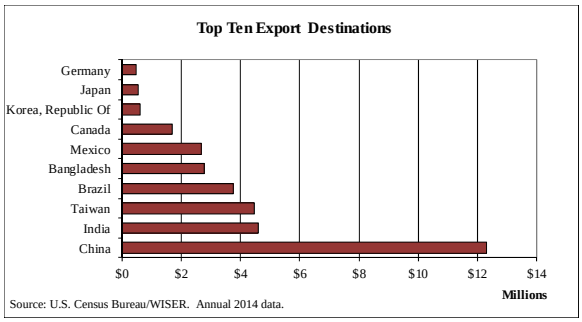








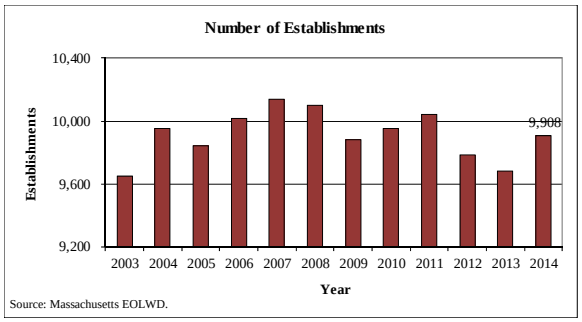


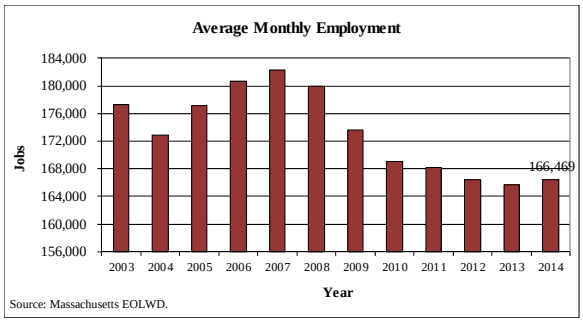


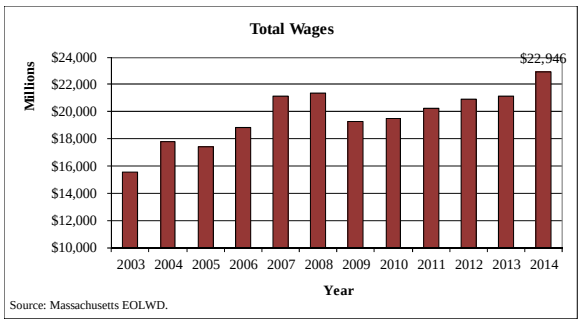
Summary.
GDP contribution to state total: **5.4%**
GDP rank: **7 of 20**
Nonemployer to employer establishment ratio: **1.8 to 1**

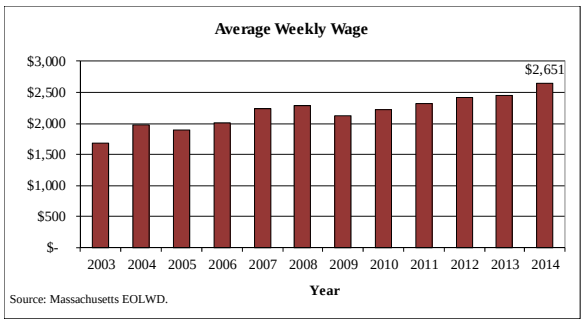
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Other information services**
Nonemployer establishments: **Other information services**
Employees: **Software publishers**
Annual wages: **Software publishers**
Average weekly wage: **Software publishers**
Annual receipts at nonemployer establishments: **Other information services**
Most valuable export: **Prepackaged software**

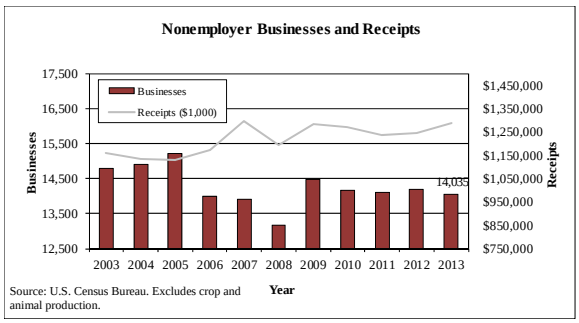
NAICS 52 - Finance and Insurance. The Finance and Insurance sector comprises establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions.

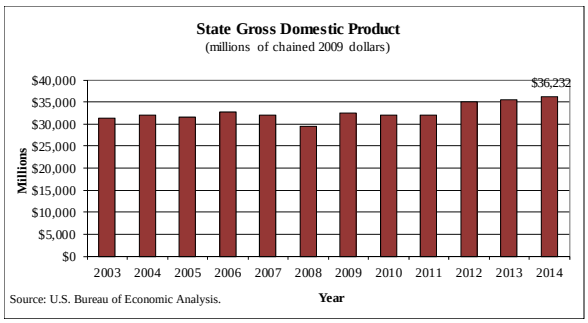










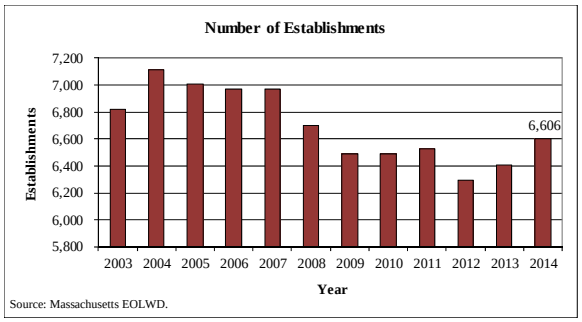


State export data are not available for this sector.

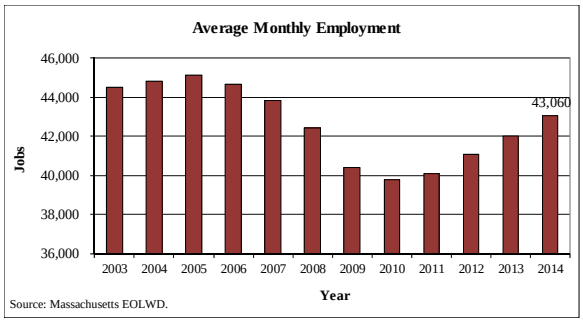
Summary.
GDP contribution to state total: **8.5%**
GDP rank: **6 of 20**
Nonemployer to employer establishment ratio: **1.4 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Insurance agencies, brokerages & support**
Nonemployer establishments: **Other financial investment activities**
Employees: **Depository credit intermediation**
Annual wages: **Other financial investment activities**
Average weekly wage: **Security and commodity investment activity**
Annual receipts at nonemployer establishments: **Other financial investment activities**

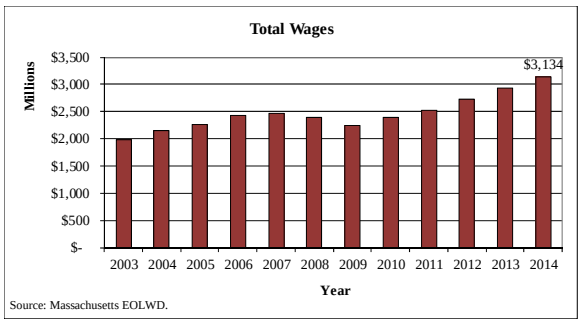
NAICS 53 - Real Estate and Rental and Leasing. The Real Estate and Rental and Leasing sector comprises establishments primarily engaged in renting, leasing, or otherwise allowing the use of tangible or intangible assets, and establishments providing related services. The major portion of this sector comprises establishments that rent, lease, or otherwise allow the use of their own assets by others. The assets may be tangible, as is the case of real estate and equipment, or intangible, as is the case with patents and trademarks.



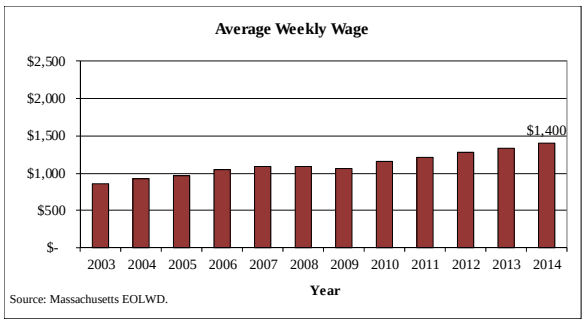
Source: Massachusetts EOLWD.



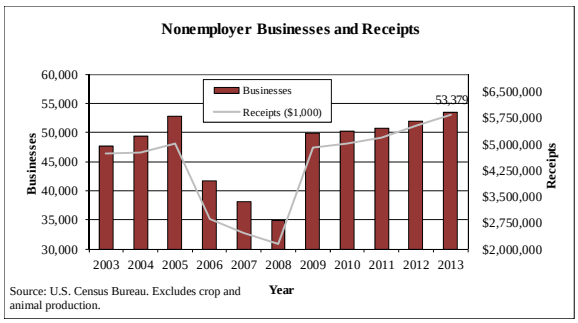
Source: Massachusetts EOLWD.



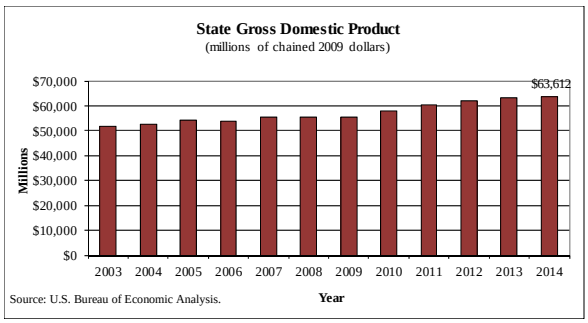
Source: Massachusetts EOLWD.



Source: Massachusetts EOLWD.



Source: U.S. Census Bureau. Excludes crop and animal production.



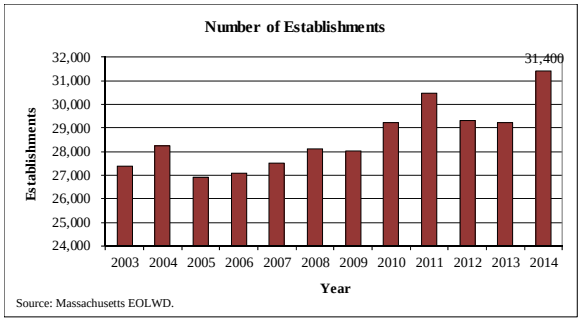
Source: U.S. Bureau of Economic Analysis.

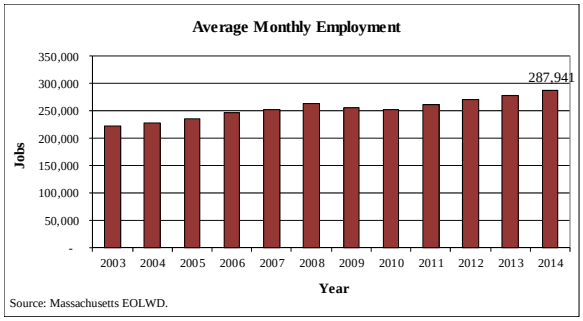
State export data are not available for this sector.

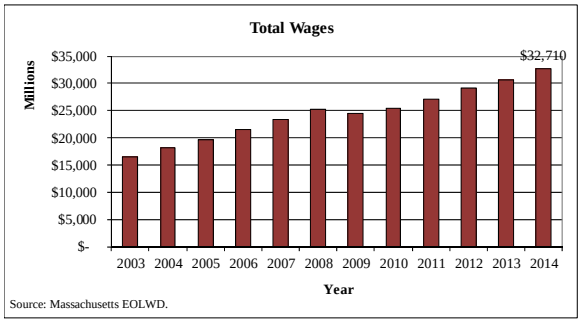
Summary.
GDP contribution to state total: **15.0%**
GDP rank: **1 of 20**
Nonemployer to employer establishment ratio: **8.3 to 1**

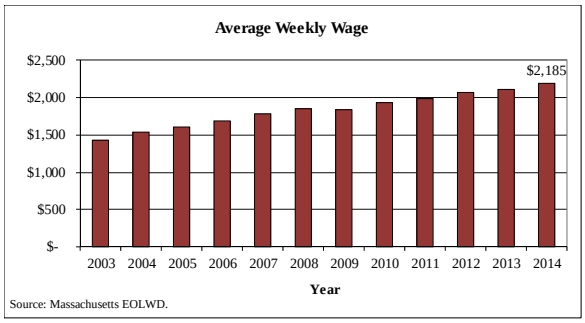
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Activities related to real estate**
Nonemployer establishments: **Lessors of real estate**
Employees: **Activities related to real estate**
Annual wages: **Activities related to real estate**
Average weekly wage: **Lessors, nonfinancial intangible assets**
Annual receipts at nonemployer establishments: **Lessors of real estate**

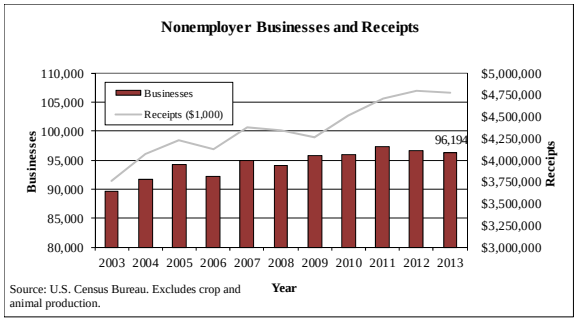
NAICS 54 - Professional and Technical Services. The Professional and Technical Services sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. These activities require a high degree of expertise and training. The establishments in this sector specialize according to expertise and provide these services to clients in a variety of industries - in some cases, to households. Activities performed include: legal advice and representation, accounting, bookkeeping, and payroll services, architectural, engineering, and specialized design services, computer services, consulting services, research services, advertising services, photographic services, translation and interpretation services, veterinary services, and other professional, scientific, and technical services.

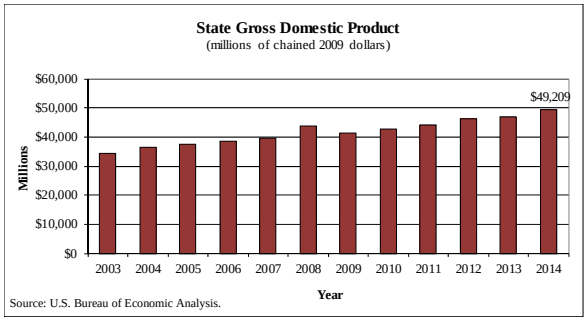










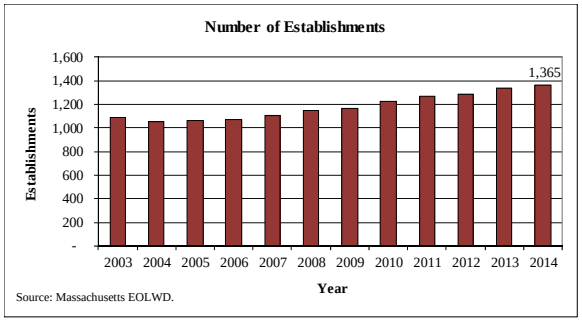


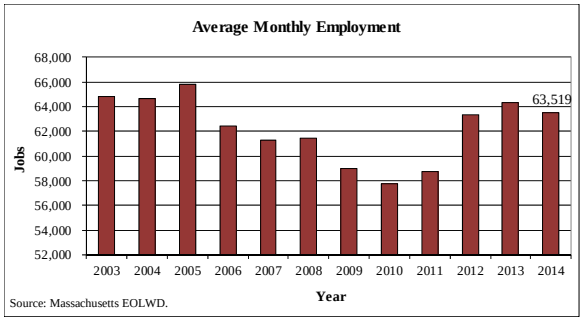
State export data are not available for this sector.

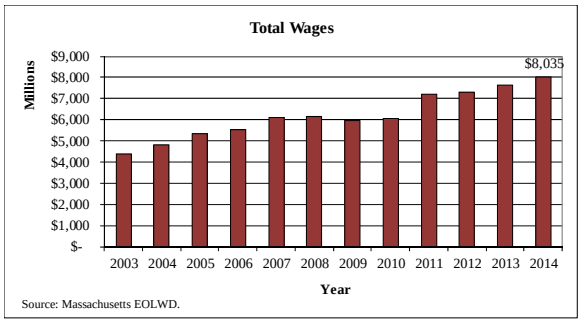
Summary.
GDP contribution to state total: **11.6%**
GDP rank: **2 of 20**
Nonemployer to employer establishment ratio: **3.3 to 1**

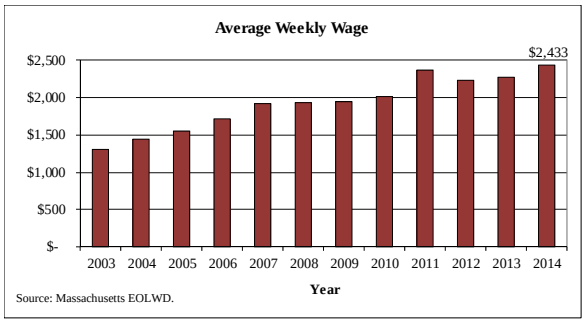
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Computer systems design and related services**
Nonemployer establishments: **Other professional, scientific, and technical services**
Employees: **Computer systems design and related services**
Annual wages: **Computer systems design and related services**
Average weekly wage: **Scientific Research and Development Services**
Annual receipts at nonemployer establishments: **Management, scientific, and technical consulting services**

NAICS 55 - Management of Companies and Enterprises. The Management of Companies and Enterprises sector comprises establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or establishments (except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decision making role of the company or enterprise. Establishments that administer, oversee, and manage may hold the securities of the company or enterprise.

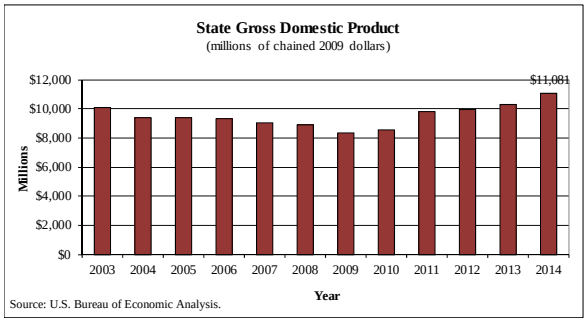








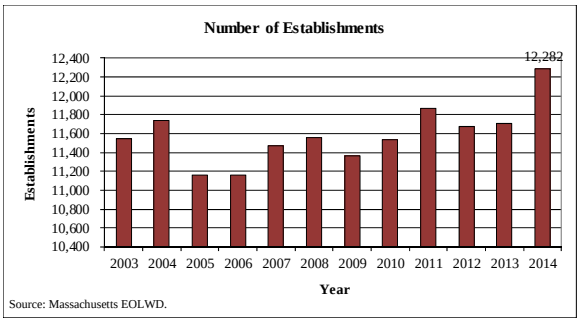
State nonemployer and export data are not available for this sector.



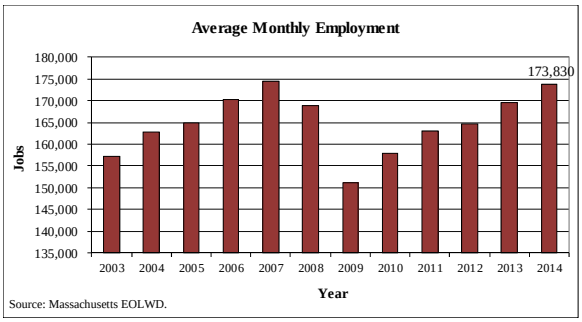
Summary.
GDP contribution to state total: **2.6%**
GDP rank: **13 of 20**
Nonemployer to employer establishment ratio: **N/A**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll, and receipts**.**
Establishments with employees: Subsector detail N/A
Nonemployer establishments: N/A
Employees: Subsector detail N/A
Annual wages: Subsector detail N/A
Average weekly wage: Subsector detail N/A
Annual receipts at nonemployer establishments: N/A

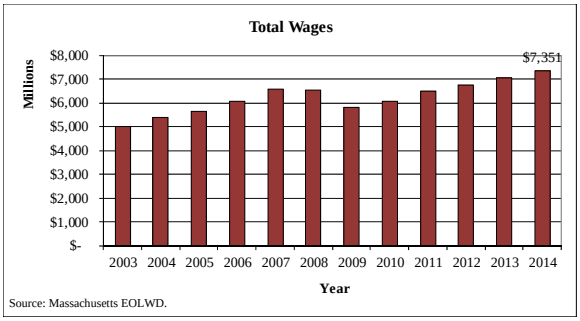
NAICS 56 - Administrative and Waste Services. The Administrative and Waste Services sector comprises establishments performing routine support activities for the day-to-day operations of other organizations. The establishments in this sector specialize in one or more of these support activities and provide these services to clients in a variety of industries and in some cases, to households. Activities performed include: office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning, and waste disposal services.



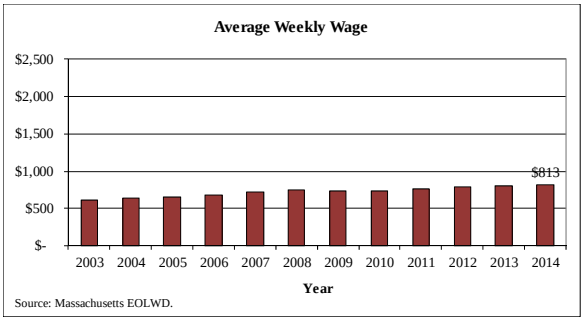
Source: Massachusetts EOLWD.



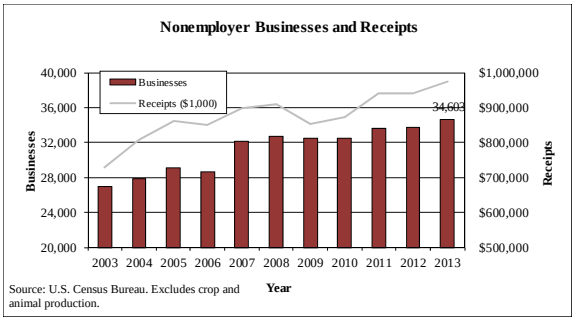
Source: Massachusetts EOLWD.



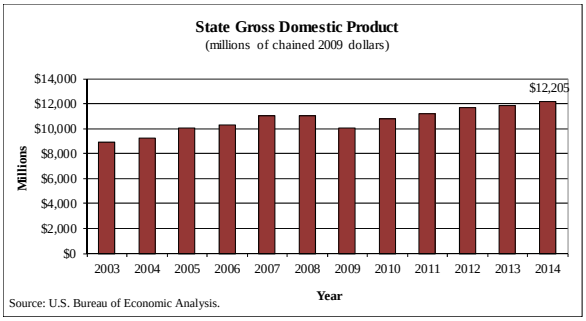
Source: Massachusetts EOLWD.



Source: Massachusetts EOLWD.



Source: U.S. Census Bureau. Excludes crop and animal production.



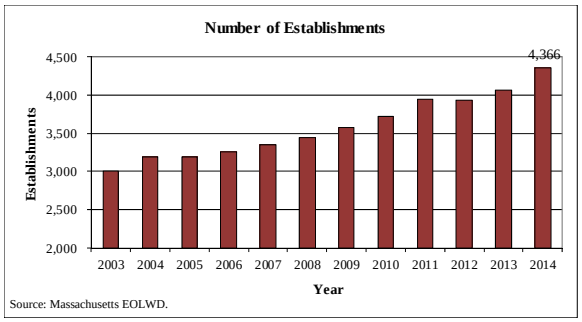
Source: U.S. Bureau of Economic Analysis.

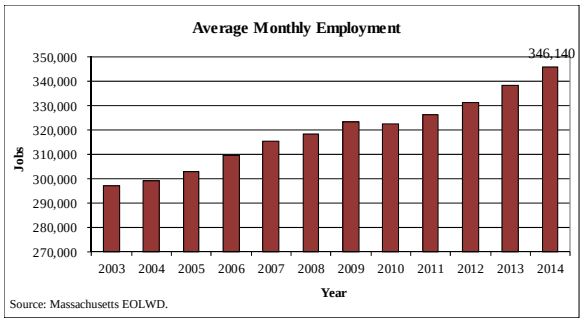
State export data are not available for this sector.

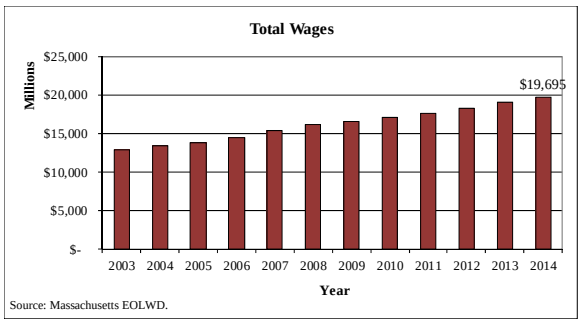
Summary.
GDP contribution to state total: **2.9%**
GDP rank: **11 of 20**
Nonemployer to employer establishment ratio: **3.0 to 1**

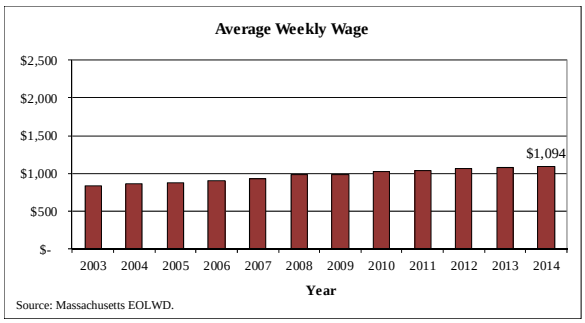
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Services to buildings and dwellings**
Nonemployer establishments: **Services to buildings and dwellings**
Employees: **Employment services**
Annual wages: **Employment services**
Average weekly wage: **Office administrative services**
Annual receipts at nonemployer establishments: **Services to buildings and dwellings**

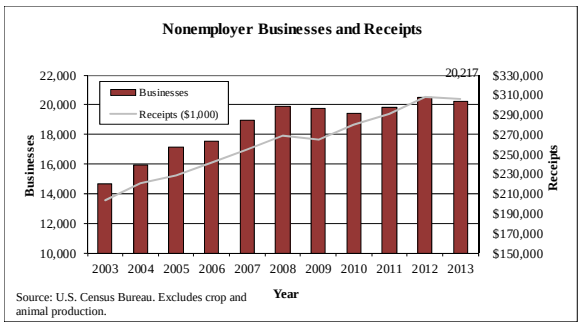
NAICS 61 - Educational Services. The Educational Services sector comprises establishments that provide instruction and training in a wide variety of subjects. This instruction and training is provided by specialized establishments, such as schools, colleges, universities, and training centers. These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated. They may also offer food and/or accommodation services to their students.

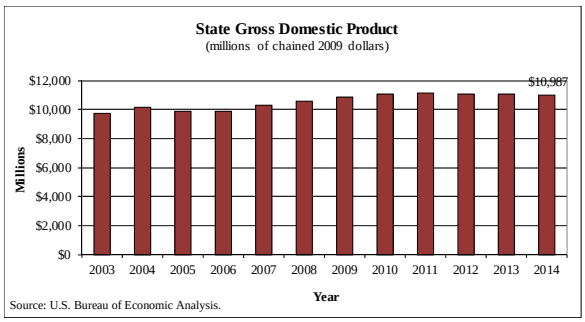










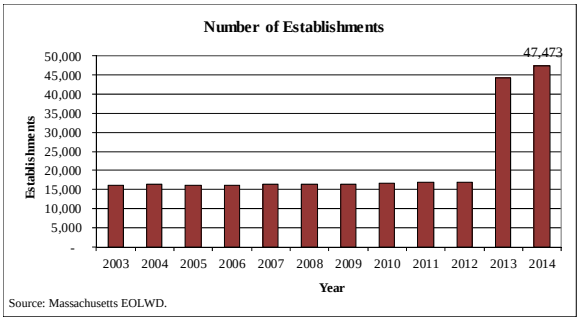


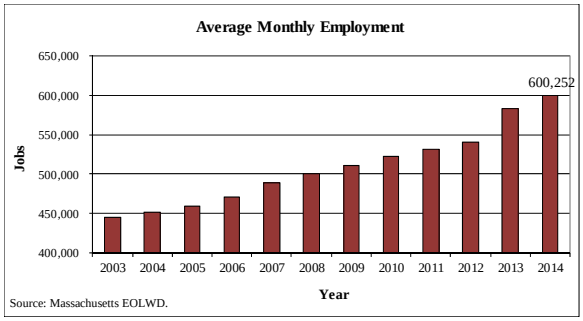
State export data are not available for this sector.

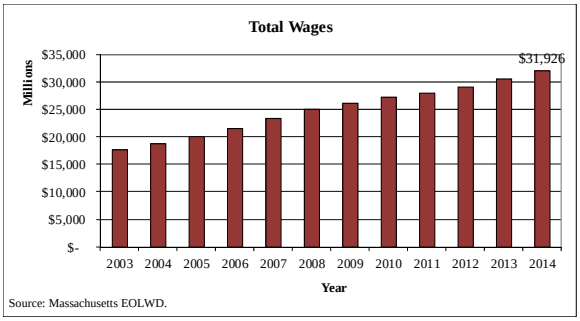
Summary.
GDP contribution to state total: **2.6%**
GDP rank: **14 of 20**
Nonemployer to employer establishment ratio: **5.0 to 1**

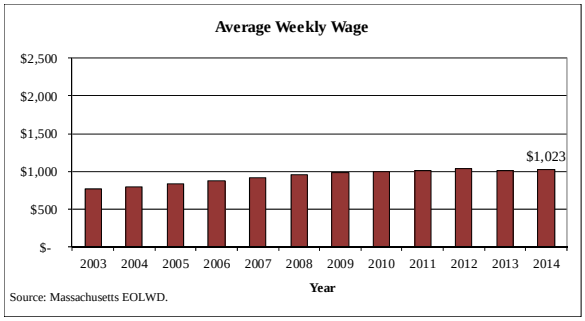
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Other schools and instruction**
Nonemployer establishments: Subsector detail N/A
Employees: **Elementary and secondary schools**
Annual wages: **Elementary and secondary schools**
Average weekly wage: **Colleges and universities**
Annual receipts at nonemployer establishments: Subsector detail N/A

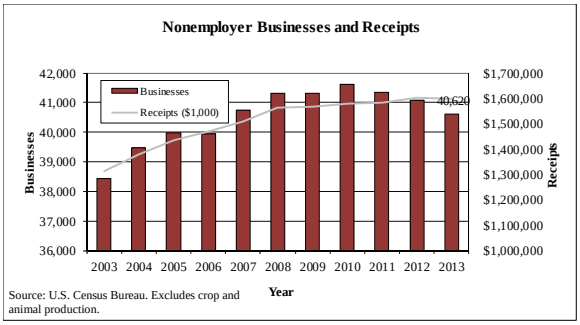
NAICS 62 - Health Care and Social Assistance. The Health Care and Social Assistance sector comprises establishments providing health care and social assistance for individuals. The sector includes both health care and social assistance because it is sometimes difficult to distinguish between the boundaries of these two activities. **Note:** Beginning with the first quarter 2013, a code change for employees from private households (NAICS 814110) into services for the elderly and persons with disabilities (NAICS 624120) moved 33,960 employees in Massachusetts in January 2013 on QCEW.

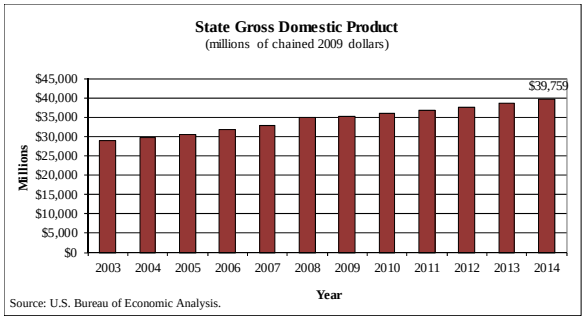










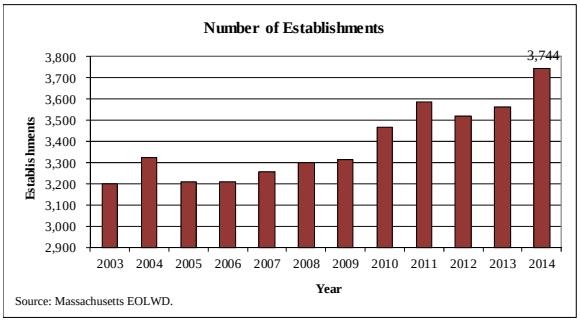


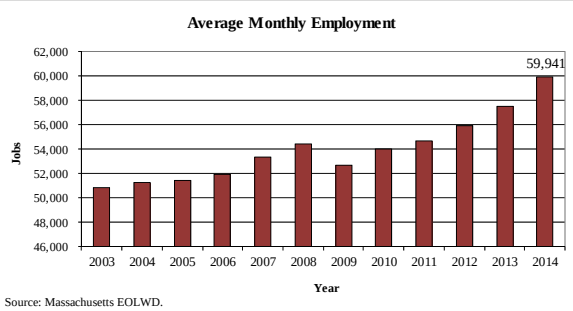
State export data are not available for this sector.

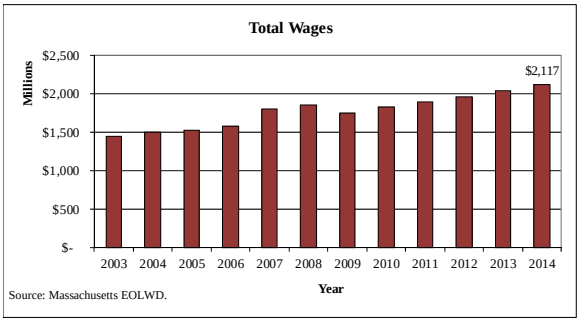
Summary.
GDP contribution to state total: **9.4%**
GDP rank: **5 of 20**
Nonemployer to employer establishment ratio: **0.9 to 1**

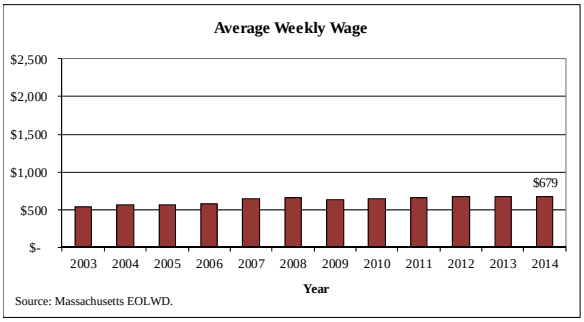
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Individual and Family Services**
Nonemployer establishments: **Offices of other health practitioners**
Employees: **General medical and surgical hospitals**
Annual wages: **General medical and surgical hospitals**
Average weekly wage: **Offices of physicians**
Annual receipts at nonemployer establishments: **Offices of other health practitioners**

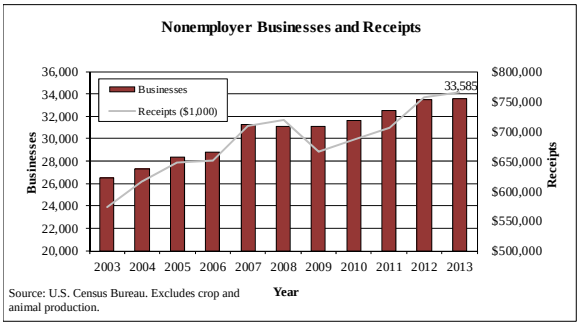
NAICS 71 - Arts, Entertainment, and Recreation. The Arts, Entertainment, and Recreation sector includes a wide range of establishments that: operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons, are involved in producing, promoting, or participating in live performances, events, or exhibits intended for public viewing, preserve and exhibit objects and sites of historical, cultural, or educational interest and operate facilities or provide services that enable patrons to participate in recreational activities or pursue amusement, hobby, and leisure-time interests. See the appendix page six for travel and tourism information.

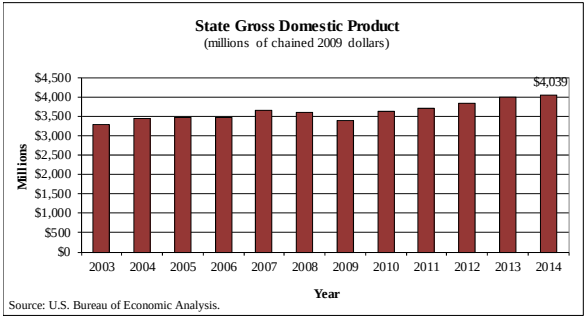










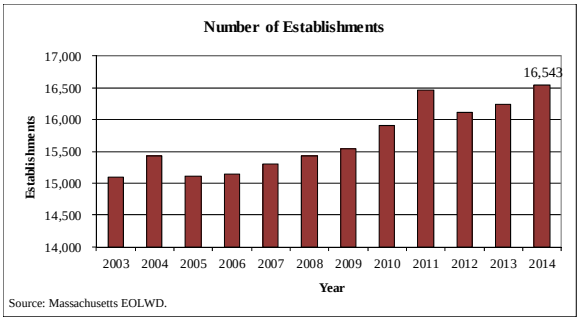


State export data are not available for this sector.

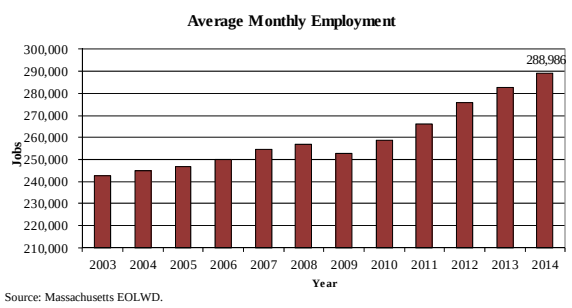
Summary.
GDP contribution to state total: **1.0%**
GDP rank: **18 of 20**
Nonemployer to employer establishment ratio: **9.4 to 1**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Other amusement & recreation industries**
Nonemployer establishments: **Independent artists, writers, and performers**
Employees: **Other amusement & recreation industries**
Annual wages: **Other amusement & recreation industries**
Average weekly wage: **Spectator sports**
Annual receipts at nonemployer establishments: **Independent artists, writers, and performers**

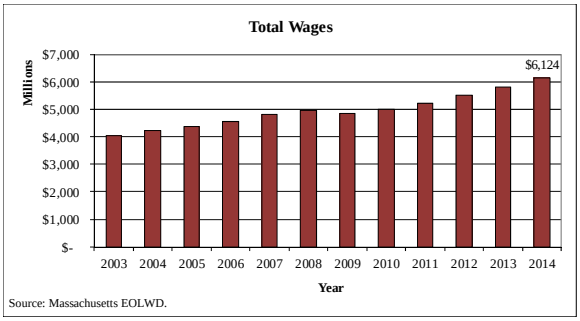
NAICS 72 - Accommodation and Food Services. The Accommodation and Food Services sector comprises establishments providing customers with lodging and/or preparing meals, snacks, and beverages for immediate consumption. The sector includes both accommodation and food services establishments because the two activities are often combined at the same establishment.



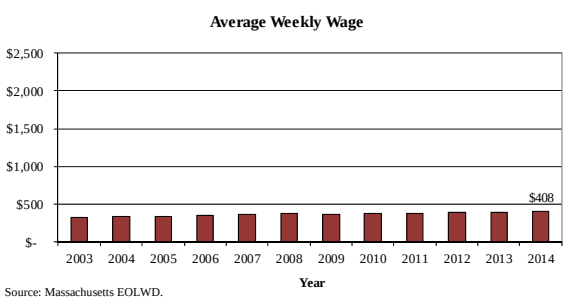
Source: Massachusetts EOLWD.



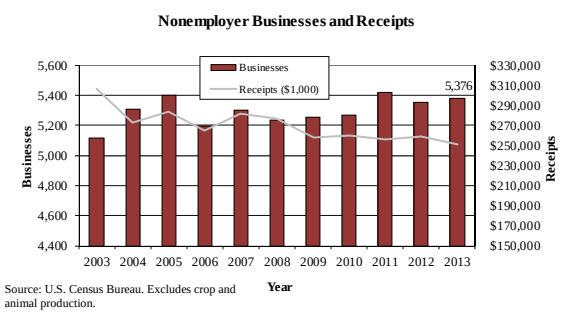
Source: Massachusetts EOLWD.



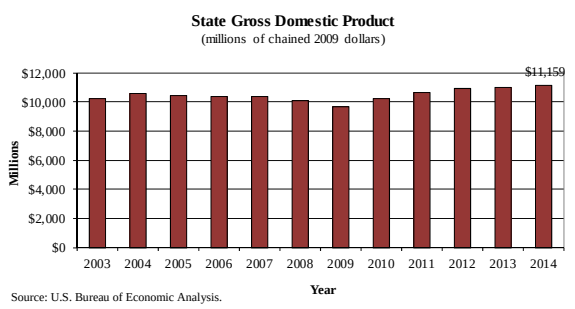
Source: Massachusetts EOLWD.



Source: Massachusetts EOLWD.



Source: U.S. Census Bureau. Excludes crop and animal production.



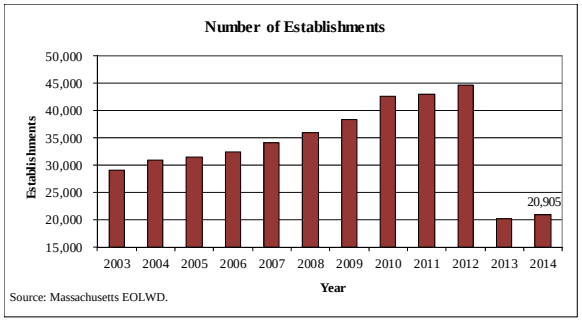
Source: U.S. Bureau of Economic Analysis.

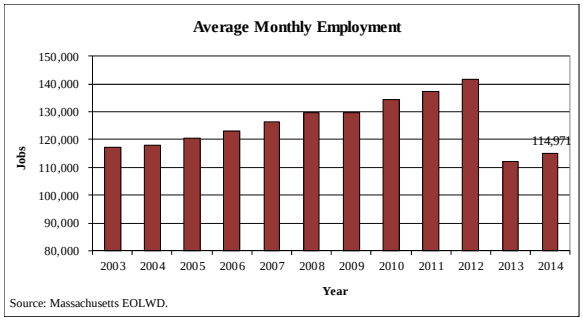
State export data are not available for this sector.

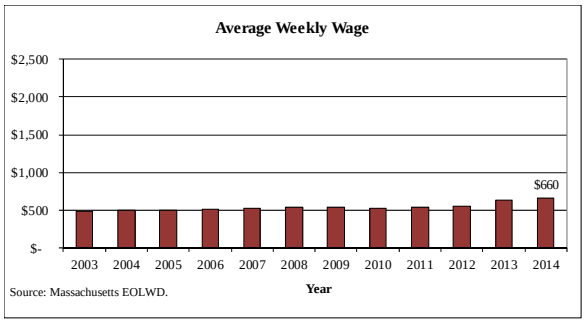
Summary.
GDP contribution to state total: **2.6%**
GDP rank: **12 of 20**
Nonemployer to employer establishment ratio: **0.3 to 1**

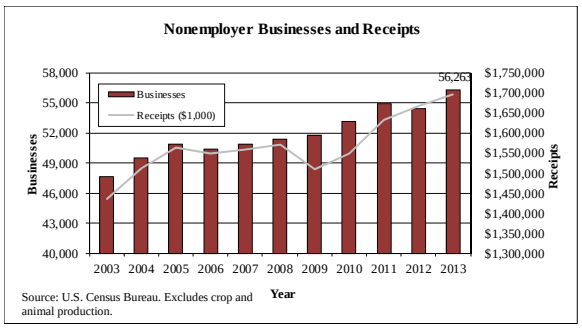
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Restaurants and other eating places**
Nonemployer establishments: **Special food services**
Employees: **Restaurants and other eating places**
Annual wages: **Restaurants and other eating places**
Average weekly wage: **Traveler accommodation**
Annual receipts at nonemployer establishments: **Restaurants and other eating places**

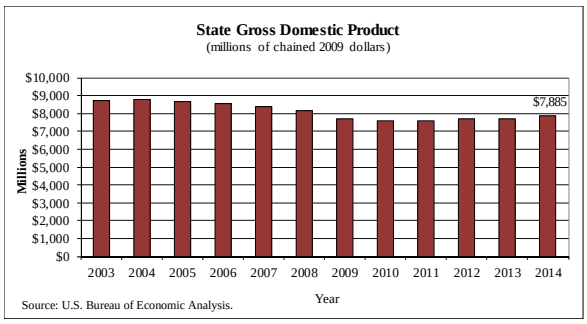
NAICS 81 - Other Services, Except Public Administration. The Other Services (except Public Administration) sector comprises establishments engaged in providing services not specifically provided for elsewhere in the classification system. Establishments in this sector are primarily engaged in activities such as equipment and machinery repairing, promoting or administering religious activities, grant making, advocacy, providing dry cleaning and laundry services, personal care services, death care services, pet care services, photofinishing services, temporary parking services, and dating services.











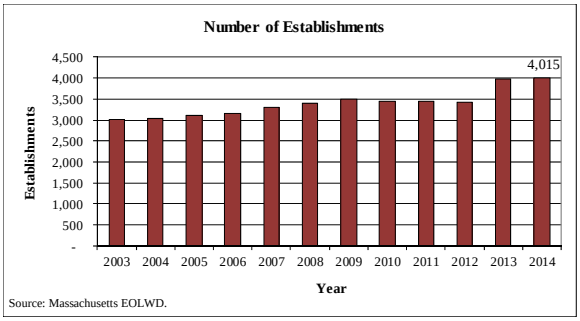
State export data are not available for this sector.

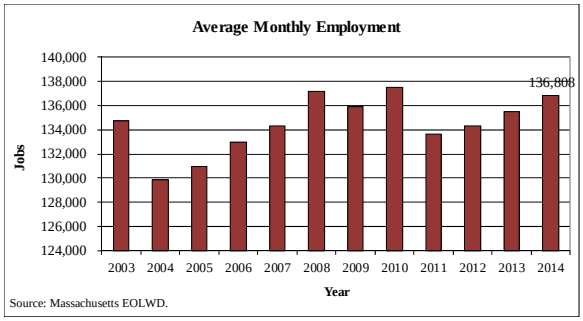
Summary.
GDP contribution to state total: **1.9%**
GDP rank: **15 of 20**
Nonemployer to employer establishment ratio: **2.8 to 1**

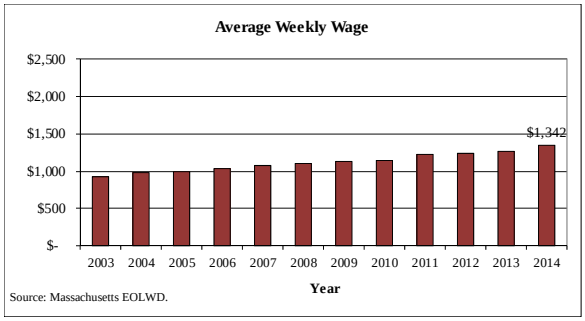
Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Private households**
Nonemployer establishments: **Other personal services**
Employees: **Personal Care Services**
Annual wages: **Automotive repair and maintenance**
Average weekly wage: **Electronic equipment repair/maintenance**
Annual receipts at nonemployer establishments: **Other personal services**

Note: Beginning with the first quarter 2013, a code change for employees from private households (NAICS 814110) into services for the elderly and persons with disabilities (NAICS 624120) moved 33,960 employees in Massachusetts in January 2013 on QCEW.

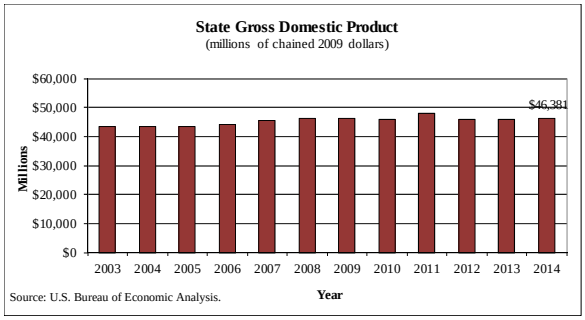
NAICS 92 - Public Administration. The Public Administration sector consists of establishments of federal, state, and local government agencies that administer, oversee, and manage public programs and have executive, legislative, or judicial authority over other institutions within a given area. These agencies also set policy, create laws, adjudicate civil and criminal legal cases and provide for public safety and national defense.







State nonemployer and export data are not available for this sector.

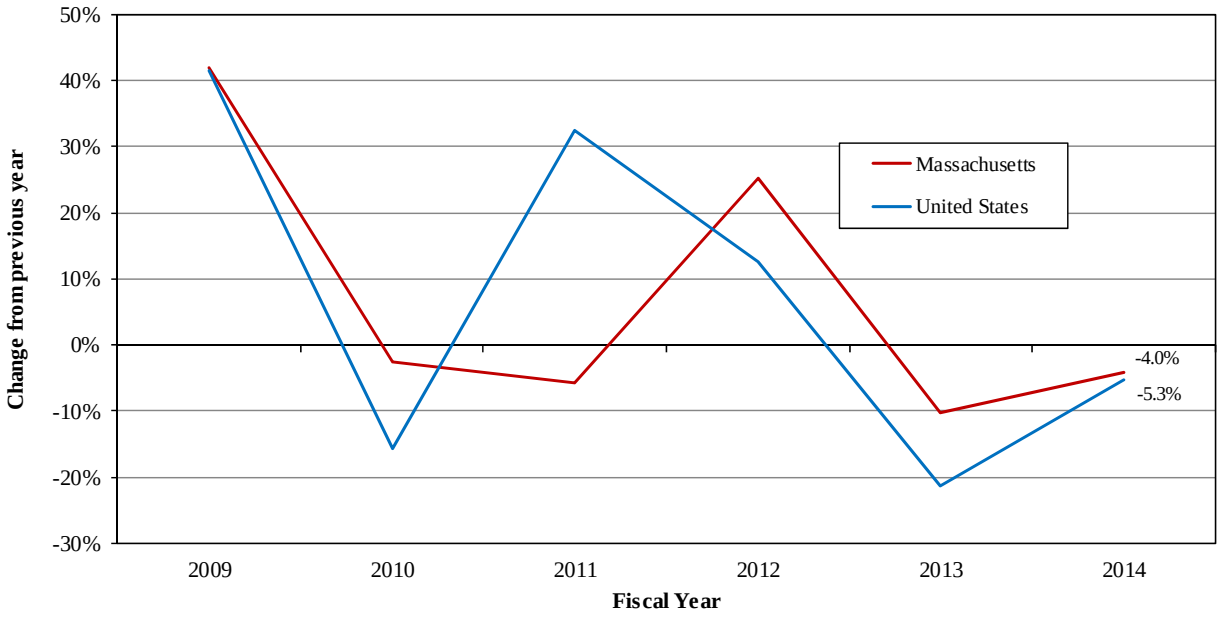


Summary.
GDP contribution to state total: **10.9%**
GDP rank: **3 of 20**
Nonemployer to employer establishment ratio: **N/A**

Sector leaders. Industry subsectors with the majority of establishments, employees, payroll and receipts**.**
Establishments with employees: **Justice, public order, and safety activities**
Nonemployer establishments: **N/A**
Employees: **Justice, public order, and safety activities**
Annual wages: **Justice, public order, and safety activities**
Average weekly wage: **National security & international affairs**
Annual receipts at nonemployer establishments: **N/A**

Federal Spending in Massachusetts. Massachusetts received approximately $68.0 billion in contracts, grants, direct payments, insurance, loans and guarantees, and other spending from the federal government in federal FY 2014. Massachusetts received 2.5 percent of all federal spending in FY 2014 versus 2.4 percent in FY 2013. Federal dollars to Massachusetts have dropped for the last two fiscal years, after a large increase in 2012. The state saw an 11.0 percent increase in grants, $1.7 billion, but the other categories, loans, other financial assistance and contracts decreased. Massachusetts federal contracts have declined over the last two years but their proportion of all federal contracts has averaged 2.3 percent over the last seven years.

Change in Federal Spending - U.S. Versus Massachusetts



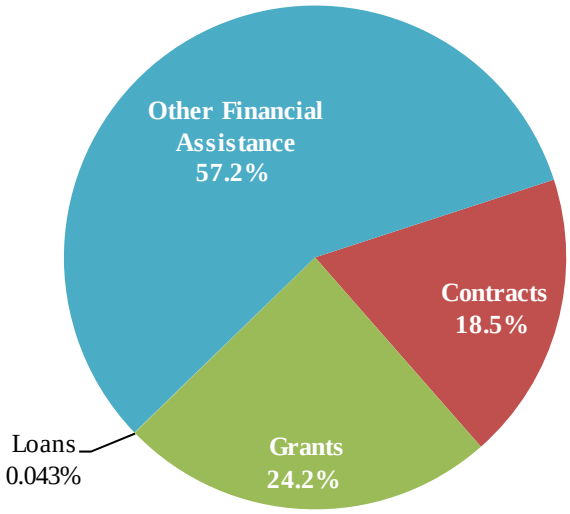
Federal Spending in the United States and Massachusetts
In $Billions

FFY	Massachusetts	YOY change	United States	YOY change
2008	$48.4		$2,084.2	
2009	$68.7	42.0%	$2,948.6	41.5%
2010	$67.0	-2.6%	$2,484.6	-15.7%
2011	$63.1	-5.8%	$3,291.5	32.5%
2012	$79.0	25.1%	$3,707.8	12.6%
2013	$70.9	-10.2%	$2,917.6	-21.3%
2014	$68.0	-4.0%	$2,764.0	-5.3%
2015	$53.8	-20.9%	$2,429.4	-12.1%

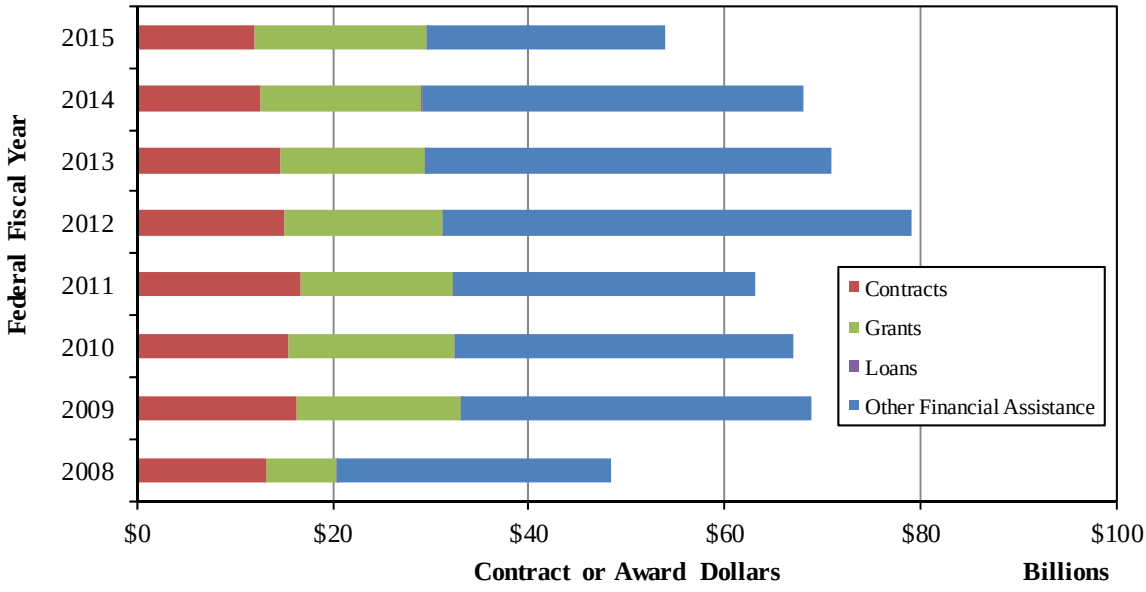
SOURCE: http://www.usaspending.gov as of October 23, 2015. Federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting.

In FY 2014, the largest portion of federal spending in Massachusetts, 57 percent, was for Other Financial Assistance which includes direct payments to individuals (such as Medicare and food stamps), insurance payments (such as, unemployment benefits, flood insurance), and other types of assistance payments (such as, reimbursements for prescriptions for veterans). Other Financial Assistance decreased 6 percent and Contracts decreased 14% from FY 2013, but Grants increased 11 percent and Loans increased 1183 percent. The graphs below describes the most recent complete fiscal year and the last eight years of federal spending in Massachusetts, including the most recent data for the current fiscal year as reported by USASpending.gov.

Federal Spending in Massachusetts - Federal Fiscal Year 2014



Composition of Federal Spending Awards to Massachusetts, 2008 - 2015



SOURCE: http://www.usaspending.gov as of October 23, 2015. Federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting.

Federal Contracts. The table and graph below compare the annual summary of federal contracts performed in Massachusetts to the total contracts awarded by the federal government. In FY 2014, the latest full year available, 2.8 percent of all federal contract work was performed in Massachusetts. This is half of a percent less than the 3.3 percent average it has been receiving over the last seven years.

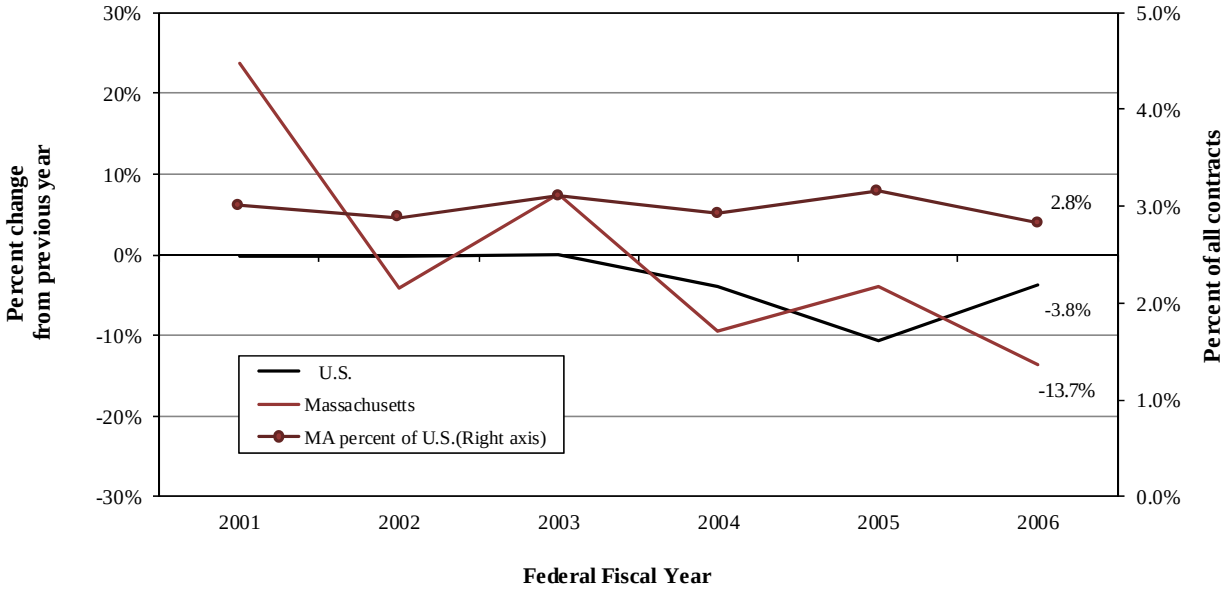
The following two pages summarize the federal contracts by top products or services, funding agencies and sub agencies, contractors and sub-awardees, over the long-term and the latest complete federal fiscal year. The work was primarily performed in Massachusetts and the vendors who were awarded the contracts may or may not have been located in Massachusetts.

Federal Contracts Performed in Massachusetts as a Percent all Federal Contracts

(millions of dollars)

Fiscal Year	Massachusetts	MA percent increase from previous year	MA portion of all federal	U.S.	U.S. percent increase from previous year
2008	$13,157		2.4%	$541,249	
2009	16,266	23.6%	3.0%	540,763	-0.1%
2010	15,592	-4.1%	2.9%	540,130	-0.1%
2011	16,775	7.6%	3.1%	539,891	0.0%
2012	15,189	-9.5%	2.9%	519,023	-3.9%
2013	14,601	-3.9%	3.2%	463,214	-10.8%
2014	12,601	-13.7%	2.8%	445,515	-3.8%
Total	104,181		3.3%	3,144,270	

Change in Massachusetts Federal Contracts, FFY2008 - 2014



SOURCE: http://www.usaspending.gov as of October 23, 2015. Federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting.

Summary of Federal Contracts Performed in Massachusetts

FY 2000 to FY 2015*

Total Dollars: $172,487,275,396

Number of Transactions: 1,094,407

Top 5 Products or Services Sold	
Gas Turbines & Jet Engines Aircraft	$13,073,311,779
Precious Metals Primary Forms	$7,751,406,093
Engineering (Advanced)	$5,455,326,067
R&D-Electronics & Communications Equipment-Basic Research	$4,812,288,221
Misc Communication Equipment	$4,656,774,714

Top 5 Prime Award Major Agencies	
Department of Defense	$137,661,306,927
Department of the Treasury	$8,614,138,025
Department of Veterans Affairs	$4,882,378,796
Department of Transportation	$3,981,460,800
Department of Health and Human Services	$3,865,291,775

Top 5 Prime Award Sub Agencies	
Department of the Army	$45,505,081,933
Department of the Navy	$42,836,717,781
Department of the Air Force	$33,500,350,213
United States Mint	$7,792,320,759
Missile Defense Agency	$5,534,136,302

Top 5 Prime Award Contractors	
Raytheon Company	$41,314,009,887
General Dynamics Corporation	$19,471,456,061
General Electric Company	$18,635,494,789
Massachusetts Institute of Technology	$10,829,726,950
Coins 'N Things	$5,841,784,752

Top 5 Contract Sub-Awardees	
BAE Systems Information and Electronic Systems Integration	$525,180,181
Raytheon Company	$276,088,944
General Dynamics C4 Systems	$118,479,982
KEYW Corporation	$108,639,441
Mercury Systems	$87,837,077

SOURCE: http://www.usaspending.gov as of January 1, 2015. *Partial fiscal year. Federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting.

Federal Contracts Performed in Massachusetts

Fiscal Year: 2014

Total Contract Funds Awarded: $12,601,148,190
Total Contract Funds to SubAwardees: $745,452,907
This amount is 2.8% of all awarded dollars for the fiscal year.

Top 5 Products or Services Sold	
R&D- Defense System	$1,138,715,707
Support- Professional	$1,116,126,617
Precious Metals Primary Forms	$992,175,061
Gas Turbines and Jet Engines, Aircraft, Prime Moving; and Components	$955,326,556
Miscellaneous Communication Equipment	$833,937,268

Top 5 Prime Awarding Major Agencies	
Department of Defense	$9,410,916,295
Department of the Treasury	$1,013,211,897
Department of Veterans Affairs	$502,408,861
Department of Health and Human Services	$330,322,208
Department of Transportation	$301,322,006

Top 5 Prime Awarding Sub Agencies	
Department of the Navy	$2,841,668,647
Department of the Army	$2,526,771,356
Department of the Air Force	$2,360,127,107
United States Mint	$993,004,395
Missile Defense Agency	$712,904,579

Top 5 Prime Awarded Contractors	
Raytheon Company	$2,982,675,065
Massachusetts Institute of Technology	$983,981,758
General Electric Company	$966,054,392
General Dynamics C4 Systems, Inc.	$820,761,426
Coins 'N Things, Inc.	$672,266,448

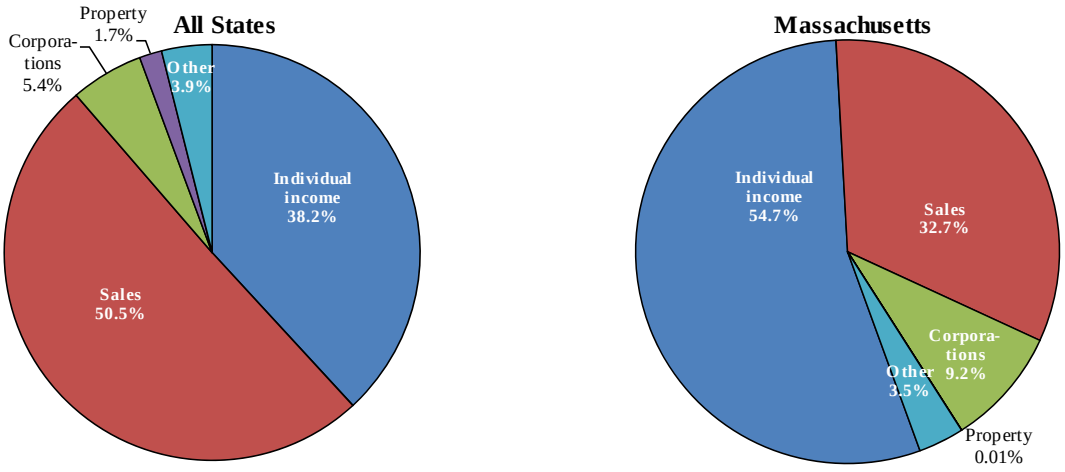
Top 5 Contract Sub-Awardees	
General Dynamics Advanced Information Systems, Inc.	$180,890,710
Charles Stark Draper Laboratory, Inc., The	$86,972,633
Keyw Corporation, The	$69,708,936
Ranor Inc.	$61,623,436
Raytheon Company	$20,627,521

SOURCE: http://www.usaspending.gov as of October 23, 2015. Federal fiscal data reporting is not complete until January of the following year due to the three month lag in DOD reporting.

State Revenues. Taxes collected by all states in FY 2014 totaled $865.8 billion, 2.3 percent more than FY 2013. Massachusetts collected $25.2 billion in FY 2014, 5.6 percent more than in FY 2013. Massachusetts ranked 9th in the nation in total taxes collected in 2014 up from 10th in 2013.

In fiscal year 2014, the average state collected 83.4 percent of its revenue from individual income tax and sales and gross receipts tax. Massachusetts collected most of its revenue, 52.5 percent, from individual income tax while the average U.S. state collected 47.5 percent of its revenue from sales and gross receipts tax. Sales and gross receipts tax accounted for 35.8 percent of Massachusetts's $1.3 billion in new revenue in 2014 and 95.7 percent of all U.S. state's $19.5 billion in new revenue. Seven states do not have an individual income tax.

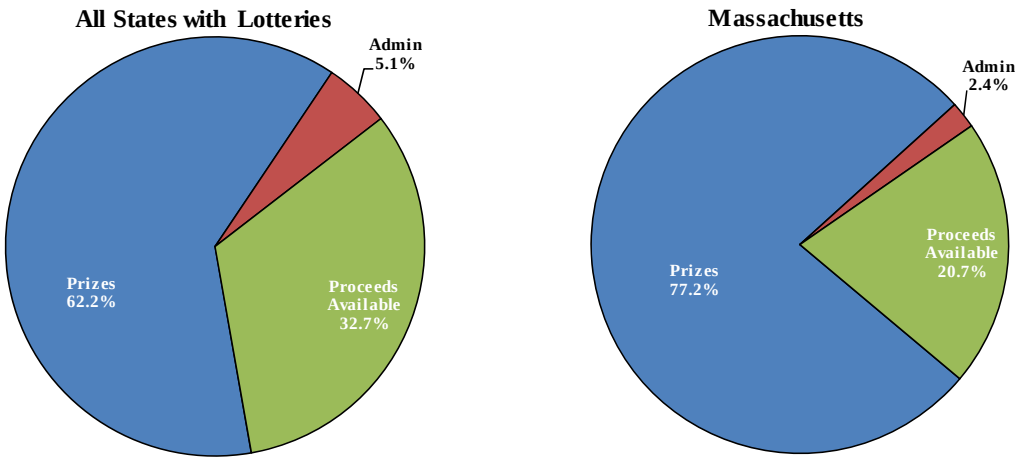
FY 2014 State Revenues by Type



SOURCE: U.S. Census Bureau, Governments Division.
Other: Licenses, death and gift, severance, documentary and stock transfer and other NEC.

State Lottery Proceeds. Massachusetts ranked third in revenue, $4.57 billion, and prize money awarded, $3.52 billion, among the 43 states with lotteries in FY 2013. Massachusetts lottery revenue increased 2.5 percent from the previous year.

Apportionment of Lottery Funds in FY 2013



SOURCE: U.S. Census Bureau, Governments Division.

State Expenditures. The following table and graph depict fiscal 2013 per capita state government general expenditures by category for the six New England states and the U.S. average state expenditure. Massachusetts ranked 6th in the nation in per capita expenditures, $8,483 in 2013, while it ranked 6th and spent $8,500 in 2012. This represents a 0.2 percent decrease in per capita expenditures from 2012 to 2013, with the largest per capita dollar increase in the Public Welfare function.

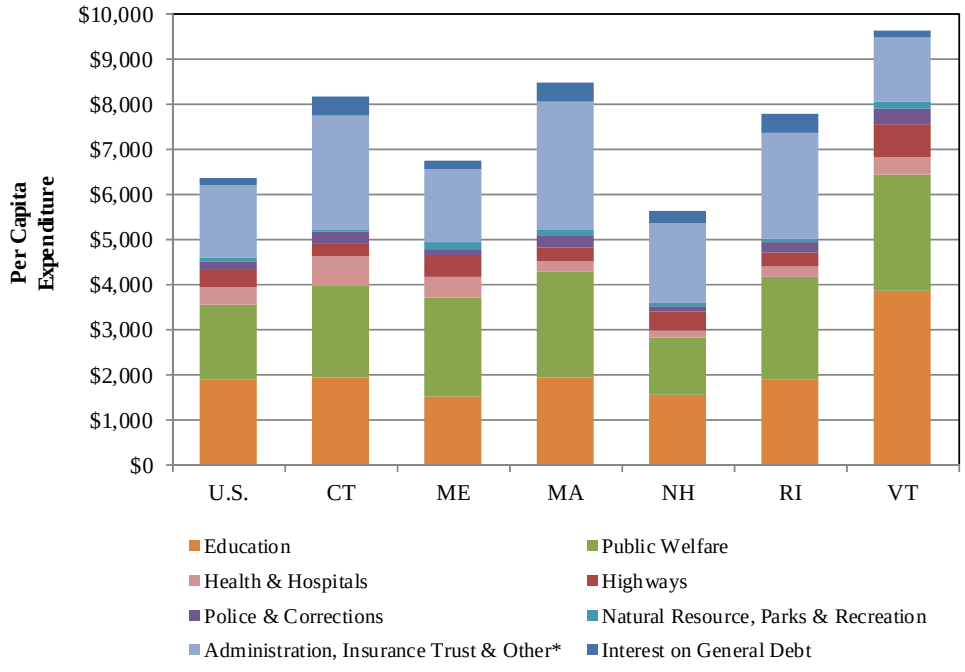
Massachusetts Per Capita State Government General Expenditures, by Type

General expenditures, by function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Education	$1,183	$1,346	$1,401	$1,640	$1,649	$1,735	$1,814	$1,867	$1,948	$1,944
Public Welfare	$1,647	$1,719	$1,843	$1,877	$1,952	$2,030	$2,103	$2,227	$2,285	$2,325
Health & Hospitals	$172	$177	$187	$227	$236	$237	$235	$246	$241	$245
Highways	$471	$276	$261	$267	$346	$294	$298	$289	$310	$300
Police & Corrections	$215	$222	$248	$274	$293	$294	$279	$274	$277	$288
Natural Resource, Parks & Recreation	$90	$76	$81	$87	$89	$96	$91	$89	$81	$94
Administration, Insurance Trust & Other*	$1,815	$1,660	$1,690	$1,890	$1,901	$2,126	$2,558	$2,488	$2,894	$2,854
Interest on General Debt	$401	$435	$487	$518	$558	$561	$522	$474	$464	$433
Total	$5,994	$5,911	$6,198	$6,779	$7,023	$7,373	$7,901	$7,954	$8,500	$8,483

Fiscal 2013 Per Capita State Government General Expenditures, by Type
(for the U.S. and the New England States)

General expenditures, by function	U.S.	CT	ME	MA	NH	RI	VT
Education	$1,895	$1,952	$1,520	$1,944	$1,563	$1,889	$3,842
Public Welfare	$1,642	$2,035	$2,178	$2,325	$1,271	$2,277	$2,600
Health & Hospitals	$413	$623	$449	$245	$143	$214	$377
Highways	$355	$294	$463	$300	$422	$303	$727
Police & Corrections	$201	$251	$160	$288	$127	$242	$361
Natural Resource, Parks & Recreation	$85	$63	$148	$94	$75	$84	$153
Administration, Insurance Trust & Other*	$1,607	$2,532	$1,645	$2,854	$1,735	$2,327	$1,394
Interest on General Debt	$146	$399	$175	$433	$270	$451	$150
Total	$6,345	$8,149	$6,738	$8,483	$5,607	$7,788	$9,604
State's rank of total per capita expenditures		10	19	6	32	9	2

Fiscal 2013 Per Capita State Government General Expenditures, by Type
(U.S. and the New England States)



SOURCE: U.S. Census Bureau, Governments Division. *Other includes utility, liquor store, other and unallocable expenditures. Update February 3, 2015.

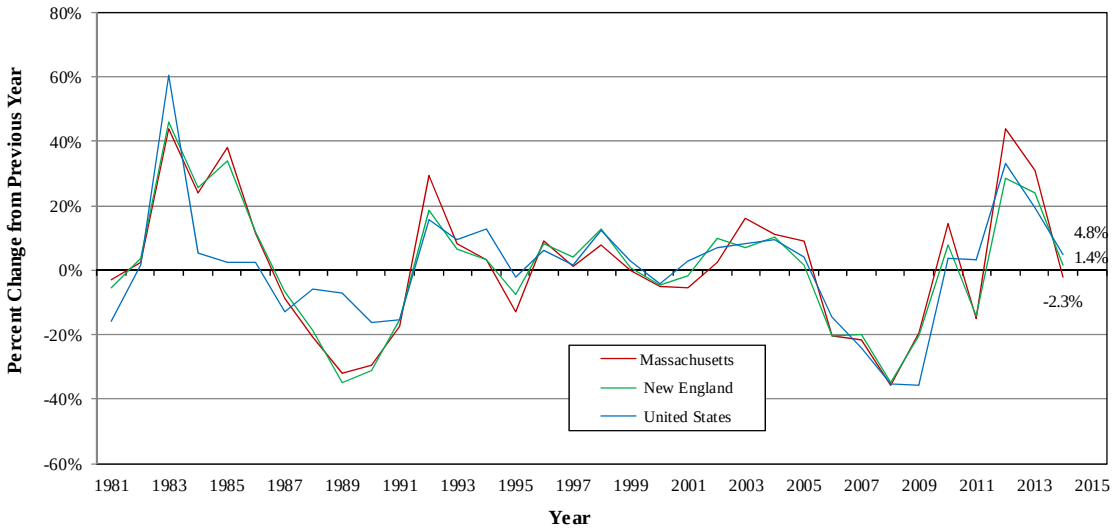
Supplementary Data Section. The following appendix contains more detailed data for industry sectors or subsectors.

Building Permits. The Census Bureau's Residential Construction Branch Building Permits Survey is a leading economic indicator used to track the housing industry.

Housing Permits Authorized

Year	Massachusetts Total Units	Massachusetts Percent Change Previous Year	New England Total Units	New England Percent Change Previous Year	United States Total Units	United States Percent Change Previous Year
1970	38,330	14.2%	74,068	5.0%	1,354,746	1.8%
1975	17,697	-27.5%	41,645	-21.0%	934,511	-12.4%
1980	16,055	-20.4%	40,195	-25.1%	1,171,763	-23.6%
1985	39,360	38.2%	96,832	33.8%	1,732,335	2.5%
1990	15,276	-29.4%	36,811	-31.2%	1,125,583	-16.3%
1995	15,946	-12.9%	37,357	-7.7%	1,335,835	-2.3%
1996	17,360	8.9%	40,425	8.2%	1,419,083	6.2%
1997	17,554	1.1%	42,047	4.0%	1,442,251	1.6%
1998	18,958	8.0%	47,342	12.6%	1,619,500	12.3%
1999	18,967	0.0%	47,632	0.6%	1,663,533	2.7%
2000	18,000	-5.1%	45,335	-4.8%	1,592,267	-4.3%
2001	17,034	-5.4%	44,594	-1.6%	1,636,676	2.8%
2002	17,465	2.5%	49,031	9.9%	1,747,678	6.8%
2003	20,257	16.0%	52,395	6.9%	1,889,214	8.1%
2004	22,477	11.0%	57,858	10.4%	2,070,077	9.6%
2005	24,549	9.2%	58,742	1.5%	2,155,316	4.1%
2006	19,580	-20.2%	46,782	-20.4%	1,838,903	-14.7%
2007	15,358	-21.6%	37,532	-19.8%	1,398,415	-24.0%
2008	9,883	-35.6%	24,454	-34.8%	905,359	-35.3%
2009	7,941	-19.6%	19,463	-20.4%	582,963	-35.6%
2010	9,075	14.3%	20,964	7.7%	604,610	3.7%
2011	7,725	-14.9%	17,987	-14.2%	624,061	3.2%
2012	11,111	43.8%	23,109	28.5%	829,658	32.9%
2013	14,569	31.1%	28,635	23.9%	990,822	19.4%
2014	14,237	-2.3%	29,042	1.4%	1,038,491	4.8%

Housing Permits Authorized
Percent Change from Previous Year

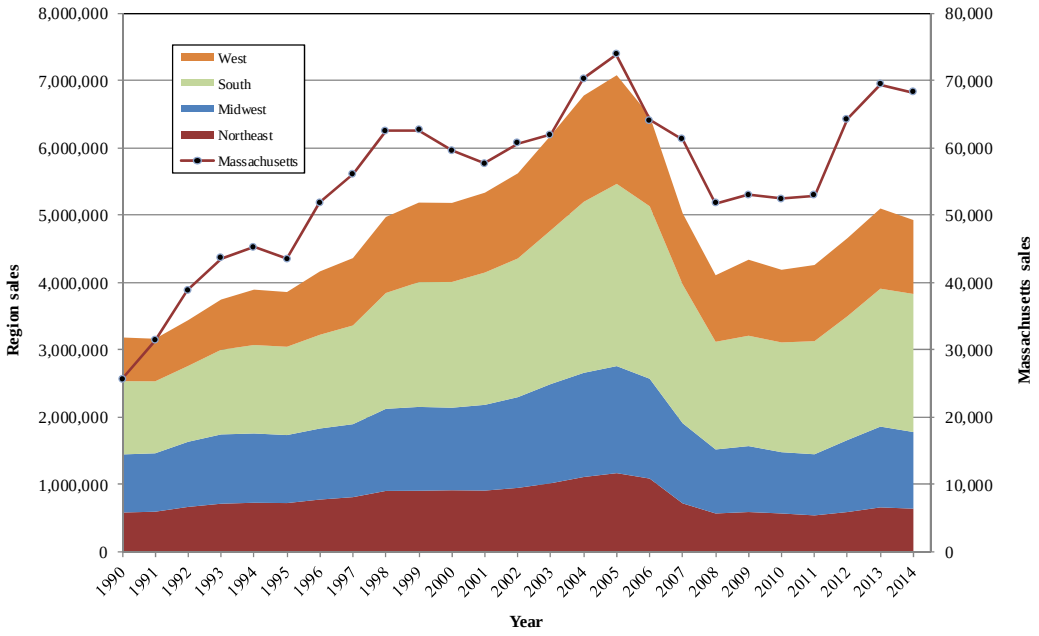


SOURCE: U.S. Census Bureau. Reported data plus data imputed for non-reporters & partial reporters. January 2015. 2014 data is preliminary.

Home Sales. Sales of existing single-family homes for Massachusetts and the U.S. are presented in the following table and graph. The state existing-home sales report includes single-family houses, condos and co-ops.

Sales of Existing Homes
United States, National Regions and Massachusetts

Year	U.S.	Northeast	Midwest	South	West	Massachusetts
1990	3,184,000	583,000	864,000	1,088,000	649,000	25,691
1991	3,146,000	596,000	867,000	1,070,000	633,000	31,379
1992	3,431,000	667,000	967,000	1,127,000	680,000	38,847
1993	3,737,000	714,000	1,031,000	1,257,000	745,000	43,588
1994	3,884,000	728,000	1,031,000	1,313,000	822,000	45,238
1995	3,849,000	725,000	1,010,000	1,312,000	812,000	43,509
1996	4,167,000	776,000	1,056,000	1,393,000	942,000	51,857
1997	4,374,000	813,000	1,084,000	1,466,000	1,001,000	56,107
1998	4,965,000	905,000	1,219,000	1,722,000	1,129,000	62,549
1999	5,179,000	908,000	1,245,000	1,854,000	1,182,000	62,662
2000	5,173,000	915,000	1,226,000	1,867,000	1,175,000	59,602
2001	5,335,000	910,000	1,274,000	1,965,000	1,186,000	57,665
2002	5,634,000	950,000	1,347,000	2,062,000	1,265,000	60,661
2003	6,176,000	1,020,000	1,473,000	2,283,000	1,410,000	61,979
2004	6,778,000	1,111,000	1,549,000	2,540,000	1,578,000	70,342
2005	7,080,000	1,168,000	1,591,000	2,707,000	1,614,000	73,887
2006	6,477,000	1,087,000	1,484,000	2,562,000	1,344,000	64,126
2007	5,030,000	720,000	1,190,000	2,060,000	1,060,000	61,299
2008	4,110,000	570,000	950,000	1,600,000	990,000	51,766
2009	4,340,000	590,000	980,000	1,640,000	1,130,000	52,992
2010	4,190,000	570,000	910,000	1,630,000	1,080,000	52,413
2011	4,260,000	540,000	910,000	1,680,000	1,130,000	52,902
2012	4,660,000	590,000	1,070,000	1,840,000	1,160,000	64,254
2013	5,090,000	660,000	1,200,000	2,050,000	1,190,000	69,423
2014	4,930,000	640,000	1,140,000	2,050,000	1,100,000	68,262

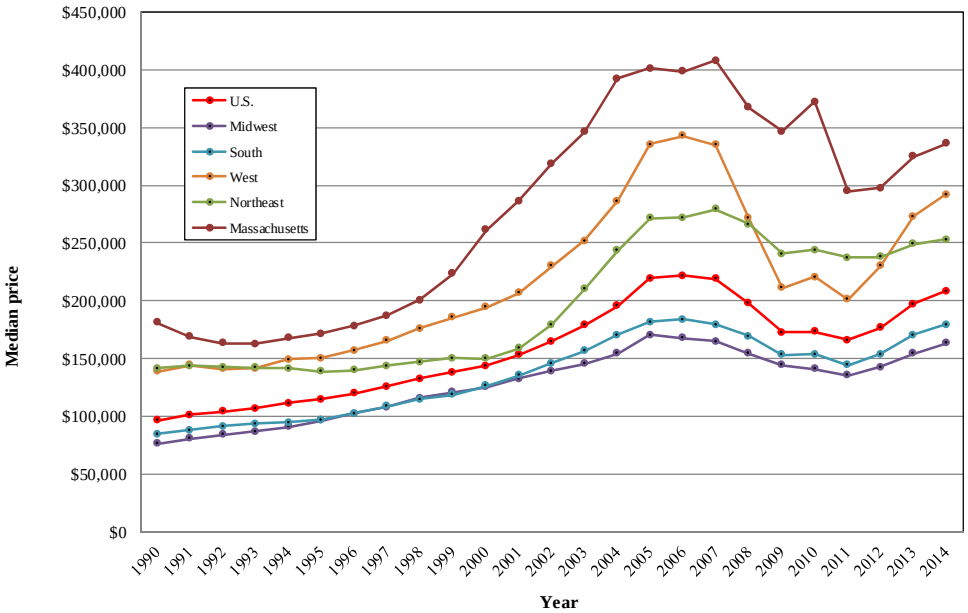


SOURCE: National Association of Realtors.

Home prices. Massachusetts sales prices are much higher than the national median but they are 20 percent less than the 2007 peak.

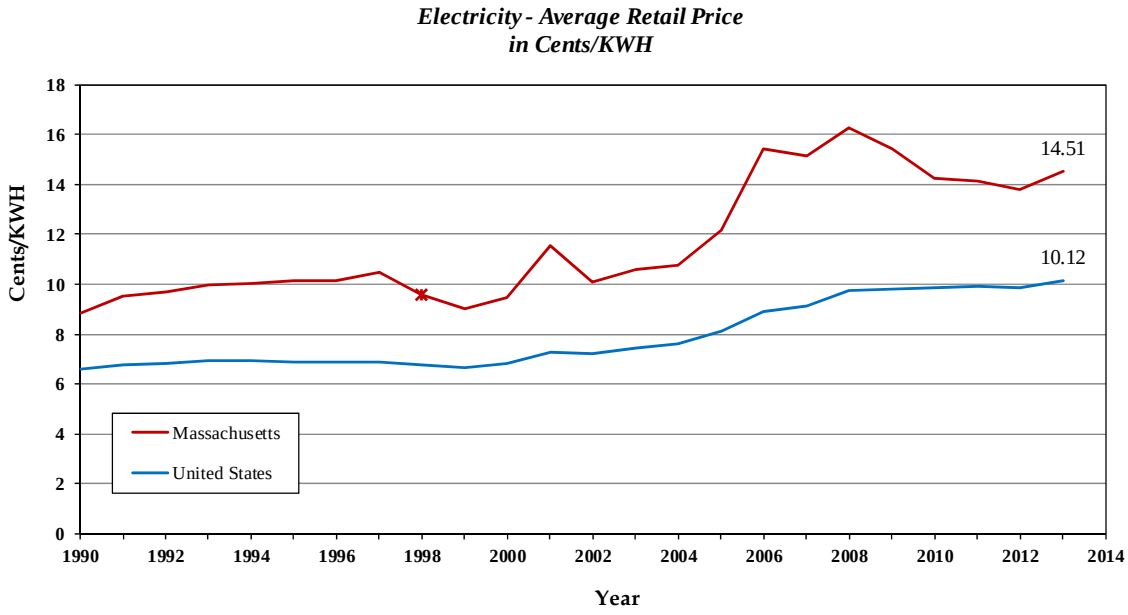
Median Sales Price of Existing Homes
United States, National Regions and Massachusetts

Year	U.S.	Northeast	Midwest	South	West	Massachusetts
1990	$96,400	$141,400	$76,300	$84,700	$138,600	$181,225
1991	$101,400	$143,600	$80,500	$88,100	$144,500	$168,895
1992	$104,000	$142,600	$84,200	$91,100	$141,200	$163,291
1993	$107,200	$142,100	$87,000	$93,700	$141,800	$162,854
1994	$111,300	$141,500	$90,600	$94,900	$149,200	$167,475
1995	$114,600	$138,500	$96,100	$96,900	$150,600	$171,702
1996	$119,900	$139,600	$102,300	$102,400	$157,100	$178,536
1997	$126,100	$143,600	$108,200	$108,400	$165,700	$187,213
1998	$132,800	$147,300	$115,600	$115,000	$175,900	$200,870
1999	$138,000	$150,500	$121,000	$118,900	$185,400	$223,593
2000	$143,600	$149,800	$125,300	$126,300	$194,600	$261,293
2001	$153,100	$158,700	$132,500	$135,500	$207,000	$286,277
2002	$164,900	$179,300	$139,300	$146,000	$230,000	$318,649
2003	$178,800	$210,000	$145,600	$156,700	$251,800	$346,210
2004	$195,400	$243,800	$154,600	$170,400	$286,400	$392,241
2005	$219,600	$271,300	$170,600	$181,700	$335,300	$401,548
2006	$221,900	$271,900	$167,800	$183,700	$342,700	$398,753
2007	$219,000	$279,100	$165,100	$179,300	$335,100	$407,826
2008	$198,100	$266,400	$154,100	$169,200	$271,500	$367,182
2009	$172,500	$240,500	$144,100	$153,000	$211,100	$346,921
2010	$173,100	$243,900	$140,800	$153,700	$220,700	$372,439
2011	$166,100	$237,500	$135,400	$144,200	$201,300	$295,000
2012	$176,800	$237,700	$142,700	$154,000	$230,100	$297,750
2013	$197,100	$249,100	$154,600	$170,700	$273,100	$325,000
2014	$208,500	$253,200	$163,200	$179,400	$292,000	$336,000

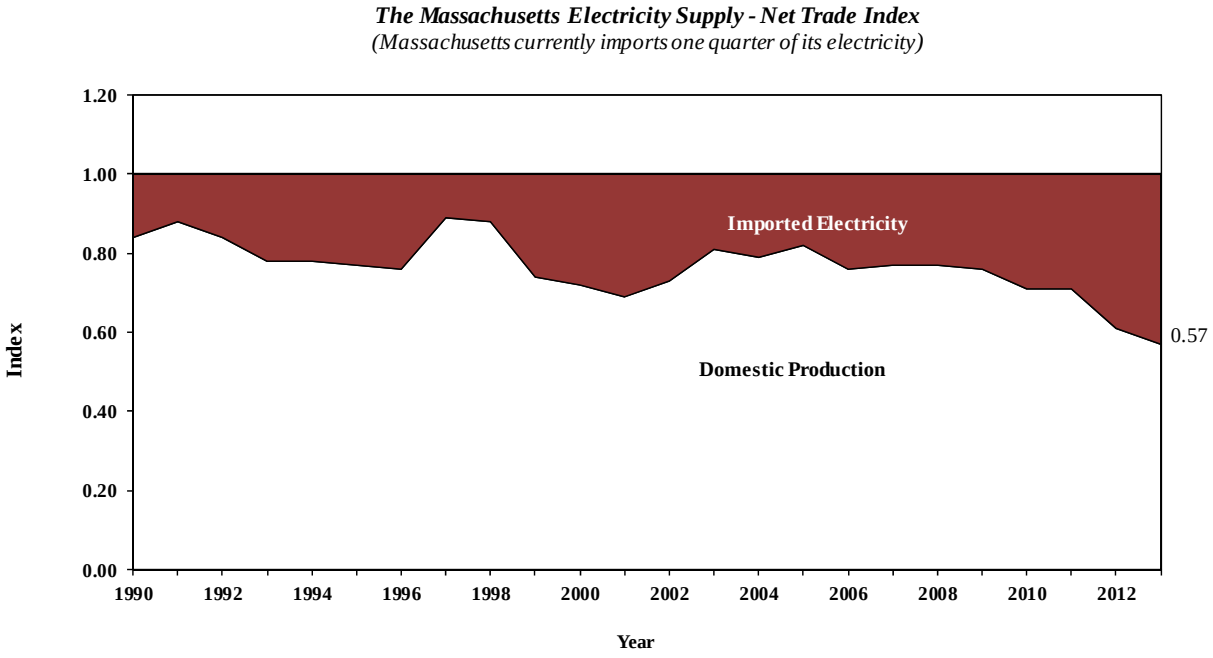


SOURCE: National and Massachusetts Associations of Realtors.

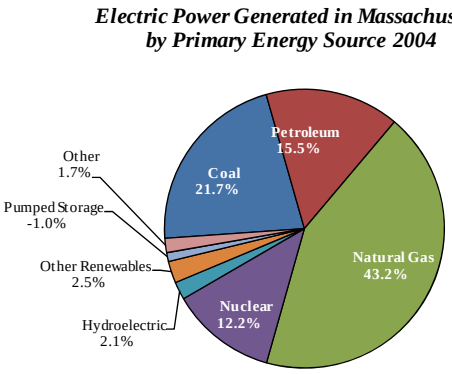
Electricity Prices, Supply and Capacity by Source. Massachusetts had the sixth highest electric rate in the country in 2013, 14.51 cents per kilowatt hour, while the U.S. average was 10.12. This was a increase of 5.2 percent for Massachusetts and an increase of 2.8 percent for the U.S. from the previous year. Massachusetts electric utilities generated $8.0 billion in revenue in 2013. This was 5.2 percent less than in 2012, while they sold 0.1 percent less electricity. The Massachusetts Net Electricity Trade Index, which represents the state's electricity self-sufficiency, was 0.57 in 2013, the latest data available. This means that Massachusetts imported 43 percent of its electricity supply, 26.0 million megawatt hours, from out-of-state. In 2013, 56.8 percent of Massachusetts electricity was generated by burning natural gas, our top fuel source for power generation.

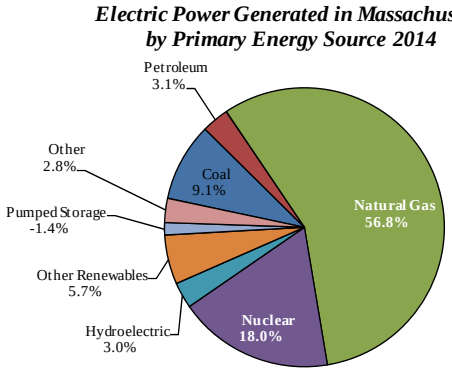


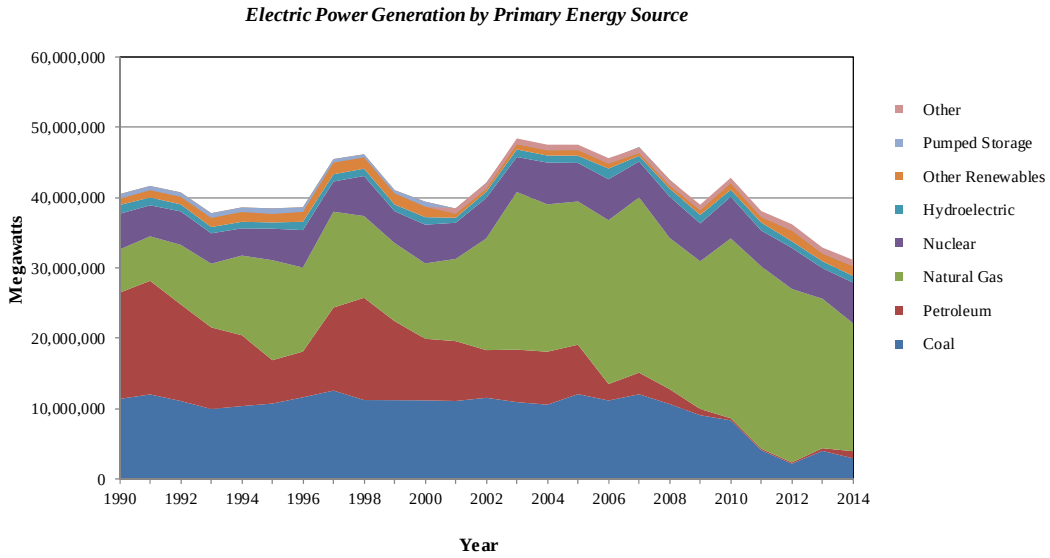
SOURCE: U.S. Dept. of Energy, http://www.eia.doe.gov/cneaf/electricity/st_profiles/massachusetts.html.
*NOTE: Massachusetts restructured the electric utility industry, to establish consumer electricity rate savings by March 1, 1998. https://malegislature.gov/Laws/SessionLaws/Acts/1997/Chapter164



SOURCE: U.S. Dept. of Energy, http://www.eia.doe.gov/cneaf/electricity/st_profiles/massachusetts.html.







SOURCE: U.S. Dept. of Energy, http://www.eia.doe.gov/: state electricity profiles.
Other Renewables includes wood, black liquor, other wood waste, municipal solid waste, landfill gas, sludge waste, agriculture byproducts, other biomass, geothermal, solar thermal, photovoltaic energy, and wind. **Other** includes batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, tire-derived fuels and misc. technologies.

Travel and Tourism. The Massachusetts Office of Travel and Tourism (MOTT) reported a 2.6 percent increase in museum and attraction attendance, 11.3 million visitors in 2014 compared to 2013. Museum attendance was up 1.6 percent in June 2015 compared to June 2014. For June FY 2015 year-to-date, net room occupancy tax collections totaled $230.2 million, a 9.7 percent increase from the same period in FY 2014.

Transportation and Warehousing. Massachusetts's major air and seaports are managed by the Massachusetts Port Authority (Massport), an independent public authority. Based on total passenger volume for calendar year 2014 data, Logan Airport was the most active airport in New England, remaining the 18th most active in the U.S. according to the Federal Aviation Authority. Massport reported that as of September 2015 year-to-date, total airport flight operations were up 1.2 percent and total airport passengers were up 5.1 percent from the same period in 2014. According to the FAA, in calendar year 2014, Logan Airport ranked 25th in the nation in total air cargo volume. In 2014, Massport reported the airport handled 585 million pounds of cargo; an 8.8 percent increase from 2013. Massport reported that as of September 2015 year-to-date, the combined cargo volume was up 1.6 percent and total express mail was down 3.0 percent from the same period in 2014. Please refer to the Aviation Activity charts on the following page.

Massport's Port of Boston properties processed 181,612 full TEUs (twenty-foot equivalent units) of containerized cargo in 2014, an increase of 10.0 percent from calendar year 2013. It also processed 60,048 automobiles, an increase of 15.0 percent and 316,851 cruise passengers, a 17.0 percent decrease, compared to 2013.

The Army Corps of Engineers reported Massachusetts total waterborne cargo shipped or received in 2012 decreased by 1.8 percent to 15.1 million short tons from 2011. Waterborne cargo in New England decreased 12.7 percent while the U.S. decreased 2.6 percent. Please refer to the Waterborne Tonnage by State charts on the following page.

Aviation Activity for Massachusetts's Primary Airports

Passenger Boardings	2006	2007	2008	2009	2010	2011	2012	2013	2014
Logan International	13,544,552	13,783,297	12,820,489	12,566,797	13,561,814	14,180,730	14,293,675	14,810,153	15,507,561
Nantucket Memorial	276,866	282,197	258,214	204,981	201,390	169,352	178,918	183,557	170,361
Barnstable Municipal	206,980	204,152	191,906	138,858	124,560	100,596	95,693	87,648	85,184
Worcester Regional	14,823	460	3,182	17,241	35,833	53,541	10,746	8,007	57,818
Marthas Vineyard	45,881	49,205	45,002	42,248	43,904	49,095	50,464	56,313	52,362
Provincetown Municipal	11,375	12,459	11,468	10,747	11,450	10,967	11,577	11,288	10,410
New Bedford Regional	15,211	14,567	13,908	11,680	12,363	11,152	12,254	10,604	8,159
Hanscom Field	14,560	16,568	8,385	7,350	7,952	10,893	9,963	12,621	11,116
Total	14,130,248	14,362,905	13,352,554	12,999,902	13,806,666	14,586,326	14,663,290	15,180,191	15,902,971

Cargo - Gross Landed Weight (lbs.)	2006	2007	2008	2009	2010	2011	2012	2013	2014
Logan International	1,100,485,850	1,059,947,900	984,258,400	835,954,035	817,235,460	819,986,332	780,913,850	866,698,830	910,283,225

Change in Aviation Activity at Massachusetts's Primary Airports

Passenger Boardings	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Logan International	2.5%	1.8%	-7.0%	-2.0%	7.9%	4.6%	0.8%	3.6%	4.7%
Nantucket Memorial	9.5%	1.9%	-8.5%	-20.6%	-1.8%	-15.9%	5.6%	2.6%	-7.2%
Barnstable Municipal	16.4%	-1.4%	-6.0%	-27.6%	-10.3%	-19.2%	-4.9%	-8.4%	-2.8%
Worcester Regional	628.0%	-96.9%	591.7%	441.8%	107.8%	49.4%	-79.9%	-25.5%	622.1%
Marthas Vineyard	-6.3%	7.2%	-8.5%	-6.1%	3.9%	11.8%	2.8%	11.6%	-7.0%
Provincetown Municipal	11.1%	9.5%	-8.0%	-6.3%	6.5%	-4.2%	5.6%	-2.5%	-7.8%
New Bedford Regional	-15.3%	-4.2%	-4.5%	-16.0%	5.8%	-9.8%	9.9%	-13.5%	-23.1%
Hanscom Field	4.8%	13.8%	-49.4%	-12.3%	8.2%	37.0%	-8.5%	26.7%	-11.9%
Total	2.9%	1.6%	-7.0%	-2.6%	6.2%	5.6%	0.5%	3.5%	4.8%

Cargo	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Logan International	-4.2%	-3.7%	-7.1%	-15.1%	-2.2%	0.3%	-4.8%	11.0%	5.0%

SOURCE: Federal Aviation Administration.
http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/

Waterborne Tonnage by State (In Units of 1,000 Tons)

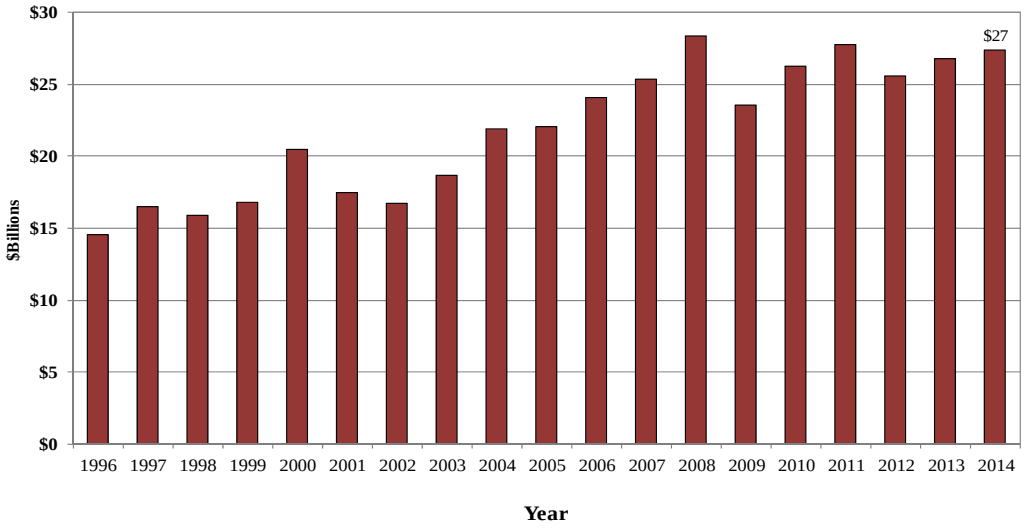
State	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
U.S. total	2,551,939	2,527,622	2,588,440	2,563,972	2,477,094	2,210,752	2,334,399	2,367,484	2,306,770	2,274,778
Massachusetts	31,787	28,812	27,411	28,043	25,993	25,018	22,661	15,411	17,298	18,866
Maine	32,447	32,353	28,103	26,839	24,747	22,996	20,907	20,646	15,127	14,078
Connecticut	20,075	19,617	19,340	20,148	18,196	16,767	16,229	12,977	10,645	11,368
Rhode Island	9,764	10,972	11,016	11,184	10,517	8,404	8,315	8,378	7,567	9,072
New Hampshire	4,795	5,254	4,823	4,026	3,833	3,583	2,964	3,347	2,419	2,679
Vermont	-	-	-	-	-	-	-	-	-	-

Waterborne Tonnage by State - Percent Change from Previous Year

State	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
U.S. total	6.6%	-1.0%	2.4%	-0.9%	-3.4%	-10.8%	5.6%	1.4%	-2.6%	-1.4%
Massachusetts	3.7%	-9.4%	-4.9%	2.3%	-7.3%	-3.8%	-9.4%	-32.0%	12.2%	9.1%
Maine	2.4%	-0.3%	-13.1%	-4.5%	-7.8%	-7.1%	-9.1%	-1.2%	-26.7%	-6.9%
Connecticut	8.1%	-2.3%	-1.4%	4.2%	-9.7%	-7.9%	-3.2%	-20.0%	-18.0%	6.8%
Rhode Island	3.7%	12.4%	0.4%	1.5%	-6.0%	-20.1%	-1.1%	0.8%	-9.7%	19.9%
New Hampshire	-3.5%	9.6%	-8.2%	-16.5%	-4.8%	-6.5%	-17.3%	12.9%	-27.7%	10.7%
Vermont	-	-	-	-	-	-	-	-	-	-

SOURCE: Army Corps of Engineers, Waterborne Commerce Statistics Center (WCSC), http://www.navigationdatacenter.us/wcsc/wcsc.htm.

Massachusetts Annual Exports



SOURCE: http://www.wisertrade.org,. Data from U.S. Census Bureau , Foreign Trade Division.

Massachusetts Top Export Partners
(top ten export destinations ranked by value of 2014 exports, in millions)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Canada	$2,917	$2,927	$3,166	$3,480	$3,907	$3,086	$3,244	$3,796	$3,474	$3,734	$3,631
United Kingdom	$1,508	$1,628	$1,972	$2,306	$3,504	$4,049	$3,214	$3,285	$2,589	$1,408	$2,349
Mexico	$755	$782	$824	$996	$1,163	$902	$1,273	$1,437	$1,609	$1,860	$2,320
China	$894	$884	$1,291	$1,375	$1,563	$1,372	$2,195	$2,088	$1,877	$1,977	$2,291
Japan	$1,814	$1,893	$2,287	$2,166	$2,427	$1,717	$2,045	$2,044	$1,993	$1,763	$1,858
Germany	$2,516	$2,151	$2,515	$2,370	$2,489	$1,750	$1,872	$2,046	$1,803	$1,837	$1,849
Netherlands	$2,505	$3,000	$2,696	$2,215	$2,675	$1,982	$1,695	$1,107	$1,077	$1,290	$1,328
Korea, Republic Of	$650	$803	$875	$821	$666	$624	$893	$1,030	$1,030	$902	$993
Hong Kong	$523	$507	$561	$579	$590	$525	$668	$751	$709	$1,762	$963
Switzerland	$278	$269	$237	$211	$446	$362	$471	$563	$434	$1,281	$804
Total Exports, Top Destinations	$14,359	$14,842	$16,425	$16,519	$19,431	$16,368	$17,569	$18,148	$16,594	$17,815	$18,385
All other countries	$7,540	$7,210	$7,632	$8,833	$8,938	$7,225	$8,736	$9,723	$9,020	$9,009	$8,979
Total Exports	$21,899	$22,052	$24,057	$25,351	$28,369	$23,593	$26,305	$27,871	$25,615	$26,823	$27,364
Change from Prior Year	17.4%	0.7%	9.1%	5.4%	11.9%	-16.8%	11.5%	6.0%	-8.1%	4.7%	2.0%

Value of International Shipments from Massachusetts
(top ten industry groups ranked by value of latest exports, in millions)

Major Industry Group/3-Digit NAICS	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Computer and Electronic Products	$7,519	$7,012	$7,513	$7,711	$7,821	$6,600	$7,488	$7,704	$7,310	$7,268	$8,151
Chemicals	$4,910	$5,285	$5,189	$5,258	$5,515	$3,863	$3,626	$3,364	$3,448	$3,614	$3,508
Miscellaneous Manufactured Commodities	$1,930	$2,114	$2,240	$2,319	$3,120	$2,737	$3,046	$3,186	$3,054	$3,287	$3,062
Machinery, Except Electrical	$2,447	$2,311	$2,739	$2,881	$2,615	$2,008	$3,454	$3,643	$3,388	$3,070	$2,942
Primary Metal Manufacturing	$423	$405	$647	$982	$2,052	$2,735	$2,398	$2,794	$1,947	$2,841	$2,392
Transportation Equipment	$461	$485	$557	$932	$1,237	$1,107	$1,059	$1,119	$1,106	$1,118	$1,249
Electrical Equipment, Appliances, and Component	$752	$810	$871	$769	$624	$508	$558	$679	$718	$801	$1,192
Fabricated Metal Products, Nesoi	$621	$664	$679	$615	$721	$605	$809	$864	$733	$805	$787
Waste and Scrap	$326	$330	$597	$849	$1,373	$666	$654	$1,101	$784	$743	$755
Plastics and Rubber Products	$404	$470	$530	$582	$587	$563	$751	$810	$676	$679	$752
Total Exports, Top Massachusetts Industries	$19,792	$19,884	$21,563	$22,899	$25,664	$21,392	$23,842	$25,264	$23,163	$24,227	$24,791
All other exports	$2,107	$2,168	$2,494	$2,453	$2,705	$2,202	$2,463	$2,607	$2,451	$2,597	$2,573
Total Exports	$21,899	$22,052	$24,057	$25,351	$28,369	$23,593	$26,305	$27,871	$25,615	$26,823	$27,364

SOURCE: United States Department of Commerce and WISERTrade.org.

Sources

Listed below are the web sites of the original data sources used to compile Exhibit A. For more information contact UMass Donahue Institute Economic and Public Policy Research.
Web: http://www.massbenchmarks.org Email: msdc-info@donahue.umassp.edu Tel: 413-577-2415

Introduction

American Human Development Project
http://www.measureofamerica.org/

Population Characteristics

U.S. Department of Commerce, Bureau of the Census
http://www.census.gov
U.S. Internal Revenue Service
http://www.irs.gov

Personal Income, Consumer Prices, and Poverty

U.S. Department of Commerce, Bureau of Economic Analysis
http://www.bea.gov/regional/index.htm
U.S. Department of Labor, Bureau of Labor Statistics
http://www.bls.gov
The Conference Board, Inc.
http://www.conference-board.org
Mass Insight Corporation
http://www.massinsight.com/index.asp
U.S. Department of Commerce, Bureau of the Census
http://www.census.gov

Employment

Mass. Executive Office of Labor and Workforce Development, Division of Unemployment Assistance
http://lmi2.detma.org/Lmi/LMIDataProg.asp
U.S. Department of Labor, Bureau of Labor Statistics
http://www.bls.gov/data/home.htm

Economic Base and Performance

U.S. Department of Commerce, Bureau of Economic Analysis
http://www.bea.gov/national/index.htm#gdp
Fortune Magazine
http://www.fortune.com/fortune/

Economic Base and Performance - Sector Detail (NAICS Basis)

U.S. Department of Commerce, Bureau of Economic Analysis
http://www.bea.gov/regional/index.htm
U.S. Census Bureau, Foreign Trade Division. Prepared by the World Institute for Strategic Economic Research (WISER)
http://www.wisertrade.org
Massport
http://www.massport.com
Airports Council International
http://www.aci.aero
Federal Aviation Administration
http://www.faa.gov/airports_airtraffic/airports/planning_capacity/passenger_allcargo_stats/
Army Corps of Engineers
http://www.navigationdatacenter.us/wcsc/wcsc.htm
Federal Reserve Bank of Boston
http://www.bos.frb.org
U.S. Department of Commerce
http://www/census.gov
National Association of Realtors
http://www.realtor.org/
http://www.marealtor.com/content/
Massachusetts Office of Travel and Tourism
http://www.massvacation.com
U.S. Census Bureau, Governments Division
http://www.census.gov/govs/www/statetax.html
http://www.census.gov/govs/www state.html
U.S. Department of Commerce, Bureau of the Census, Consolidated Federal Funds Report
http://www.census.gov/govs/www/cffr.html
Federal Spending - contract, grant, and other award data
http://www.usaspending.gov
Large employers by sector
http://www.referenceusa.com/Home/Home

Human Resources and Infrastructure

U.S. Census Bureau
http://www.census.gov/acs/www/
Massachusetts Department of Higher Education
http://www.mass.edu/campuses/facts.asp
New England Board of Higher Education
http://www.nebhe.org.connection.html
National Science Foundation
http://www.nsf.gov/statistics
U.S. Department of Education, National Center for Education Statistics
http://nces.ed.gov
Institute of International Education
http://www.iee.org
U.S. Patent Office
http://www.uspto.gov

[THIS PAGE INTENTIONALLY LEFT BLANK]

Exhibit B

[THIS PAGE INTENTIONALLY LEFT BLANK]

Commonwealth of Massachusetts

Massachusetts Veterans War Memorial Tower atop Mt. Greylock in Berkshire County.

Statutory Basis Financial Report
Fiscal Year Ended June 30, 2015

Thomas G. Shack III, Esq.
Comptroller

Commonwealth of Massachusetts

Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2015

Thomas G. Shack III, Esq.
Comptroller of the Commonwealth

Prepared by
Financial Reporting and Analysis
Office of the Comptroller

This Document is available at the Comptroller's website: www.mass.gov/osc

Massachusetts Veterans War Memorial Tower atop Mt. Greylock in Berkshire County

Photo courtesy of Jared Huckle

Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2015

Table of Contents

Page

Introductory Section

Comptroller's Letter of Transmittal 1
Report Summary 2
Constitutional, Legislative and Judicial Officers 18
Organization Chart of State Government 19
Advisory Board to the Comptroller 20
Acknowledgments 21

Financial Section

Independent Accountants' Review Report 25

Combined Financial Statements - Statutory Basis:

Combined Balance Sheet - Statutory Basis - Budgeted Funds 28
Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual - Budgeted Funds 29
Combined Statements of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Non-Budgeted Special Revenue and Capital Projects Funds 30
Notes to Combined Financial Statements - Statutory Basis 31

Combining and Individual Fund Financial Statements - Statutory Basis:

Budgeted Funds:

Fund Descriptions 43
Combining Balance Sheet - Statutory Basis 46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis 50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis - Budget and Actual 54

Individual Budgeted Funds:

General Fund 60
Commonwealth Transportation Fund 64
Commonwealth Stabilization Fund 66

Administrative Control Fund
Intragovernmental Service Fund 68

Environmental Funds:
Inland Fisheries and Game Fund 70
Marine Recreational Fisheries Development Fund 72

Table of Contents (continued)

Other:

Public Safety Training Fund 74
Children and Families Protection Fund 76
Community First Trust Fund 78
Massachusetts Tourism Fund 80
Local Capital Projects Fund 82
Gaming Local Aid Fund 84
Local Aid Stabilization Fund 86
Manufacturing Fund 88
Community College Fund 90

Non-Budgeted Special Revenue Funds:

Fund Descriptions 93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Statutory Basis 104

Capital Projects Funds:

Fund Descriptions 117
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis 118

Supplemental Information:

Calculation of Transfers:

Stabilization Fund 122
Tax Reduction Fund 123
Schedule A - Tax Revenues by Revenue Class 124
Schedule B - Calculation of Cap on Stabilization Fund 125
Schedule C - Detail of Elimination of Budgetary Inter Fund Activity 126
Non-Tax Revenue Initiatives 128
Schedule of Post Employment Benefits 129

Statistical Section

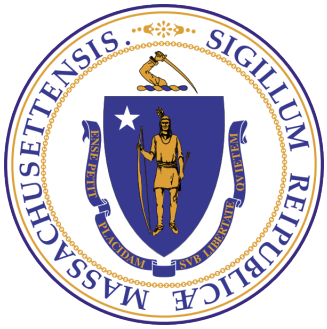
Ten-Year Schedules:

Revenues and Other Financing Sources - Statutory Basis 132
Tax Revenues by Source - Statutory Basis 134
Expenditures and Other Financing Uses by Secretariat - Statutory Basis 136
Budgeted Funds Expenditures and Other Financing Uses by Major Program Category 138
Long-Term Bonds and Notes Outstanding 139

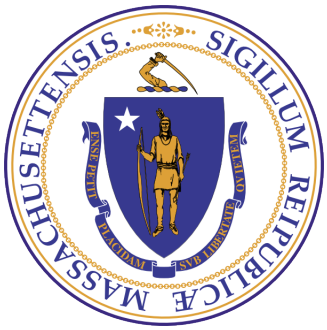
Higher Education Non-Appropriated Activity

Descriptions 141
Combining Higher Education System - Statutory Basis 142
University of Massachusetts - Statutory Basis 143
Combining State University and College System - Statutory Basis 144
Combining Community College System - Statutory Basis 146

Introductory Section



Comptroller's Letter
Report Summary
Constitutional, Legislative and Judicial Officers
Organizational Chart of State Government
Advisory Board to the Comptroller
Acknowledgements



THIS PAGE INTENTIONALLY LEFT BLANK

The Commonwealth of Massachusetts
Office of the Comptroller

November 10, 2015

The People of Massachusetts
His Excellency Charles D. Baker, Governor
Senator Karen E. Spilka, Chair of the Senate Committee on Ways and Means
Representative Brian S. Dempsey, Chair of the House Committee on Ways and Means
Secretary Kristen Lepore, Executive Office of Administration and Finance

I am pleased to present the Statutory Basis Financial Report (SBFR) for the fiscal year ended June 30, 2015.

Under M.G.L. c. 7A, s. 7, the Comptroller is responsible for establishing accounting rules and interpreting and implementing accounting standards for Commonwealth departments. Pursuant to M.G.L c. 7A, s. 12, the Comptroller is also required to file the SBFR with the Governor, the Secretary of Administration and Finance, the House and Senate Committees on Ways and Means, the Clerks of the House and Senate, and any other Parties specified in general or special law. This report is provided consistent with these mandates.

In my opinion, the SBFR provides an independent and unbiased accounting of Commonwealth revenues and expenditures as of this date for Fiscal Year 2015. It has also been reviewed in accordance with professional standards established by the American Institute of Certified Public Accountants.

My office will also issue the Commonwealth's Comprehensive Annual Financial Report (CAFR), by the end of this calendar year. The CAFR has the additional requirements of adherence to generally accepted accounting principles (GAAP), and the interpretation of statements issued by the Governmental Accounting Standards Board (GASB).

As we conclude our review of Fiscal Year 2015, I would like to take the opportunity to acknowledge the remarkable effort and dedication of the Office of the Comptroller staff, who continually support our mission to promote accountability, integrity, and clarity in Commonwealth business, fiscal, and administrative enterprises.

Respectfully,

Thomas G. Shack, III, Esq.
Comptroller of the Commonwealth

Report Summary

As of June 30, 2015, the Commonwealth had a budgeted fund balance of approximately $1.571 billion and completed the fiscal year with a consolidated net surplus of $144 million, sufficient to provide $10 million to the Massachusetts Community Preservation Trust Fund, $10 million to the Massachusetts Life Sciences Investment Fund, and transfer $124 million to the Stabilization (or rainy day) Fund. (The Budgeted Funds – Operations table on page 7 displays the FY15 summary of budgeted funds compared to FY14.) The end of year transfer to the Stabilization Fund resulted in the Fund's balance increasing by $4 million in FY15, after taking into account all transfers to and from the Fund during the fiscal year. (Details of FY15 Stabilization Fund activity are provided on pages 9 and 123.) The total budgeted fund balance of $1.571 billion reflects a gain (revenues and other financing sources greater than expenditures and other financing uses) of approximately $120 million, added to the FY15 beginning balance of $1.451 billion. This follows an FY14 operating loss of $424 million. Of the total budgeted fund balance, $1.252 billion is reserved in the Stabilization Fund, compared to $1.248 billion at the end of FY14. At the end of FY15, $226 million is reserved for continuing appropriations (including $20 million in FY15 end-of-year surplus allocations) and debt service in fiscal year 2016. The remaining undesignated balance of $92 million is made up of smaller budgeted fund balances.

During FY15, budgeted fund tax revenues increased by $1.352 billion, or 6.2%, from FY14, as the Massachusetts economy and the state's employment were stronger than the national economy's and capital gains taxes increased due to near-record stock market levels. Before transfers between budgeted funds that do not affect total budgeted fund balances, total budgeted fund revenues and other financing sources increased by $2.775 billion, or 7.8%. Budgeted fund expenditures and other financing uses increased by $2.231 billion, or 6.2%, primarily due to increases in Medicaid, employee health insurance costs, and higher contributions to the state pension system to pay down the Commonwealth's unfunded pension liability. A more detailed analysis of revenue and spending changes, as well as the economic factors that affected the budget, is included in the sections that follow.

The General Appropriation Act for FY16 is based on a consensus tax revenue estimate of approximately $25.479 billion, an increase of $547 million, or 2.2%, from FY15 actual tax collections. Of that amount, $21.696 billion represents taxes available for budget after adjusting for $3.784 billion in total tax revenue that is allocated to state pension contributions ($1.972 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority ($985 million) and the Massachusetts School Building Authority ($804 million) and revenue transferred to the non-budgetary Workforce Training Fund ($22.4 million). The FY16 tax revenue estimate was further adjusted to $25.711 billion (including $100 million in tax settlements), of which $21.927 billion was available for budget, as a result of several tax law changes included in the FY16 budget or enacted separately. That represented an increase of $779 million, or 3.1%, from FY15 actual tax collections.

Through October 31, 2015, FY16 year-to-date tax collections totaled $7.613 billion, up $304 million, or 4.2% from the same period in FY15, $126 million above the year-to-date benchmark based on the $25.711 billion FY16 tax revenue estimate. On October 15, 2015 the Secretary of Administration and Finance reaffirmed the FY16 tax revenue estimate of $25.711 billion and $21.927 billion of taxes available for budget, but lowered the FY15 estimate of non-tax revenue by $145 million.

Overview of the Financial Statements

This report focuses on the Commonwealth's budgeted funds. For the budgeted funds, the activity (inflows and outflows) and balances (assets and liabilities) of each fund are presented separately. For all other funds included in this report, the activity – inflows and outflows – is presented in tabular form, but per statute, the full balance sheets for each fund are not shown.

The financial operations of these funds are maintained in the Massachusetts Management Accounting and Reporting System, (MMARS). The statewide accounting system is operated by the Commonwealth and contains detailed information summarized in this report.

The SBFR is intended to satisfy the requirements of state finance law and to present the results of FY15 activity in the Commonwealth's funds. The report contains computations required by state finance law, including the certification of, transfers to, and balances in, the Stabilization Fund.

Basis of Accounting and Definition of the Consolidated Net Surplus

The statutory (or budgetary) basis of accounting, defined in Massachusetts law, is used to budget and control fiscal operations. The statutory basis of accounting is not in conformity with accounting principles generally accepted in the United States of America (GAAP) as defined for governments by the Governmental Accounting Standards Board (GASB). In addition, Fiduciary Funds are not included in this presentation. The Comptroller's Office will report the Commonwealth's financial position on a GAAP basis in December, in the State's Comprehensive Annual Financial Report (CAFR). That report, provides a basis for comparison with other governments, as the accounting rules for the CAFR are the same for all governments, whereas the statutory basis of accounting may differ across states. There are significant differences between what is contained in the SBFR and what will be presented in the CAFR according to GAAP. The major differences are that the CAFR reflects capital assets and depreciation expense, all types of long-term obligations – including debt and pensions – and in the CAFR the financial statements are presented in an all-encompassing, net position and net expense format.

The Commonwealth's statutory basis of accounting defines the "consolidated net surplus" as the ending "undesignated", or unreserved, balances in specific budgeted funds, that is, those funds subject to the state's annual appropriation process. The largest of these budgeted funds are the General Fund, which accounts for approximately 93% of total budgeted fund expenditures, and the Commonwealth Transportation Fund, which accounts for approximately 5% of the total state budgeted fund activity. The remaining approximately 2% of budgeted fund activity is comprised of 12 smaller funds, 6 of which by statute are excluded from the consolidated net surplus calculations.

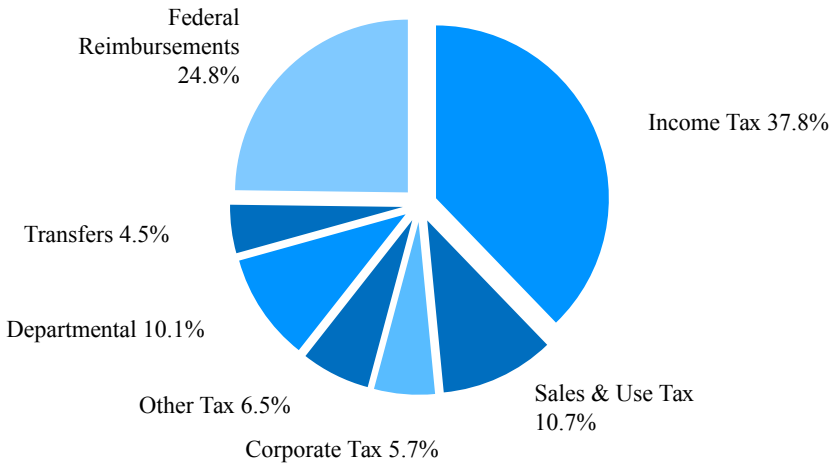
In accordance with Section 12 of Chapter 7A of the Massachusetts General Laws, as amended, the Office of the Comptroller is required to transmit the SBFR by October 31st (but November 2nd this year as October 31st falls on a Saturday). However, due to the fact that the final FY15 supplemental budget bill was not enacted and signed into law until November 2, 2015, this SBFR is being transmitted on November 10, 2015 in order to provide sufficient time to accurately incorporate the bill's provisions into this report and have the report reviewed by the Commonwealth's independent auditor. The SBFR for the fiscal year ended June 30, 2015 is reviewed, not audited, by KPMG LLP and represents the closing of the Commonwealth's books for the fiscal year.

The Economic Context

The funding available to the Commonwealth to finance its programs is determined in large part by the performance of the state's economy, most importantly the growth in employment. In FY15, the Commonwealth's economy continued to perform better than the nation's economy. Between June 2014 and June 2015, employment (which is the primary driver in the Commonwealth's largest revenue source, income tax withholding) grew by approximately 114,244 jobs, or 3.4%, compared to employment growth of 2.1% for the United States as a whole over the same period. In June 2015, the Massachusetts unemployment rate was 4.7%, compared to 5.3% nationally.

The Budgeted Funds

Budgeted Revenues and Other Sources (Total of $38.2 billion)



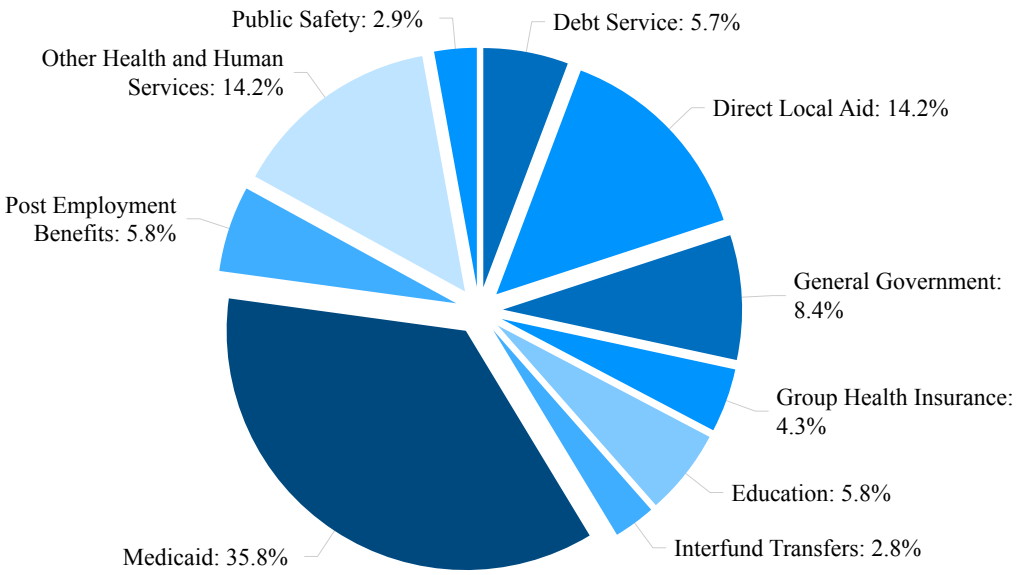
The FY15 General Appropriation Act (GAA) authorized approximately $36.996 billion in spending, exclusive of approximately $1.793 billion in required pension contributions and $176 million in FY14 spending authorized to be continued into FY15 as part of FY14 end-of-year supplemental budgets.

The FY15 budget as enacted by the Legislature was based on an FY15 consensus tax revenue estimate of $24.337 billion, of which approximately $22.732 billion was to be credited to the Commonwealth's budgeted funds after adjusting for $1.605 billion in tax revenue that is deposited directly into non-budgeted funds for transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority ($811 million) and the Massachusetts School Building Authority ($772 million), and revenue deposited in the non-budgeted Workforce Training Fund ($22 million). The FY15 enacted budget adjusted the estimate to $24.670 billion, including $240 million in tax settlements (of which $23.065 billion was to be deposited in the budgeted funds), due to several tax law changes included in the budget. Both estimates included $122 million of capital gains revenue that under statute was to be transferred to the Stabilization Fund and would not be available for budgetary purposes.

In January 2015, the FY15 tax revenue estimate was further adjusted downward by $62 million, to $24.508 billion, (including $183 million in settlements revenue, virtually all of which were tax-related), of which $22.903 billion was to be deposited in the budgeted funds, as a result of a reduction in the income tax rate triggered by revenue growth in FY14 and other tax law changes.

FY15 tax revenues ended the year at $24.932 billion (including $215 million in tax settlements), of which $23.174 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds grew by $1.352 billion, or 6.2% from FY14, and was $271 million above the final FY15 tax estimate and $109 million above the original FY15 tax estimate.

Budgeted Expenditures and Other Uses (Total of $38.1 billion)



Approximately $1.204 billion in supplemental appropriations were authorized during FY15, $764 million of which were enacted prior to June 30, 2015. Subsequent to year end, an additional supplemental budget was enacted totaling approximately $440 million in new and continued appropriations, $249 million of which was for FY15 expenditures, with the remainder continued to FY16 and reappropriated. The year's significant supplemental appropriation activity included:

- $228 million for Medicaid payments to local hospitals that care for lower income residents;

- $203 million for the costs of health care for beneficiaries covered by the Commonwealth's MassHealth, or Medicaid, program;
- $190 million for the Group Insurance Commission to pay health care benefits for Commonwealth employees;
- $113 million to establish a non-budgeted fund to pay FY16 debt service and thereby reduce FY16 budgeted fund debt service expenditures;
- $52 million for emergency homeless assistance for family shelters and services;
- $43 million to the Department of Developmental Disabilities for residential and non-residential services provided to the developmentally disabled;
- $39 million for snow and ice removal and related costs incurred as a result of blizzards during the winter of 2014-15;
- $35 million to compensate private counsel who defend indigent defendants;
- $22 million to pay Sheriffs' Department costs;
- $15 million for a substance abuse treatment program.

In FY15 the previous and current Governor each reduced spending authorizations, or allotments, using their authority under Section 9C of Chapter 29, in order to maintain a balanced budget. Those reductions totaled approximately $411 million.

In FY15, there were approximately $1.188 billion in one-time revenues and savings used to balance the Commonwealth's budget, up from approximately $754 million in FY14 one-time solutions.

Significant FY15 uses of one-time resources included:

- $621 million in capital gains tax revenue that under statute would have been required to be deposited in the Stabilization Fund ($559 million), the State Pension Fund ($31 million), and the State Retiree Benefits Trust Fund ($31 million); however, that requirement was suspended for FY15 under budget-balancing measures enacted in February 2015;
- $170 million from shifting the payment of some FY15 Medicaid expenses into FY16 ;
- $124 million in one-time federal and other revenues;
- $89 million from the proceeds of the sale of the Saltonstall State Office Building;
- $85 million generated by a tax amnesty program;
- $53 million from gaming facility license fees;
- $46 million in additional revenues from the delay in implementation of the so-called FAS109 corporate tax deduction.

During FY15, the Commonwealth also transferred $4.8 million in investment income earned by the Stabilization Fund to the General Fund.

FY15 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled $38.236 billion, an increase of $2.775 billion, or 7.8%, from FY14. Tax revenue grew by $1.352 billion, or 6.2%, as a result of continuing growth in the economy and the strong stock market, which generated an increase in capital gains taxes of approximately $432 million, or 35%, compared to FY14. Federal reimbursements totaled $9.480 billion, an increase of $1.108 billion, or 13.2%, primarily due to growth in reimbursable Medicaid spending as the Affordable Care Act covered an increased number

of Massachusetts residents and reimbursement rates increased for some services. Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled $3.853 billion, an increase of $140 million, or 3.8%, from FY14. Large increases in departmental revenue included $95 million in additional reimbursements by cities and towns participating in the state's health plan, an $89 million payment generated from the sale of the Saltonstall State Office Building, $85 million in pharmacy rebates paid to the state's Medicaid program, and $34 million in additional motor vehicle registration fees. These increases were offset by several large decreases in departmental revenue, including a $120 million reduction as a result of a non-recurring payment from the University of Massachusetts Medical School, a $44 million decline in pediatric immunization assessments, and a reduction of $36 million in tobacco settlement payments received by the Commonwealth. Interfund transfers from non-budgeted funds totaled $1.729 billion, an increase of $174 million, or 11.2%, from FY14, due primarily to $100 million in additional transfers from gaming license fees to the budgeted funds, $35 million in additional trust fund closeouts, and $19 million in higher fringe benefit recoveries from capital, federal grants, and non-budgeted and trust funds.

The Commonwealth continues to receive revenues from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses. In FY15, the Commonwealth received $246 million in tobacco settlement funds, a decrease of $36 million from FY14. The $246 million represented approximately 66.4% of the estimated amounts shown in the MSA. Statute requires that a portion of tobacco settlement proceeds be transferred directly to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds are to be deposited in the SRBTF in FY2023 and after. For FY15, the statutorily required transfer was 30% of tobacco settlement revenues. The FY15 General Appropriation Act altered the mechanism by which the 30% transfer was made, but still required the full 30% to be deposited in the SRBTF, which resulted in a transfer of approximately $74 million in FY15. By statute, a transfer of 40% of the $244 million in estimated FY16 tobacco settlement payments, or approximately $98 million, to the SRBTF is required; however, the FY16 budget temporarily suspended this requirement, instead requiring that transfers be made equivalent to 30% of FY16 tobacco settlement proceeds (the same percentage required in FY15), or $73 million. However, that transfer is contingent on the availability of unexpended debt service appropriations, and if those are insufficient to fund the 30% transfer, the balance of the 30% will be funded by FY16 tax revenues exceeding $100 million generated by a tax amnesty program that was also authorized in the FY16 budget.

FY15 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled $38.116 billion, an increase of $2.231 billion, or 6.2%, from FY14, with virtually all of the increase attributable to health care spending (including Medicaid and employee health insurance benefits), debt service, pension contributions, and Local Aid.

Spending on programs and services totaled $32.635 billion, an increase of $2.423 billion, or 8.0% from FY14. Medicaid expenditures totaled $13.655 billion, an increase of $1.754 billion, or 14.7%, from FY14, primarily due to provisions of the federal Affordable Care Act (ACA) that expanded eligibility for Medicaid as of January 1, 2015, and also due to base enrollment and health care cost growth. In addition, individuals who were eligible for non-Medicaid subsidized coverage under the ACA but could not obtain it due to problems with the Commonwealth Connector's eligibility and enrollment system temporarily received health benefits through MassHealth until the Connector system could be repaired, adding approximately $521 million to FY15 spending, which is included in the $1.754 billion Medicaid increase.

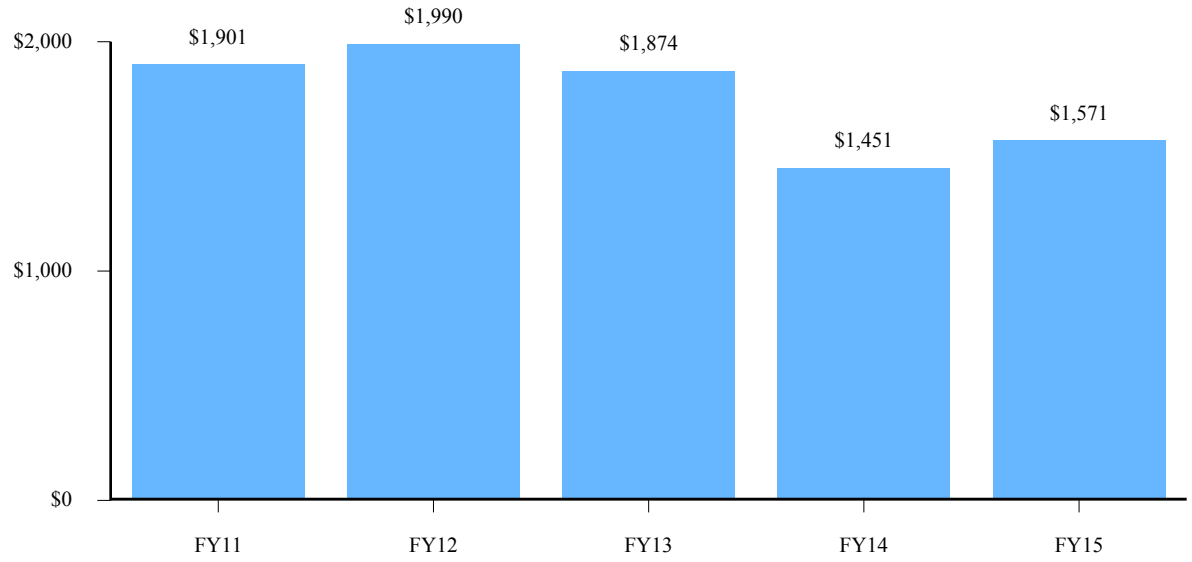
Debt service totaled $2.190 billion, up $68 million, or 3.2% from FY14, with the entire growth in debt service expenditures charged to the Commonwealth Transportation Fund, as principal and interest payments began to come due on borrowing for the Commonwealth's road and bridge capital programs. Interfund transfers to non-budgeted funds (primarily the Universal Health Care funds) totaled $1.078 billion, a decrease of $424 million or 28.2%, primarily due to decreases in health care transfers to the Commonwealth Care Trust Fund and the Medical Assistance Trust Fund. Post-employment benefits (for pension contributions and retiree health insurance) totaled $2.213 billion, an increase of $163 million, or 7.9%, as the Commonwealth increased its pension contribution by 10% over FY14, and employee health benefits paid through the Group Insurance Commission, increased by $243 million, or 17.3%, from $1.403 billion to $1.646 billion. Spending for direct local aid (both education aid and unrestricted aid), at $5.420 billion, was up $128 million, or 2.4%, from FY14. The FY15 financial statements for each of the fourteen active budgeted funds are included in the financial section of this report.

In conducting the budget process, the Commonwealth excludes from its forecast those "interfund" transactions within the budgeted funds that are included in this report; these transactions by their nature have no impact on the combined fund balance of the budgeted funds. The Budgeted Funds - Operations table isolates this "interfund" activity from the budgeted sources and subtracts this revenue and spending to align forecasts prepared during the budget process to actual amounts in this report. In FY15, transfers among the Budgeted Funds decreased by $1.022 billion, or 58.1%, due primarily to reduced transfers to and from the Stabilization Fund during the fiscal year. A detailed list of these interfund transfers is included in Note 3 of the financial statements and Schedule C of the Supplemental Information section of this report.

Budgeted Funds - Operations
(Amounts in thousands)

	2015	2014
Beginning fund balances:		
Reserved and designated	$ 190,032	$ 297,121
Reserved for Stabilization Fund	1,248,435	1,556,657
Undesignated	12,075	20,579
Total	1,450,542	1,874,357
Revenues and other financing sources:		
Taxes	23,173,799	21,822,030
Federal reimbursements	9,480,404	8,372,145
Departmental and other revenues, including tobacco settlement	3,852,782	3,712,372
Interfund transfers from non-budgeted funds and other financing sources	1,729,489	1,555,180
Budgeted revenues and other financing sources	38,236,474	35,461,727
Intragovernmental Service Fund revenues	362,058	339,715
Interfund transfers among budgeted funds and other financing sources	373,330	1,417,275
Total revenues and other financing sources	38,971,862	37,218,717
Expenditures and other financing uses:		
Programs and services	32,634,516	30,211,239
Debt service	2,190,405	2,122,000
Post employment benefits	2,213,361	2,050,361
Interfund transfers to non-budgeted funds and other financing uses	1,078,048	1,501,942
Budgeted expenditures and other financing uses	38,116,330	35,885,542
Intragovernmental Service Fund expenditures	362,058	339,715
Interfund transfers among budgeted funds and other financing uses	373,330	1,417,275
Total expenditures and other financing uses	38,851,718	37,642,532
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	120,144	(423,815)
Ending fund balances:		
Reserved and designated	225,993	190,032
Reserved for Stabilization Fund	1,252,429	1,248,435
Undesignated	92,264	12,075
Total	$ 1,570,686	$ 1,450,542

Budgeted Funds – Fund Balance
(Amounts in millions)



The graph of Budgeted Funds - Fund Balance above portrays the combined fund balance in the budgeted funds for the past five years.

As of June 30, 2015, the ending balance is comprised mainly of the fund balance of the General Fund and the Stabilization Fund. Due to designations of fund balances, $226 million of the total budgeted fund balance, exclusive of the Stabilization Fund, is reserved for appropriations and debt service in FY16. The remaining $92 million is undesignated in the budgeted funds that are not included in the consolidated net surplus calculation, with $72 million of that balance in the Community First Trust Fund, which funds home and community based services under the state's federally reimbursed Medicaid program.

Lottery and Gaming

Gross Lottery revenues (including revenues from the Arts Lottery) grew from $5.051 billion in FY14 to $5.195 billion in FY15, an increase of $144 million, or 2.9%. Lottery profits, after deducting administrative expenses and fringe benefit charges reimbursed to the Commonwealth's General Fund, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gamblers appropriation as mandated in the FY15 budget, totaled $987 million, an increase of $11 million or 1.2%, from FY14. Of that $987 million in profits, and as mandated in the FY15 General Appropriation Act, approximately $947 million was transferred to the General Fund to reimburse it for so-called Unrestricted General Government Aid (formerly Lottery Local Aid), $12 million reimbursed the Massachusetts Cultural Council appropriation, and $1.5 million reimbursed a compulsive gambling prevention program appropriation. The remaining $27 million after these reimbursements was transferred to the General Fund as unrestricted revenue to fund general state operations. The FY16 General Appropriation Act contains provisions for approximately $980 million in Unrestricted General Government Aid to be paid from the General Fund and reimbursed by Lottery profits.

During FY15, final approval by the Massachusetts Gaming Commission was given to two Massachusetts full service casinos - one in Springfield and one in Everett - and each paid an $85 million licensing fee required by statute and assessed by the Commission. Per statute, $20 million of that amount was transferred to the Stabilization Fund to reimburse it for startup costs of the gaming law previously financed by the Fund, and the remaining $150 million was distributed to eight other funds to finance economic development, capital spending for infrastructure, local aid, higher education, health care payment reform, and advancement of horse racing in the Commonwealth.

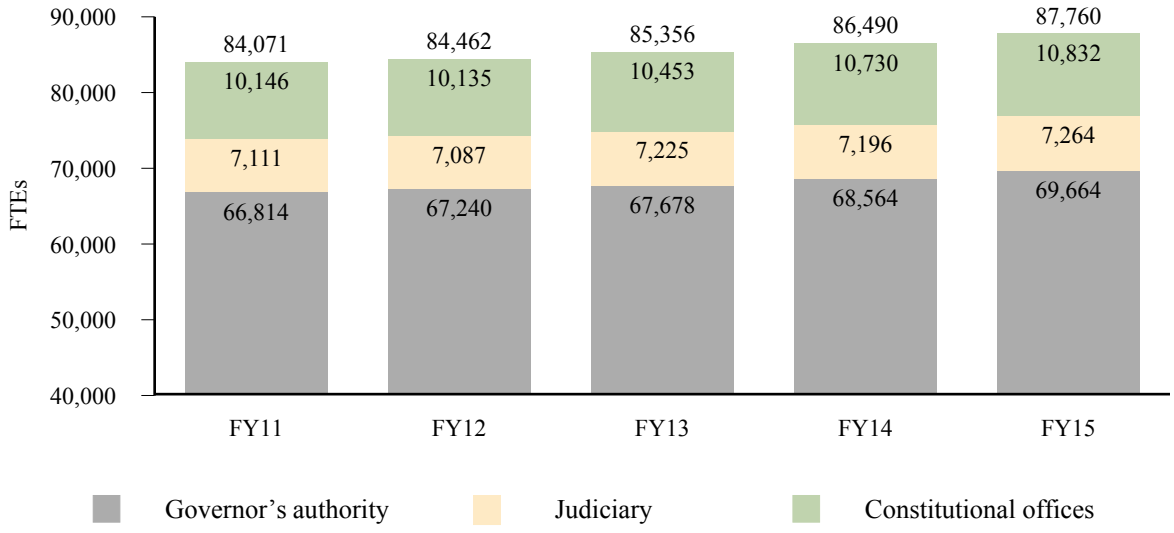
FY15 was also the first year that tax revenues were collected on profits generated by slot machines at the previously licensed Plainridge slots parlor, which opened on June 24, 2015. FY15 budgeted fund tax revenues remitted to the

Commonwealth, which are equal to 40% of gross profits (or "gross gaming revenues") from the slot machines, totaled approximately $2 million, which was earmarked for local aid; an additional $441 thousand in non-budgeted fund revenue, equal to 9% of gross gaming revenue from the slot machines, was earmarked for advancement of horse racing. The FY16 budget relied on $105 million in budgeted fund revenue from taxes on slots parlor profits. Through September 30, 2015, FY16 budgeted fund gaming tax revenue remitted to the Commonwealth totaled approximately $23.5 million. On October 15, 2015, the Secretary of Administration and Finance lowered the FY15 estimate for budgeted fund gaming tax revenue by $22 million, to approximately $83 million.

Full-Time Equivalent Employment

The chart below shows the Commonwealth's full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. In FY15, the number of Commonwealth FTEs increased by approximately 1,300, to a total of 87,760, with most of the increases in health and human services (approximately 563 additional FTEs), State Universities (approximately 452 additional FTEs) and the University of Massachusetts (approximately 604 additional FTEs). Employment levels increased by a total of approximately 3,690 FTEs between June 30, 2011 and June 30, 2015 restoring some of the reductions that occurred in FY09 and FY10. It should be noted that although they are included in the FTE numbers as of June 30, 2015, in FY15 the Commonwealth instituted an early retirement incentive program (ERIP) for executive branch employees that required all participants to retire by June 30th. Approximately 2,478 Commonwealth employees took advantage of ERIP, and thus as of July 1, 2015, the number of Commonwealth FTEs were approximately that many FTEs lower than on June 30th.

Full Time Equivalent Workforce
Including Higher Education
June 2011 – June 2015



The Stabilization Fund

As states around the country continue to struggle with ongoing fiscal challenges, the importance of the Stabilization Fund (or "rainy day" fund) cannot be overemphasized. State fiscal conditions improved modestly during FY15, according to the National Association of State Budget Officers' (NASBO) publication *The Fiscal Survey of the States: Spring 2015*, with eleven states reporting a total of $2.0 billion in enacted mid-year budget cuts for fiscal 2015, compared with eight states enacting $1.0 billion in mid-year budget cuts in fiscal 2014 and eleven states enacting $1.3 billion in cuts in fiscal 2013.

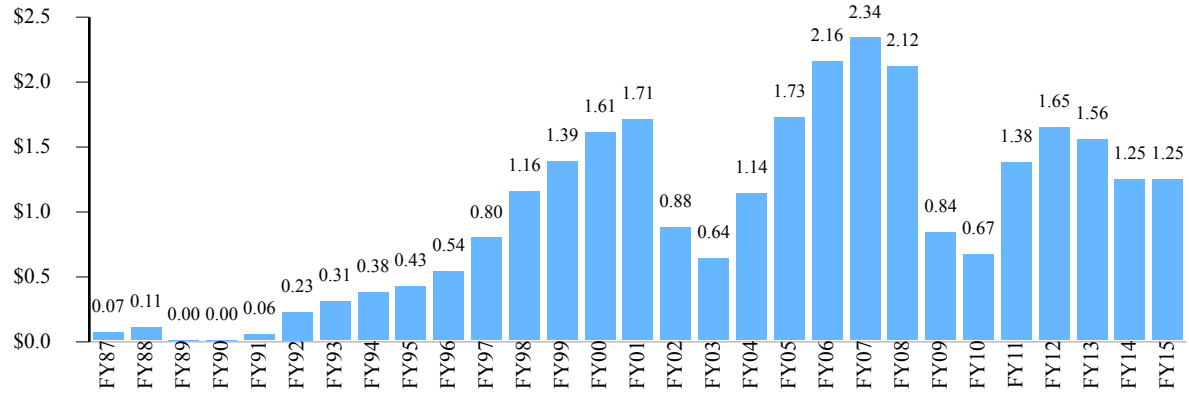
At the start of FY15, the Commonwealth drew $140 million from the Stabilization Fund resources to maintain budget balance and during the fiscal year transferred $4.8 million of investment income from the Stabilization Fund to the General Fund per the FY15 budget. These withdrawals from the Stabilization Fund were offset by two deposits in FY15: first; $20 million from Gaming license fees that, per statute, reimbursed the Fund for financing it provided in FY12 for the startup costs of implementing gaming in the Commonwealth; second, $124 million from the budgeted funds to the Stabilization Fund as the Commonwealth closed out the fiscal year and the Comptroller's Office calculated the consolidated net surplus. As a result, the balance of the Stabilization Fund increased by $4 million between FY14 and FY15.

During FY15, as part of its effort to close a budget deficit that at the time the Administration estimated to be approximately $768 million (after assuming that $200 million in capital gains tax revenue that by statute is required to be transferred to the Stabilization Fund would be retained in the General Fund to balance the budget) legislation was enacted suspending a statutory requirement to transfer tax revenue attributable to capital gains above a threshold to the Stabilization Fund, State Pension Liability Fund, and State Retiree Benefits Trust Fund. The FY15 capital gains tax threshold, as determined by the Department of Revenue, was $1.048 billion. In July 2015, the Department of Revenue certified that FY15 tax collections attributable to capital gains totaled $1.669 billion, resulting in $621 million in capital gains tax revenue being retained in the General Fund that otherwise would have been transferred to the Stabilization Fund, State Pension Liability Fund, and the State Retiree Benefits Trust Fund. In December 2014, the Department of Revenue estimated that the capital gains tax threshold for FY16 was $1.087 billion. However, the FY16 General Appropriation Act again temporarily suspended the capital gains transfer requirement for FY16. The FY16 consensus tax estimate and FY16 enacted budget assumed that approximately $300 million of FY16 capital gains taxes above the threshold would be retained in the General Fund.

The FY15 final supplemental budget bill requires that prior to making any FY15 end-of-year Stabilization Fund deposit, the Comptroller transfer up to $10 million to the Massachusetts Community Preservation Trust Fund and $10 million to the Massachusetts Life Sciences Investment Fund, and any remaining balance to the Stabilization Fund. As of June 30, 2015, the Stabilization Fund balance was $1.252 billion, an increase of approximately $4 million from FY14. For FY16, the General Appropriation Act authorizes no draws be made from the Stabilization Fund.

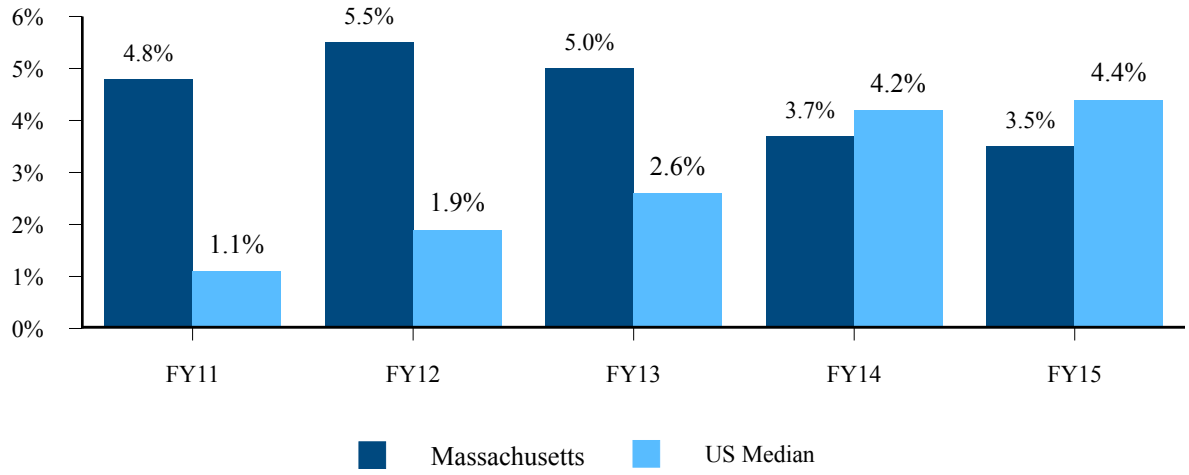
The chart below, which shows the Stabilization Fund balances since the Fund's inception, indicates that the Fund balance increased by more than $709 million in FY11 and $273 million in FY12 as the Commonwealth emerged from the recession, but declined by $95 million in FY13 and $308 million in FY14, before increasing by $4 million in FY15. According to The National Association of State Budget Officers' (NASBO) *Fiscal Survey of the States,* the Commonwealth ranked sixth in the nation at the end of FY14 (the most recent year for which final stabilization fund balances were available for all states) in terms of the total balance in the Stabilization Fund. Six states had no stabilization fund balance at the end of FY14. According to the *Survey,* other states' FY15 financial reports, and the Commonwealth's results as shown in this report, Massachusetts will have the eighth largest Stabilization Fund balance at the end of FY15 once all 50 states close their books on the fiscal year.

Stabilization Fund Balance
(Amounts in $ billions)



The chart below shows the Commonwealth's Stabilization Fund balance as a percentage of General Fund expenditures compared to the median of all 50 states. (The median is a better measure than the average of all states because Alaska and Texas -- whose revenue streams have benefited from strong oil revenues in recent years -- together accounted for almost half of all stabilization fund balances nationally in FY15.) By that measure, Massachusetts's Stabilization Fund balance of 3.5% of General Fund expenditures was below the estimated national median of 4.4% of expenditures.

Stabilization Fund Percentage of General Fund Expenditures Compared To US Median



Massachusetts maintains a Stabilization Fund balance which is larger than that of many states and in FY15 made a small net deposit to the Fund. However, the Commonwealth drew down the Fund's balance between FY12 and FY14 as its economy recovered from recession, despite strong tax revenue growth in those years. The Stabilization Fund's balance has not yet been restored to pre-recession levels, thus potentially leaving the Commonwealth vulnerable if another economic downturn occurs. While credit rating agencies have continued to maintain the Commonwealth's strong bond rating, they have identified the state's reliance on reserves in those years as an area requiring improvement. On a positive note, the FY16 General Appropriation Act assumes that the Commonwealth will not withdraw funds from the Stabilization Fund to help balance the operating budget.

The Non-Budgeted Funds

The Non-Budgeted Funds represent operations in which the government has imposed its sovereign authority but has excluded these operations from the annual budget process. During FY15, the Commonwealth maintained 99 non-budgeted funds, while another 17 were inactive.

The largest non-budgeted funds in terms of revenues include the Lottery Fund, the Federal Grants Fund and the Commonwealth Care Trust Fund, which funds health benefits for those without health insurance. Other funds that show large inflows include the MBTA State and Local Contribution Trust Fund, the School Modernization Trust Fund and the Grant Anticipation Notes Trust Fund, which are financed by transfers of tax revenues and federal grant receipts.

The table Non-Budgeted Special Revenue Funds - Operations on page 12 summarizes the FY15 non-budgeted funds. A Statement of Revenues, Expenditures and Changes in Fund Balance is presented in a table within this report for each of the individual non-budgeted funds in the financial section of this report. The table includes the State Lottery Funds, where Lottery revenues and expenditures occur prior to Lottery profits being transferred to the General Fund to reimburse it for local aid and other appropriations.

Non-Budgeted Special Revenue Funds - Operations
(Amounts in thousands)

	2015	2014
Beginning fund balance	$ 2,269,864	$ 2,078,199
Revenues and other financing sources:		
Taxes	2,065,570	1,843,300
Assessments	607,975	616,906
Federal grants and reimbursements	2,993,570	3,190,513
Departmental and miscellaneous	6,356,987	6,202,948
Transfers and other financing sources	1,121,520	1,672,480
Total revenues and other financing sources	13,145,622	13,526,147
Expenditures and other financing uses:		
Programs and services	10,921,009	11,169,691
Debt service	316,777	288,060
Transfers and other financing uses	2,052,425	1,876,731
Total expenditures and other financing uses	13,290,211	13,334,482
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(144,589)	191,665
Ending fund balance	$ 2,125,275	$ 2,269,864

Non-Budgeted Funds with operating deficits in excess of $10 million include:

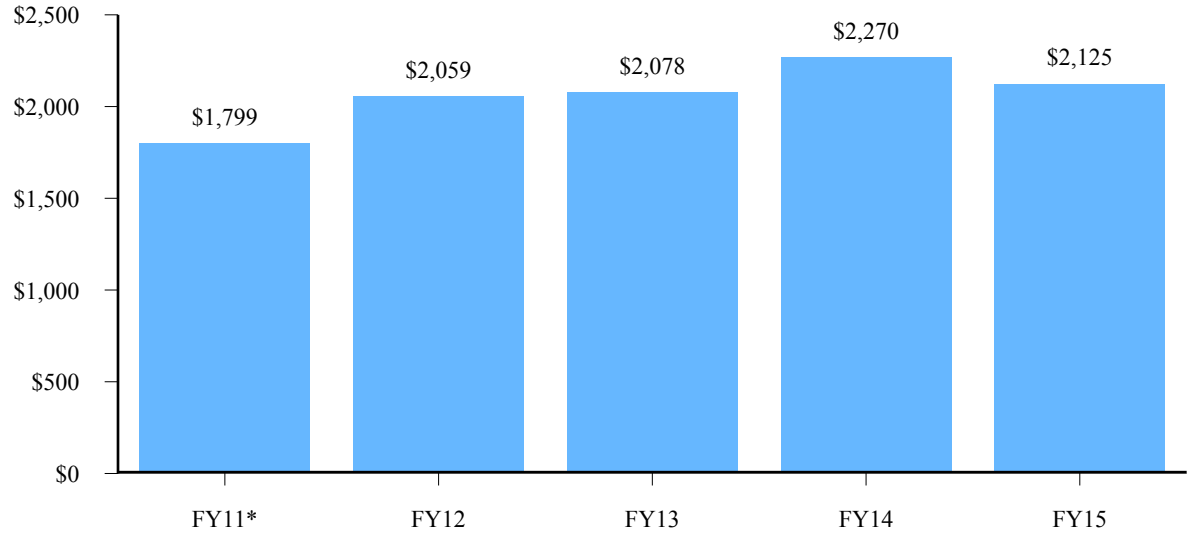
- $132 million – Grant Anticipation Note Trust
- $57 million – Federal Grants Fund
- $28 million – Massachusetts Transportation Trust
- $33 million – Health Safety Net Trust
- $17 million – Child Support Enforcement Fund

In FY15, $178 million of the Commonwealth's federal transportation funds were dedicated to paying off prior year expenditures of the Central Artery/Tunnel Project (CA/T), which were temporarily financed through Federal Grant Anticipation Notes (GANs). In addition, approximately $29 million in interest payments for the GANs were funded by a General Fund appropriation.

For the twelve Universal Health Care funds, revenues and other financing sources were $1.046 billion in FY15, a decrease of approximately $890 million from FY14. This decrease was due primarily to a $390 million decrease in transfers to the Commonwealth Care Trust Fund and a $345 million decrease in transfers to the Medical Assistance Trust Fund.

The chart Non-Budgeted Funds - Fund Balance below shows the combined fund balance in the Non-Budgeted funds for the past five years.

Non-Budgeted Funds – Fund Balance
(Amounts in millions)



* FY11 balances were restated to reflect payments to bond escrow agents related to debt refunding transactions

Individual funds that represent approximately 82% of total non-budgeted fund balances include:

- $834 million – Massachusetts Transportation Trust Fund;
- $385 million – Central Artery/Tunnel Project Repair and Maintenance Trust Fund;
- $119 million – Convention and Exhibition Center Fund;
- $113 million – Debt Defeasance Fund;
- $92 million – Enhanced 911 Fund;
- $86 million – Grant Anticipation Note Trust Fund;
- $75 million – Distressed Hospital Trust Fund;
- $45 million – Health Safety Net Trust Fund.

As noted in previous reports, the Government Land Bank Fund has a chronic structural fund deficit. The FY15 continuing deficit balance of approximately $35 million remains an unbudgeted drain on the Commonwealth's cash pool. While steps have been taken to stop the growth in this deficit, the Fund should be abolished and the deficit transferred to the General Fund. More consolidation and elimination is needed for the non-budgeted special revenue funds generally.

The Capital Projects Funds

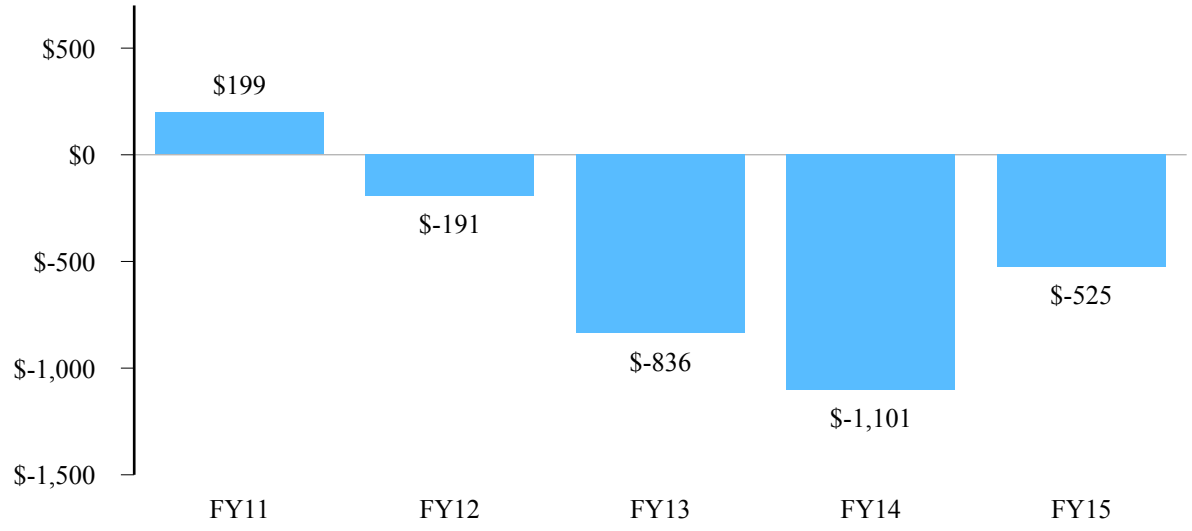
The purpose of these funds is to account for the construction or acquisition of capital assets. The Governor may propose capital outlay budgets, which, upon enactment by the Legislature and approval by the Governor, become capital outlay acts. Capital outlay acts financed through the sale of debt require a two-thirds vote of the Legislature. Numerous acts may be combined for reporting in an individual Capital Projects Fund, but each act is accounted for separately within the fund. These accounts record authorizations for expenditures in itemized capital appropriation accounts and equivalent authorizations to issue bonds or notes.

The structure of these funds is such that each capital outlay authorization is in balance, creating authorization for inflows (which may be from sales of bonds, federal reimbursements or other revenues) and authorization for expenditures. Imbalances due to timing differences develop when the expenditure precedes the inflow of funds from the sale of bonds or federal reimbursements. Because of federal tax arbitrage rules, tax exempt bonds are not routinely sold in anticipation of expenditures.

To fund the FY15 capital budget, the Commonwealth borrowed by issuing $3.119 billion in long-term bonds, $2.672 billion of which was general obligation debt and $447 million was special obligation debt secured by motor fuels taxes and motor vehicle license and registration fees. In addition, the Commonwealth issued $632 million in debt to refund already existing obligations, taking advantage of continued low interest rates in FY15.

The graph Capital Projects Funds - Fund Balance (Deficit) below shows the combined fund balance in Capital Projects Funds for the past five years. In most previous years, the combined ending balance in the Capital Projects Funds has been negative, as capital spending occurs prior to bonds being issued by the Commonwealth. At the end of FY15, the Capital Projects Funds had a $525 million deficit balance (including $680 million in accounts payable), as at the end of the fiscal year the Commonwealth had not yet reimbursed itself for capital spending that it typically funds in arrears through subsequent bond issues. Much of this deficit was eliminated in July 2015 when the Commonwealth issued $250 million in General Obligation bonds.

Capital Projects Funds –Fund Balance (Deficit)
(Amounts in millions)



The Capital Projects Funds - Operations table below includes the FY15 Capital Projects Funds, summarized and compared to FY14. Financial statements for each of the individual funds are included in the financial section of this report.

Capital Projects Funds - Operations
(Amounts in thousands)

	2015	2014
Beginning fund balance (deficit)	$ (1,101,197)	$ (836,052)
Revenues and other financing sources:		
Federal grants and reimbursements	81,475	30,739
Departmental and miscellaneous	3,653	5,190
Proceeds of general and special obligation bonds	3,404,176	2,243,430
Proceeds of refunding bonds	707,386	721,716
Transfer for federal reimbursements	468,040	404,481
Transfers and other financing sources	55,410	62,105
Total revenues and other financing sources	4,720,140	3,467,661
Expenditures and other financing uses:		
Acquisition and maintenance of capital assets	3,368,281	2,906,865
Payments to advance refunding escrow agent/principal repayment	707,386	721,688
Transfers and other financing uses	68,136	104,253
Total expenditures and other financing uses	4,143,803	3,732,806
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	576,337	(265,145)
Ending fund balance (deficit)	$ (524,860)	$ (1,101,197)

The Administration oversees a coordinated fiscal strategy for the management of Capital Projects Funds. This strategy includes a five year capital budget linked to debt management and capital management. The focus of this strategy is to manage capital spending within outstanding debt levels the Administration considers appropriate for the Commonwealth. An important part of the strategy is to control capital spending within an administrative "cap."

During FY15, significant capital spending included:

- $408 million in bridge repair projects under the Commonwealth's Accelerated Bridge Program;
- $320 million in special transit projects, including the Green Line extension, purchase of Red and Orange Line vehicles, and early action items for the South Coast Rail;
- $211 million in Chapter 90 municipal road and bridge projects;
- $157 million invested in new academic buildings and improvements to existing facilities on several community college, state university and University of Massachusetts campuses. The Commonwealth's spending leveraged an additional $36 million in University investments in FY15;
- $75 million spent on MassWorks economic development infrastructure grants to cities and towns;
- $68 million spent on life sciences grants;
- $46 million spent statewide on deferred maintenance for state facilities;

- $45 million for environmental community investment and land protection grants.

During the fiscal year, the Commonwealth passed or agreed to terms to approximately $5.912 billion in bond authorizations. There were no de-authorizations of previously issued capital appropriations in FY15.

The Non-Appropriated Funds of Higher Education

The statistical section of this SBFR includes data on the financial operations of the non-appropriated funds of the 25 institutions of higher education as reported on MMARS. Each institution of higher education is authorized and directed in its enabling statute to collect, retain and expend certain fees, rents, sales, donations, federal financial participation and other types of revenue through campus-based systems. These financial resources are integral parts of the total financial activity of each campus. They also represent resources in addition to amounts made available from Commonwealth appropriations. Over the past few years, significant efforts have been made by our office and the institutions to improve the accuracy and timeliness of higher education reporting through the issuance of audited financial statements. As budgeted resources are constrained, the Comptroller's Office recommends that the requirement for MMARS reporting by the institutions of higher education be eliminated and that interested parties rely entirely on the institutions' audited financial statements.

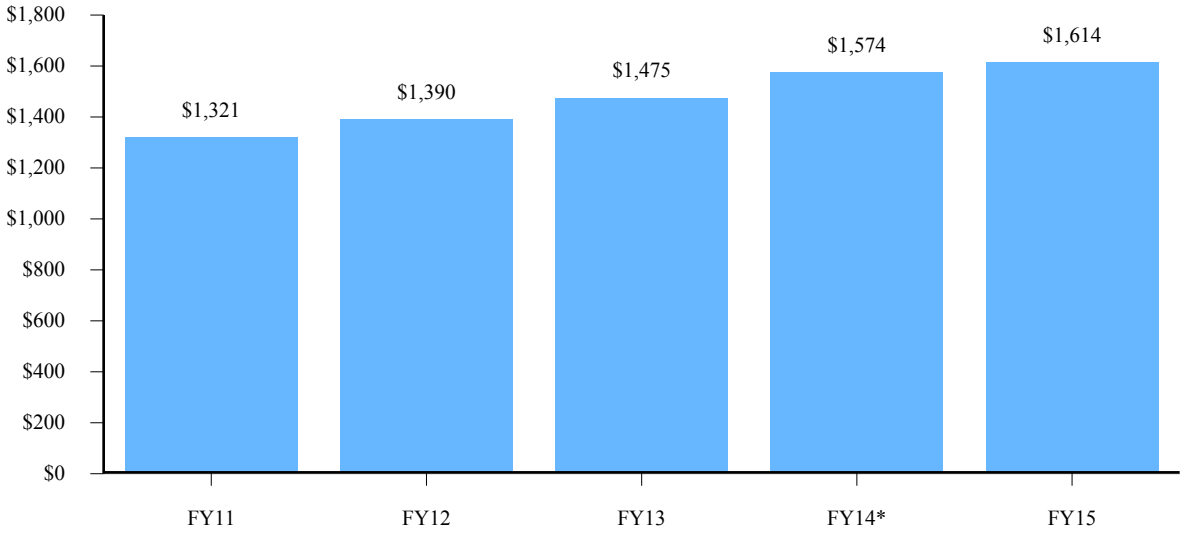
Non-Appropriated Funds Of Higher Education - Operations
(Amounts in thousands)

	2015	2014 Restated*
Beginning fund balance	$ 1,574,205	$ 1,474,503
Revenues and other financing sources:		
Federal grants and reimbursements	532,948	626,331
Departmental revenues	2,075,768	1,980,127
Transfers and other financing sources	1,671,560	1,795,000
Total revenues and other financing sources	4,280,277	4,401,458
Expenditures and other financing uses:		
Programs and services	4,240,932	4,301,756
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	39,344	99,701
Ending fund balance	$ 1,613,549	$ 1,574,205

*FY14 was restated by approximately $51 million for activities previously unreported

The Non-Appropriated Funds of Higher Education – Operations table above includes the FY15 activity in Higher Education funds, summarized and compared to FY14. Financial statements for each of the individual funds are included in the statistical section of this report. The graph Non-Appropriated Funds of Higher Education - Fund Balance on page 17 shows the combined fund balance for the past five years. The combined balance represents an approximate $868 million fund balance for the University of Massachusetts, an approximate $448 million fund balance for the State University (formerly the State College) system and an approximate $297 million fund balance for the Community Colleges.

Non-Appropriated Funds of Higher Education – Fund Balance
(Amounts in Millions)



*FY14 was restated due to amounts previously unreported

# # #

CONSTITUTIONAL OFFICERS

Charles D. Baker
Governor

William F. Galvin
Secretary of State

Maura Healey
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

LEGISLATIVE OFFICERS

Stanley C. Rosenberg
President of the Senate

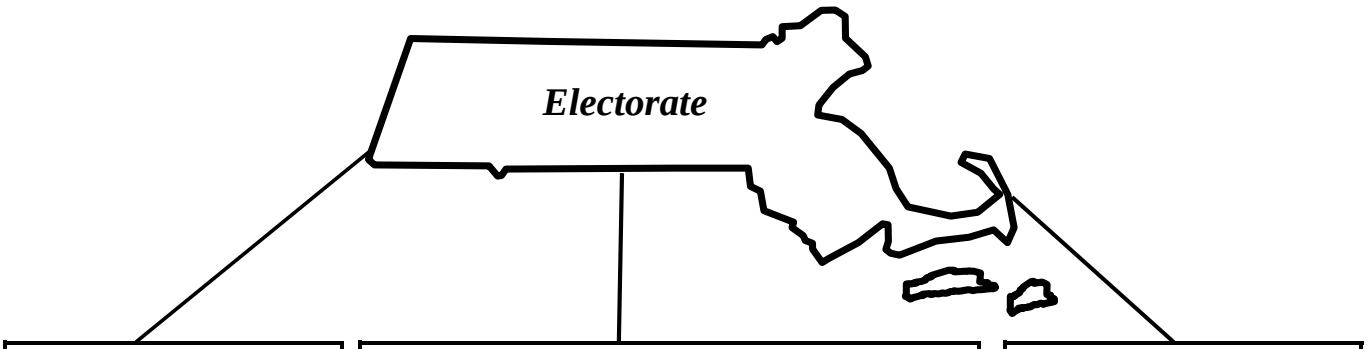
Robert A. DeLeo
Speaker of the House

JUDICIAL OFFICERS

Ralph D. Gants
Chief Justice, Supreme Judicial Court

Scott L. Kafker
Chief Justice, Appeals Court

Lewis H. Spence
Court Administrator, Trial Court



Legislative Branch

House of Representatives
Senate

Executive Branch

Governor
Lieutenant Governor
Governor's Council
Attorney General
Sheriffs
State Auditor
Secretary of the Commonwealth
Treasurer and Receiver-General
District Attorneys
Independent Offices and Commissions

Judicial Branch

Supreme Judicial Court
Appeals Court
Trial Court
Committee for Public Counsel
Board of Bar Examiners
Commission on Judicial Conduct
Mental Health Legal Advisors

State Agencies

Administration and Finance
Executive Office for Administration and Finance
Appellate Tax Board
Bureau of the State House
Civil Service Commission
Department of Revenue
Developmental Disabilities Council
Division of Administrative Law Appeals
Division of Capital Asset Management and Maintenance
George Fingold Library
Group Insurance Commission
Health Policy Commission
Human Resource Division
Information Technology Division
Massachusetts Office on Disability
Massachusetts Teachers' Retirement System
Operational Services Division
Public Employee Retirement Administration Commission

Education
Executive Office of Education
Department of Early Education and Care
Department of Elementary and Secondary Education
Department of Higher Education
Community Colleges
State Universities
University of Massachusetts System

Housing and Economic Development
Executive Office of Housing and Economic Development
Department of Business Development
Office of Consumer Affairs & Business Regulations
Massachusetts Marketing Partnership
Department of Housing & Community Development
Department of Telecommunications and Cable
Division of Banks
Division of Insurance
Division of Professional Licensure
Division of Standards

Energy and Environmental Affairs
Executive Office of Energy and Environmental Affairs
Department of Agricultural Resources
Department of Conservation and Recreation
Department of Energy Resources
Department of Environmental Protection
Department of Fish and Game
Department of Public Utilities
State Reclamation Board

Executive Office of Transportation and Public Works

Executive Office of Labor and Workforce Development

Health and Human Services
Executive Office of Health and Human Services
Executive Office of Elder Affairs
Department of Children and Families
Department of Developmental Services
Department of Mental Health
Department of Public Health
Department of Transitional Assistance
Department of Veterans' Services
Department of Youth Services
Massachusetts Commission for the Blind
Massachusetts Commission for the Deaf and Hard of Hearing
Massachusetts Rehabilitation Commission
Office for Refugees and Immigrants
Soldiers' Home, Holyoke
Soldiers' Home, Massachusetts

Public Safety
Executive Office of Public Safety and Homeland Security
Chief Medical Examiner
Department of Criminal Justice Information Services
Department of Correction
Department of Fire Services
Department of Public Safety
Department of State Police
Massachusetts Emergency Management Agency
Military Division/ Massachusetts National Guard
Municipal Police Training Committee
Parole Board
Sex Offender Registry

ADVISORY BOARD TO THE COMPTROLLER

Kristen Lepore (Chair)
Secretary of Administration and Finance

Suzanne Bump
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

Lewis H. Spence
Chief Administrator, Trial Court

Maura Healey
Attorney General

Michael Esmond
Gubernatorial Appointee

Timothy C. Sullivan
Gubernatorial Appointee

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller

Financial Reporting and Analysis

Bhavdeep J. Trivedi
Director

Michael Rodino, CPA
Assistant Director

Pauline Lieu, CPA, CGFM
Accountant

Neil Gouse, CGFM
Accountant

Mayowa Taiwo, CPA
Accountant

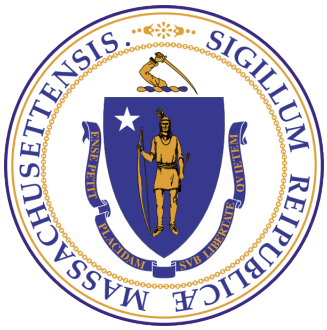
Frank Conlon
Accountant

Christine Bender
Accountant

Cathy Hunter
Program Coordinator

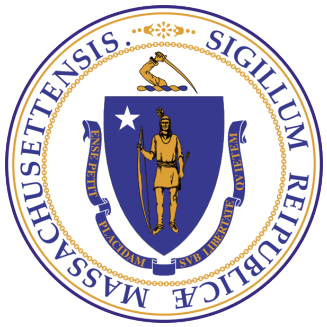
Julia P. Burns, CGFM
Director, General Accounting

Scott Olsen
Director, Department Assistance

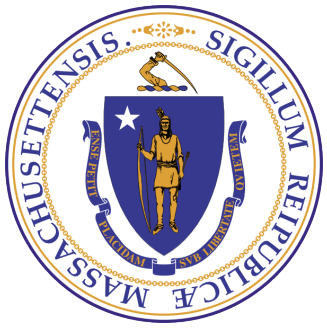


THIS PAGE LEFT INTENTIONALLY BLANK

Financial Section



Independent Accountants' Review Report
Combined Financial Statements - Statutory Basis
Notes to Combined Financial Statements - Statutory Basis
Combining and Individual Fund Financial Statements - Statutory Basis



THIS PAGE INTENTIONALLY LEFT BLANK

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Accountants' Review Report

Mr. Thomas G. Shack III, Comptroller
Commonwealth of Massachusetts:

We have reviewed the accompanying combined financial statements – statutory basis of the Commonwealth of Massachusetts as of and for the year ended June 30, 2015, as listed in the accompanying table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the combined financial statements – statutory basis as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the combined financial statements – statutory basis in accordance with Massachusetts General Laws and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the combined financial statements –statutory basis.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the combined financial statements – statutory basis. We believe that the results of our procedures provide a reasonable basis for our report.

As described in notes 1 and 2, these combined financial statements – statutory basis were prepared on the basis of accounting that demonstrates compliance with Section 12 of Chapter 7A Massachusetts General Laws, as amended, and the budgetary principles of the Commonwealth of Massachusetts, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Based on our review, we are not aware of any material modifications that should be made to the accompanying combined financial statements – statutory basis in order for them to be in conformity with the statutory basis of accounting described in notes 1 and 2.

Our review was made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the combined financial statements – statutory basis in order for them to be in conformity with the basis of accounting described in notes 1 and 2. The introductory section, combining and individual fund financial statements - statutory basis, supplemental information, and statistical section listed in the accompanying table of contents, prepared in conformity with the basis of accounting described in notes 1 and 2, are presented for purposes of additional analysis and are not required parts of the combined financial statements – statutory basis. The combining and individual fund financial statements – statutory basis and

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

supplemental information have been subjected to the inquiry and analytical procedures applied in the review of the combined financial statements – statutory basis, and we did not become aware of any material modifications that should be made to such information. The introductory and statistical sections have not been subjected to the inquiry and analytical procedures applied in the review of the combined financial statements – statutory basis, but have been compiled from information that is the representation of management. We have not audited or reviewed this information, and, accordingly, we do not express an opinion or any other form of assurance on such information.

This report is intended solely for the information and use of elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2015

Combined Financial Statements - Statutory Basis

Budgeted Funds

Combined Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	Totals (Memorandum only)	
	2015	2014
ASSETS		
Cash and short-term investments	$ 1,544,284	$ 1,453,766
Cash with fiscal agent	13,903	14,384
Investments	264,426	261,837
Receivables, net of allowance for uncollectibles:		
Due from federal government	712,911	708,833
Other receivables	11,274	11,022
Due from cities and towns	19,722	5,020
Total assets	$ 2,566,520	$ 2,454,862
LIABILITIES AND FUND EQUITY		
Liabilities:		
Deficiency in cash and short-term investments	$ —	$ 7,182
Accounts payable	803,302	820,803
Accrued payroll	192,532	176,335
Total liabilities	995,834	1,004,320
Fund equity:		
Combined fund balance:		
Reserved for:		
Continuing appropriations	212,090	175,648
Commonwealth Stabilization	1,252,429	1,248,435
Debt service	13,903	14,384
Unreserved:		
Undesignated	92,264	12,075
Total fund equity	1,570,686	1,450,542
Total liabilities fund equity	$ 2,566,520	$ 2,454,862

See accompanying notes to financial statements and accountants' review report

Budgeted Funds

Combined Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis - Budget and Actual

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes	$ 23,064,800	$ 23,173,799	$ 108,999
Assessments	437,786	425,316	(12,470)
Federal grants and reimbursements	9,556,784	9,480,404	(76,380)
Tobacco settlement revenue	253,628	245,839	(7,789)
Departmental	3,083,106	3,280,789	197,683
Miscellaneous	241,168	262,896	21,728
Total revenues	36,637,272	36,869,043	231,771
Other financing sources:			
Fringe benefit cost recovery	347,023	329,606	(17,417)
Lottery reimbursements	91,375	104,238	12,863
Lottery distributions	955,865	947,250	(8,615)
Operating transfers in	324,237	343,933	19,696
Stabilization transfer	292,650	288,314	(4,336)
Other fund deficit support	—	89,478	89,478
Total other financing sources	2,011,150	2,102,819	91,669
Total revenues and other financing sources	38,648,422	38,971,862	323,440
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature	83,287	60,465	22,822
Judiciary	849,435	839,454	9,981
Inspector General	4,608	4,521	87
Governor and Lieutenant Governor	10,380	6,368	4,012
Secretary of the Commonwealth	45,582	44,891	691
Treasurer and Receiver-General	230,190	203,312	26,878
Auditor of the Commonwealth	17,778	17,768	10
Attorney General	44,209	43,134	1,075
Ethics Commission	1,925	1,914	11
District Attorney.	108,975	108,677	298
Office of Campaign & Political Finance	1,460	1,433	27
Sheriff's Departments	596,962	581,157	15,805
Disabled Persons Protection Commission	2,725	2,724	1
Board of Library Commissioners	25,323	25,301	22
Comptroller	14,109	13,568	541
Administration and Finance	2,422,846	2,323,886	98,960
Energy and Environmental Affairs	234,498	226,430	8,068
Health and Human Services	5,526,321	5,398,934	127,387
Massachusetts Department of Transportation	122,553	122,553	—
Executive Office of Education	2,250,302	2,214,194	36,108
Center for Health Information and Analysis	34,524	26,405	8,119
Public Safety and Homeland Security	1,132,130	1,091,441	40,689
Housing and Economic Development	549,225	519,220	30,005
Labor and Workforce Development	72,965	43,198	29,767
Direct local aid	5,421,728	5,420,412	1,316
Medicaid	13,709,008	13,655,213	53,795
Post employment benefits	2,213,361	2,213,361	—
Debt service:			
Principal retirement	1,315,271	1,290,530	24,741
Interest and fiscal charges	932,780	899,875	32,905
Total expenditures	37,974,460	37,400,339	574,121
Other financing uses:			
Fringe benefit cost assessment	2,295	2,863	(568)
Operating transfers out	870,131	829,826	40,305
State Retiree Benefits transfer	—	73,752	(73,752)
Stabilization transfer	284,850	268,314	16,536
Medical assistance transfer	639,500	70,975	568,525
Delivery system transformation initiatives trust transfer	218,962	116,171	102,791
Other fund deficit support	—	89,478	(89,478)
Total other financing uses	2,015,738	1,451,379	564,359
Total expenditures and other financing uses	39,990,198	38,851,718	1,138,480
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	(1,341,776)	120,144	1,461,920
Fund balance (deficit) at beginning of year	1,450,542	1,450,542	—
Fund balance (deficit) at end of year	$ 108,766	$ 1,570,686	$ 1,461,920

See accompanying notes to financial statements and accountants' review report

Non-Budgeted Special Revenue and Capital Projects Funds

Combined Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Non-Budgeted Special Revenue	Capital Projects	Totals (Memorandum only) 2015	Totals (Memorandum only) 2014
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 2,065,570	$ —	$ 2,065,570	$ 1,843,300
Assessments	607,975	—	607,975	616,906
Federal grants and reimbursements	2,993,570	81,475	3,075,045	3,221,252
Departmental	6,252,990	3,004	6,255,994	6,073,487
Miscellaneous	103,997	649	104,646	134,651
Total revenues	12,024,102	85,128	12,109,230	11,889,596
Other financing sources:				
Issuance of general obligation bonds	—	2,671,507	2,671,507	1,492,049
Bond premiums (discounts) on general obligation bonds	—	198,987	198,987	47,378
Issuance of special obligation bonds	—	447,310	447,310	667,850
Bond premiums (discounts) on special obligation bonds	—	86,372	86,372	55,167
Issuance of current refunding bonds	—	202,895	202,895	159,335
Issuance of advance refunding bonds	—	429,445	429,445	477,461
Bond premiums (discounts) on advance refunding bonds	—	75,046	75,046	84,920
Operating transfers in	934,374	—	934,374	767,630
Commonwealth care trust transfer	—	—	—	390,079
Health safety net trust transfer	—	—	—	30,000
Medical assistance transfer	70,975	—	70,975	395,025
Federal reimbursement transfer in	—	468,040	468,040	404,481
State share of federal highway construction	116,171	55,410	171,581	62,105
Delivery system transformation initiatives trust transfer	—	—	—	70,732
Total other financing sources	1,121,520	4,635,012	5,756,532	5,104,212
Total revenues and other financing sources	13,145,622	4,720,140	17,865,762	16,993,808
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	966	12,072	13,038	16,477
Inspector General	459	—	459	256
Governor and Lieutenant Governor	—	184	184	224
Secretary of the Commonwealth	5,427	1,560	6,987	8,292
Treasurer and Receiver-General	6,007,413	13,751	6,021,164	5,689,542
Auditor of the Commonwealth	—	3,272	3,272	1,089
Attorney General	12,306	379	12,685	10,409
Ethics Commission	—	94	94	—
District Attorney	1,830	—	1,830	2,174
Office of Campaign & Political Finance	1,055	—	1,055	—
Sheriff's Departments	9,420	4,768	14,188	17,508
Board of Library Commissioners	2,916	20,440	23,356	22,938
Massachusetts Gaming Commission	21,072	—	21,072	22,125
Comptroller	1,574	3,958	5,532	5,456
Administration and Finance	513,265	648,653	1,161,918	1,512,697
Energy and Environmental Affairs	146,307	254,929	401,236	344,700
Health and Human Services	1,211,184	58,593	1,269,777	1,606,196
Massachusetts Department of Transportation	1,144,978	1,980,413	3,125,391	2,638,492
Executive Office of Education	975,241	28,669	1,003,910	1,013,625
Center for Health Information and Analysis	1,157	—	1,157	1,269
Public Safety and Homeland Security	211,120	47,928	259,048	253,987
Housing and Economic Development	482,377	279,477	761,854	716,040
Labor and Workforce Development	170,942	9,141	180,083	193,060
Debt service:				
Principal retirement	184,224	—	184,224	186,537
Interest and fiscal charges	132,553	—	132,553	101,523
Total expenditures	11,237,786	3,368,281	14,606,067	14,364,616
Other financing uses:				
Payments to advance refunding bonds escrow	—	504,491	504,491	562,353
Principal on current refundings	—	202,895	202,895	159,335
Fringe benefit cost assessment	160,778	12,726	173,504	157,684
Lottery operating reimbursements	104,238	—	104,238	95,891
Lottery distributions	947,250	—	947,250	921,730
Operating transfers out	352,119	—	352,119	309,093
Stabilization transfer	20,000	—	20,000	—
Health safety net trust transfer	—	—	—	30,000
Federal reimbursement transfer out	468,040	—	468,040	404,481
State share of federal highway construction	—	55,410	55,410	62,105
Total other financing uses	2,052,425	775,522	2,827,947	2,702,672
Total expenditures and other financing uses	13,290,211	4,143,803	17,434,014	17,067,288
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	(144,589)	576,337	431,748	(73,480)
Fund balance (deficit) at beginning of year (restated)	2,269,864	(1,101,197)	1,168,667	1,242,147
Fund balance (deficit) at end of year	$ 2,125,275	$ (524,860)	$ 1,600,415	$ 1,168,667

See accompanying notes to financial statements and accountants' review report

1. FINANCIAL STATEMENT PRESENTATION **32**
A. *INTRODUCTION* 32
B. *GOVERNMENTAL FUND TYPES* 32
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **32**
A. *STATUTORY BASIS OF ACCOUNTING* 32
B. *CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS* 33
C. *DEDICATED REVENUE AND PLEDGES* 33
D. *INTERFUND/INTRAFUND TRANSACTIONS* 34
E. *CURRENT EMPLOYEE BENEFITS* 34
F. *FRINGE BENEFIT COST RECOVERY* 35
G. *LOTTERY REVENUE AND PRIZES* 35
H. *RECEIVABLES* 35
I. *DUE FROM CITIES AND TOWNS* 35
J. *RISK MANAGEMENT* 35
K. *ENCUMBRANCES* 35
L. *FUND BALANCES* 36
M. *TOTAL COLUMN - MEMORANDUM ONLY* 36
N. *ESTIMATES* 36
O. *RECLASSIFICATION* 36
P. *BEGINNING OF YEAR FUND BALANCE* 36
3. BUDGETARY CONTROL **36**
4. MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) **39**
5. INDIVIDUAL FUND DEFICITS **39**
6. MEDICAID COSTS **39**

1. FINANCIAL STATEMENT PRESENTATION

A. *INTRODUCTION*

The accompanying combined financial statements (Statutory Basis Financial Report) of the Commonwealth of Massachusetts (the Commonwealth) are presented in accordance with the requirements of Section 12 of Chapter 7A as amended by Section 4 of Chapter 88 of the Acts of 1997 of the Massachusetts General Laws, as amended most recently by Chapter 26, Section 4 of the Acts of 2009. The Office of the Comptroller also publishes the Commonwealth's Comprehensive Annual Financial Report (CAFR), which is prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America for governments.

The Statutory Basis Financial Report (SBFR) includes the budgeted, non-budgeted, special revenue and capital projects funds of the Commonwealth, as recorded by the Office of the Comptroller in compliance with Massachusetts General Laws and in accordance with the Commonwealth's budgetary principles.

The SBFR's financial statements are not intended to include independent authorities, non-appropriated funds of higher education or other organizations included in the Commonwealth's reporting entity as it would be defined under GAAP.

B. *GOVERNMENTAL FUND TYPES*

The fund types are organized as follows:

Governmental fund types account for the general governmental activities of the Commonwealth.

Budgeted Funds - are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions. Major budgeted funds include the General, Stabilization and Commonwealth Transportation Funds, which are identified by the Comptroller as the operating funds of the Commonwealth. In addition, there are twelve smaller budgeted funds, the Intragovernmental Services Fund, the Inland Fisheries and Game Fund, the Marine Recreational Fisheries Development Fund, the Public Safety Training Fund, the Children and Families Protection Fund, the Community First Trust Fund, the Massachusetts Tourism Fund, the Local Capital Projects Fund, the Gaming Local Aid Fund, the Local Aid Stabilization Fund, the Manufacturing Fund and the Community College Fund.

Non-Budgeted Special Revenue Funds - are established by law to account for revenue sources that have been segregated from the budgeted funds to support specific governmental activities such as federal grants, the operations of the state lottery and funds related to the Massachusetts Gaming Commission.

Capital Projects Funds - account for financial resources used to acquire or construct major capital assets and to finance local capital projects. These resources are derived from proceeds of bonds and other obligations, which are generally received after related expenditures have been incurred, operating transfers authorized by the Legislature and from federal reimbursements. Deficit balances in Capital Projects Funds represent amounts to be financed, primarily through future bond sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *STATUTORY BASIS OF ACCOUNTING*

The SBFR is prepared from the Commonwealth's books and records and other official reports which are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (statutory basis). The statutory basis emphasizes accountability and budgetary control of appropriations. The SBFR is not intended to present the Commonwealth's financial condition and results of operations in conformity with GAAP.

Under the statutory basis of accounting, revenues generally are recognized when cash deposits are received by the Treasury. However, revenues receivable for federal grants and reimbursements generally are recognized when related

expenditures are incurred. Amounts due from political subdivisions of the Commonwealth are recognized when considered measurable and available. These are largely payments from municipalities reimbursing for pension costs paid by the Commonwealth on their behalf, for 3(8)C pension payments.

Under the statutory basis of accounting, expenditures are generally recorded when the related cash disbursement occurs. At year-end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, for goods or services received by June 30, and payment made by August 31. Costs incurred under the federally-sponsored Medicaid program, amounts required to settle claims and judgments against the Commonwealth and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment.

The accounting policies followed in preparing the accompanying statutory basis financial report are described in the remainder of this section.

B. *CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS*

The Commonwealth follows the practice of pooling cash and cash equivalents. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other Governmental Funds.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT). MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Fund. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost, which approximates fair value. The Short Term Bond Fund investments are carried at fair value.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333. The statements can be downloaded from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

C. *DEDICATED REVENUE AND PLEDGES*

The Commonwealth has a number of bond programs in which bonds are secured by a pledge of dedicated revenues provided to bondholders, pursuant to trust agreements, as well as pledges of revenue for general operations. Like the Commonwealth, certain state authorities have also issued special obligation bonds secured by specific Commonwealth revenues. These other authorities' debts are not included in the SBFR, but are included in the CAFR.

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal 1998, 1999, 2001, 2011, 2014 and 2015 and refunding notes in fiscal 2003 and fiscal 2011. During FY15, the Commonwealth issued approximately $347 million in GANs for new-money needs under the Commonwealth's Accelerated Bridge Program. All GANs issued prior to 2010 were repaid and retired during FY15. The Commonwealth will begin repayment of principal of the new-money notes issued in 2010, 2014 and 2015 beginning in FY16, after the original and refunded federal grant anticipation notes have been paid in full. As of June 30, 2015, total principal remaining to be paid on outstanding GANs is approximately $700 million, with maturities ranging from FY16 through FY27. Principal paid during FY15 was approximately $178 million and came from federal reimbursements. Interest paid in FY15 was funded by the Commonwealth.

In FY15, the Commonwealth issued approximately $100 million in special obligation bonds for highway construction purposes under the Commonwealth's Accelerated Bridge Program (ABP). The FY15 and previously issued bonds mature from FY16 to FY44 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas, and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. The bonds also have a subordinate lien on 6.86 cents of the 24 cents per gallon gasoline tax not included in the senior lien. As of June 30, 2015, approximately $1.495 billion in principal was

outstanding on the ABP bonds and approximately $1.212 billion of interest was expected to be paid through maturity. The ABP projected interest costs are net of federal subsidies under the Build America Bond (BABs) program. BABs is a temporary program under which the Commonwealth and other state and local governments issued taxable bonds in calendar 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% (depending on whether the proceeds are used for projects in economically distressed areas) of the interest costs on the bonds.

Other special obligation bonds for highway construction purposes are secured by a pledge of 6.86 cents of the 24 cent per gallon gasoline tax, with no new debt issued during FY15. As of June 30 2015, bonds secured by these pledged funds totaled approximately $211 million in principal and approximately $41 million in interest. These bonds mature from FY16 to FY22 and were issued in various series. Principal and interest paid during FY15 amounted to approximately $39 million and $13 million, respectively. The lien on these bonds has been closed, meaning that no new additional new-money bonds can be issued against these revenues under this trust agreement.

A portion of the Commonwealth's receipts from the sales tax (other than the tax on meals) is dedicated through non-budgeted special revenue funds to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The amount dedicated to the MBTA is the amount raised by a 1% sales tax (not including meals), subject to an inflation-adjusted floor. A comparable amount, though without the floor, is dedicated to the MSBA beginning in fiscal 2010, with lesser amounts dedicated to the MSBA from fiscal 2005 through fiscal 2009.

Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by $160 million annually, starting in fiscal 2015. The $160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor was intended to replace the $160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014. In FY15, total dedicated sales tax revenue that was directed to the MBTA was approximately $971 million, $47 million more than would have been the case were the dedicated revenue equal to 1% of applicable sales. Dedicated revenues to the MBTA increase by the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0% and a ceiling of 3.0%.

The MSBA also receives a pledge of sales tax that, starting in FY11, increased to 1.0% of applicable sales in the Commonwealth but with no annual floor or ceiling. In FY15, approximately $764 million of the dedicated sales tax revenue stream was directed to the MSBA.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2015, taxes within the Convention Center districts support approximately $619 million of outstanding principal and approximately $406 million of interest on debts related to these Convention Centers. Taxes collected in FY15 were approximately $123 million, while debt service on the bonds was approximately $39 million.

The Transportation Modernization Act of 2009, as amended, eliminated the pledges of sales tax revenue to MassDOT through the Commonwealth Transportation Fund (CTF). Beginning in FY14, the motor vehicle sales tax collections were shifted from the general fund to the CTF while also eliminating the 0.385% pledge of regular and meals sales tax. During FY15, approximately $510 million in sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, $123 million was dedicated to funding the operations of the MBTA while an additional $40 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

D. *INTERFUND/INTRAFUND TRANSACTIONS*

Transactions of a buyer/seller nature between departments within a fund are not eliminated.

Transfers in and out net to approximately $19 million due to higher education non-appropriated fund activity, which is not included in the combined statements - statutory basis.

E. *CURRENT EMPLOYEE BENEFITS*

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay (not accrued on a statutory basis).

F. *FRINGE BENEFIT COST RECOVERY*

The Commonwealth pays the fringe benefit costs of its employees and retirees through the General Fund. These fringe benefits include the costs of employees' health insurance, pensions, unemployment compensation, and other costs necessary to support the state work force. As directed by Chapter 29, Sections 5D and 6B(f) of the Massachusetts General Laws, these costs are assessed to other funds based on their payroll costs, net of credits for direct payments.

Since these fringe benefit costs and pensions are not appropriated in the budget, the required assessment creates a variance between budget and actual expenditures at year-end. The fringe benefit cost recoveries of approximately $330 million into the General Fund results from cost assessments from the other budgeted funds, non-budgeted special revenue funds, capital funds, non-appropriated activities of higher education, expendable trust, and agency funds.

G. *LOTTERY REVENUE AND PRIZES*

Ticket revenues are recognized when sold and prizes awarded by the Massachusetts State Lottery Commission are recognized as drawings are held. Games expenditures are accrued at year-end only for open jackpots for Mega Millions, Powerball and Megabucks.

H. *RECEIVABLES*

Reimbursements due to the Commonwealth for its expenditures on federally funded reimbursement and grant programs are reported as "Due from federal government." Other receivables include reimbursement of fringe benefit assessments from authorities and the institutions of higher education along with other departmental receivables.

I. *DUE FROM CITIES AND TOWNS*

"Due from Cities and Towns" represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

J. *RISK MANAGEMENT*

The Commonwealth is self-insured for state employees' workers' compensation, casualty, theft, tort claims and other losses. Such liabilities are not recognized in the governmental funds on the statutory basis until encumbered and/or processed for payment. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division.

For personal injury or property damages, Chapter 258 of the Massachusetts General Laws limits the risk assumed by the Commonwealth to $100,000 per occurrence, in most circumstances.

The Group Insurance Commission administers contributory health care and other insurance programs for the Commonwealth's employees and retirees.

K. ***ENCUMBRANCES***

Encumbrance accounting is utilized in the Governmental Funds as a significant aspect of budgetary control. The full amounts of purchase orders, contracts and other commitments of appropriated resources are encumbered and recorded as deductions from appropriations prior to actual expenditure, ensuring that such commitments do not exceed appropriations. Encumbrances outstanding at year-end for goods or services received on or before June 30, but paid after, are reported as expenditures and statutory basis liabilities as a component of accounts payable.

L. ***FUND BALANCES***

Fund balance has been reserved as follows:

"Reserved for continuing appropriations" - are unexpended amounts in appropriations, which the Legislature has specifically authorized to be carried into the next fiscal year.

"Reserved for Commonwealth Stabilization" - are amounts set aside in the Commonwealth Stabilization Fund in accordance with Section 5C of Chapter 29 of the Massachusetts General Laws.

"Reserved for debt service" - are amounts held by fiscal agents or the Commonwealth to fund future debt service obligations.

The remainder of fund balance is unreserved and undesignated and consists of cumulative surplus or deficits of the fund not otherwise designated.

M. ***TOTAL COLUMN - MEMORANDUM ONLY***

Total and subtotal columns on the combined financial statements - statutory basis are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present consolidated financial position, results of operations or changes in financial position. Interfund eliminations have not been made in the aggregation of these data.

The financial statements include certain prior year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a full comparative presentation. Accordingly, such information should be read in conjunction with the Commonwealth's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

N. ***ESTIMATES***

The preparation of the SBFR requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

O. ***RECLASSIFICATION***

Certain amounts for FY14 were reclassified to conform to current year presentation.

P. ***BEGINNING OF YEAR FUND BALANCE***

The beginning fund balance of the State Universities and the combined Higher Education funds were adjusted to reflect activities which were not previously reported during fiscal year 2014.

3. BUDGETARY CONTROL

State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act.

Before signing the appropriations act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations act may be made via supplemental appropriation acts or other legislative acts. These must also be signed by the Governor and are subject to the line item veto.

In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds which effectively reduce the account's expenditure budget.

The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs that are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference to separately published budget documents, which eliminate some interfund activity. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the Commonwealth is statutorily required to pay debt service, regardless of whether such amounts are appropriated. The Commonwealth is also required to pay certain Medicaid expenses regardless of appropriations, due to superseding federal law.

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003) amended Section 9C, of Chapter 29, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any reductions in spending. This proposal must be delivered to the Legislature 15 days before any reductions take effect. Alternatively, funds from the Stabilization Fund may be used to cure the deficiency.

The following table summarizes budgetary activity for FY15 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 165 of the Acts of 2014:		
Direct appropriations	$ 36,493,300	$ 35,752,750
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2014	—	1,243,492
Total original budget	36,493,300	36,996,242
Supplemental Acts of 2014:		
Chapter 188	—	15,710
Chapter 259	—	4,500
Chapter 287	—	79,360
Chapter 359	—	257,218
Supplemental Acts of 2015:		
Chapter 2	—	2,500
Chapter 10	—	404,447
Chapter 119	—	440,259
Total budgeted revenues and expenditures per Legislative action	—	1,203,994
Chapter 2 section 9C	—	(411,144)
Plus: Pension contributions and revenue authorized outside of General Appropriation Act, and other transfers of revenue and spending	2,155,122	2,201,106
Budgeted revenues and expenditures as reported	$ 38,648,422	$ 39,990,198

The following table identifies the interfund activity from budgeted sources and uses to reconcile forecasts prepared during the budget process to the results presented in these statements (amounts in thousands):

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Actual as presented in the combined budget and actual statement - statutory basis	$ 38,971,862	$ 38,851,718
Adjustments to revenues and expenditures:		
Transfer of revenues to the Intragovernmental Service Fund	(362,058)	(362,058)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments	(2,863)	(2,863)
Transfer of expenditures from the Intragovernmental Service Fund to the General Fund	(1,569)	(1,569)
RMV license plates	(3,091)	(3,091)
Transfers from budgeted funds to the Stabilization Fund	(123,507)	(123,507)
Transfers from the Stabilization Fund to the General Fund	(144,806)	(144,806)
Transfers from budgeted funds to the General Fund	(7,829)	(7,829)
Other fund deficit support	(89,478)	(89,478)
Other	(187)	(187)
Actual as presented on budgetary documents	$ 38,236,474	$ 38,116,330

The section divider for the budgeted funds contains a list of budgeted funds grouped by categories.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual appropriation account basis. Budgetary control is exercised through the state accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Encumbrances and expenditures are not allowed to exceed the appropriation account's spending authorization.

4. MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT)

MassDOT is an entity legally separate from the Commonwealth. MassDOT operations are reported separately in the non-budgeted special revenue funds section of this report, which includes all of the Commonwealth's highway and turnpike-related operations as well as the activity of the Registry of Motor Vehicles. MassDOT capital spending and revenue activity are reported in the capital funds section of this report, in the Central Artery Statewide Road and Bridge Infrastructure Fund, the Highway Capital Projects Fund and the Federal Highway Construction Program Fund.

MassDOT financial activity is included in this report in order to reflect all activity reported on the Commonwealth's MMARS accounting system. For the SBFR, MassDOT is treated as an agency or department of the Commonwealth, as specified in Massachusetts General Laws. However, for GAAP reporting purposes, as reflected in the Commonwealth's CAFR, MassDOT will be included as a discretely presented component unit of the Commonwealth.

5. INDIVIDUAL FUND DEFICITS

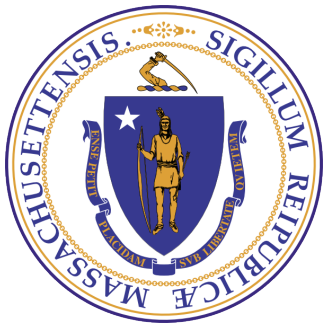
The following Non-Budgeted Special Revenue and Capital Projects Funds are included in the combined totals and have individual fund deficits at June 30, 2015, as follows (amounts in thousands) (excludes MassDOT):

Non-Budgeted Special Revenue:		
Other:		
Government Land Bank Fund	$	(35,033)
Capital Projects:		
General Capital Projects Fund		(383,804)
Highway Capital Projects Fund		(185,511)
Government Land Bank Capital Projects Fund		(508)
Total Capital Projects Funds		(569,823)
Total	$	(604,856)

None of the funds detailed above were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law.

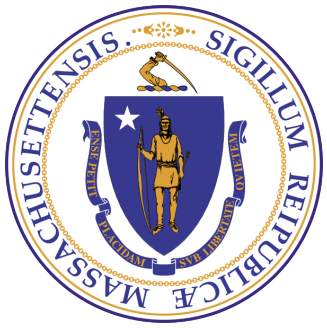
6. MEDICAID COSTS

Approximately 41.8% of the Commonwealth's budgeted fund spending for programs and services is devoted to Medicaid. It is the largest and has been one of the fastest growing items in the Commonwealth's budget. For the fiscal year ended June 30, 2015, the General Fund includes approximately $13.655 billion in expenditures for Medicaid claims. The combined financial statements - statutory basis include Medicaid claims processed but unpaid at June 30, 2015 of approximately $21 million as accounts payable.



THIS PAGE INTENTIONALLY LEFT BLANK

Combining and Individual Fund Financial Statements - Statutory Basis



THIS PAGE INTENTIONALLY LEFT BLANK

Individual Budgeted Funds

MAJOR BUDGETED FUNDS:

The General Fund - The General Fund is the Commonwealth's primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, constitutional offices, Judiciary, institutions of higher education and independent commissions are paid from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes and the full amount of most other governmental taxes.

Commonwealth Transportation Fund - to account for revenues from motor fuels taxes and all fees and fines received by the Registry of Motor Vehicles relating to the use and operation of motor vehicles and trailers. Spending is for debt service on general and special obligation debt formerly paid from the Highway Fund, as well as for amounts, subject to appropriation, to fund the programs and services of the Massachusetts Department of Transportation. This fund also includes activity of the Infrastructure Fund, which was a subfund of the Highway Fund.

The Commonwealth Stabilization Fund - to account for amounts calculated in accordance with state finance law and to maintain a reserve to enhance the Commonwealth's fiscal stability. Tax revenues from certain lottery winners selling their stream of future winnings in exchange for current payments are recorded in this fund, as are fiscal year capital gains tax revenues exceeding $1 billion (adjusted annually for economic growth) and judgments and settlements of more than $10 million that exceed the previous 5 year's average judgments and settlements.

ADMINISTRATIVE CONTROL FUND:

This fund accounts for the revenues generated by certain administrative functions of government, for which the Legislature has required a separate fund be established.

Intragovernmental Service Fund - to account for the charges of any state agency for services provided by another state agency.

BUDGETED ENVIRONMENTAL FUNDS:

Inland Fisheries and Game Fund - to account for revenues from license and permit fees for inland fishing, hunting, trapping, and sporting licenses and revenue producing stamps or the sales of land, rights and properties, gifts, interest, and federal grant reimbursements; used for developing, maintaining and operating the Division of Fisheries and Wildlife.

Marine Recreational Fisheries Development Fund - to account for salt water permit fees collected, funds, grants and gifts received as authorized, including investment income; used for development and administration of recreational salt water fishing improvement programs.

OTHER BUDGETED FUNDS:

These funds account for a variety of miscellaneous taxes, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Public Safety Training Fund - to account for all revenues collected from the surcharge imposed by Section 12 of Chapter 89 and the seventh paragraph of Section 20 of Chapter 90 of the General Laws. The fund shall be used for the instruction of public safety personnel including, but not limited to, the recruitment of additional state police classes and for the municipal police training committee, under Section 116 of Chapter 6 of the General Laws, as necessary, to preserve and promote the public safety. The fund shall not be subject to Section 5C of Chapter 29 of the General Laws.

Children and Families Protection Fund - to account for any penalties collected for violations of the Massachusetts Pesticide Control Act under Chapter 132B, Sections 6C to 6I of the General Laws, inclusive, and any income derived from the investment of amounts credited to the fund. Amounts credited to the fund shall be used, subject to appropriation, for the implementation and enforcement of said Sections 6C to 6I. Even though this fund does not have current year activity, it is presented for comparative purposes.

Community First Trust Fund - The secretary of health and human services may expend amounts in excess of the $16 million collected in the nonbudgeted Community First Trust Fund to ensure compliance with the state balancing incentive payment program. Monies deposited in the fund shall be subject to appropriation for non-institutionally-based long-term services and support. There shall be credited to the fund an amount equal to the increase in revenues from federal reimbursements and revenues received from federal financial participation. No expenditure shall be made from the fund which shall cause the fund to be in deficit at the close of a fiscal year. Any remaining balance in the fund at the end of a fiscal year shall not revert to the General Fund but shall remain in the fund.

Massachusetts Tourism Fund - to account for revenues received from hotel taxes; used to fund the Office of Travel and Tourism promotions and the Massachusetts Convention Center Authority.

Local Capital Projects Fund - to account for funds transferred from the Gaming Revenue Fund established in Section 59 of Chapter 23K of the General Laws and any monies credited to or transferred to the fund from any other fund or source.

Gaming Local Aid Fund - to account for gaming tax revenues transferred under Section 59 of Chapter 23K of the General Laws and any other source. Monies from the fund shall be used in addition to the balance of the State Lottery Fund for distribution to cities and towns in accordance with Section 35 of Chapter 10 of the General Laws and any monies so distributed shall be considered part of general revenue sharing aid for purposes of annual aid.

Local Aid Stabilization Fund - to account for gaming tax revenues transferred under Section 59 of Chapter 23K of the General Laws, all other monies credited or transferred to it from any other fund or source and proceeds from the investment of such funds. Monies shall be distributed to cities and towns as a supplement to other sources of local aid distributions, but shall not be subject to Section 5C of Chapter 29 of the General Laws.

Manufacturing Fund - to account for gaming license fees transferred in accordance with Section 93 of Chapter 194 of the Acts of 2011 and any monies credited or transferred to the fund from any other fund or source.

Community College Fund - to account for gaming license fees transferred in accordance with Section 93 of Chapter 194 of the Acts of 2011 and any monies credited or transferred to the fund from any other fund or source.

The following funds have been enacted in legislation but had no activity in FY15 and are not presented in this report:

Temporary Holding Fund - to account for cumulative tax revenues during the fiscal year in excess of permissible tax revenues as defined in Chapter 62F, Section 6A of the General Laws. The fund balance in the fund closes annually to the Stabilization Fund to the extent of expenditures from that fund. Any remaining balance transfers to the General Fund. This fund was repealed effective January 1, 2013.

Tax Reduction Fund - to account for the maintenance of a reserve, which shall be used only to reduce personal income taxes.

Collective Bargaining Reserve Fund - to account for transfers from the General Fund which may be used to fund negotiated contracts for state employees.

Substance Abuse Prevention and Treatment Fund - to account for sales tax revenues (non-dedicated) collected from the sale of alcoholic beverages under Chapter 64H; used for substance abuse treatment and prevention services. In November 2010, the sales tax on alcoholic beverages was repealed via referendum, effective January 1, 2011. As of that date, no monthly sales tax revenue has been deposited in the Substance Abuse Fund.

International Educational and Foreign Language Grant Program Fund - to account for appropriations, bond proceeds or other monies authorized to be used by the Commissioner of Education to increase the number of Massachusetts

students, teachers, administrators and education policymakers to support programs and activities that advance cultural awareness through grants to local and regional high schools to support international education programs and promote the study of foreign languages.

Dam Safety Trust Fund - to account for all receipts and revenues generated through agreements executed between the department of environmental management and public or private entities for dam safety purposes, and all fines, costs, expenses and interest imposed. Revenues over $250,000 in a fiscal year shall be credited to the General Fund.

Home and Community-based Services Policy Lab Fund - to account for any appropriations authorized by the general court and specifically designated to be credited to the fund and any additional nonstate-sourced funds as designated by the secretary of elder affairs including, but not limited to, federal or private grants or donations. The fund shall be used to support research and analysis which would enhance the development, evaluation, design and continued improvement of programs rendering home and community-based services to individuals who need long-term services and support.

Regional Water Entity Reimbursement Fund - to account for amounts to reimburse the Massachusetts Water Resources Authority for its costs: in providing cities and towns, within its sewer service area, financial assistance in the form of interest free grants and loans to rehabilitate collection systems. Such reimbursement shall be in addition to the contract assistance amounts in section 6 of chapter 29C, subject to the limit set forth in said chapter 29C, but shall not be greater than 10 % of the maximum amount set forth in said chapter 29C.

Education Fund - to account for gaming tax revenues transferred under Section 59 of Chapter 23K of the General Laws and all monies credited to or transferred to the fund from any other fund or source. 35% of the funds received shall be appropriated for the purposes of both K-12 and higher education to supplement, not offset, any reduction in the General Appropriation Act from the previous fiscal year.

Gaming Economic Development Fund - to account for gaming tax revenues transferred from the Gaming Revenue Fund established in Section 59 of Chapter 23K of the General Laws. Expenditures from the fund shall be used to support economic development and job growth including, but not limited to: (1) workforce training, including transfers to the Workforce Competitiveness Trust Fund; (2) tourism promotion, (3) summer jobs; (4) the Massachusetts marketing partnership; (5) higher education scholarships; (6) regional economic development initiatives; (7) support for small businesses, (8) green jobs promotion; (9) science, technology, engineering and mathematics career pipeline initiatives; and (10) agricultural development programs, including youth agricultural education.

Budgeted Funds

Combining Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control Intragovernmental Service
ASSETS				
Cash and short-term investments	$ 400,735	$ 428	$ 988,004	$ 43,611
Cash with fiscal agent	—	13,903	—	—
Investments	—	—	264,425	—
Receivables, net of allowance for uncollectibles:				
Due from federal government	712,911	—	—	—
Other receivables	11,274	—	—	—
Due from cities and towns	19,722	—	—	—
Total assets	$ 1,144,642	$ 14,331	$ 1,252,429	$ 43,611
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deficiency in cash and short-term investments	$ —	$ —	$ —	$ —
Accounts payable	759,421	428	—	27,292
Accrued payroll	185,860	—	—	5,333
Total liabilities	945,281	428	—	32,625
Fund balance (deficit):				
Reserved for:				
Continuing appropriations	199,361	—	—	10,986
Commonwealth Stabilization	—	—	1,252,429	—
Debt service	—	13,903	—	—
Unreserved:				
Undesignated	—	—	—	—
Total fund equity (deficit)	199,361	13,903	1,252,429	10,986
Total liabilities and fund equity	$ 1,144,642	$ 14,331	$ 1,252,429	$ 43,611

See accountants' review report

Environmental		Budgeted Other				
Inland Fisheries and Game	Marine Recreational Fisheries Development	Public Safety Training	Children & Families Protection	Community First Trust	Massachusetts Tourism	Local Capital Projects
$ 18,181	$ 2,766	$ 1,182	$ —	$ 72,433	$ 4,724	$ 3,864
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
$ 18,181	$ 2,766	$ 1,182	$ —	$ 72,433	$ 4,724	$ 3,864
$ —	$ —	$ —	$ —	$ —	$ —	$ —
1,736	173	—	—	—	2,974	3,864
411	27	—	—	—	69	—
2,147	200	—	—	—	3,043	3,864
—	—	—	—	—	1,681	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
16,034	2,566	1,182	—	72,433	—	—
16,034	2,566	1,182	—	72,433	1,681	—
$ 18,181	$ 2,766	$ 1,182	$ —	$ 72,433	$ 4,724	$ 3,864

continued

Budgeted Funds

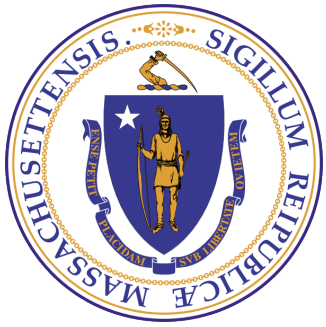
Combining Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	Budgeted Other				Totals (Memorandum only)	
	Gaming Local Aid	Local Aid Stabilization	Manufacturing	Community College	2015	2014
ASSETS						
Cash and short-term investments	$ —	$ 7,400	$ 125	$ 831	$ 1,544,284	$ 1,453,766
Cash with fiscal agent	—	—	—	—	13,903	14,384
Investments	—	—	—	—	264,426	261,837
Receivables, net of allowance for uncollectibles:						
Due from federal government	—	—	—	—	712,911	708,833
Other receivables	—	—	—	—	11,274	11,022
Due from cities and towns	—	—	—	—	19,722	5,020
Total assets	$ —	$ 7,400	$ 125	$ 831	$ 2,566,520	$ 2,454,862
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deficiency in cash and short-term investments	$ —	$ —	$ —	$ —	$ —	$ 7,182
Accounts payable	—	7,350	62	—	803,302	820,803
Accrued payroll	—	—	—	831	192,532	176,335
Total liabilities	—	7,350	62	831	995,834	1,004,320
Fund balance (deficit):						
Reserved for:						
Continuing appropriations	—	—	63	—	212,090	175,648
Commonwealth Stabilization	—	—	—	—	1,252,429	1,248,435
Debt service	—	—	—	—	13,903	14,384
Unreserved:						
Undesignated	—	50	—	—	92,264	12,075
Total fund equity (deficit)	—	50	63	—	1,570,686	1,450,542
Total liabilities and fund equity	$ —	$ 7,400	$ 125	$ 831	$ 2,566,520	$ 2,454,862

See accountants' review report



THIS PAGE INTENTIONALLY LEFT BLANK

Budgeted Funds

Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30. 2015

(Amounts in thousands)

	General	Commonwealth Transportation	Commonwealth Stabilization	Administrative Control Intragovernmental Service
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 21,854,255	$ 1,265,166	$ 647	$ —
Assessments	403,138	22,178	—	—
Federal grants and reimbursements	9,388,840	—	—	—
Tobacco settlement revenue	245,839	—	—	—
Departmental	2,245,586	645,810	—	379,264
Miscellaneous	257,977	225	4,646	—
Total revenues	34,395,635	1,933,379	5,293	379,264
Other financing sources:				
Fringe benefit cost recovery	329,606	—	—	—
Lottery reimbursements	104,238	—	—	—
Lottery distributions	947,250	—	—	—
Operating transfers in	262,223	—	—	—
Stabilization transfer	144,806	—	143,507	—
Other fund deficit support	—	71,485	—	—
Total other financing sources	1,788,123	71,485	143,507	—
Total revenues and other financing sources	36,183,758	2,004,864	148,800	379,264
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	60,465	—	—	—
Judiciary	839,454	—	—	—
Inspector General	4,521	—	—	—
Governor and Lieutenant Governor	6,368	—	—	—
Secretary of the Commonwealth	44,787	—	—	104
Treasurer and Receiver-General	203,312	—	—	—
Auditor of the Commonwealth	17,768	—	—	—
Attorney General	43,134	—	—	—
Ethics Commission	1,914	—	—	—
District Attorney	108,677	—	—	—
Office of Campaign & Political Finance	1,433	—	—	—
Sheriff's Departments	581,157	—	—	—
Disabled Persons Protection Commission	2,724	—	—	—
Board of Library Commissioners	25,301	—	—	—
Comptroller	8,837	—	—	4,731
Administration and Finance	2,092,470	—	—	211,368
Energy and Environmental Affairs	208,194	—	—	1,431
Health and Human Services	5,300,785	—	—	98,148
Massachusetts Department of Transportation	—	122,553	—	—
Executive Office of Education	2,214,091	—	—	103
Center for Health Information and Analysis	26,405	—	—	—
Public Safety and Homeland Security	1,040,689	—	—	50,752
Housing and Economic Development	495,721	—	—	1,795
Labor and Workforce Development	43,198	—	—	—
Direct local aid	5,420,412	—	—	—
Medicaid	13,655,213	—	—	—
Post employment benefits	2,213,361	—	—	—
Debt service:				
Principal retirement	546,616	735,408	—	8,506
Interest and fiscal charges	438,987	460,888	—	—
Total expenditures	35,645,994	1,318,849	—	376,938
Other financing uses:				
Fringe benefit cost assessment	—	—	—	—
Operating transfers out	161,100	655,328	—	1,569
State Retiree Benefits transfer	42,584	31,168	—	—
State Pension transfer	—	—	—	—
Stabilization transfer	48,806	—	144,806	—
Commonwealth care transfer	—	—	—	—
Medical assistance transfer	70,975	—	—	—
Delivery system transformation initiatives trust transfer	116,171	—	—	—
Other fund deficit support	42,896	—	—	—
Total other financing uses	482,532	686,496	144,806	1,569
Total expenditures and other financing uses	36,128,526	2,005,345	144,806	378,507
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing use	55,232	(481)	3,994	757
Fund balance (deficit) at beginning of year	144,129	14,384	1,248,435	10,229
Fund balance (deficit) at end of year	$ 199,361	$ 13,903	$ 1,252,429	$ 10,986

See accountants' review report

Environmental		Budgeted Other				
Inland Fisheries and Game	Marine Recreational Fisheries Development	Public Safety Training	Children & Families Protection	Community First Trust	Massachusetts Tourism	Local Capital Projects
$ 986	$ —	$ —	$ —	$ —	$ 52,745	$ —
—	—	—	—	—	—	—
8,095	—	—	—	83,470	—	—
—	—	—	—	—	—	—
7,294	1,429	1,406	—	—	—	—
45	—	—	—	—	—	—
16,420	1,429	1,406	—	83,470	52,745	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
187	—	—	—	—	2,513	18,425
—	—	—	—	—	—	—
—	—	—	—	—	—	—
187	—	—	—	—	2,513	18,425
16,607	1,429	1,406	—	83,470	55,258	18,425
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
94	—	—	—	—	—	—
15,647	1,158	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	21,704	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
15,741	1,158	—	—	—	21,704	—
2,265	104	—	—	—	494	—
—	—	792	—	11,037	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	19,337	24,437
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	12,062	15,238
2,265	104	792	—	11,037	31,893	39,675
18,006	1,262	792	—	11,037	53,597	39,675
(1,399)	167	614	—	72,433	1,661	(21,250)
17,433	2,399	568	—	—	20	21,250
$ 16,034	$ 2,566	$ 1,182	$ —	$ 72,433	$ 1,681	$ —

continued

Budgeted Funds

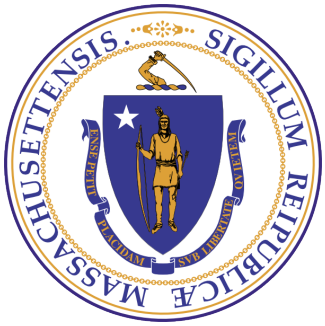
Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30. 2015

(Amounts in thousands)

	Budgeted Other				Totals (Memorandum only)	
	Gaming Local Aid	Local Aid Stabilization	Manufacturing	Community College	2015	2014
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	$ —	$ —	$ —	$ —	$ 23,173,799	$ 21,822,030
Assessments	—	—	—	—	425,316	462,209
Federal grants and reimbursements	—	—	—	—	9,480,404	8,372,145
Tobacco settlement revenue	—	—	—	—	245,839	282,049
Departmental	—	—	—	—	3,280,789	3,043,132
Miscellaneous	—	—	—	2	262,896	264,697
Total revenues	—	—	—	2	36,869,043	34,246,262
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	329,606	310,559
Lottery reimbursements	—	—	—	—	104,238	95,891
Lottery distributions	—	—	—	—	947,250	921,730
Operating transfers in	1,961	8,375	21,775	28,475	343,933	244,967
Stabilization transfer	—	—	—	—	288,314	1,231,336
Other fund deficit support	17,994	—	—	—	89,478	167,972
Total other financing sources	19,955	8,375	21,775	28,475	2,102,819	2,972,455
Total revenues and other financing sources	19,955	8,375	21,775	28,477	38,971,862	37,218,717
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	60,465	56,299
Judiciary	—	—	—	—	839,454	814,129
Inspector General	—	—	—	—	4,521	6,162
Governor and Lieutenant Governor	—	—	—	—	6,368	5,161
Secretary of the Commonwealth	—	—	—	—	44,891	44,339
Treasurer and Receiver-General	—	—	—	—	203,312	203,358
Auditor of the Commonwealth	—	—	—	—	17,768	17,536
Attorney General	—	—	—	—	43,134	43,028
Ethics Commission	—	—	—	—	1,914	1,904
District Attorney	—	—	—	—	108,677	105,962
Office of Campaign & Political Finance	—	—	—	—	1,433	1,370
Sheriff's Departments	—	—	—	—	581,157	552,978
Disabled Persons Protection Commission	—	—	—	—	2,724	2,412
Board of Library Commissioners	—	—	—	—	25,301	22,184
Comptroller	—	—	—	—	13,568	12,811
Administration and Finance	19,955	—	—	—	2,323,886	2,128,851
Energy and Environmental Affairs	—	—	—	—	226,430	216,418
Health and Human Services	—	—	—	—	5,398,934	5,070,536
Massachusetts Department of Transportation	—	—	—	—	122,553	275,200
Executive Office of Education	—	—	—	—	2,214,194	2,116,430
Center for Health Information and Analysis	—	—	—	—	26,405	23,706
Public Safety and Homeland Security	—	—	—	—	1,091,441	1,058,775
Housing and Economic Development	—	—	—	—	519,220	534,725
Labor and Workforce Development	—	—	—	—	43,198	43,437
Direct local aid	—	—	—	—	5,420,412	5,292,467
Medicaid	—	—	—	—	13,655,213	11,900,776
Post employment benefits	—	—	—	—	2,213,361	2,050,361
Debt service:						
Principal retirement	—	—	—	—	1,290,530	1,247,974
Interest and fiscal charges	—	—	—	—	899,875	874,026
Total expenditures	19,955	—	—	—	37,400,339	34,723,315
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	2,863	8,291
Operating transfers out	—	—	—	—	829,826	594,826
State Retiree Benefits transfer	—	—	—	—	73,752	58,683
State Pension transfer	—	—	—	—	—	2,273
Stabilization transfer	—	—	13,373	17,554	268,314	1,231,336
Commonwealth care transfer	—	—	—	—	—	390,079
Medical assistance transfer	—	—	—	—	70,975	395,025
Delivery system transformation initiatives trust transfer	—	—	—	—	116,171	70,732
Other fund deficit support	—	—	8,339	10,943	89,478	167,972
Total other financing uses	—	—	21,712	28,497	1,451,379	2,919,217
Total expenditures and other financing uses	19,955	—	21,712	28,497	38,851,718	37,642,532
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing use	—	8,375	63	(20)	120,144	(423,815)
Fund balance (deficit) at beginning of year	—	(8,325)	—	20	1,450,542	1,874,357
Fund balance (deficit) at end of year	$ —	$ 50	$ 63	$ —	$ 1,570,686	$ 1,450,542

See accountants' review report



THIS PAGE INTENTIONALLY LEFT BLANK

Budgeted Funds

Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	General			Commonwealth Transportation		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	$ 21,717,500	$ 21,854,255	$ 136,755	$ 1,296,700	$ 1,265,166	$ (31,534)
Assessments	414,208	403,138	(11,070)	23,578	22,178	(1,400)
Federal grants and reimbursements	9,551,184	9,388,840	(162,344)	—	—	—
Tobacco settlement revenue	253,628	245,839	(7,789)	—	—	—
Departmental	2,421,790	2,245,586	(176,204)	652,570	645,810	(6,760)
Miscellaneous	230,486	257,977	27,491	—	225	225
Total revenues	34,588,796	34,395,635	(193,161)	1,972,848	1,933,379	(39,469)
Other financing sources:						
Fringe benefit cost recovery	347,023	329,606	(17,417)	—	—	—
Lottery reimbursements	91,375	104,238	12,863	—	—	—
Lottery distributions	955,865	947,250	(8,615)	—	—	—
Operating transfers in	201,257	262,223	60,966	75,000	—	(75,000)
Stabilization transfer	150,650	144,806	(5,844)	—	—	—
Other fund deficit support	—	—	—	—	71,485	71,485
Total other financing sources	1,746,170	1,788,123	41,953	75,000	71,485	(3,515)
Total revenues and other financing sources	36,334,966	36,183,758	(151,208)	2,047,848	2,004,864	(42,984)
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	83,287	60,465	22,822	—	—	—
Judiciary	849,435	839,454	9,981	—	—	—
Inspector General	4,608	4,521	87	—	—	—
Governor and Lieutenant Governor	10,380	6,368	4,012	—	—	—
Secretary of the Commonwealth	45,466	44,787	679	—	—	—
Treasurer and Receiver-General	230,190	203,312	26,878	—	—	—
Auditor of the Commonwealth	17,778	17,768	10	—	—	—
Attorney General	44,209	43,134	1,075	—	—	—
Ethics Commission	1,925	1,914	11	—	—	—
District Attorney	108,975	108,677	298	—	—	—
Office of Campaign & Political Finance	1,460	1,433	27	—	—	—
Sheriff's Departments	596,962	581,157	15,805	—	—	—
Disabled Persons Protection Commission	2,725	2,724	1	—	—	—
Board of Library Commissioners	25,323	25,301	22	—	—	—
Comptroller	8,837	8,837	—	—	—	—
Administration and Finance	2,146,692	2,092,470	54,222	—	—	—
Energy and Environmental Affairs	215,511	208,194	7,317	—	—	—
Health and Human Services	5,405,578	5,300,785	104,793	—	—	—
Massachusetts Department of Transportation	—	—	—	122,553	122,553	—
Executive Office of Education	2,248,442	2,214,091	34,351	—	—	—
Center for Health Information and Analysis	34,524	26,405	8,119	—	—	—
Public Safety and Homeland Security	1,072,803	1,040,689	32,114	—	—	—
Housing and Economic Development	523,315	495,721	27,594	—	—	—
Labor and Workforce Development	53,923	43,198	10,725	—	—	—
Direct local aid	5,421,728	5,420,412	1,316	—	—	—
Medicaid	13,709,008	13,655,213	53,795	—	—	—
Post employment benefits	2,213,361	2,213,361	—	—	—	—
Debt service:						
Principal retirement	555,927	546,616	9,311	748,804	735,408	13,396
Interest and fiscal charges	446,465	438,987	7,478	486,315	460,888	25,427
Total expenditures	36,078,837	35,645,994	432,843	1,357,672	1,318,849	38,823
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	—	—
Operating transfers out	209,976	161,100	48,876	660,155	655,328	4,827
State Retiree Benefits transfer	—	42,584	(42,584)	—	31,168	(31,168)
Stabilization transfer	122,000	48,806	73,194	—	—	—
Medical assistance transfer	639,500	70,975	568,525	—	—	—
Delivery system transformation initiatives trust transfer	218,962	116,171	102,791	—	—	—
Other fund deficit support	—	42,896	(42,896)	—	—	—
Total other financing uses	1,190,438	482,532	707,906	660,155	686,496	(26,341)
Total expenditures and other financing uses	37,269,275	36,128,526	1,140,749	2,017,827	2,005,345	12,482
Excess (deficiency) of revenues and other financing sources over / (under)	(934,309)	55,232	989,541	30,021	(481)	(30,502)
Fund balance (deficit) at beginning of year	144,129	144,129	—	14,384	14,384	—
Fund balance (deficit) at end of year	$ (790,180)	$ 199,361	$ 989,541	$ 44,405	$ 13,903	$ (30,502)

See accountants' review report

Commonwealth Stabilization			Administrative Control Intragovernmental Services			Environmental Inland Fisheries and Game		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ —	$ 647	$ 647	$ —	$ —	$ —	$ 1,000	$ 986	$ (14)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	5,600	8,095	2,495
—	—	—	—	—	—	—	—	—
—	—	—	—	379,264	379,264	7,361	7,294	(67)
10,650	4,646	(6,004)	—	—	—	32	45	13
10,650	5,293	(5,357)	—	379,264	379,264	13,993	16,420	2,427
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	130	187	57
142,000	143,507	1,507	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
142,000	143,507	1,507	—	—	—	130	187	57
152,650	148,800	(3,850)	—	379,264	379,264	14,123	16,607	2,484
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	116	104	12	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	5,272	4,731	541	—	—	—
—	—	—	256,073	211,368	44,705	126	94	32
—	—	—	1,467	1,431	36	16,179	15,647	532
—	—	—	120,743	98,148	22,595	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	1,860	103	1,757	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	59,327	50,752	8,575	—	—	—
—	—	—	2,525	1,795	730	—	—	—
—	—	—	19,042	—	19,042	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	10,540	8,506	2,034	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	476,965	376,938	100,027	16,305	15,741	564
—	—	—	—	—	—	1,939	2,265	(326)
—	—	—	—	1,569	(1,569)	—	—	—
—	—	—	—	—	—	—	—	—
162,850	144,806	18,044	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
162,850	144,806	18,044	—	1,569	(1,569)	1,939	2,265	(326)
162,850	144,806	18,044	476,965	378,507	98,458	18,244	18,006	238
(10,200)	3,994	14,194	(476,965)	757	477,722	(4,121)	(1,399)	2,722
1,248,435	1,248,435	—	10,229	10,229	—	17,433	17,433	—
$ 1,238,235	$ 1,252,429	$ 14,194	$ (466,736)	$ 10,986	$ 477,722	$ 13,312	$ 16,034	$ 2,722

continued

Budgeted Funds

Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Environmental			Budgeted Other		
	Marine Recreational Fisheries Development			Public Safety Trust		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	$ —	$ —	$ —	$ —	$ —	$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	1,385	1,429	44	—	1,406	1,406
Miscellaneous	—	—	—	—	—	—
Total revenues	1,385	1,429	44	—	1,406	1,406
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—
Total revenues and other financing sources	1,385	1,429	44	—	1,406	1,406
EXPENDITURES AND OTHER						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—
Energy and Environmental Affairs	1,341	1,158	183	—	—	—
Health and Human Services	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—
Medicaid	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	1,341	1,158	183	—	—	—
Other financing uses:						
Fringe benefit cost assessment	—	104	(104)	—	—	—
Operating transfers out	—	—	—	—	792	(792)
State Retiree Benefits transfer	—	—	—	—	—	—
Stabilization transfer	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—
Total other financing uses	—	104	(104)	—	792	(792)
Total expenditures and other financing uses	1,341	1,262	79	—	792	(792)
Excess (deficiency) of revenues and other financing sources over / (under)	44	167	123	—	614	614
Fund balance (deficit) at beginning of year	2,399	2,399	—	568	568	—
Fund balance (deficit) at end of year	$ 2,443	$ 2,566	$ 123	$ 568	$ 1,182	$ 614

See accountants' review report

Budget Other									
Children and Families Protection			Community First Trust			Massachusetts Tourism			
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —	$ 49,600	$ 52,745	$ 3,145
—	—	—	—	—	—	—	—	—
—	—	—	—	83,470	83,470	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	83,470	83,470	49,600	52,745	3,145
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,690	2,513	823
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	1,690	2,513	823
—	—	—	—	83,470	83,470	51,290	55,258	3,968
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	23,385	21,704	1,681
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	23,385	21,704	1,681
—	—	—	—	—	—	356	494	(138)
—	—	—	—	11,037	(11,037)	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	19,337	(19,337)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	12,062	(12,062)
—	—	—	—	11,037	(11,037)	356	31,893	(31,537)
—	—	—	—	11,037	(11,037)	23,741	53,597	(29,856)
—	—	—	—	72,433	72,433	27,549	1,661	(25,888)
—	—	—	—	—	—	20	20	—
$ —	$ —	$ —	$ —	$ 72,433	$ 72,433	$ 27,569	$ 1,681	$ (25,888)

continued

Budgeted Funds

Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Budgeted Other					
	Local Capital Projects			Gaming Local Aid		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes	$ —	$ —	$ —	$ —	$ —	$ —
Assessments	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—
Tobacco settlement revenue	—	—	—	—	—	—
Departmental	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—
Other financing sources:						
Fringe benefit cost recovery	—	—	—	—	—	—
Lottery reimbursements	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—
Operating transfers in	12,380	18,425	6,045	—	1,961	1,961
Stabilization transfer	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	17,994	17,994
Total other financing sources	12,380	18,425	6,045	—	19,955	19,955
Total revenues and other financing sources	12,380	18,425	6,045	—	19,955	19,955
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature	—	—	—	—	—	—
Judiciary	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—
Auditor of the Commonwealth	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—
Ethics Commission	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—
Office of Campaign & Political Finance	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	—
Disabled Persons Protection Commission	—	—	—		—	—
Board of Library Commissioners	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—
Administration and Finance	—	—	—	19,955	19,955	—
Energy and Environmental Affairs	—	—	—	—	—	—
Health and Human Services	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—
Medicaid	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Debt service:						
Principal retirement	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Total expenditures	—	—	—	19,955	19,955	—
Other financing uses:						
Fringe benefit cost assessment	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	—
State Retiree Benefits transfer	—	—	—	—	—	—
Stabilization transfer	—	24,437	(24,437)	—	—	—
Medical assistance transfer	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—
Other fund deficit support	—	15,238	(15,238)	—	—	—
Total other financing uses	—	39,675	(39,675)	—	—	—
Total expenditures and other financing uses	—	39,675	(39,675)	19,955	19,955	—
Excess (deficiency) of revenues and other financing sources over / (under)	12,380	(21,250)	(33,630)	(19,955)	—	19,955
Fund balance (deficit) at beginning of year	21,250	21,250	—	—	—	—
Fund balance (deficit) at end of year	$ 33,630	$ —	$ (33,630)	$ (19,955)	$ —	$ 19,955

See accountants' review report

Local Aid Stabilization			Budgeted Other Manufacturing			Community College			Totals (Memorandum only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$23,064,800	$23,173,799	$ 108,999
—	—	—	—	—	—	—	—	—	437,786	425,316	(12,470)
—	—	—	—	—	—	—	—	—	9,556,784	9,480,404	(76,380)
—	—	—	—	—	—	—	—	—	253,628	245,839	(7,789)
—	—	—	—	—	—	—	—	—	3,083,106	3,280,789	197,683
—	—	—	—	—	—	—	2	2	241,168	262,896	21,728
—	—	—	—	—	—	—	2	2	36,637,272	36,869,043	231,771
—	—	—	—	—	—	—	—	—	347,023	329,606	(17,417)
—	—	—	—	—	—	—	—	—	91,375	104,238	12,863
—	—	—	—	—	—	—	—	—	955,865	947,250	(8,615)
—	8,375	8,375	14,640	21,775	7,135	19,140	28,475	9,335	324,237	343,933	19,696
—	—	—	—	—	—	—	—	—	292,650	288,314	(4,336)
—	—	—	—	—	—	—	—	—	—	89,478	89,478
—	8,375	8,375	14,640	21,775	7,135	19,140	28,475	9,335	2,011,150	2,102,819	91,669
—	8,375	8,375	14,640	21,775	7,135	19,140	28,477	9,337	38,648,422	38,971,862	323,440
—	—	—	—	—	—	—	—	—	83,287	60,465	22,822
—	—	—	—	—	—	—	—	—	849,435	839,454	9,981
—	—	—	—	—	—	—	—	—	4,608	4,521	87
—	—	—	—	—	—	—	—	—	10,380	6,368	4,012
—	—	—	—	—	—	—	—	—	45,582	44,891	691
—	—	—	—	—	—	—	—	—	230,190	203,312	26,878
—	—	—	—	—	—	—	—	—	17,778	17,768	10
—	—	—	—	—	—	—	—	—	44,209	43,134	1,075
—	—	—	—	—	—	—	—	—	1,925	1,914	11
—	—	—	—	—	—	—	—	—	108,975	108,677	298
—	—	—	—	—	—	—	—	—	1,460	1,433	27
—	—	—	—	—	—	—	—	—	596,962	581,157	15,805
—	—	—	—	—	—	—	—	—	2,725	2,724	1
—	—	—	—	—	—	—	—	—	25,323	25,301	22
—	—	—	—	—	—	—	—	—	14,109	13,568	541
—	—	—	—	—	—	—	—	—	2,422,846	2,323,886	98,960
—	—	—	—	—	—	—	—	—	234,498	226,430	8,068
—	—	—	—	—	—	—	—	—	5,526,321	5,398,934	127,387
—	—	—	—	—	—	—	—	—	122,553	122,553	—
—	—	—	—	—	—	—	—	—	2,250,302	2,214,194	36,108
—	—	—	—	—	—	—	—	—	34,524	26,405	8,119
—	—	—	—	—	—	—	—	—	1,132,130	1,091,441	40,689
—	—	—	—	—	—	—	—	—	549,225	519,220	30,005
—	—	—	—	—	—	—	—	—	72,965	43,198	29,767
—	—	—	—	—	—	—	—	—	5,421,728	5,420,412	1,316
—	—	—	—	—	—	—	—	—	13,709,008	13,655,213	53,795
—	—	—	—	—	—	—	—	—	2,213,361	2,213,361	—
—	—	—	—	—	—	—	—	—	1,315,271	1,290,530	24,741
—	—	—	—	—	—	—	—	—	932,780	899,875	32,905
—	—	—	—	—	—	—	—	—	37,974,460	37,400,339	574,121
—	—	—	—	—	—	—	—	—	2,295	2,863	(568)
—	—	—	—	—	—	—	—	—	870,131	829,826	40,305
—	—	—	—	—	—	—	—	—	—	73,752	(73,752)
—	—	—	—	13,373	(13,373)	—	17,554	(17,554)	284,850	268,314	16,536
—	—	—	—	—	—	—	—	—	639,500	70,975	568,525
—	—	—	—	—	—	—	—	—	218,962	116,171	102,791
—	—	—	—	8,339	(8,339)	—	10,943	(10,943)	—	89,478	(89,478)
—	—	—	—	21,712	(21,712)	—	28,497	(28,497)	2,015,738	1,451,379	564,359
—	—	—	—	21,712	(21,712)	—	28,497	(28,497)	39,990,198	38,851,718	1,138,480
—	8,375	8,375	14,640	63	(14,577)	19,140	(20)	(19,160)	(1,341,776)	120,144	1,461,920
(8,325)	(8,325)	—	—	—	—	20	20	—	1,450,542	1,450,542	—
$ (8,325)	$ 50	$ 8,375	$ 14,640	$ 63	$ (14,577)	$ 19,160	$ —	$ (19,160)	$ 108,766	$ 1,570,686	$ 1,461,920

General Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 400,735	$ 379,763
Receivables, net of allowance for uncollectibles:		
Due from federal government	712,911	708,833
Other receivables	11,274	11,022
Due from cities and towns	19,722	5,020
Total assets	$ 1,144,642	$ 1,104,638
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 759,421	$ 789,552
Accrued payroll	185,860	170,957
Total liabilities	945,281	960,509
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	199,361	144,129
Total fund balance	199,361	144,129
Total liabilities and fund balance	$ 1,144,642	$ 1,104,638

See accountants' review report

General Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 21,717,500	$ 21,854,255	$ 136,755	$ 20,539,735
Assessments	414,208	403,138	(11,070)	439,998
Federal grants and reimbursements	9,551,184	9,388,840	(162,344)	8,366,140
Tobacco settlement revenue	253,628	245,839	(7,789)	282,049
Departmental	2,421,790	2,245,586	(176,204)	2,156,954
Miscellaneous	230,486	257,977	27,491	254,968
Total revenues	34,588,796	34,395,635	(193,161)	32,039,844
Other financing sources:				
Fringe benefit cost recovery	347,023	329,606	(17,417)	310,559
Lottery reimbursements	91,375	104,238	12,863	95,891
Lottery distributions	955,865	947,250	(8,615)	921,730
Operating transfers in	201,257	262,223	60,966	241,225
Stabilization transfer	150,650	144,806	(5,844)	771,569
Total other financing sources	1,746,170	1,788,123	41,953	2,340,974
Total revenues and other financing sources	36,334,966	36,183,758	(151,208)	34,380,818
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	83,287	60,465	22,822	56,299
Judiciary	849,435	839,454	9,981	814,129
Inspector General	4,608	4,521	87	6,162
Governor and Lieutenant Governor	10,380	6,368	4,012	5,144
Secretary of the Commonwealth	45,466	44,787	679	44,240
Treasurer and Receiver-General	230,190	203,312	26,878	203,358
Auditor of the Commonwealth	17,778	17,768	10	17,536
Attorney General	44,209	43,134	1,075	43,028
Ethics Commission	1,925	1,914	11	1,904
District Attorney	108,975	108,677	298	105,962
Office of Campaign and Political Finance	1,460	1,433	27	1,370
Sheriff's Department	596,962	581,157	15,805	552,978
Disabled Persons Protection Commission	2,725	2,724	1	2,412
Board of Library Commissioners	25,323	25,301	22	22,184
Comptroller	8,837	8,837	—	8,541

continued

General Fund

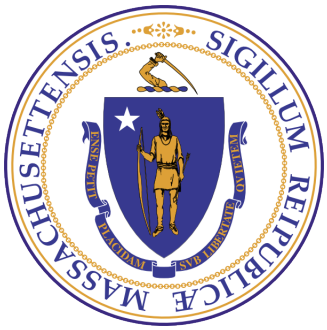
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
Expenditures (continued):				
Administration and Finance	2,146,692	2,092,470	54,222	1,931,276
Energy and Environmental Affairs	215,511	208,194	7,317	200,882
Health and Human Services	5,405,578	5,300,785	104,793	4,979,491
Executive Office of Education	2,248,442	2,214,091	34,351	2,077,382
Center for Health Information and Analysis	34,524	26,405	8,119	23,706
Public Safety and Homeland Security	1,072,803	1,040,689	32,114	1,010,411
Housing and Economic Development	523,315	495,721	27,594	498,273
Labor and Workforce Development	53,923	43,198	10,725	41,437
Direct local aid	5,421,728	5,420,412	1,316	5,292,467
Medicaid	13,709,008	13,655,213	53,795	11,900,776
Post employment benefits	2,213,361	2,213,361	—	2,050,361
Debt service:				
Principal retirement	555,927	546,616	9,311	625,392
Interest and fiscal charges	446,465	438,987	7,478	428,601
Total expenditures	36,078,837	35,645,994	432,843	32,945,702
Other financing uses:				
Operating transfers out	209,976	161,100	48,876	73,249
Stabilization transfer	122,000	48,806	73,194	459,767
State Retiree Benefits transfer	—	42,584	(42,584)	27,346
Commonwealth care transfer	—	—	—	390,079
Medical assistance transfer	639,500	70,975	568,525	395,025
Delivery system transformation initiatives trust transfer	218,962	116,171	102,791	70,732
Other fund deficit support		42,896	(42,896)	148,019
Total other financing uses	1,190,438	482,532	707,906	1,564,217
Total expenditures and other financing uses	37,269,275	36,128,526	1,140,749	34,509,919
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	(934,309)	55,232	989,541	(129,101)
Fund balance (deficit) at beginning of year	144,129	144,129	—	273,230
Fund balance (deficit) at end of year	$ (790,180)	$ 199,361	$ 989,541	$ 144,129

See accountants' review report



THIS PAGE INTENTIONALLY LEFT BLANK

Commonwealth Transportation Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 428	$ 608
Cash with fiscal agent	13,903	14,384
Total assets	$ 14,331	$ 14,992
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 428	$ 608
Total liabilities	428	608
Fund balance:		
Reserved fund balance:		
Reserved for debt service	13,903	14,384
Total fund balance	13,903	14,384
Total liabilities and fund balance	$ 14,331	$ 14,992

See accountants' review report

Commonwealth Transportation Fund

Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 1,296,700	$ 1,265,166	$ (31,534)	$ 1,231,994
Assessments	23,578	22,178	(1,400)	22,211
Departmental	652,570	645,810	(6,760)	522,364
Miscellaneous	—	225	225	2,430
Total revenues	1,972,848	1,933,379	(39,469)	1,778,999
Other financing sources:				
Operating transfers in	75,000	—	(75,000)	11,428
Other fund deficit support	—	71,485	71,485	102,495
Total other financing sources	75,000	71,485	(3,515)	113,923
Total revenues and other financing sources	2,047,848	2,004,864	(42,984)	1,892,922
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Massachusetts Department of Transportation	122,553	122,553	—	275,200
Debt service:				
Principal retirement	748,804	735,408	13,396	616,364
Interest and fiscal charges	486,315	460,888	25,427	456,853
Total expenditures	1,357,672	1,318,849	38,823	1,348,417
Other financing uses:				
Operating transfers out	660,155	655,328	4,827	515,089
State Retiree Benefits transfer	—	31,168	(31,168)	29,064
Total other financing uses	660,155	686,496	(26,341)	544,153
Total expenditures and other financing uses	2,017,827	2,005,345	12,482	1,892,570
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	30,021	(481)	(30,502)	352
Fund balance (deficit) at beginning of year	14,384	14,384	—	14,032
Fund balance (deficit) at end of year	$ 44,405	$ 13,903	$ (30,502)	$ 14,384

See accountants' review report

Commonwealth Stabilization Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 988,004	$ 986,598
Investments	264,425	261,837
Total assets	$ 1,252,429	$ 1,248,435
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$ —	$ —
Total liabilities	—	—
Fund balance:		
Reserved fund balance:		
Reserved for Commonwealth Stabilization	1,252,429	1,248,435
Total fund balance	1,252,429	1,248,435
Total liabilities and fund balance	$ 1,252,429	$ 1,248,435

See accountants' review report

Commonwealth Stabilization Fund

Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ —	$ 647	$ 647	$ 867
Miscellaneous	10,650	4,646	(6,004)	7,259
Total revenues	10,650	5,293	(5,357)	8,126
Other financing sources:				
Stabilization transfer	142,000	143,507	1,507	459,767
Total other financing sources	142,000	143,507	1,507	459,767
Total revenues and other financing sources	152,650	148,800	(3,850)	467,893
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
State Retiree Benefits transfer	—	—	—	2,273
State Pension transfer	—	—	—	2,273
Stabilization transfer	162,850	144,806	18,044	771,569
Total other financing uses	162,850	144,806	18,044	776,115
Total expenditures and other financing uses	162,850	144,806	18,044	776,115
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	(10,200)	3,994	14,194	(308,222)
Fund balance (deficit) at beginning of year	1,248,435	1,248,435	—	1,556,657
Fund balance (deficit) at end of year	$ 1,238,235	$ 1,252,429	$ 14,194	$ 1,248,435

See accountants' review report

Intragovernmental Service Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 43,611	$ 41,709
Total assets	$ 43,611	$ 41,709
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$ 27,292	$ 27,296
Accrued payroll	5,333	4,184
Total liabilities	32,625	31,480
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	10,986	10,229
Total fund balance	10,986	10,229
Total liabilities and fund balance	$ 43,611	$ 41,709

See accountants' review report

Intragovernmental Service Fund

Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ 379,264	$ 379,264	$ 354,758
Total revenues	—	379,264	379,264	354,758
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	379,264	379,264	354,758
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Secretary of the Commonwealth	116	104	12	99
Comptroller	5,272	4,731	541	4,270
Administration and Finance	256,073	211,368	44,705	197,457
Energy and Environmental Affairs	1,467	1,431	36	1,384
Health and Human Services	120,743	98,148	22,595	91,045
Executive Office of Education	1,860	103	1,757	456
Public Safety and Homeland Security	59,327	50,752	8,575	48,364
Housing and Economic Development	2,525	1,795	730	1,541
Labor and Workforce Development	19,042	—	19,042	—
Debt service:				
Principal retirement	10,540	8,506	2,034	6,218
Total expenditures	476,965	376,938	100,027	350,834
Other financing uses:				
Operating transfers out	—	1,569	(1,569)	3,478
Total other financing uses	—	1,569	(1,569)	3,478
Total expenditures and other financing uses	476,965	378,507	98,458	354,312
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	(476,965)	757	477,722	446
Fund balance (deficit) at beginning of year	10,229	10,229	—	9,783
Fund balance (deficit) at end of year	$ (466,736)	$ 10,986	$ 477,722	$ 10,229

See accountants' review report

Inland Fisheries And Game Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 18,181	$ 18,548
Total assets	$ 18,181	$ 18,548
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$ 1,736	$ 772
Accrued payroll	411	343
Total liabilities	2,147	1,115
Fund balance:		
Undesignated	16,034	17,433
Total fund balance	16,034	17,433
Total liabilities and fund balance	$ 18,181	$ 18,548

See accountants' review report

Inland Fisheries And Game Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 1,000	$ 986	$ (14)	$ 962
Federal grants and reimbursements	5,600	8,095	2,495	6,005
Departmental	7,361	7,294	(67)	7,079
Miscellaneous	32	45	13	40
Total revenues	13,993	16,420	2,427	14,086
Other financing sources:				
Operating transfers in	130	187	57	179
Total other financing sources	130	187	57	179
Total revenues and other financing sources	14,123	16,607	2,484	14,265
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	126	94	32	118
Energy and Environmental Affairs	16,179	15,647	532	13,262
Total expenditures	16,305	15,741	564	13,380
Other financing uses				
Fringe benefit cost assessment	1,939	2,265	(326)	2,055
Total other financing uses	1,939	2,265	(326)	2,055
Total expenditures and other financing uses	18,244	18,006	238	15,435
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	(4,121)	(1,399)	2,722	(1,170)
Fund balance (deficit) at beginning of year	17,433	17,433	—	18,603
Fund balance (deficit) at end of year	$ 13,312	$ 16,034	$ 2,722	$ 17,433

See accountants' review report

Marine Recreational Fisheries Development Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 2,766	$ 2,538
Total assets	$ 2,766	$ 2,538
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	$ 173	$ 123
Accrued payroll	27	16
Total liabilities	200	139
Fund balance:		
Unreserved fund balance:		
Undesignated	2,566	2,399
Total fund balance	2,566	2,399
Total liabilities and fund balance	$ 2,766	$ 2,538

See accountants' review report

Marine Recreational Fisheries Development Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ 1,385	$ 1,429	$ 44	$ 1,408
Total revenues	1,385	1,429	44	1,408
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	1,385	1,429	44	1,408
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Energy and Environmental Affairs	1,341	1,158	183	890
Total expenditures	1,341	1,158	183	890
Other financing uses				
Fringe benefit cost assessment	—	104	(104)	95
Total other financing uses	—	104	(104)	95
Total expenditures and other financing uses	1,341	1,262	79	985
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	44	167	123	423
Fund balance (deficit) at beginning of year	2,399	2,399	—	1,976
Fund balance (deficit) at end of year	$ 2,443	$ 2,566	$ 123	$ 2,399

See accountants' review report

Public Safety Training Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 1,182	$ 568
Total assets	$ 1,182	$ 568
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ —	$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated	1,182	568
Total fund balance (deficit)	1,182	568
Total liabilities and fund balance	$ 1,182	$ 568

See accountants' review report

Public Safety Training Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ 1,406	$ 1,406	$ 568
Miscellaneous	—	—	—	—
Total revenues	—	1,406	1,406	568
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	1,406	1,406	568
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and finance	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	792	(792)	—
Total other financing uses	—	792	(792)	—
Total expenditures and other financing uses	—	792	(792)	—
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	—	614	614	568
Fund balance (deficit) at beginning of year	568	568	—	—
Fund balance (deficit) at end of year	$ 568	$ 1,182	$ 614	$ 568

See accountants' review report

Children and Families Protection Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ —	$ —
Total assets	$ —	$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ —	$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated	—	—
Total fund balance (deficit)	—	—
Total liabilities and fund balance	$ —	$ —

See accountants' review report

Children and Families Protection Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ —	$ —	$ 1
Total revenues	—	—	—	1
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	—	—	1
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and human services	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	—	—	1
Total other financing uses	—	—	—	1
Total expenditures and other financing uses	—	—	—	1
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	—	—	—	—
Fund balance (deficit) at beginning of year	—	—	—	—
Fund balance (deficit) at end of year	$ —	$ —	$ —	$ —

See accountants' review report

Community First Trust Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 72,433	$ —
Total assets	$ 72,433	$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ —	$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance:		
Undesignated	72,433	—
Total fund balance	72,433	—
Total liabilities and fund balance	$ 72,433	$ —

See accountants' review report

Community First Trust Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	$ —	$ 83,470	$ 83,470	$ —
Total revenues	—	83,470	83,470	—
Other financing sources:				
Operating transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Total revenues and other financing sources	—	83,470	83,470	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and Human Services	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Operating transfers out	—	11,037	(11,037)	—
Total other financing uses	—	11,037	(11,037)	—
Total expenditures and other financing uses	—	11,037	(11,037)	—
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	—	72,433	72,433	—
Fund balance (deficit) at beginning of year	—	—	—	—
Fund balance (deficit) at end of year	$ —	$ 72,433	$ 72,433	$ —

See accountants' review report

Massachusetts Tourism Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 4,724	$ 1,376
Total assets	$ 4,724	$ 1,376
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 2,974	$ 1,279
Accrued payroll	69	77
Total liabilities	3,043	1,356
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	1,681	20
Total fund balance	1,681	20
Total liabilities and fund balance	$ 4,724	$ 1,376

See accountants' review report

Massachusetts Tourism Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 49,600	$ 52,745	$ 3,145	$ 48,472
Total revenues	49,600	52,745	3,145	48,472
Other financing sources:				
Operating transfers in	1,690	2,513	823	113
Total other financing sources	1,690	2,513	823	113
Total revenues and other financing sources	51,290	55,258	3,968	48,585
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Governor and Lieutenant Governor	—	—	—	17
Housing and Economic Development	23,385	21,704	1,681	25,182
Total expenditures	23,385	21,704	1,681	25,199
Other financing uses:				
Fringe benefit cost assessment	356	494	(138)	480
Operating transfers out	—	—	—	3,009
Stabilization transfer	—	19,337	(19,337)	—
Other fund deficit support	—	12,062	(12,062)	19,953
Total other financing uses	356	31,893	(31,537)	23,442
Total expenditures and other financing uses	23,741	53,597	(29,856)	48,641
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	27,549	1,661	(25,888)	(56)
Fund balance (deficit) at beginning of year	20	20	—	76
Fund balance (deficit) at end of year	$ 27,569	$ 1,681	$ (25,888)	$ 20

See accountants' review report

Local Capital Projects Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 3,864	$ 21,250
Total assets	$ 3,864	$ 21,250
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 3,864	$ —
Total liabilities	3,864	—
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	21,250
Total fund balance (deficit)	—	21,250
Total liabilities and fund balance	$ 3,864	$ 21,250

See accountants' review report

Local Capital Projects Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ —	$ —	$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	12,380	18,425	6,045	825
Other deficit support	—	—	—	20,425
Total other financing sources	12,380	18,425	6,045	21,250
Total revenues and other financing sources	12,380	18,425	6,045	21,250
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and Economic Development	—	—	—	—
Total expenditures	—	—	—	—
Other financing uses:				
Stabilization transfer	—	24,437	(24,437)	—
Other fund deficit support	—	15,238	(15,238)	—
Total other financing uses	—	39,675	(39,675)	—
Total expenditures and other financing uses	—	39,675	(39,675)	—
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	12,380	(21,250)	(33,630)	21,250
Fund balance (deficit) at beginning of year	21,250	21,250	—	—
Fund balance (deficit) at end of year	$ 33,630	$ —	$ (33,630)	$ 21,250

See accountants' review report

Gaming Local Aid Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ —	$ —
Total assets	$ —	$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ —	$ —
Total liabilities	—	—
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated	—	—
Total fund balance (deficit)	—	—
Total liabilities and fund balance	$ —	$ —

See accountants' review report

Gaming Local Aid Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ —	$ —	$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	1,961	1,961	—
Other deficit support	—	17,994	17,994	—
Total other financing sources	—	19,955	19,955	—
Total revenues and other financing sources	—	19,955	19,955	—
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and Finance	19,955	19,955	—	—
Total expenditures	19,955	19,955	—	—
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	19,955	19,955	—	—
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	(19,955)	—	19,955	—
Fund balance (deficit) at beginning of year	—	—	—	—
Fund balance (deficit) at end of year	$ (19,955)	$ —	$ 19,955	$ —

See accountants' review report

Local Aid Stabilization Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 7,400	$ —
Total assets	$ 7,400	$ —
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments	$ —	$ 7,182
Accounts payable	7,350	1,143
Total liabilities	7,350	8,325
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated	50	(8,325)
Total fund balance (deficit)	50	(8,325)
Total liabilities and fund balance	$ 7,400	$ —

See accountants' review report

Local Aid Stabilization Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ —	$ —	$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	—	8,375	8,375	375
Total other financing sources	—	8,375	8,375	375
Total revenues and other financing sources	—	8,375	8,375	375
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	8,700
Total expenditures	—	—	—	8,700
Other financing uses:				
Operating transfers out	—	—	—	—
Total other financing uses	—	—	—	—
Total expenditures and other financing uses	—	—	—	8,700
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	—	8,375	8,375	(8,325)
Fund balance (deficit) at beginning of year	(8,325)	(8,325)	—	—
Fund balance (deficit) at end of year	$ (8,325)	$ 50	$ 8,375	$ (8,325)

See accountants' review report

Manufacturing Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 125	$ 30
Total assets	$ 125	$ 30
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 62	$ 30
Total liabilities	62	30
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	63	—
Total fund balance (deficit)	63	—
Total liabilities and fund balance	$ 125	$ 30

See accountants' review report

Manufacturing Fund

Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ —	$ —	$ —
Total revenues	—	—	—	—
Other financing sources:				
Operating transfers in	14,640	21,775	7,135	975
Other fund deficit sources	—	—	—	12,608
Total other financing support	14,640	21,775	7,135	13,583
Total revenues and other financing sources	14,640	21,775	7,135	13,583
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	1,582
Housing and Economic Development	—	—	—	9,729
Labor and Workforce Development	—	—	—	2,000
Total expenditures	—	—	—	13,311
Other financing uses:				
Fringe benefit cost assessment	—	—	—	272
Operating transfers out	—	—	—	—
Stabilization transfer	—	13,373	(13,373)	—
Other fund deficit support	—	8,339	(8,339)	—
Total other financing uses	—	21,712	(21,712)	272
Total expenditures and other financing uses	—	21,712	(21,712)	13,583
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	14,640	63	(14,577)	—
Fund balance (deficit) at beginning of year	—	—	—	—
Fund balance (deficit) at end of year	$ 14,640	$ 63	$ (14,577)	$ —

See accountants' review report

Community College Fund

Balance Sheet - Statutory Basis

June 30, 2015

(Amounts in thousands)

	2015	2014
ASSETS		
Cash and short-term investments	$ 831	$ 778
Total assets	$ 831	$ 778
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued payroll	$ 831	$ 758
Total liabilities	831	758
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations	—	20
Total fund balance (deficit)	—	20
Total liabilities and fund balance	$ 831	$ 778

See accountants' review report

Community College Fund

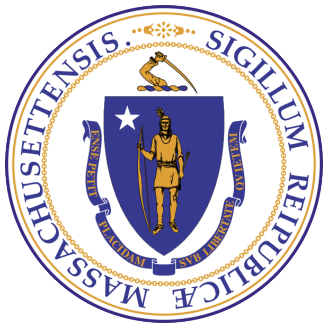
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	2015 Budget	2015 Actual	Variance Favorable (Unfavorable)	2014 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental	$ —	$ 2	$ 2	$ —
Total revenues	—	2	2	—
Other financing sources:				
Operating transfers in	19,140	28,475	9,335	1,275
Other fund deficit support	—	—	—	32,444
Total other financing sources	19,140	28,475	9,335	33,719
Total revenues and other financing sources	19,140	28,477	9,337	33,719
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Executive Office of Education	—	—	—	28,310
Total expenditures	—	—	—	28,310
Other financing uses:				
Fringe benefit cost assessment	—	—	—	5,389
Operating transfers out	—	—	—	—
Stabilization transfer	—	17,554	(17,554)	—
Other fund deficit support	—	10,943	(10,943)	—
Total other financing uses	—	28,497	(28,497)	5,389
Total expenditures and other financing uses	—	28,497	(28,497)	33,699
Excess (deficiency) of revenues and other financing sources over / (under) expenditures and other financing uses	19,140	(20)	(19,160)	20
Fund balance (deficit) at beginning of year	20	20	—	—
Fund balance (deficit) at end of year	$ 19,160	$ —	$ (19,160)	$ 20

See accountants' review report



THIS PAGE INTENTIONALLY LEFT BLANK

Non-Budgeted Funds

SPECIAL REVENUE FUNDS:

These funds account for the proceeds of specific revenue sources that are restricted to finance specific functions. Funds that are not subject to appropriation are considered Non-Budgeted Special Revenue Funds.

Federal Grants Fund - to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

LOTTERY FUNDS:

The two lottery funds account for the operations of the State and Arts Lotteries.

State Lottery Fund - to account for revenue from the sale of lottery tickets and for the payment of prizes, expenses of the State Lottery Commission and the distribution to municipalities and school districts. Transfers are made from lottery profits to the General Fund.

Arts Lottery Fund - to account for revenues from the sale of lottery tickets, for payment of prizes and the expenses of the State Lottery Commission, and for the administration of the Arts Lottery Council. Transfers are made to the General Fund at the end of the fiscal year.

GAMING FUNDS:

Massachusetts Gaming Control Fund - to account for all gaming fees and assessments not recorded in other funds by legislative mandate and other monies authorized by the General Court. Expenditures are to finance the activities of the Massachusetts Gaming Commission (MGC).

Gaming Revenue Fund - to account for revenues collected from taxes on gross gaming revenue received from gaming licenses. The revenues shall be transferred to other funds in accordance with Section 59 of Chapter 23K of the General Laws.

Gaming Licensing Fund - to account for the collection of all gaming establishment licensing fees established under Chapter 23K of the General Laws and excluding initial application fees. Monies from this fund shall be transferred to various funds in accordance with Section 93 of Chapter 194 of the Acts of 2011. This fund shall expire on December 31, 2015.

UNIVERSAL HEALTH CARE FUNDS:

The twelve Universal Healthcare Funds account for assessments and other revenues that are dedicated to making health care and health insurance accessible and affordable to all citizens of the Commonwealth.

Catastrophic Illness in Children Relief Fund - to account for receipts from a portion of an employer's unemployment health insurance contribution and certain Federal financial participation. The assistance is for medical expenses of

childhood catastrophic illnesses not covered by any other state and federal program and subject to certain family income limits.

Commonwealth Care Trust Fund - to collect fair share employer assessments, free rider surcharges, cigarette tax revenues, transfers from the Health Safety Net Trust Fund and any funds that may be appropriated or transferred for deposit into the trust fund for the purpose of providing health care coverage in accordance with Chapter 58 of the Acts of 2006.

Medical Assistance Trust Fund - to account for any funds directed to the Commonwealth from public entities and federal revenues related to medical assistance; to be used for medical assistance payments to entities authorized by the general court.

Health Safety Net Trust Fund - to account for reimbursing hospitals and community health centers for a portion of the cost of reimbursable health services provided to low-income, uninsured or underinsured residents of the Commonwealth.

Section 1202 Trust Fund - to account for amounts equal to the Federal Financial Participation (FFP) received for the portion of expenditures eligible for 100% FFP under Section 1202 of the Patient Protection and Affordable Care Act. The amount deposited shall not exceed the amount expended from the fund. Expenditures shall be exclusively for services provided in calendar years 2013 and 2014 that are eligible for 100% FFP under said Section 1202. No expenditure shall be made from the fund that shall cause the fund to be in deficit at the close of a fiscal year. This fund expires June 30, 2015.

Delivery System Transformation Initiatives Trust Fund - to account for funds expended for delivery system transformation initiatives payments to qualifying providers under an approved federal waiver.

Money Follows the Person Rebalancing Demonstration Grant Trust Fund - to account for funds used for expenses that primarily benefit individuals who have disabilities or long-term illnesses or who are elders. The funds shall be used to home and community-based waiver programs established to support the commonwealth's rebalancing initiative. Monies equal to the amount of federal financial participation collected from the previous quarter shall be transferred to the fund.

Healthcare Payment Reform Fund - to account for any gaming license fees transferred under Section 93 of Chapter 194 of the Acts of 2011, as amended by Section 10 of Chapter 3 of the Acts of 2013, 5% of the acute hospital assessments and any monies credited or transferred to the fund from any other fund or source. The Health Policy Commission is the trustee of the fund and may expend from the fund, without further appropriation, to carry out the purposes of Chapter 224 of the Acts of 2012, which is to improve the quality of and reduce the cost of health care in the Commonwealth.

Distressed Hospital Trust Fund - to account for public and private sources such as gifts, grants and donations, interest earned on such revenues, 60% of the acute hospital assessment established in Section 241 of Chapter 224 of the Acts of 2012, and any funds provided from other sources. All expenditures from the Distressed Hospital Trust Fund shall support the State's efforts to meet the health care cost growth benchmark established in Section 9 of Chapter 6D of the General Laws and shall be consistent with any activities funded by the e-Health Institute, the Healthcare Payment Reform Fund, and any delivery system transformation initiative funds authorized by the federal government. No more than 10% of the amounts held in the fund in any 1 year shall be used by the commission for the combined cost of program administration, technical assistance to grantees or program evaluation.

Prevention and Wellness Trust Fund - to account for: (1) any revenue from appropriations or other monies authorized by the General Court and specifically designated to be credited to the fund; (2) any fines and penalties allocated to the fund; (3) any funds from public and private sources such as gifts, grants and donations to further community-based prevention activities; (4) any interest earned on such revenues; and (5) any funds provided from other sources. Also, 26 2/3% of the acute hospital assessment established in Section 241 of Chapter 224 of the Acts of 2012 shall be credited to this fund. All expenditures from the fund shall support the state's efforts to meet the health care cost growth benchmark established in Section 9 of Chapter 6D of the General Laws and any activities funded by the Healthcare Payment Reform Fund and other health related purposes. No more than 15% of the amounts held in the fund in any 1 year shall be used by the department for the combined cost of program administration, technical assistance to grantees or program evaluation.

Massachusetts Health Information Exchange Fund - to account for expenditures to support the dissemination and development of the statewide health information exchange. There shall be credited to the fund any appropriations, proceeds of any bonds or notes of the commonwealth issued for the purpose, or other monies authorized by the general court and designated thereto; any federal grants or loans; any private gifts, grants or donations made available; and any income derived from the investment of amounts credited to the fund.

Community First Trust Fund - The secretary of health and human services may expend not more than $16,000,000 deposited in the fund. There shall be credited to the fund an amount equal to the increase in revenues from federal reimbursements resulting from the increased percentage points attributable to participation in the state balancing incentive payment program. There shall be credited to the fund an amount equal to the revenues received from federal financial participation earned on any qualifying expenditures sourced from the fund. No expenditure shall be made from the fund which shall cause the fund to be in deficit at the close of a fiscal year. Any remaining balance in the fund at the end of a fiscal year shall not revert to the General Fund but shall remain in the fund and be available for expenditure during the next fiscal year. Expenditures from the fund may be made for services provided in prior fiscal years.

OTHER FUNDS:

The other special revenue funds account for a variety of miscellaneous taxes, assessments, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

Dam and Seawall Repair or Removal Fund - to account for amounts credited or transferred to the fund by the General Court or any other source including, without limitation, federal grants; loan repayments; investment earnings on monies in the fund; and any other amounts required to be credited to the fund by operation of law, resolution or agreement entered into by the Department of Conservation and Recreation. Amounts credited to the fund shall be used to provide grants or loans to local governmental bodies, charitable organizations and private dam owners to finance or refinance costs related to dams and flood or wave control repair or remediation projects. Grants from the fund shall only be available to local government bodies and charitable organizations.

Department of Telecommunication and Energy Trust Fund - to account for expenditures by the Department of Telecommunications and Energy for activities of the Department related to the regulation of electric companies.

Fingerprint-Based Background Check Trust Fund - to account for any appropriations or other monies authorized by the General Court and specifically designated to be credited thereto and any additional funds designated for deposit into the fund, including any private donations made available for deposit into the fund. Expenditures shall be for the sole purpose of carrying out state and national criminal background checks and verifications.

Liability Management and Reduction Fund - to account for chargebacks assessed to departments as premiums for the provision of insurance coverage for state agencies to cover payment of judgments, settlements and litigation costs in tort claims.

Medical Marijuana Trust Fund - to account for revenues generated from fees collected after July 1, 2013, as authorized by Section 3B of Chapter 7 of the General Laws and Section 13 of Chapter 369 of the acts of 2012. Expenditures from the fund shall be for the administrative costs of operations and programs related to said Chapter 369. The department may incur expenses and the comptroller may certify for payment, amounts in anticipation of expected receipts; provided, however, that no expenditure shall be made from the fund which shall cause the fund to be in deficit at the close of a fiscal year.

Essex Regional Emergency Communication Center Fund - The fund shall be used for the operation of the Regional Emergency Communications Center (RECC) to provide centralized emergency communication services to participating communities. There shall be credited to the fund: (i) the per capita assessment based on population on each member city or town and (ii) any other funding, including, but not limited to, appropriation, gift, grant, contribution, transfer or investment. Expenditures from the fund shall be made for the operating costs of the RECC provided, however, that funds shall not be used toward the capital budget requirements of the Essex County Regional Emergency Communications Center.

Dockside Testing Trust Fund - to account for fees collected from harvesters of molluscan shellfish on Georges Bank in the amount of $35,000 per vessel. Expenditures shall be for the administrative costs of the operations and programs of the department related to regulating and monitoring the shellfish harvesters, including the testing of shellfish as

necessary to ensure that they are safe for human consumption. The department may incur expenses and the comptroller may certify for payment amounts in anticipation of expected receipts, but no expenditure shall be made from the fund that would cause the fund to be in deficit at the close of a fiscal year.

Commonwealth of Massachusetts Civil Monetary Penalty (CMP) Fund - to account for civil monetary penalties paid by nursing homes participating in the medical program for the protection of health and property of residents in a nursing home if the facility is found deficient.

MBTA State and Local Contribution Fund - to account for the transfer of dedicated sales tax revenue and MBTA service area assessments from the Commonwealth to the MBTA as set forth in Massachusetts General Laws, Chapter 10, Section 35T.

Community Preservation Trust Fund - to account for revenues received from surcharges on real estate property taxes, public and private sources as gifts, grants and donations, from damages, penalties costs from litigation settlements and surcharge on municipal liens imposed by the cities and towns that accept funds from the trust, to further community open space preservation programs.

Health Insurance Portability and Accountability Act Fund - to account for revenues received from Federal reimbursements under the Social Security Act, other Federal reimbursements, grants, gifts or other contributions to meet the costs of compliance with the Federal Health Insurance Portability and Accountability Act of 1996 (HIPPA).

State Racing Fund - to account for racing-related taxes and assessments, to be used for expenditures governing simulcasting and to provide certain relief to the racing industry in the Commonwealth. This fund expires on July 31, 2016.

Division of Professional Licensure Trust Fund - to support programs and administrative costs of the Division of Professional Licensure. Revenues are from professional registration fees and expenditures are for regulatory purposes. Moneys deposited into the trust fund that are unexpended at the end of the fiscal year, and that total not more than 50% of the division's expenditures for the previous fiscal year, shall not revert to the General Fund.

Victims of Drunk Driving Trust Fund - to account for fines collected from individuals convicted of driving under the influence of various substances defined by the law. Expenditures are for grants to community based programs to provide counseling and support services to victims of accidents.

State Athletic Commission Fund - to account for licensing fees, other fees and fines collected up to a maximum of $200,000 per year. All revenues in excess of $200,000 shall be transferred to the General Fund.

Organ and Tissue Donor Registration Fund - to account for funds received from public and private donations, fees collected by the department of Public Health, including interest revenue, for the purpose of registration of residents of the Commonwealth as organ and tissue donors. Administrative costs cannot exceed 3% per annum of the funds held in the fund in any given fiscal year.

Department of Fire Services Hazardous Materials Emergency Mitigation Response Recovery Trust Fund - to account for monies received from fees, fines and investment income up to a maximum of $250,000 per year. All revenues in excess of $250,000 are transferred to the General Fund. Expenditures are for emergency hazardous materials response and mitigation costs.

Registers Technological Fund - to account for funds received from deed surcharges for the benefit of abolished counties. Expenditures are for technological improvements at the registries of deeds in those counties.

County Registers Technological Fund - to account for monies received from deed surcharges for Barnstable, Bristol, Dukes, Norfolk, Plymouth and Nantucket Counties. Expenditures are for technical improvements at those counties.

State Election Campaign Fund - to account for the costs of quadrennial statewide elections provided for through contributions from citizens.

Enhanced 911 Fund - to account for expenditures by the State Police and the Executive Office of Public Safety and Security to automatically identify a telephone number used to place or route a 911 call.

Counsel for Indigent Salary Enhancement Trust Fund - to account for fees collected for private applications for criminal complaints for misdemeanors in Commonwealth courts, including investment income. Expenditures are for rate enhancements for advocates for the indigent.

Smart Growth Housing Trust Fund - to account for revenues from state surplus property sold for between $25 million to $50 million, or appropriations from the General Fund and monetary sanctions imposed by the department. This fund is controlled by the Department of Housing and Community Development for the purpose of making payments to communities under the Smart Growth and Housing Production program.

Special Projects Permitting and Oversight Fund - to account for environmental permitting fees. Expenditures are for permitting, technical assistance, compliance and other activities related to environmental oversight.

Division of Energy Resources Credit Trust Fund - to account for the receipt, retention, redemption, sale or transfer of energy conservation credits, renewable energy certificates or credits, emission credits and similar allowances. The Division of Energy Resources may expend these funds, without further appropriation for the implementation of programs for energy reliability, renewable energy, public procurement of energy and energy efficiency and climate change.

School Modernization and Reconstruction Trust Fund - to account for dedicated sales tax revenues in support of the School Building Assistance Program.

Roche Community Rink Fund - to account for the residual net revenues of the privately operated ice skating rink located in the West Roxbury section of the city of Boston.

Health Care Workforce Transformation Fund - to account for all revenue received from appropriations made by General Court and gifts, grants, loan repayments and interest income. Expenditures of not more than 10% of the amount held in the fund in any one year shall be used by the Secretary of Health and Human Services for the combined cost of program administration, technical assistance to grantees and program evaluation. Funds of not less than 20% may be transferred to the Department of Public Health and up to 10% may be transferred to the Massachusetts Nursing and Allied Health Workforce Development Trust Fund. Funds remaining shall be expended by the Executive Office of Labor and Workforce Development for various healthcare related jobs programs.

Workforce Competitiveness Trust Fund - to account for funds to support the development and implementation of employer and work responsive programs to enhance worker skills, income, productivity and retention and to increase the quality and competitiveness of Massachusetts firms. The fund is administered by the Executive Office of Labor and Workforce Development.

Fire Prevention and Public Safety Fund - to account for all penalties recovered under the Cigarette Fire Safety Regulation Act to be used for fire safety and prevention programs.

Cigarette Fire Safety and Firefighter Protection Act Enforcement Fund - to account for the fire safety certification fees submitted by cigarette manufacturers. The fund is used solely to support state processing, testing, enforcement and oversight activities related to implementation of the cigarette fire safety regulation.

District Local Technical Assistance Fund - to account for grants to regional planning agencies for technical assistance to municipalities and to develop a statewide permitting model. Technical assistance services funded by these grants shall include services for zoning, land use planning, conservation, public safety planning, information technology and statistical trend modeling. Expenditures from this fund may not exceed $2.8 million in any fiscal year.
Educational Rewards Grant Program Fund - to account for grants to students in accredited post-secondary certificate or vocational technology programs or associate degrees in targeted high-demand occupations.

Massachusetts Nursing and Allied Health Workforce Development Trust Fund - to account for funds appropriated, grants, loans or private donations received to increase the number of public and private higher education faculty and students who participate in programs that support careers in fields related to nursing and allied health.

Health Information Technology Trust Fund - to account for federal reimbursements received under the Health Information Technology for Economic and Clinical Health Act and other revenues received from or in support of the health care provider incentive payment program for incentive payments to eligible Massachusetts Medicaid health care providers and for the promotion of electronic health record adoption and health information exchange in the

Commonwealth. This fund may incur a deficit, after approval from the Secretary of Administration and Finance, in an amount not to exceed the most recent revenue estimate as certified by the MassHealth Director.

Build America Bonds Subsidy Trust Fund - to account for subsidies from the United States Treasury related to taxable Build America bonds issued by the Commonwealth. Expenditures are used to pay debt service related to these bonds.

Housing Preservation and Stabilization Fund - to account for funds appropriated or transferred to the trust fund by the general court; and all interest earned on monies in the trust fund. Expenditures shall be made, without appropriation, only for providing affordable housing for low-income families and individuals in the commonwealth, particularly those most at risk of becoming homeless. The fund shall be in balance by the close of each fiscal year. Balances remaining at the end of a fiscal year shall not revert to the General Fund.

Office of Refugees and Immigrants Trust Fund - to account for grants, bequests, gifts or contributions of cash or securities and contributions of services or property in kind made for the purpose of supporting the office for refugees and immigrants. Expenditures shall be made only for the following purposes: (i) operating costs of the office for refugees and immigrants, including the divisions and programs within the office; (ii) costs related to carrying out the powers of the office under section 207; and (iii) costs associated with refugee and immigrant-related programs, grants and initiatives of the director. The trustee shall ensure that no expenditures from the fund shall cause the fund to be in deficiency at the close of a fiscal year.

Veterans Independence Plus Initiative Trust Fund - to account for revenues collected by the department from this initiative. Expenditures from the fund shall be for the administration of the Veterans Independence Plus Initiative, a joint initiative of the United States Department of Veterans Affairs and the Administration on Aging in the United States Department of Health and Human Services. No expenditure shall be made from the fund which shall cause the fund to be in deficit at the close of a fiscal year. The secretary may expend from the fund for services provided in prior fiscal years.

Massachusetts Environmental Police Trust Fund - to account for (i) all revenues collected of certain administrative surcharges; (ii) a 10 % maintenance fee charged on all division of law enforcement private details; (iii) any appropriations, bond proceeds or other monies authorized by the general court and specifically designated to be credited to the fund; (iv) interest or investment earnings on any such monies; and (v) all other amounts credited or transferred to the fund from any other fund or source. Amounts credited to the fund may be expended, without further appropriation, on programs and costs related to the division of law enforcement. The unexpended balance in the fund at the end of a fiscal year shall not revert to the General Fund but shall remain available for expenditure in subsequent fiscal years. No expenditure made from the fund shall cause the fund to become deficient at any point.

Domestic and Sexual Violence Prevention and Victim Assistance Fund - to support innovative practices to prevent domestic and sexual violence and provide assistance to victims of domestic violence in the commonwealth. The fund shall be credited any appropriations, bond proceeds or other monies authorized by the general court, and any other monies which may be available for the purposes of the fund from any other source or sources. Any revenues, deposits, receipts or funds received shall be deposited in the fund and shall be available for the purposes described in this section, without further appropriation. Money remaining in the fund at the end of the year shall not revert to the General Fund.

Massachusetts Seafood Marketing Program Fund - to account for (i) a portion of the monies collected from the sale of commercial harvester and dealer permits issued by the division in an amount not to exceed $250,000 per fiscal year; (ii) any appropriations, grants, gifts or other monies authorized by the general court or other parties and specifically designated to be credited to the fund; and (iii) any income derived from the investment of amounts credited to the fund. All amounts credited to the fund shall be used without further appropriation for the purpose of developing and administering the seafood marketing program. No expenditure from the fund shall cause the fund to be in deficiency at the close of a fiscal year. Monies deposited in the fund that are unexpended at the end of the fiscal year shall not revert to the General Fund and shall be available for expenditure in the subsequent year. The fund shall be exempt from the indirect and fringe benefits that would otherwise be assessed pursuant to this chapter.

Government Land Bank Fund - to account for proceeds from disposition, conversion and redevelopment of land used for industrial and low income housing developments to fund payments of principal and interest on bonds and notes of the Massachusetts Development Finance Agency.

Natural Heritage and Endangered Species Fund - to account for revenues from public and private sources and/or the federal government as reimbursements, grants, donations or other receipts; used to acquire by purchase, lease, easement

or license land critical to nongame wildlife and endangered species for purposes of protecting and enhancing nongame wildlife.

Massachusetts Mathematics, Science, Technology and Engineering Grant Fund (STEM Pipeline Fund) - to account for support provided to Massachusetts students who participate in programs that support careers in fields related to mathematics, science, technology and engineering. The grants also support curriculum development in those fields.

Commonwealth Covenant Fund - to support programs that provide accessible tuition loan repayments to students who attend public universities or colleges in Massachusetts and remain in the Commonwealth to pursue careers in the STEM (science, technology, engineering and mathematics) fields.

Massachusetts Alternative and Clean Energy Investment Trust Fund - to account for any funds invested in clean energy technology research and issued as seed grants to companies, universities and nonprofits to encourage the creation of clean technology ventures and the training of workers to perform associated green jobs.

Regional Greenhouse Gas Initiatives (RGGI) Auction Trust Fund - to account for auction proceeds under the carbon dioxide cap and trade program. Expenditures from the fund shall be made by the Department of Environmental Protection in consultation with the Department of Energy Resources to adopt rules and regulations establishing a carbon dioxide cap to limit and reduce the total carbon dioxide emissions released by electricity-generating stations.

Mosquito and Greenhead Fly Control Fund - to account for assessments to cities and towns of various mosquito control districts; to support activities designed to control mosquitoes and/or "greenhead" flies.

Ocean Resources and Waterways Trust Fund - to account for funds appropriated, investment income, grants or ocean development mitigation fees received; for use in restoring or enhancing marine habitat and resources affected by project developments.

Off Highway Vehicle Program Fund - to account for fees, fines and investment income collected for use in enforcement and environmental development, repair and restorations of trails and facilities.

Workforce Training Trust Fund - to account for revenues from the 0.075% unemployment surcharge on taxable wages on employers; to provide grants to employers, employer groups, labor organizations and training providers for projects to provide education and training to existing employees and newly hired workers.

Oil Overcharge Fund - to account for the fines and penalties collected under federal litigation from certain oil companies; used to provide fuel assistance and home insulation for low-income residents.

Substance Abuse Services Fund - to account for funds used to expand inpatient treatment facilities and ongoing case management for individuals civilly committed under Section 35 of Chapter 123 of the General Laws.

Human Service Salary Reserve Fund - to account for funds transferred from the General Fund to provide a one-time subsidy to personnel earning less than $40,000 in annual compensation who are employed by private human service providers that deliver human and social services under contracts with departments within the Executive Office of Health and Human Services and the Executive Office of Elder Affairs.

Victims of Human Trafficking Trust Fund - to account for the proceeds of assets seized and forfeited and fines and assessments collected along with any interest earned. Funds shall be transferred to the Victim and Witness Assistance Board to administer grants to public, private non-profit or community-based programs in the Commonwealth.

Department of Public Utilities Storm Trust Fund - to account for assessments charged against each electric company under the jurisdictional control of the Department of Public Utilities and any income derived from the investment of amounts credited to the Fund. Monies from this fund shall be used in investigating the preparation for and response to storm and other emergency events by electric companies in the Commonwealth.

Homeless Animal Prevention and Care Fund - to offset costs associated with the vaccination, spaying and neutering of homeless dogs and cats, owned by low-income residents and to assist with the training of animal control officers consistent with Section 151C of Chapter 140 of the General Laws. The fund shall consist of all revenues received by the Commonwealth pursuant to the voluntary check-off donation indicated on the Department of Revenue's annual

income tax return and from public and private sources as gifts, grants and donations to further reduce the population of homeless animals.

Horseneck Beach Reservation Trust Fund - to account for the long-term preservation, maintenance, nourishment and public safety of Horseneck Beach in the Town of Westport. Revenues credited to the fund shall consist of a surcharge of $1 imposed by the Department of Conservation and Recreation upon each fee charged and collected from admission to and parking in the Horseneck Beach Reservation. Expenditures from the fund for public safety may be made available to the town of Westport's police, fire, ambulance and emergency personnel.

Environmental Trust Fund - to account for fines, gifts and grants used for restoration, protection and improvement of the quality of Boston Harbor, Lynn Harbor, Massachusetts Bay, Buzzards Bay and Cape Cod Bay.

Social Innovation Financing Trust Fund - to account for funding contracts to improve outcomes and lower costs for contracted government services. The Secretary of Administration and Finance may provide that payments in future years under any such contracts shall constitute a general obligation of the Commonwealth for which the full faith and credit of the Commonwealth shall be pledged for the benefit of the providers of the contracted government services, but the total amount of payments under such contracts secured by a pledge of the full faith and credit of the Commonwealth shall not exceed, in the aggregate, $50 million.

Children's Trust Fund - to account for gifts, grants, interest and donations to the Child Abuse Prevention Board and certain appropriations designated to be transferred to the fund; used for support programs to raise awareness of child abuse and prevention programs.

Child Support Enforcement Fund - to account for federal grants used for activities associated with the collection of child support.

Massachusetts Military Family Relief Fund - to account for revenues received by the Commonwealth pursuant to the voluntary check-off donation indicated on the Department of Revenue's annual income tax return, from public and private sources as gifts, grants, and donations to further the purposes of the fund, which is to help members of the Massachusetts National Guard and Massachusetts residents who are members of the Armed Forces of the United States and who were called to active duty after September 11, 2001.

Department of Industrial Accidents Special Fund - to account for assessments to employers and cities and towns for workers' compensation insurance premiums and penalties assessed against employers who fail to insure for workers' compensation; used to reimburse the General Fund for the operating account of the Department of Industrial Accidents and for administrative overhead.

Massachusetts AIDS Fund - to account for revenues received by the Commonwealth pursuant to the voluntary check-off donation indicated on the Department of Revenue's annual income tax return, from public and private sources as gifts, grants, and donations; used for research, treatment, and education related to acquired immune deficiency syndrome.
Trust Fund for the Head Injury Treatment Services Fund - to account for revenues from a surcharge on fines resulting from "driving under the influence" convictions; funds the Massachusetts Rehabilitation Commission's statewide head injury program to develop and maintain non-residential rehabilitation services for head injured persons.

Board of Registration in Medicine Fund - to account for certain revenues and expenditures of the Board.

Water Pollution Abatement Projects Administration Fund - to account for transfers from the Water Pollution Abatement Trust and general obligation bond proceeds; used for the administration of the Department of Environmental Protection to fund water pollution abatement projects.

Child Care Quality Fund - to account for revenues received from the sale of "Invest in Children" distinctive registration plates issued by the Registrar of Motor Vehicles and the expenditures by the commissioner of the Office for Children for providing grants for not-for-profit childcare organizations for the purpose of improving childcare services.

Convention and Exhibition Center Fund - to account for certain rooms and sales and use taxes, surcharges imposed on tourist tickets, including cruises and land-based sightseeing located in the Commonwealth, to finance the construction and operating expenses of a new Boston Convention Center and convention centers in Worcester and Springfield.

Firearms Fingerprint Identity Verification Trust Fund - to account for fees paid in firearms registrations for the purpose of financing fingerprint identification verifications with the fingerprint records maintained by the Federal Bureau of Investigations or any other federal agency for the verification of firearms license application identities.

Grant Anticipation Note Trust Fund - to account for proceeds to cover federal grant anticipation note expenditures and pay the related debt service.

Race Horse Development Fund - to account for the daily assessment of 9% of gross gaming revenues collected by slot machine-only venues, in accordance with Section 55c of Chapter 23K of the General Laws. Expenditures from this fund shall be made to each licensee under Chapter 128A of the General Laws.

Community Mitigation Fund - to account for gaming tax revenue transferred under Section 59 of Chapter 23K of the General Laws and all other monies credited or transferred to the fund from any other fund or source. Funds shall be expended to assist the host community and surrounding communities in offsetting costs related to the construction and operation of a gaming establishment including, but not limited to, communities and water and sewer districts in the vicinity of a gaming establishment, local and regional education, transportation, infrastructure, housing, environmental issues and public safety, including the office of the county district attorney, police, fire and emergency services.

Capital Needs Investment Fund - to account for funds specifically appropriated to the fund by the legislature. The funds shall be held by the secretary of housing and economic development as trustee without further appropriation for the restoration costs of the Mayflower II and the construction of a public safety building in the town of Barre. The fund shall expire on December 31, 2020 at which time the fund shall be repealed and any unexpended balance and interest shall be transferred to the General Fund.

Debt Defeasance Trust Fund - to account for legislatively mandated transfers to purchase securities to be held for the credit of or cash deposit into a sinking fund which shall be applied to pay, at maturity or upon redemption bonds of the commonwealth as specified by the Treasurer. Payment shall include any premium and any interest accrued or to accrue to the date of maturity or earlier redemption of such bonds. Any balance remaining in the fund on or after June 1, 2016 shall be transferred to the general fund and the Trust fund shall be repealed.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUNDS:

Massachusetts Transportation Trust Fund - to account for assessments, federal grants, departmental revenues, transfers and expenditures related to MassDOT.

Central Artery / Tunnel Project Repair and Maintenance Trust Fund - to account for any costs incurred in connection with the repairs and maintenance of the Central Artery and the Ted Williams Tunnel.

Motor Vehicle Safety Inspection Trust Fund - to account for motor vehicle inspection fees for administration and operation of safety inspection programs by the Registry of Motor Vehicles.

Transportation Infrastructure and Development Fund - to account for monies transferred from the Gaming Revenue Fund and all other monies credited or transferred to the fund from any other fund or source and proceeds from the investment of such funds. Any expenditures from this fund shall be solely for the purpose of transportation and related infrastructure projects including but not limited to, transit expansion and maintenance. Not less than 50% of such expenditures shall be dedicated for the purpose of supplementing, and not offsetting, any expenditures made for the construction and reconstruction of municipal ways as described in Section 4 of Chapter 6C of the General Laws.

The following funds have been enacted in legislation but were inactive in FY15 and are not presented in this report:

Regional Transit Authorities Forward Funding Trust Fund - to account for revenues allocated to support capital or other eligible activities for regional transit authorities.

Health Care Security Trust Fund - to account for revenues received from tobacco companies under the tobacco settlement and interest income for health-related services and programs intended to control or reduce the use of tobacco in the Commonwealth. Per statute, tobacco revenues were deposited directly into the General Fund, not into this fund.

MBTA Infrastructure Renovation Fund - to account for supplemental appropriations beyond the MBTA State and Local Contribution Fund for certain MBTA infrastructure improvements. Funds are to be used for, but not limited to, compliance with the American with Disabilities Act, elevator and escalator improvements, waterproofing, fare gates, signage, lighting and structural improvements. No rolling stock is to be acquired through the fund.

Natural Resources Damages Trust Fund - to account for gifts, grants and other contributions received to fund natural resources restoration projects.

Essential Community Provider Trust Fund - to account for amounts appropriated for transfers and interest earned by the fund; used for payments to acute care hospitals and community health centers, as defined in Chapter 58 of the Acts of 2006, Section 8.

Department of Mental Retardation Trust Fund - to account for any receipts from assessments, transfers by the Department of Mental Retardation for public facilities and any other federal financial participation. Expenditures are for operating the intermediate care facilities and community residences serving individuals with mental retardation.

Agricultural Inspection and Infrastructure Trust Fund - to account for agricultural inspection fee revenues, interest or investment earnings on such monies; and all other monies credited or transferred to the fund by law. Expenditures from the fund shall be for agricultural programs and costs related to the Agricultural Innovation Center. Any unexpended balance in the fund at the end of the fiscal year, not to exceed $200,000, shall not revert to the General Fund but shall remain available for expenditure in subsequent fiscal years.

Housing and Economic Development Trust Fund - to account for (i) grants, bequests, gifts or contributions of cash or securities, or contributions of services or property in kind from any persons or other governmental, nongovernmental, quasi-governmental or local governmental entities and (ii) all interest earned on monies in the trust. Expenditures shall be made only for the following purposes: (i) operating costs of the executive office of housing and community development, including the divisions and programs within the executive office; (ii) operating costs of the Massachusetts marketing partnership and the offices within the partnership, and (iii) costs associated with housing and economic development programs, grants and initiatives of the secretary. The trustee shall insure that no expenditures from the fund shall cause the fund to be in deficiency at the close of a fiscal year.

Climate Change Adaptation Infrastructure Investment Fund - to account for amounts credited or transferred to the fund by the general court or any other source including, without limitation, federal grants, loan repayments, investment earnings on monies in the fund and any other amounts required to be credited to the fund. Monies deposited into the fund that are unexpended at the end of the fiscal year shall not revert to the General Fund and shall be available for expenditure in the subsequent fiscal year. Amounts credited to the fund may be used, without further appropriation, for the costs associated with the operations of the division of waterways and the office of dam safety within the department of conservation and recreation, the department of environmental protection, the department of fish and game and its divisions and the office of coastal zone management for the costs associated with operations. The fund shall be used to provide grants or loans to agencies of the commonwealth and local governmental bodies to finance or refinance costs of inspection, repair and removal projects including, but not limited to, projects related to seawalls, jetties, revetments, retaining wall, and inland flood control; provided, however, that the secretary of energy and environmental affairs shall require a local match for any funds provided to a local governmental body.

Financial Literacy Trust Fund - to account for private contributions, publicly or privately-funded grants and funds appropriated by the state or federal government. The fund shall be used to encourage financial literacy and education for residents, institutions, community organizations and entities that will promote financial literacy

County Correction Fund - to account for approximately 7.5% of the deeds excise tax distributed to counties for the operation of county correctional facilities. With consolidation of counties into the Commonwealth in FY10, this fund became inactive in FY11.

Logan Airport Health Study Trust Fund - to account for monies allocated by the Massachusetts Port Authority or any other public or private entity to the department of public health to conduct public health activities associated with the Logan Airport Health Study. Funds shall be expended without further appropriation for administration and project management activities and for direct support to community health centers within the study area. The department may incur expenses and the comptroller may certify for payment amounts in anticipation of expected receipts, but no expenditure shall be made from the fund that would cause the fund to be in deficit at the close of a fiscal year. Monies deposited in the fund that are unexpended at the end of the fiscal year shall not revert to the General Fund.

Commonwealth Sewer Rate Relief Fund - to account for transfers of amounts from the General Fund or other funds; used for the purpose of mitigating sewer rate increases and making sewer rate relief grants to municipalities.

Public Health Trust Fund - to account for the collection of fees on slot machines assessed under Section 56 of Chapter 23K of the General Laws and all other monies credited or transferred to the fund from any other source under law. Funds shall be expended to assist social service and public health programs dedicated to addressing problems associated with compulsive gambling including, but not limited to, gambling prevention and addiction services, substance abuse services, educational campaigns to mitigate the potential addictive nature of gambling and any studies and evaluations necessary.

Medical Security Trust Fund - to account for premiums, fees, and contributions; used for health insurance for workers receiving unemployment insurance. This fund expired on December 31, 2013. All activities are moved to Commonwealth Care Trust Fund.

Securities Fraud Prosecution Fund - to account for criminal penalties, fines and settlements collected under chapter 110A and any income from the investment of amounts credited to the fund. Expenditures from this fund are for investigations and enforcement of and dissemination of information about the requirements of Chapter 110A. The Fund shall not exceed a maximum of $500,000. Amounts collected in excess of the maximum shall be deposited in the General Fund.

Worker and Small Investor Protection Fund - To account for civil penalties and fines collected under chapter 110A and any income from the investment of amounts credited to the fund. Expenditures from this fund are for investigations and enforcement of and dissemination of information about the requirements of Chapter 110A. The fund shall not exceed a maximum of $500,000. Amounts collected in excess of the maximum shall be deposited in the General Fund.

Massachusetts Board of Higher Education Scholar-Internship Match Fund - to provide a match for industry scholarships given to Massachusetts students going on to study for a post-secondary degree at Massachusetts public higher education institutions. The amount to be matched through the Scholar-Internship Match Fund shall not exceed $5,000 per student, contingent upon receiving a corresponding industry scholarship or internship of up to the same amount.

Non-Budgeted Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

		Lotteries		Gaming			Universal Health Care Funds	
	Federal Grants	State Lottery	Arts Lottery	Gaming Control Fund	Gaming Revenue Fund	Gaming Licensing	Catastrophic Illness in Children Relief	Commonwealth Care Trust
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ —	$ 566	$ —	$ —	$ 1,961	$ —	$ —	$ 156,477
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	2,268,784	—	—	—	—	—	—	—
Departmental	—	5,135,297	58,176	5,422	—	170,000	—	160,108
Miscellaneous	—	919	43	—	—	—	—	25,544
Total revenues	2,268,784	5,136,782	58,219	5,422	1,961	170,000	—	342,129
Other financing sources:								
Bond premiums (discounts) on Special obligation bonds	—	—	—	—	—	—	—	—
Operating transfers in	751	—	—	—	—	—	2,903	—
Commonwealth care trust transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—	—	—
Total other financing sources	751	—	—	—	—	—	2,903	—
Total revenues and other financing sources	2,269,535	5,136,782	58,219	5,422	1,961	170,000	2,903	342,129
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	965	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—	—
Secretary of the Commonwealth	749	—	—	—	—	—	—	—
Treasurer and Receiver-General	1,111	4,059,196	49,336	—	—	—	—	—
Attorney General	11,368	—	—	399	—	—	—	—
District Attorney	1,497	—	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—	—
Sheriff's Departments	4,040	—	—	—	—	—	—	—
Board of Library Commissioners	2,916	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	17,167	—	—	—	—
Comptroller	—	—	—	—	—	—	—	—
Administration and Finance	5,590	—	—	—	—	—	—	344,470
Energy and Environmental Affairs	48,968	—	—	—	—	—	—	—
Health and Human Services	440,475	—	—	127	—	—	2,118	—
Massachusetts Department of Transportation	150	—	—	—	—	—	—	—
Executive Office of Education	972,267	—	—	—	—	—	—	—
Center for Health Information and Analysis	789	—	—	—	—	—	—	—
Public Safety and Homeland Security	122,703	—	—	—	—	—	—	—
Housing and Economic Development	463,054	—	—	—	—	—	—	—
Labor and Workforce Development	150,453	—	—	—	—	—	—	1,455
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	2,227,095	4,059,196	49,336	17,693	—	—	2,118	345,925
Other financing uses:								
Fringe benefit cost assessment	56,972	8,131	—	1,202	—	—	87	251
Lottery operating reimbursements	—	104,238	—	—	—	—	—	—
Lottery distributions	—	947,250	—	—	—	—	—	—
Operating transfers out	42,110	17,967	8,883	1,642	1,961	151,838	29	2,464
Stabilization transfer	—	—	—	—	—	20,000	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Federal Reimbursement Transfers out	—	—	—	—	—	—	—	—
Total other financing uses	99,082	1,077,586	8,883	2,844	1,961	171,838	116	2,715
Total expenditures and other financing uses	2,326,177	5,136,782	58,219	20,537	1,961	171,838	2,234	348,640
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(56,642)	—	—	(15,115)	—	(1,838)	669	(6,511)
Fund balances (deficits) at beginning of year (restated)	62,010	—	—	21,716	—	1,838	2,724	29,764
Fund balances (deficits) at end of year	$ 5,368	$ —	$ —	$ 6,601	$ —	$ —	$ 3,393	$ 23,253

See accountants' review report

Universal Health Care Funds									
Medical Assistance Trust	Health Safety Net Trust	Section 1202 Trust	Delivery System Transformation Initiatives Trust	Money Follows the Person Rebalancing Demonstration Grant Trust	Healthcare Payment Reform	Distressed Hospital Trust	Prevention & Wellness Trust	Health Information Exchange	Community First Trust Fund
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	372,515	—	—	—	2,528	25,637	12,776	—	—
—	—	—	—	—	—	—	—	—	16,000
—	1,118	—	—	—	—	—	—	312	—
44,000	177	—	11,212	—	—	—	—	—	—
44,000	373,810	—	11,212	—	2,528	25,637	12,776	312	16,000
—	—	—	—	—	—	—	—	—	—
—	—	—	—	4,586	38,525	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
70,975	—	—	—	—	—	—	—	—	—
—	—	—	116,171	—	—	—	—	—	—
70,975	—	—	116,171	4,586	38,525	—	—	—	—
114,975	373,810	—	127,383	4,586	41,053	25,637	12,776	312	16,000
—	—	—	—	—	—	—	—	—	—
—	459	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	5,080	8,682	—	—	—
—	—	—	—	—	—	—	—	—	—
116,000	406,165	10,532	126,337	1,750	12,308	—	12,742	225	391
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	13	—	—	—	335	20	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
116,000	406,637	10,532	126,337	1,750	17,723	8,702	12,742	225	391
—	575	—	—	—	802	156	212	—	7
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	44	41,137	—	1	10,299	118	70	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	619	41,137	—	1	11,101	274	282	—	7
116,000	407,256	51,669	126,337	1,751	28,824	8,976	13,024	225	398
(1,025)	(33,446)	(51,669)	1,046	2,835	12,229	16,661	(248)	87	15,602
1,025	78,637	51,669	945	3,408	2,960	57,906	28,073	346	—
$ —	$ 45,191	$ —	$ 1,991	$ 6,243	$ 15,189	$ 74,567	$ 27,825	$ 433	$ 15,602

continued

Non-Budgeted Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Non-Budgeted Other Funds							
	Dam and Seawall Repair or Removal	Department of Telecommunication and Energy Trust	Fingerprint-Based Background Check Trust	Liability Management and Reduction	Medical Marijuana Trust	Essex Regional Emergency Communication Center	Dockside Testing Trust	Civil Monetary Penalty (CMP)
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Assessments	—	2,026	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	7,397	2,028	1,264	—	105	831
Miscellaneous	96	2	—	2	—	661	—	—
Total revenues	96	2,028	7,397	2,030	1,264	661	105	831
Other financing sources:								
Bond premiums (discounts) on Special obligation bonds	—	—	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—	—	—
Commonwealth care trust transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	—	—
Total revenues and other financing sources	96	2,028	7,397	2,030	1,264	661	105	831
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	46	—	—	—	—
District Attorney	—	—	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	578	—	—
Board of Library Commissioners	—	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—	—
Comptroller	—	—	—	1,574	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	2,280	3,045	—	—	—	—	—	—
Health and Human Services	—	—	—	—	1,628	—	76	333
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	47	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	4,651	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	2,280	3,045	4,698	1,620	1,628	578	76	333
Other financing uses:								
Fringe benefit cost assessment	—	676	150	21	22	38	19	—
Lottery operating reimbursements	—	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—	—
Operating transfers out	—	157	132	—	7	31	6	—
Stabilization transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Federal Reimbursement Transfers out	—	—	—	—	—	—	—	—
Total other financing uses	—	833	282	21	29	69	25	—
Total expenditures and other financing uses	2,280	3,878	4,980	1,641	1,657	647	101	333
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,184)	(1,850)	2,417	389	(393)	14	4	498
Fund balances (deficits) at beginning of year (restated)	19,649	4,708	860	1,929	393	22	280	3,057
Fund balances (deficits) at end of year	$ 17,465	$ 2,858	$ 3,277	$ 2,318	$ —	$ 36	$ 284	$ 3,555

See accountants' review report

Non-Budgeted Other Funds									
MBTA State and Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	State Racing	Division of Professional Licensure Trust	Victims of Drunk Driving Trust	State Athletic Commission	Organ and Tissue Donor Registration	Department of Fire Services Hazardous Material Emergency Mitigation Response Recovery Trust	Registers Technological
$ 970,637	$ 23,608	$ —	$ 1,203	$ —	$ —	$ 179	$ —	$ —	$ —
160,136	—	—	680	—	—	—	—	—	—
—	—	9,692	—	—	—	—	—	—	—
—	—	—	428	9,976	476	41	177	91	4,336
—	21	—	607	—	1	—	—	—	—
1,130,773	23,629	9,692	2,918	9,976	477	220	177	91	4,336
—	—	—	—	—	—	—	—	—	—
—	11,390	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	11,390	—	—	—	—	—	—	—	—
1,130,773	35,019	9,692	2,918	9,976	477	220	177	91	4,336
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	4,678
1,130,773	—	—	—	—	—	—	—	—	—
—	—	—	—	—	490	—	—	—	—
—	—	—	—	—	118	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	2,049	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	36,340	—	—	—	—	—	—	—	163
—	—	—	—	—	—	—	—	—	—
—	—	14,134	101	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	43	83	—	122	—
—	—	—	—	8,195	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,130,773	36,340	14,134	2,150	8,195	651	83	—	122	4,841
—	33	39	172	1,374	46	10	—	—	488
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	17	506	844	522	22	26	—	—	199
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	50	545	1,016	1,896	68	36	—	—	687
1,130,773	36,390	14,679	3,166	10,091	719	119	—	122	5,528
—	(1,371)	(4,987)	(248)	(115)	(242)	101	177	(31)	(1,192)
—	23,902	8,538	1,067	2,530	2,299	205	479	364	2,382
$ —	$ 22,531	$ 3,551	$ 819	$ 2,415	$ 2,057	$ 306	$ 656	$ 333	$ 1,190

continued

Non-Budgeted Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Non-Budgeted Other Funds							
	County Registers Technological	State Election Campaign	Enhanced 911	Counsel for Indigent Salary Enhancement Trust	Smart Growth Housing Trust	Special Projects Permitting and Oversight	Division of Energy Resources Credit Trust	School Modernization and Reconstruction Trust
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 764,110
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	1,849	—	75,701	—	—	1,625	—	—
Miscellaneous	—	236	95	—	—	—	3	—
Total revenues	1,849	236	75,796	—	—	1,625	3	764,110
Other financing sources:								
Bond premiums (discounts) on Special obligation bonds	—	—	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—	—	—
Commonwealth care trust transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	—	—
Total revenues and other financing sources	1,849	236	75,796	—	—	1,625	3	764,110
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	764,110
Attorney General	—	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—	—
Office of Campaign and Political Finance	—	1,055	—	—	—	—	—	—
Sheriff's Departments	—	—	3,833	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—	—
Administration and Finance	4,022	—	886	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	338	71	—
Health and Human Services	—	—	59	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	80,084	—	—	—	—	—
Housing and Economic Development	—	—	—	—	1,364	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	4,022	1,055	84,862	—	1,364	338	71	764,110
Other financing uses:								
Fringe benefit cost assessment	—	—	2,065	—	—	26	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—	—
Operating transfers out	—	—	1,858	—	—	15	9	—
Stabilization transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Federal Reimbursement Transfers out	—	—	—	—	—	—	—	—
Total other financing uses	—	—	3,923	—	—	41	9	—
Total expenditures and other financing uses	4,022	1,055	88,785	—	1,364	379	80	764,110
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,173)	(819)	(12,989)	—	(1,364)	1,246	(77)	—
Fund balances (deficits) at beginning of year (restated)	4,251	1,249	105,169	352	3,307	1,788	1,924	—
Fund balances (deficits) at end of year	$ 2,078	$ 430	$ 92,180	$ 352	$ 1,943	$ 3,034	$ 1,847	$ —

See accountants' review report

Non-Budgeted Other Funds									
Roche Community Rink	Health Care Workforce Transformation Trust	Workforce Competitiveness Trust	Fire Prevention and Public Safety	Cigarette Fire Safety and Firefighter Protection Act Enforcement	District Local Technical Assistance	Educational Rewards Grant Program	Nursing & Allied Health Workforce Development Trust	Health Information Technology Trust	Build America Bonds Subsidy Trust
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	39,812	46,625
50	—	—	85	461	—	—	371	—	—
—	—	—	—	—	—	—	—	—	—
50	—	—	85	461	—	—	371	39,812	46,625
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	200	8,153	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	200	8,153	—
50	—	—	85	461	—	—	571	47,965	46,625
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	145	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	1,090	—	—	—	—	—	—	47,353	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	569	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	15	1,035	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	3,675	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	46,577
—	4,765	—	15	1,035	145	—	569	47,353	46,577
—	11	—	—	37	—	—	27	336	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	4	39	1	21	—	48	15	80	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	15	39	1	58	—	48	42	416	—
—	4,780	39	16	1,093	145	48	611	47,769	46,577
50	(4,780)	(39)	69	(632)	(145)	(48)	(40)	196	48
402	17,907	39	59	3,101	145	48	673	6,002	8,369
$ 452	$ 13,127	$ —	$ 128	$ 2,469	$ —	$ —	$ 633	$ 6,198	$ 8,417

continued

Non-Budgeted Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Non-Budgeted Other Funds							
	Housing Preservation and Stabilization	Office of Refugees and Immigrants Trust	Veterans Independence Plus Initiative Trust	Environmental Police Trust	Domestic and Sexual Violence Prevention and Victim Assistance	Seafood Marketing Program	Government Land Bank	Natural Heritage and Endangered Species
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	1,453
Departmental	—	—	—	459	2	250	—	432
Miscellaneous	—	404	687	—	—	—	—	231
Total revenues	—	404	687	459	2	250	—	2,116
Other financing sources:								
Bond premiums (discounts) on Special obligation bonds	—	—	—	—	—	—	—	—
Operating transfers in	3,000	—	—	—	—	—	8,261	—
Commonwealth care trust transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—	—	—
Total other financing sources	3,000	—	—	—	—	—	8,261	—
Total revenues and other financing sources	3,000	404	687	459	2	250	8,261	2,116
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	340	—	23	—	1,506
Health and Human Services	—	343	970	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	9,489	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	5,834	—
Interest and fiscal charges	—	—	—	—	—	—	2,427	—
Total expenditures	9,489	343	970	340	—	23	8,261	1,506
Other financing uses:								
Fringe benefit cost assessment	—	—	—	54	—	5	—	104
Lottery operating reimbursements	—	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—	—
Operating transfers out	—	3	—	31	—	216	—	—
Stabilization transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Federal Reimbursement Transfers out	—	—	—	—	—	—	—	—
Total other financing uses	—	3	—	85	—	221	—	104
Total expenditures and other financing uses	9,489	346	970	425	—	244	8,261	1,610
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(6,489)	58	(283)	34	2	6	—	506
Fund balances (deficits) at beginning of year (restated)	8,913	—	320	—	—	—	(35,033)	1,430
Fund balances (deficits) at end of year	$ 2,424	$ 58	$ 37	$ 34	$ 2	$ 6	$ (35,033)	$ 1,936

See accountants' review report

Non-Budgeted Other Funds										
Mathematics, Science, Technology and Engineering Grant	Commonwealth Covenant	Alternative and Clean Energy Investment Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Mosquito and Greenhead Fly Control	Ocean Resources and Waterways Trust	Off Highway Vehicle Program	Workforce Training Trust Fund	Oil Overcharge	Substance Abuse Services
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 23,569	$ —	$ —
—	—	—	—	10,952	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	60,703	739	—	743	—	—	—
20	—	—	—	—	—	—	—	—	—
20	—	—	60,703	11,691	—	743	23,569	—	—
—	—	—	—	—	—	—	—	—	—
1,511	—	—	—	—	—	—	—	—	10,000
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,511	—	—	—	—	—	—	—	—	10,000
1,531	—	—	60,703	11,691	—	743	23,569	—	10,000
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3	—	—	67,630	10,515	—	592	—	11	—
—	—	—	—	123	—	—	—	—	3,156
—	—	—	—	—	—	—	—	—	—
2,282	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	701
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	15,105	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
2,285	—	—	67,630	10,638	—	592	15,105	11	3,857
50	—	—	—	1,114	—	71	91	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
15	—	—	—	—	—	84	13	—	46
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
65	—	—	—	1,114	—	155	104	—	46
2,350	—	—	67,630	11,752	—	747	15,209	11	3,903
(819)	—	—	(6,927)	(61)	—	(4)	8,360	(11)	6,097
1,623	1	24	40,662	1,906	620	1,296	24,522	426	159
$ 804	$ 1	$ 24	$ 33,735	$ 1,845	$ 620	$ 1,292	$ 32,882	$ 415	$ 6,256

continued

Non-Budgeted Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Non-Budgeted Other Funds							
	Human Services Salary Reserve	Victims of Human Trafficking Trust	Department of Public Utilities Storm Trust	Homeless Animal Prevention and Care	Horseneck Beach Reservation Trust	Environmental Trust	Social Innovation Financing Trust	Children's Trust
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Assessments	—	—	276	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	—	—	39	780	—	—
Miscellaneous	—	—	—	340	—	8	—	—
Total revenues	—	—	276	340	39	788	—	—
Other financing sources:								
Bond premiums (discounts) on Special obligation bonds	—	—	—	—	—	—	—	—
Operating transfers in	—	—	—	—	—	—	—	—
Commonwealth care trust transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—	—	—
Total other financing sources	—	—	—	—	—	—	—	—
Total revenues and other financing sources	—	—	276	340	39	788	—	—
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	1
Inspector General	—	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
District Attorney	—	—	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	621	—
Energy and Environmental Affairs	—	—	240	567	15	1,016	—	—
Health and Human Services	27	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Executive Office of Education	—	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	27	—	240	567	15	1,016	621	1
Other financing uses:								
Fringe benefit cost assessment	—	—	61	16	—	65	—	—
Lottery operating reimbursements	—	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—	—
Operating transfers out	—	—	14	—	—	41	—	—
Stabilization transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Federal Reimbursement Transfers out	—	—	—	—	—	—	—	—
Total other financing uses	—	—	75	16	—	106	—	—
Total expenditures and other financing uses	27	—	315	583	15	1,122	621	1
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(27)	—	(39)	(243)	24	(334)	(621)	(1)
Fund balances (deficits) at beginning of year (restated)	27	1	195	393	50	3,630	6,750	197
Fund balances (deficits) at end of year	$ —	$ 1	$ 156	$ 150	$ 74	$ 3,296	$ 6,129	$ 196

See accountants' review report

Non-Budgeted Other Funds										
Child Support Enforcement	Military Family Relief	Department of Industrial Accidents Special	AIDS Fund	Trust Fund for the Head Injury Treatment Services	Board of Registration in Medicine	Water Pollution Abatement Project Administration	Child Care Quality	Convention and Exhibition Center	Firearms Fingerprint Identity Verification Trust
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 123,260	$ —
—	—	14,656	—	—	—	5,793	—	—	—
32,998	—	—	—	—	—	—	—	—	—
4,994	—	5,411	—	6,788	9,370	—	233	—	1,204
62	298	5	114	1	—	—	—	1,677	—
38,054	298	20,072	114	6,789	9,370	5,793	233	124,937	1,204
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
38,054	298	20,072	114	6,789	9,370	5,793	233	124,937	1,204
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
285	—	—	—	—	—	—	—	1,629	—
—	—	—	—	—	—	—	—	—	—
215	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
51,648	—	—	—	—	—	—	—	53,474	—
—	—	—	—	—	—	4,120	—	—	—
—	—	—	95	6,081	6,241	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	75	—	—
—	—	—	—	—	—	—	—	—	—
—	150	—	—	—	—	—	—	—	797
—	—	—	—	—	—	—	—	—	—
—	—	245	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	54,481	—
52,148	150	245	95	6,081	6,241	4,120	75	109,584	797
2,080	—	3,723	—	165	1,087	1,030	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
1,046	—	18,658	—	50	360	1,458	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—
3,126	—	22,381	—	215	1,447	2,488	—	—	—
55,274	150	22,626	95	6,296	7,688	6,608	75	109,584	797
(17,220)	148	(2,554)	19	493	1,682	(815)	158	15,353	407
37,711	796	7,534	100	3,304	7,330	1,937	423	103,203	3,195
$ 20,491	$ 944	$ 4,980	$ 119	$ 3,797	$ 9,012	$ 1,122	$ 581	$ 118,556	$ 3,602

continued

Non-Budgeted Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

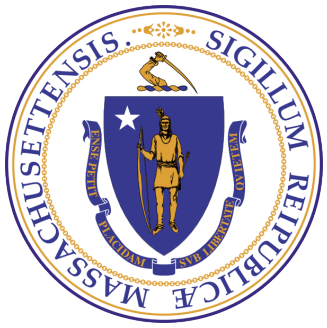
Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	Non-Budgeted Other Funds					MassDOT		
	Grant Anticipation Note Trust	Race Horse Development	Community Mitigation Fund	Capital Needs Investment Fund	Debt Defeasance	Massachusetts Transportation Trust	Central Artery/ Tunnel Project Repair and Maintenance	Motor Vehicle Safety Inspection Trust
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	510,855	—	—	—	—	67,353	—	—
Departmental	—	441	—	—	—	448,725	—	56,456
Miscellaneous	807	1	17,500	—	—	13,699	1,980	44
Total revenues	511,662	442	17,500	—	—	529,777	1,980	56,500
Other financing sources:								
Bond premiums (discounts) on special obligation bonds	—	—	—	—	—	—	—	—
Operating transfers in	32,087	8,375	—	5,014	113,200	661,041	—	—
Stabilization transfer	—	—	—	—	—	—	—	—
Commonwealth care trust transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Medical assistance transfer	—	—	—	—	—	—	—	—
Delivery system transformation initiatives trust transfer	—	—	—	—	—	—	—	—
Total other financing sources	32,087	8,375	—	5,014	113,200	661,041	—	—
Total revenues and other financing sources	543,749	8,817	17,500	5,014	113,200	1,190,818	1,980	56,500
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Judiciary	—	—	—	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	—	—	—	—	—	—	—
Treasurer and Receiver-General	675	—	—	—	—	298	—	—
Attorney General	—	—	—	—	—	4	—	—
District Attorney	—	—	—	—	—	—	—	—
Office of Campaign and Political Finance	—	—	—	—	—	—	—	—
Sheriff's Departments	—	—	—	—	—	969	—	—
Board of Library Commissioners	—	—	—	—	—	—	—	—
Massachusetts Gaming Commission	—	1,856	—	—	—	—	—	—
Comptroller	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	2,146	—	—
Energy and Environmental Affairs	—	—	—	—	—	2,791	—	2,239
Health and Human Services	—	—	—	—	—	204	—	—
Massachusetts Department of Transportation	—	—	—	—	—	1,130,371	2,333	12,125
Executive Office of Education	—	—	—	—	—	—	—	—
Center for Health Information and Analysis	—	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	738	—	—
Housing and Economic Development	—	—	—	275	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	8	—	—
Debt service:								
Principal retirement	178,390	—	—	—	—	—	—	—
Interest and fiscal charges	29,068	—	—	—	—	—	—	—
Total expenditures	208,133	1,856	—	275	—	1,137,529	2,333	14,364
Other financing uses:								
Fringe benefit cost assessment	—	—	—	—	—	75,964	—	1,113
Lottery operating reimbursements	—	—	—	—	—	—	—	—
Lottery distributions	—	—	—	—	—	—	—	—
Operating transfers out	—	—	—	—	—	5,793	—	41,172
Stabilization transfer	—	—	—	—	—	—	—	—
Health safety net trust transfer	—	—	—	—	—	—	—	—
Federal Reimbursement Transfers out	468,040	—	—	—	—	—	—	—
Total other financing uses	468,040	—	—	—	—	81,757	—	42,285
Total expenditures and other financing uses	676,173	1,856	—	275	—	1,219,286	2,333	56,649
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(132,424)	6,961	17,500	4,739	113,200	(28,468)	(353)	(149)
Fund balances (deficits) at beginning of year (restated)	218,883	375	—	—	—	862,051	385,444	8,996
Fund balances (deficits) at end of year	$ 86,459	$ 7,336	$ 17,500	$ 4,739	$ 113,200	$ 833,583	$ 385,091	$ 8,847

See accountants' review report

MassDOT	Totals (Memorandum only)	
Transportation Infrastructure and Development	2015	2014
$ —	$ 2,065,570	$ 1,843,300
—	607,975	616,906
—	2,993,570	3,190,513
—	6,252,990	6,070,007
—	103,997	132,941
—	12,024,102	11,853,667
—	—	19,014
25,375	934,374	767,630
—	—	390,079
—	—	30,000
—	70,975	395,025
—	116,171	70,732
25,375	1,121,520	1,672,480
25,375	13,145,622	13,526,147
—	966	1,215
—	459	256
—	—	103
—	5,427	6,762
—	6,007,413	5,674,391
—	12,306	10,162
—	1,830	2,174
—	1,055	—
—	9,420	10,875
—	2,916	2,939
—	21,072	22,125
—	1,574	3,027
—	513,265	917,518
—	146,307	136,285
—	1,211,184	1,564,135
—	1,144,978	945,375
—	975,241	991,478
—	1,157	1,269
—	211,120	208,647
—	482,377	478,153
—	170,942	192,802
—	184,224	186,537
—	132,553	101,523
—	11,237,786	11,457,751
—	160,778	115,536
—	104,238	95,891
—	947,250	921,730
—	352,119	309,093
—	20,000	—
—	—	30,000
—	468,040	404,481
—	2,052,425	1,876,731
—	13,290,211	13,334,482
25,375	(144,589)	191,665
—	2,269,864	2,078,199
$ 25,375	$ 2,125,275	$ 2,269,864



THIS PAGE INTENTIONALLY LEFT BLANK

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets of the Commonwealth and to finance local governmental capital projects.

General Capital Projects Fund - to account for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes. Effective September 1, 2009, this fund includes reimbursements to the Massachusetts Department of Transportation (MassDOT) for capital projects activity.

Convention and Exhibition Center Project Fund - to account for proceeds of bonds to finance the construction of a convention center in Boston.

Capital Improvements and Investment Trust Fund - to account for the Commonwealth's reimbursement to cities and towns for expenses incurred for projects for construction and reconstruction of town and county ways.

Highway Capital Projects Fund - to account for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of Federally sponsored highway construction.

Federal Highway Construction Program - to account for federal highway construction grants which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

OTHER FUNDS:

This fund accounts for the proceeds of bonds used to finance land and transportation equipment for economic development.

Government Land Bank Capital Projects Fund - to account for proceeds of bonds used to finance the acquisition, holding, protection, maintenance, repair or use of lands and for personnel and the administrative costs of the Massachusetts Development Finance Agency.

LOCAL AID FUND:

Local Aid Capital Projects Fund - to account for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth. The fund accounts for the proceeds of bonds to finance improvements to lockup facilities, state police lockup facilities and to finance improvements to County Correctional Facilities, and other monies received by the Department of Conservation and Recreation pertaining to state parks, reservations and recreation areas outside the metropolitan parks district.

MASSACHUSETTS DEPARTMENT OF TRANSPORTATION (MassDOT) FUND:

Central Artery Statewide Road and Bridge Infrastructure Fund - to account for bond proceeds, certain revenues from Registry of Motor Vehicle fees, (net of debt service expenditures) and payments from authorities. The purpose of expenditures from the fund is to meet the estimated additional costs associated with the Central Artery/Ted Williams Tunnel Project and for costs of the statewide road and bridge program.

The following funds have been enacted in legislation but were inactive in FY15 and are not presented in this report:

Capital Investment Trust Fund - to account for a transfer from the General Fund to finance appropriated items of a capital nature pursuant to sections 2E and 107 of Chapter 88 of the Acts of 1997.

Transportation Deferred Maintenance Trust Fund - to account for funds transferred from various sources by the Secretary of Administration and Finance to design, construct, maintain and repair the Commonwealth's roads and bridges.

Capital Projects Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

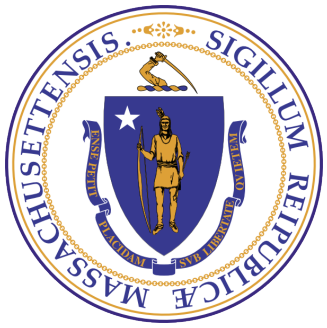
Fiscal Year Ended June 30, 2015

(Amounts in thousands)

	General Capital Projects	Convention and Exhibition Center Capital	Capital Improvements and Investment Trust	Highway Capital Projects
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements	$ 80,237	$ —	$ —	$ —
Departmental	—	—	—	—
Miscellaneous	—	—	—	578
Total revenues	80,237	—	—	578
Other financing sources:				
Issuance of general obligation bonds	1,630,559	—	—	1,039,540
Bond premiums (discounts) on general obligation bonds	148,014	—	—	50,970
Issuance of special obligation bonds	—	—	—	447,310
Bond premiums (discounts) on special obligation bonds	—	—	—	86,372
Issuance of current refunding bonds	55,600	—	2,025	90,372
Issuance of advance refunding bonds	221,633	—	—	192,975
Bond premiums (discounts) on advance refunding bonds	36,592	—	—	32,883
Federal reimbursement transfer in	—	—	—	—
State share of federal highway construction	—	—	—	—
Total other financing sources	2,092,398	—	2,025	1,940,422
Total revenues and other financing sources	2,172,635	—	2,025	1,941,000
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary	12,072	—	—	—
Governor and Lieutenant Governor	184	—	—	—
Secretary of the Commonwealth	1,560	—	—	—
Treasurer and Receiver-General	13,751	—	—	—
Auditor of the Commonwealth	3,272	—	—	—
Attorney General	39	—	—	251
Ethics Commission	94	—	—	—
Sheriff's Departments	4,767	—	—	—
Board of Library Commissioners	20,440	—	—	—
Comptroller	3,958	—	—	—
Administration and Finance	645,274	—	—	1,636
Energy and Environmental Affairs	248,329	—	—	6,196
Health and Human Services	58,498	—	—	—
Massachusetts Department of Transportation	124,211	—	—	1,309,803
Executive Office of Education	28,669	—	—	—
Public Safety and Homeland Security	47,927	—	—	—
Housing and Economic Development	267,665	—	—	11,812
Labor and Workforce Development	9,141	—	—	—
Total expenditures	1,489,851	—	—	1,329,698
Other financing uses:				
Payments to advance refunding bonds escrow	258,225	—	—	225,858
Principal on current refundings	55,600	—	2,025	90,372
Fringe benefit cost assessment	12,623	—	—	85
State share of federal highway construction	—	—	—	55,410
Total other financing uses	326,448	—	2,025	371,725
Total expenditures and other financing uses	1,816,299	—	2,025	1,701,423
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	356,336	—	—	239,577
Fund balances (deficits) at beginning of year	(740,140)	8,393	—	(425,088)
Fund balances (deficits) at end of year	$ (383,804)	$ 8,393	$ —	$ (185,511)

See accountant's review report

Federal Highway Construction Program	Government Land Bank Capital Projects	Local Aid Capital Projects	MassDOT Central Artery Statewide Road and Bridge Infrastructure	Totals (Memorandum only) 2015	2014
$ 1,238	$ —	$ —	$ —	$ 81,475	$ 30,739
751	—	—	2,253	3,004	3,480
—	—	—	72	649	1,710
1,989	—	—	2,325	85,128	35,929
—	1,361	47	—	2,671,507	1,492,049
—	3	—	—	198,987	47,378
—	—	—	—	447,310	667,850
—	—	—	—	86,372	36,153
—	—	1,645	53,253	202,895	159,335
—	—	14,838	—	429,445	477,461
—	—	5,571	—	75,046	84,920
468,039	—	—	—	468,040	404,481
55,410	—	—	—	55,410	62,105
523,449	1,364	22,101	53,253	4,635,012	3,431,732
525,438	1,364	22,101	55,578	4,720,140	3,467,661
—	—	—	—	12,072	15,262
—	—	—	—	184	121
—	—	—	—	1,560	1,530
—	—	—	—	13,751	15,151
—	—	—	—	3,272	1,089
88	—	—	—	379	247
—	—	—	—	94	—
—	—	—	—	4,768	6,633
—	—	—	—	20,440	19,999
—	—	—	—	3,958	2,429
—	1,743	—	—	648,653	595,179
405	—	—	—	254,929	208,415
95	—	—	—	58,593	42,061
544,938	—	—	1,460	1,980,413	1,693,117
—	—	—	—	28,669	22,147
—	—	—	—	47,928	45,340
—	—	—	—	279,477	237,887
—	—	—	—	9,141	258
545,527	1,743	—	1,460	3,368,281	2,906,865
—	—	20,409	—	504,491	562,353
—	—	1,645	53,253	202,895	159,335
18	—	—	—	12,726	42,148
—	—	—	—	55,410	62,105
18	—	22,054	53,253	775,522	825,941
545,545	1,743	22,054	54,713	4,143,803	3,732,806
(20,107)	(379)	47	865	576,337	(265,145)
20,106	(129)	(36)	35,697	(1,101,197)	(836,052)
$ (1)	$ (508)	$ 11	$ 36,562	$ (524,860)	$ (1,101,197)



THIS PAGE INTENTIONALLY LEFT BLANK

Supplemental Information

Calculation of Transfers – Stabilization and Tax Reduction Funds
Non-Tax Revenue Initiatives
Schedule of Post Employment Benefits – Last Six Fiscal Years

See review report

Calculation of Transfers: Stabilization Fund

June 30, 2015

(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c and Section 53A of Chapter 119 of the Acts of 2015, which superseded certain parts of Section 5c . It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General	Commonwealth Transportation	Massachusetts Tourism	Local Capital Projects	Gaming Local Aid	Manufacturing	Community College	Total
Budgeted Fund Undesignated Balances	$111,702	$ (71,484)	$ 31,399	$ 39,675	$ (17,994)	$ 21,713	$ 28,498	$ 143,507
Fund Balance Deficit Elimination Transfers Per Section 5C of Ch. 29	(42,896)	71,484	(12,062)	(15,238)	17,994	(8,339)	(10,943)	—
Fund Balances after Deficit Elimination Transfers (Consolidated Net	68,806	—	19,337	24,437	—	13,374	17,555	143,507
Disposition of Consolidated Net Surplus per Section 53A of Ch. 119 of the Acts of 2015:								
To the Massachusetts Community Preservation Trust Fund	(10,000)	—	—	—	—	—	—	(10,000)
To the Massachusetts Life Sciences Investment Fund	(10,000)	—	—	—		—	—	(10,000)
Remaining Consolidated Net Surplus to be Deposited in Stabilization Fund per Section 53A of Ch. 119 of the Acts of 2015	$ 48,806	$ —	$ 19,337	$ 24,437	$ —	$ 13,374	$ 17,555	$ 123,507

Stabilization Balance Reconciliation:

Balance as of July 1, 2014		**$ 1,248,435**
Reimbursement of Massachusetts Gaming Commission start-up funds per Section 94 of Ch. 194 of the Acts of 2011		20,000
Transfer of investment income, certain tax revenues, and other recoveries to the General Fund, per Ch. 165 of the Acts of 2014		6,695
Adjustment to General Fund transfer for change in market value and other accruals		(1,402)
Less Transfers from Stabilization Fund:		
Investment Income to General Fund per Sec.259(b) of Ch. 165 of the Acts of 2014	(4,806)	
To General Fund Per Sec. 259(a) of Ch. 165 of the Acts of 2014	(140,000)	
Total Transfers from Stabilization Fund during FY 2015		(144,806)
Remaining Consolidated Net Surplus Deposited in Stabilization Fund, per Calculation Above		123,507
Stabilization Fund Balance as of June 30, 2015		**$ 1,252,429**

Note: Totals may not add due to rounding

Calculation Of Transfers: Tax Reduction Fund

June 30, 2015

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund.	$ 1,252,429
Allowable Stabilization Fund balance (per Schedule B)	5,735,471
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	$ —

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	$ 1,252,429
Transfer to Tax Reduction Fund	—
Stabilization Fund balance after transfer to Tax Reduction Fund	$ 1,252,429

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	$ —
Transfers from Stabilization Fund	—
Tax Reduction Fund balance after transfers	$ —

Schedule A
FY2015 Tax Revenues By Revenue Class

June 30, 2015
(Amounts in thousands)

Alcoholic beverages	$	79,862
Banks: financial institutions		51,896
Cigarette		510,274
Cigarette excise - Commonwealth Care		136,792
Cigarette inventory - Commonwealth Care		35
Corporations		2,172,076
Deeds		238,290
Estate and inheritance		340,903
Health care coverage penalty - Commonwealth Care		19,649
Income		14,448,686
Insurance		333,168
Motor and special fuels		756,121
Public utilities		3,409
Room occupancy		228,819
Sales and use		5,803,934
Club alcoholic beverages		953
Motor vehicle excise		80
Convention center surcharges		15,657
Community preservation		23,608
Satellite		11,252
Gaming revenue - Mass Gaming Commission		1,961
State racing - Mass Gaming Commission		1,203
Beano		1,415
Raffles and bazaars		915
Boxing		179
DOI excess and surplus lines		34,664
UI surcharge		23,568
FY 2015 state tax revenue	$	25,239,369

This schedule is prepared on the statutory basis of accounting. It presents tax revenues as reported in the governmental funds of the Commonwealth. It differs from the schedule of tax collections prepared by the Comptroller, Commissioner of Revenue and State Auditor for calculations in accordance with Chapter 62F of the General Laws, as amended. The differences are due to 2/5ths of Beano revenue and the health care coverage penalty in the Commonwealth Care Fund, both of which are recognized on the statutory basis of accounting but are not accounted for on the schedule of tax collections prepared by the Department of Revenue.

Schedule B
Calculation of Cap on Stabilization Fund

June 30, 2015
(Amounts in thousands)

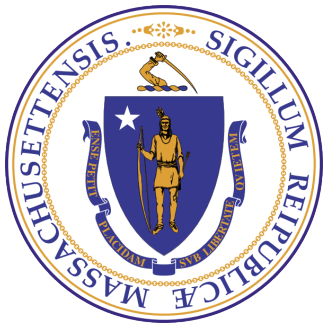
Total budgeted revenues and other financial resources pertaining to the budgeted funds	$ 38,971,862
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C)	(735,388)
Budgeted revenues and other financial resources pertaining to the budgeted funds	38,236,474
Allowable Stabilization Fund balance, 15% of budgeted revenue	$ 5,735,471

Calculation of Stabilization Fund Cap as defined by Massachusetts General Laws Chapter 29 section 2H.

Schedule C
Detail of Elimination of Budgetary Inter Fund Activity

June 30, 2015
(Amounts in thousands)

Adjustments to revenues :		
Transfer to the Intragovernmental Service Fund	$	(362,058)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments		(2,863)
Transfer from the Intragovernmental Service Fund to the General Fund		(1,569)
RMV license plates		(3,091)
Transfer from budgeted funds to the Stabilization Fund		(123,507)
Transfer from budgeted funds to the General Fund		(7,829)
Transfer from Stabilization Fund to the General Fund		(144,806)
Other fund deficit support		(89,478)
Other		(187)
Elimination of budgetary interfund activity	$	(735,388)



THIS PAGE INTENTIONALLY LEFT BLANK

Non-Tax Revenue Initiatives

June 30, 2015
(Amounts in thousands)

Chapter 653, Acts of 1989, amended Chapter 29 of the Massachusetts General Laws by adding Sections 29D and 29E, which authorize certain non-tax revenue initiatives and require reporting thereon, as follows.

I. Debt Collection:

Pursuant to Massachusetts General Laws Chapter 29, Section D, Chapter 7A Section 8, allows private debt collection agencies to engage in debt collection for the Commonwealth. The fees paid are contingency-based from the proceeds collected. Collections and fees paid during FY15 were (amounts in thousands):

Department Collectors	Collections	Fees
Collecto, Inc	$ 3,070	$ 491
Allen Daniels	2,188	328
Delta	994	161
Premier Credit of North America, LLC	393	63
Financial Asset Management Systems, Inc	96	12
Linebarger, Goggan, Blair & Sampson, LLP	50	8
Total	$ 6,791	$ 1,063

Under the same program, the following amounts were collected and fees paid for the Institutions of Higher Education (these figures are as subset of the above) (amounts in thousands):

Department Collectors	Collections	Fees
Collecto, Inc	$ 2,628	$ 415
Delta	779	126
Allen Daniels	605	93
Premier Credit of North America, LLC	254	35
Total	$ 4,266	$ 669

II. Revenue Maximization:

Section 2 of Chapter 165 of the Acts of 2014 authorized, effective in FY2015, the Department of Early Education and Care and the Executive Office for Health and Human Services the ability to retain and expend funds for contingency fee contracts. These fees relate to pursuing federal reimbursement or avoiding costs for the departments acting in their capacities as the single state agency under Title IV-E of the Social Security Act and Title XIX and XXI of the Social Security Act, respectively. The Office of the Comptroller no longer manages or reports contingency fee contracts for these services.

III. Cost Avoidance:

The Comptroller's appropriation authorizes contract arrangements engaged on a contingent fee basis for the purpose of identification and pursuit of cost saving/avoidance opportunities. During FY15, the following amounts were generated (amounts in thousands):

State expenditures avoided	$ 4,276,010
Amounts credited to the federal government in provider offsets	—
Contractor payments	(501,375)
Net cost savings/avoidance	$ 3,774,635

IV. Intercept:

Intercept is authorized by M.G.L. Chapter 7A Section 3 and 815 CMR 9:06. Intercept is an automated process that offsets Commonwealth payments to delinquent receivables that have been approved by the Office of the State Comptroller. FY15 activity (amounts in thousands):

Total Commonwealth intercepts	$ 12,198
Amounts included above that were intercepted on behalf of the Institutions of Higher Education	$ 6,452

Schedule of Pension and Post Employment Health Benefits

(Amounts in thousands except for percentages)

Pension Funding Progress for the last six fiscal years

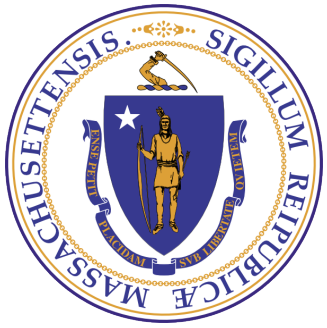
	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
State Employee's Retirement System						
Actuarial Valuation as of January 1, 2015	$ 22,720,160	$ 33,679,150	$ 10,958,990	67.5%	$ 5,591,911	196.0%
Actuarial Valuation as of January 1, 2014	21,581,133	30,679,600	9,098,467	70.3%	5,344,510	170.2%
Actuarial Valuation as of January 1, 2013	20,317,389	29,385,442	9,068,053	69.1%	5,183,195	175.0%
Actuarial Valuation as of January 1, 2012	20,507,644	27,784,731	7,277,087	73.8%	4,922,388	147.8%
Actuarial Valuation as of January 1, 2011	21,244,900	26,242,776	4,997,876	81.0%	4,808,250	103.9%
Actuarial Valuation as of January 1, 2010	19,019,062	24,862,421	5,843,359	76.5%	4,711,563	124.0%
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2015	$ 23,946,759	$ 44,115,769	$ 20,169,010	54.3%	$ 6,204,274	325.1%
Actuarial Valuation as of January 1, 2014	22,940,196	40,741,695	17,801,499	56.3%	5,962,650	298.6%
Actuarial Valuation as of January 1, 2013	21,787,470	39,135,218	17,347,748	55.7%	5,783,294	300.0%
Actuarial Valuation as of January 1, 2012	22,141,475	36,483,027	14,341,552	60.7%	5,655,353	253.6%
Actuarial Valuation as of January 1, 2011	23,117,952	34,890,991	11,773,039	66.3%	5,558,311	211.8%
Actuarial Valuation as of January 1, 2010	21,262,462	33,738,966	12,476,504	63.0%	5,509,698	226.4%

For a complete analysis of the Commonwealth's actuarial valuation report, please go to http://www.mass.gov/perac.Alternatively, copies of the Commonwealth's actuarial valuation may be obtained by contacting the Massachusetts Public Employee Retirement Administration Commission, 5 Middlesex Avenue, Suite 304, Somerville, MA 02145. Telephone number: (617) 666-4446.

State Retiree Benefits Trust Fund

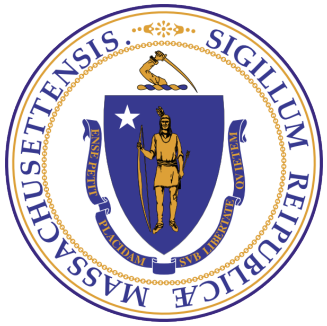
	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Actuarial Valuation as of January 1, 2015	$ 610,000	$ 16,502,800	$ 15,892,800	3.7%	$ 5,591,911	284.2%
Actuarial Valuation as of January 1, 2014	511,200	15,670,200	15,159,000	3.3%	5,344,510	283.6%
Actuarial Valuation as of January 1, 2013	406,700	15,784,100	15,377,400	2.6%	5,183,195	296.7%
Actuarial Valuation as of January 1, 2012	360,500	16,659,400	16,298,900	2.2%	4,922,388	331.1%
Actuarial Valuation as of January 1, 2011	350,500	16,568,600	16,218,100	2.1%	4,808,250	337.3%
Actuarial Valuation as of January 1, 2010	310,000	15,166,000	14,856,000	2.0%	4,711,563	315.3%

For a complete analysis of the Commonwealth's actuarial valuation report, please contact the Office of the State Comptroller, 1 Ashburton Place, 9th Floor, Boston, MA 02108. Telephone number: (617) 727-5000.



THIS PAGE INTENTIONALLY LEFT BLANK

Statistical Section



Ten-Year Schedules – Statutory Basis
Higher Education Non-appropriated Funds – Statutory Basis

See review report

Ten-Year Schedule of Revenues And Other Financing Sources

All Governmental Fund Types - Statutory Basis

June 30, 2015

(Amounts in millions)

	2015	% Total	2014	% Total	2013	% Total	2012	% Total
Taxes	$ 25,239	44.4	$ 23,665	43.6	$ 22,396	43.8	$ 21,384	42.7
Federal reimbursements	10,287	18.1	9,265	17.1	9,078	17.8	8,931	17.8
Federal grants	2,269	4.0	2,328	4.3	2,396	4.7	2,655	5.3
Lotteries	5,194	9.1	5,050	9.3	5,043	9.9	4,941	9.9
Assessments	1,033	1.8	1,079	2.0	1,018	2.0	986	2.0
Motor vehicle licenses and registrations	546	1.0	495	0.9	487	1.0	474	0.9
Fees, investment earnings, etc	4,411	7.8	4,254	7.9	3,860	7.5	3,582	7.2
Proceeds of general and special obligation bonds and related premiums	3,404	6.0	2,262	4.2	1,512	3.0	1,921	3.8
Proceeds of refunding bonds	707	1.2	722	1.3	231	0.5	480	1.0
Other interfund transfers	3,748	6.6	5,093	9.4	4,982	9.8	4,731	9.4
Total revenues and other financing sources	$ 56,838	100.0	$ 54,213	100.0	$ 51,003	100.0	$ 50,085	100.0

2011	% Total	2010	% Total	2009	% Total	2008	% Total	2007	% Total	2006	% Total
$ 20,776	38.2	$ 18,792	40.3	$ 18,513	38.8	$ 21,009	44.5	$ 19,849	44.3	$ 18,593	43.9
10,151	18.6	9,374	20.1	9,139	19.1	6,937	14.7	6,830	15.3	6,307	14.9
3,097	5.7	3,134	6.7	2,646	5.5	2,065	4.4	1,989	4.5	2,046	4.8
4,632	8.5	4,629	9.9	4,649	9.7	4,915	10.4	4,670	10.4	4,739	11.2
960	1.8	971	2.1	894	1.9	806	1.7	794	1.8	793	1.9
497	0.9	463	1.0	383	0.8	376	0.8	374	0.8	361	0.9
3,462	6.4	2,830	6.0	2,800	5.9	3,200	6.8	2,450	5.6	2,891	6.8
2,306	4.2	1,672	3.6	2,141	4.5	1,306	2.8	1,604	3.6	1,838	4.3
947	1.7	538	1.2	390	0.8	—	—	1,531	3.4	633	1.5
7,618	14.0	4,233	9.1	6,197	13.0	6,538	13.9	4,605	10.3	4,145	9.8
$ 54,446	100.0	$ 46,636	100.0	$ 47,752	100.0	$ 47,152	100.0	$ 44,696	100.0	$ 42,346	100.0

Ten-Year Schedule of Tax Revenues By Source

All Governmental Fund Types - Statutory Basis

June 30, 2015

(Amounts in millions)

	2015	% Total	2014	% Total	2013	% Total	2012	% Total
Income	$ 14,449	57.3%	$ 13,202	55.8	$ 12,831	57.5	$ 11,911	55.7
Sales and use	5,804	23.0%	5,519	23.3	5,184	23.1	5,079	23.8
Corporations	2,172	8.6%	2,049	8.7	1,822	8.1	1,771	8.3
Motor fuels	756	3.0%	732	3.1	651	2.9	662	3.1
Cigarette	510	2.0%	521	2.2	440	2.0	451	2.1
Insurance	333	1.3%	316	1.3	373	1.7	318	1.5
Estate and inheritance	341	1.4%	402	1.7	313	1.4	293	1.4
Banks: Financial Institutions*	52	0.2%	136	0.6	78	0.3	267	1.2
Alcoholic beverages	80	0.3%	79	0.3	77	0.3	77	0.4
Other	742	2.9%	711	3.0	625	2.7	555	2.5
Total taxes	$ 25,239	100.0%	$ 23,667	100.0	$ 22,394	100.0	$ 21,384	100.0

*Negative amounts in FY11 are primarily due to changes in corporate tax laws, which resulted in some financial institutions tax being classified as corporations tax.

2011	% Total	2010	% Total	2009	% Total	2008	% Total	2007	% Total	2006	% Total
$ 11,576	55.7	$ 10,110	53.8	$ 10,584	57.2	$ 12,484	59.4	$ 11,400	57.4	$ 10,483	56.4
4,921	23.7	4,626	24.6	3,880	21.0	4,098	19.5	4,076	20.5	4,009	21.6
1,951	9.4	1,600	8.5	1,549	8.4	1,512	7.2	1,588	8.0	1,391	7.5
661	3.2	655	3.5	654	3.5	673	3.2	676	3.4	672	3.6
454	2.2	456	2.4	457	2.5	437	2.1	438	2.2	435	2.3
296	1.4	285	1.5	309	1.7	369	1.8	369	1.9	397	2.1
310	1.5	221	1.2	260	1.4	254	1.2	250	1.3	196	1.1
(11)	(0.1)	235	1.3	243	1.3	548	2.6	341	1.7	350	1.9
73	0.4	72	0.4	73	0.4	72	0.3	71	0.4	70	0.4
545	2.6	532	2.8	504	2.6	562	2.7	640	3.2	590	3.1
$ 20,776	100.0	$ 18,792	100.0	$ 18,513	100.0	$ 21,009	100.0	$ 19,849	100.0	$ 18,593	100.0

Ten-Year Schedule of Expenditures And Other Financing Uses By Secretariat

All Governmental Fund Types - Statutory Basis

June 30, 2015

(Amounts in millions)

	2015	% Total	2014	% Total	2013	% Total	2012	% Total
Legislature	$ 60	0.1	$ 56	0.1	$ 57	0.1	$ 58	0.1
Judiciary	852	1.5	831	1.5	802	1.5	780	1.6
Inspector General	5	—	6	—	6	—	3	—
Governor and Lieutenant Governor	7	—	5	—	6	—	7	—
Secretary of the Commonwealth	52	0.1	53	0.1	50	0.1	43	0.1
Treasurer and Receiver-General	6,224	11.1	5,893	10.9	5,867	11.3	5,847	11.7
Auditor of the Commonwealth	21	—	19	—	19	—	18	—
Attorney General	56	0.1	53	0.1	50	0.1	53	0.1
Ethics Commission	2	—	2	—	2	—	2	—
District Attorney	111	0.2	108	0.2	108	0.2	101	0.2
Office of Campaign and Political Finance	2	—	1	—	1	—	1	—
Sheriff's Departments	595	1.1	571	1.0	543	1.0	532	1.1
Disabled Persons Protection Commission	3	—	2	—	2	—	2	—
Board of Library Commissioners	49	0.1	45	0.1	41	0.1	34	0.1
Massachusetts Gaming Commission	21	—	23	—	14	—	1	—
Comptroller	20	—	18	—	14	—	13	—
Administration and Finance	8,832	15.9	8,862	16.3	8,665	16.8	7,456	14.9
Energy and Environmental Affairs	628	1.1	561	1.0	490	0.9	456	0.9
Housing and Community Development	—	—	—	—	—	—	—	—
Health and Human Services	20,398	36.0	18,649	34.1	17,447	34.1	17,632	35.1
Transportation and Public Works	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	3,248	5.8	2,914	5.4	2,439	4.7	2,323	4.6
Executive Office of Education	3,218	5.7	3,130	5.8	2,952	5.7	3,030	6.0
Center for Health Information and Analysis	28	—	25	—	9	—	—	—
Public Safety and Homeland Security	1,350	2.4	1,313	2.4	1,324	2.6	1,236	2.5
Housing and Economic Development	1,281	2.3	1,251	2.3	1,214	2.3	1,203	2.4
Labor and Workforce Development	223	0.4	237	0.4	300	0.6	390	0.8
Post employment benefits	2,213	3.9	2,050	3.7	1,967	3.8	1,892	3.8
Debt service	2,507	4.5	2,410	4.4	2,351	4.5	2,272	4.5
Payments to advance refunding escrow agent/Principal on current refunding	707	1.3	722	1.3	230	0.4	388	0.8
Other fund deficit support	89	0.2	168	0.3	—	—	—	—
Other interfund transfers	3,483	6.2	4,732	8.6	4,775	9.2	4,352	8.7
Total expenditures and other financing uses	$ 56,285	100.0	$ 54,710	100.0%	$ 51,745	100.0%	$ 50,125	100.0%

Schedule reflects changes in accordance with Article 87 reorganizations of the Massachusetts Constitution at various times over the last ten years at point of implementation.

For fiscal years 2009 to 2015, this schedule reflects Budgeted, Non-Budgeted and Capital Projects expenditures and other financing uses only.

2011	% Total	2010	% Total	2009	% Total	2008	% Total	2007	% Total	2006	% Total
$ 58	0.1	$ 59	0.1	$ 60	0.1	$ 58	0.1	$ 59	0.2	$ 55	0.1
788	1.5	788	1.7	814	1.6	831	1.7	788	1.8	672	1.6
3	—	4	—	3	—	3	—	3	—	3	—
5	—	5	—	8	—	9	—	5	—	5	—
46	0.1	54	0.1	53	0.1	53	0.1	55	0.1	45	0.1
5,610	10.6	5,483	11.5	6,043	12.2	5,640	11.8	5,267	11.7	5,635	13.6
17	—	17	—	20	—	19	—	18	—	19	—
51	0.1	53	0.1	57	0.1	56	0.1	52	0.1	49	0.1
2	—	2	—	2	—	2	—	2	—	1	—
97	0.2	96	0.2	104	0.2	104	0.2	96	0.2	88	0.2
3	—	1	—	1	—	1	—	2	—	1	—
511	1.0	378	0.8	295	0.6	296	0.7	275	0.6	251	0.6
2	—	2	—	3	—	2	—	2	—	2	—
34	0.1	34	0.1	48	0.1	46	0.1	42	0.1	49	0.1
—	—	—	—	—	—	—	—	—	—	—	—
14	—	15	—	14	—	14	—	14	—	14	—
7,206	13.7	7,040	14.9	6,892	14.2	7,059	14.8	7,043	15.7	6,601	16.1
482	0.9	529	1.1	526	1.1	473	1.0	450	1.0	390	0.9
—	—	—	—	—	—	—	—	509	1.1	659	1.6
17,737	33.5	16,044	33.8	16,468	33.3	15,504	32.5	14,456	32.4	13,539	32.6
—	—	509	1.1	1,689	3.4	1,378	2.9	1,404	3.1	1,376	3.3
2,278	4.3	1,542	3.2	—	—	—	—	—	—	—	—
3,225	6.1	3,184	6.7	3,390	6.9	2,989	6.3	2,936	6.5	2,726	6.6
—	—	—	—	—	—	—	—	—	—	—	—
1,172	2.2	1,308	2.7	1,456	2.9	1,381	2.9	1,253	2.8	1,180	2.8
1,283	2.4	1,245	2.6	981	2.0	857	1.8	508	1.1	323	0.8
428	0.8	403	0.8	331	0.7	274	0.6	67	0.1	—	—
1,839	3.5	1,749	3.7	1,314	2.7	1,399	2.9	1,335	3.0	1,275	3.1
2,128	4.0	2,117	4.5	2,145	4.3	2,239	4.7	2,352	5.2	2,028	4.9
540	1.0	538	1.1	—	—	—	—	1,531	3.4	633	1.5
65	0.1	—	—	220	0.4	1,593	3.5	—	—	—	—
7,272	13.8	4,373	9.2	6,456	13.1	5,403	11.3	4,383	9.8	3,887	9.4
$ 52,896	100.0	$ 47,572	100.0	$ 49,393	100.0	$ 47,683	100.0	$ 44,907	100.0	$ 41,506	100.0

Ten-Year Schedule of Budgeted Funds Expenditures and Other Financing Uses By Major Program Category

June 30, 2015

(Amounts in millions)

	2015	2014	2013	2012	2011	2010	2009*	2008	2007	2006
Direct local aid	$ 5,420	$ 5,292	$ 5,116	$ 4,929	$ 4,785	$ 4,837	$ 4,724	$ 5,040	$ 5,033	$ 4,619
Medicaid**	13,655	11,901	10,800	10,431	10,237	9,287	8,537	8,104	7,413	6,726
Other Health and Human Services	5,301	4,980	4,769	4,711	4,615	4,616	4,970	5,014	—	—
Public Assistance	—	—	—	—	—	—	—	—	1,258	1,129
Elementary and Secondary Education	515	515	489	436	349	358	496	486	—	—
Higher Education	1,162	1,092	991	937	943	846	1,036	1,085	1,116	988
Early education and care	538	510	483	494	515	513	560	550	—	—
Public Safety and Homeland Security	1,041	1,010	960	930	905	1,053	1,224	1,265	—	—
Energy and Environmental Affairs	225	215	202	187	186	202	216	227	—	—
MBTA and regional transit authorities	—	—	—	—	—	—	—	—	52	50
Post employment benefits	2,213	2,050	1,967	1,892	1,839	1,749	1,314	1,399	1,335	1,275
Group health insurance	1,665	1,403	1,278	1,206	1,130	1,064	973	853	1,022	964
Debt service	2,190	2,133	2,117	1,923	1,664	1,860	1,891	1,868	2,085	1,666
Major programs	33,925	31,101	29,172	28,076	27,168	26,385	25,941	25,891	19,314	17,417
Other program expenditures	3,326	3,671	3,007	2,899	2,851	2,999	2,762	2,739	8,343	7,777
Interfund transfers and other financing uses	1,601	2,882	3,172	2,515	5,520	1,810	3,867	4,405	1,819	1,749
Total expenditures and other financing uses	$ 38,852	$ 37,654	$ 35,351	$ 33,490	$ 35,539	$ 31,194	$ 32,570	$ 33,035	$ 29,476	$ 26,943

* Fiscal years 2008 through 2015 presentation aligned with Bond Official Statements - Commonwealth Expenditures - Budgeted Operating Funds

** Exclusive of Non-Budgeted Medicaid spending from FY05 through FY2007 within the Health Care Quality Improvement Fund, totaling $292 million, $292 million and $290 million in FY05 through FY07, respectively.

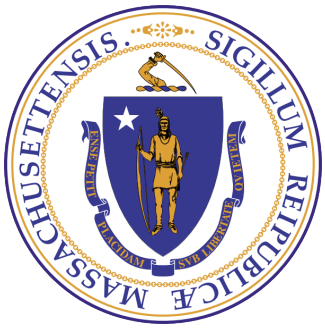
Ten-Year Schedule of Long-Term Bonds And Notes Outstanding

Fiscal Year Ended June 30, 2015

(Amounts in millions)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General obligation bonds	$ 20,802	$ 19,387	$ 19,140	$ 18,852	$ 18,517	$ 17,683	$ 17,052	$ 16,085	$ 16,033	$ 15,393
Grant anticipation notes*	700	531	449	610	766	991	1,134	1,536	1,666	1,789
Special obligation bonds	2,324	2,292	1,924	1,972	1,592	1,053	1,079	1,113	1,249	1,279
Commonwealth long-term bonds	$ 23,826	$ 22,210	$ 21,513	$ 21,434	$ 20,875	$ 19,727	$ 19,265	$ 18,734	$ 18,948	$ 18,461

*Inclusive of cross-over refunding notes but exclusive of unamortized premiums.



THIS PAGE INTENTIONALLY LEFT BLANK

HIGHER EDUCATION NON-APPROPRIATED ACTIVITY

The Commonwealth's Public Institutions of Higher Education are allowed, by their enabling statutes, to collect, retain, and expend certain fees, rents, donations and other types of revenue. These financial resources are important elements in the overall financial operations of the respective institutions, and are in addition to amounts made available from appropriations. The Public Institutions of Higher Education include:

University of Massachusetts System - The University system includes the campuses at Amherst, Worcester, Boston, Lowell, Dartmouth and certain institutes and programs operated by the Office of the University President.

State University Systems - The State College and University Systems include the three state colleges, and six state universities, which provide four-year post-secondary education programs. These include:

- Bridgewater State University
- Framingham State University
- Fitchburg State University
- Massachusetts College of Art & Design
- Massachusetts Maritime Academy
- Massachusetts College of Liberal Arts
- Salem State University
- Worcester State University
- Westfield State University

Community College System - The Community College System includes the fifteen community colleges, which provide two-year post secondary education programs.

- Berkshire Community College
- Bunker Hill Community College
- Bristol Community College
- Cape Cod Community College
- Greenfield Community College
- Holyoke Community College
- Massasoit Community College
- Massachusetts Bay Community College
- Middlesex Community College
- Mount Wachusett Community College
- Northern Essex Community College
- North Shore Community College
- Quinsigamond Community College
- Roxbury Community College
- Springfield Technical Community College

Higher Education System

Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

		University of Massachusetts	State Universities and Colleges	Community Colleges	Totals 2015	Totals 2014 Restated
Revenues and other financing sources						
	Federal grants and reimbursements	$ 291,886	$ 56,875	$ 184,188	$ 532,948	$ 626,331
	Departmental revenue	1,245,089	447,210	383,469	2,075,768	1,980,127
	Miscellaneous revenue	967,926	398,812	304,822	1,671,560	1,795,000
	Total revenues and other financing sources	2,504,901	902,897	872,479	4,280,277	4,401,458
Expenditures and other financing uses (by MMARS subsidiary):						
AA	Regular employee compensation	621,269	155,750	177,642	954,660	953,981
BB	Regular employee related expenses	22,462	4,779	3,562	30,802	31,109
CC	Special employees and contracted services	250,601	130,005	226,652	607,258	575,767
DD	Pension and insurance	171,759	39,479	36,975	248,213	239,474
EE	Administrative expenditures	112,630	70,486	33,253	216,369	217,330
FF	Facility operational supplies	156,550	14,652	25,121	196,323	187,991
GG	Energy costs and space rental	147,268	31,106	29,019	207,393	205,534
HH	Consultant services	212,542	11,371	13,540	237,453	269,081
JJ	Operational services	41,931	35,521	13,098	90,549	79,966
KK	Equipment purchase	47,911	7,604	11,500	67,015	47,874
LL	Equipment leases, maintenance and repair	26,007	5,887	6,481	38,375	39,499
MM	Purchased client services and programs	34,988	3,627	2,955	41,571	36,170
NN	Construction and improvements	102,792	39,243	25,162	167,196	174,605
PP	Aid to local governments	10	118	2,565	2,694	505
RR	Benefit programs	377,193	89,894	189,274	656,360	637,829
SS	Debt payment	26,974	23,568	3,972	54,513	28,224
TT	Loans and special payments	89,797	155,220	35,314	280,331	429,875
UU	Information technology (IT) expenses	89,297	27,764	26,796	143,857	146,942
	Total expenditures and other financing uses	2,531,981	846,072	862,880	4,240,932	4,301,756
	Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(27,080)	56,825	9,600	39,344	99,701
	Fund balance at beginning of year, as restated	894,724	391,586	287,896	1,574,205	1,474,503
	Fund balance at end of year	$ 867,644	$ 448,410	$ 297,495	$ 1,613,549	$ 1,574,205

University of Massachusetts

Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

		Totals	
		2015	2014
Revenues and other financing sources			
	Federal grants and reimbursements	$ 291,886	$ 379,346
	Departmental revenue	1,245,089	1,182,978
	Miscellaneous revenue	967,926	1,092,832
	Total revenues and other financing sources	2,504,901	2,655,156
Expenditures and other financing uses (by MMARS subsidiary):			
AA	Regular employee compensation	621,269	621,159
BB	Regular employee related expenses	22,462	22,698
CC	Special employees and contracted services	250,601	240,146
DD	Pension and insurance	171,759	168,011
EE	Administrative expenditures	112,630	109,489
FF	Facility operational supplies	156,550	147,853
GG	Energy costs and space rental	147,268	146,066
HH	Consultant services	212,542	235,208
JJ	Operational services	41,931	37,133
KK	Equipment purchase	47,911	31,917
LL	Equipment leases, maintenance and repair	26,007	25,063
MM	Purchased client services and programs	34,988	29,025
NN	Construction and improvements	102,792	101,594
PP	Aid to local governments	10	1
RR	Benefit programs	377,193	343,232
SS	Debt payment	26,974	10,781
TT	Loans and special payments	89,797	241,925
UU	Information technology (IT) expenses	89,297	92,345
	Total expenditures and other financing uses	2,531,981	2,603,646
	Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	(27,080)	51,510
	Fund balance at beginning of year	894,724	843,214
	Fund balance at end of year	$ 867,644	$ 894,724

State University and College System

Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2015

(Amounts in thousands)

		Bridgewater State University	Farmingham State University	Fitchburg State University	Massachusetts College of Art
Revenues and other financing sources					
	Federal grants and reimbursements.	$ 15,130	$ 5,932	$ 7,884	$ 2,599
	Departmental revenue	115,242	46,668	50,157	28,452
	Miscellaneous revenue	84,475	54,051	35,781	19,777
	Total revenues and other financing sources	214,847	106,651	93,823	50,828
Expenditures and other financing uses (by MMARS subsidiary):					
AA	Regular employee compensation	60,264	8,776	15,959	9,454
BB	Regular employee related expenses	1,588	426	491	371
CC	Special employees and contracted services	42,513	10,905	12,336	5,964
DD	Pension and insurance	17,390	2,529	3,713	742
EE	Administrative expenditures	10,542	35,918	1,923	2,098
FF	Facility operational supplies	2,009	2,776	1,459	1,358
GG	Energy costs and space rental	5,548	3,414	4,415	2,042
HH	Consultant services	2,272	1,217	953	1,525
JJ	Operational services	12,409	6,509	1,286	2,106
KK	Equipment purchase	1,831	1,123	1,080	491
LL	Equipment leases, maintenance and repair	2,168	685	692	232
MM	Purchased client services and programs	1,616	400	280	—
NN	Construction and improvements	4,422	2,302	13,782	6,109
PP	Aid to local governments	—	72	—	—
RR	Benefit programs	23,448	8,325	9,783	8,254
SS	Debt payment	3,604	383	—	—
TT	Loans and special payments	17,206	12,466	20,837	7,692
UU	Information technology (IT) expenses	5,740	3,683	3,420	1,913
	Total expenditures and other financing uses	214,570	101,909	92,410	50,352
	Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	277	4,742	1,413	476
	Fund balance at beginning of year, as restated	26,911	51,123	56,942	16,510
	Fund balance at end of year	$ 27,187	$ 55,865	$ 58,355	$ 16,985

Note: Details might not add up due to rounding

Massachusetts Maritime Academy	Massachusetts College of Liberal Arts	Salem State University	Worcester State University	Westfield State University	Totals	
					2015	2014 Restated
$ 1,176	$ 3,383	$ 12,242	$ 227	$ 8,302	$ 56,875	$ 53,661
30,521	22,456	21,907	58,256	73,550	447,210	437,082
7,815	12,654	128,467	22,336	33,456	398,812	395,057
39,512	38,493	162,615	80,819	115,309	902,897	885,799
5,133	7,645	26,839	4,161	17,519	155,750	148,650
635	446	284	48	491	4,779	4,481
6,246	7,976	16,772	8,062	19,231	130,005	125,816
737	759	7,301	720	5,587	39,479	35,407
983	2,211	14,062	102	2,648	70,486	71,040
1,144	490	3,290	976	1,149	14,652	14,944
1,396	1,927	6,104	693	5,566	31,106	34,178
751	1,024	1,729	671	1,228	11,371	14,765
6,269	3,884	1,856	149	1,054	35,521	31,344
428	283	1,019	1,000	348	7,604	6,467
582	150	509	202	667	5,887	8,408
—	—	789	—	542	3,627	3,080
1,532	1,718	3,256	2,805	3,317	39,243	50,213
—	46	—	—	—	118	78
1,147	6,229	20,509	1,842	10,358	89,894	95,216
—	331	355	7,991	10,904	23,568	13,433
7,705	3,243	63,403	—	22,669	155,220	161,449
2,226	1,543	4,952	475	3,812	27,764	27,987
36,915	39,904	173,027	29,896	107,089	846,072	846,955
2,597	(1,410)	(10,412)	50,924	8,219	56,825	38,844
34,975	14,314	41,630	99,046	50,135	391,586	352,742
$ 37,572	$ 12,904	$ 31,218	$ 149,970	$ 58,354	$ 448,410	$ 391,586

Community College System

Combining Higher Education Non-Appropriated Activity - Statutory Basis

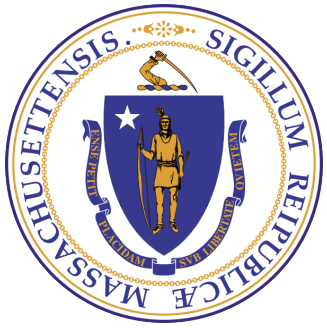
Fiscal Year Ended June 30, 2015

(Amounts in thousands)

		Berkshire Community College	Bunker Hill Community College	Bristol Community College	Cape Cod Community College	Greenfield Community College	Holyoke Community College	Massasoit Community College
Revenues and other financing sources								
	Federal grants and reimbursements	$ 4,247	$ 27,558	$ 19,096	$ 4,855	$ 2,507	$ 13,443	$ 19,216
	Departmental revenue	8,255	50,235	21,859	11,200	8,863	14,248	35,311
	Miscellaneous revenue	8,561	29,991	43,119	14,806	5,681	20,256	22,368
	Total revenues and other financing sources	21,062	107,784	84,074	30,861	17,051	47,948	76,895
Expenditures and other financing uses								
(by MMARS subsidiary):								
AA	Regular employee compensation	1,927	35,810	13,487	6,234	3,706	5,818	14,326
BB	Regular employee related expenses	102	168	384	173	18	317	150
CC	Special employees and contracted services	5,714	18,417	32,365	10,237	5,344	9,378	20,546
DD	Pension and insurance	653	2,044	4,238	1,945	1,155	1,575	4,486
EE	Administrative expenditures	2,033	2,663	1,913	1,252	979	2,046	2,263
FF	Facility operational supplies	514	1,178	964	447	321	3,379	1,528
GG	Energy costs and space rental	771	2,407	2,675	1,318	776	1,298	1,487
HH	Consultant services	289	642	450	202	375	461	404
JJ	Operational services	571	1,809	675	463	460	1,156	321
KK	Equipment purchase	257	547	506	272	74	457	726
LL	Equipment leases, maintenance and repair	144	837	276	142	172	135	776
MM	Purchased client services and programs	27	458	1,130	—	6	32	404
NN	Construction and improvements	601	2,485	1,474	393	248	1,097	2,748
PP	Aid to local governments	39	—	280	—	1	44	1,452
RR	Benefit programs	6,134	28,760	20,315	6,239	2,883	15,651	13,634
SS	Debt payment	20	245	—	—	—	295	1,379
TT	Loans and special payments	256	328	597	288	309	3,283	6,970
UU	Information technology (IT) expenses	813	5,720	1,620	848	629	2,560	1,912
	Total expenditures and other financing uses	20,867	104,517	83,348	30,454	17,455	48,982	75,510
	Excess (deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	195	3,267	726	407	(405)	(1,034)	1,385
	Fund balance at beginning of year	2,823	21,015	14,153	18,434	2,026	14,975	32,092
	Fund balance at end of year	$ 3,017	$ 24,282	$ 14,879	$ 18,841	$ 1,621	$ 13,941	$ 33,477

Note: Details might not add up due to rounding

Massachusetts Bay Community College	Middlesex Community College	Mount Wachusett Community College	Northern Essex Community College	North Shore Community College	Quinsigamond Community College	Roxbury Community College	Springfield Technical Community College	Totals	
								2015	2014
$ 5,567	$ 20,286	$ 1,308	$ 12,696	$ 15,707	$ 16,073	$ 6,467	$ 15,163	$184,188	$193,325
19,287	33,136	27,887	42,982	29,345	49,186	547	31,129	383,469	360,068
16,656	36,968	19,022	27,203	17,166	7,007	21,242	14,776	304,822	307,111
41,510	90,390	48,217	82,881	62,217	72,266	28,256	61,068	872,479	860,504
1,972	21,474	23,982	12,989	24,852	8,969	306	1,789	177,642	184,172
112	648	317	397	169	105	57	444	3,562	3,930
14,174	27,519	9,621	16,106	8,412	15,624	23,148	10,047	226,652	209,805
1,257	6,948	3,367	4,402	2,010	1,902	262	732	36,975	36,055
2,289	3,115	2,222	1,615	1,778	3,009	3,144	2,933	33,253	36,802
626	1,678	1,049	2,777	3,094	5,216	354	1,997	25,121	25,194
2,175	6,904	333	1,814	1,762	3,042	1,166	1,091	29,019	25,290
365	4	1,260	411	1,293	4,278	1,109	1,999	13,540	19,110
—	—	924	2,746	220	1,197	1,227	1,327	13,098	11,488
—	775	530	513	1,140	2,935	180	2,587	11,500	9,490
—	1,085	141	169	189	776	170	1,468	6,481	6,028
346	—	10	—	217	—	1	326	2,955	4,065
2,312	3,876	2,897	3,501	762	1,061	324	1,382	25,162	22,799
—	—	167	—	581	—	—	2	2,565	427
10,355	166	1,551	31,644	14,025	18,401	54	19,461	189,274	199,390
66	—	351	340	1,276	—	—	—	3,972	4,010
223	20,975	200	275	463	792	—	355	35,314	26,499
2,189	98	56	2,351	1,853	5,351	725	70	26,796	26,609
38,462	95,264	48,978	82,052	64,098	72,657	32,226	48,010	862,880	851,163
3,047	(4,874)	(762)	829	(1,880)	(391)	(3,970)	13,058	9,600	9,341
12,588	7,677	11,515	7,511	11,966	3,871	20,187	107,065	287,896	278,555
$ 15,635	$ 2,803	$ 10,753	$ 8,340	$ 10,086	$ 3,480	$ 16,217	$ 120,123	$297,495	$287,896



THIS PAGE INTENTIONALLY LEFT BLANK

Commonwealth of Massachusetts

Statutory Basis Financial Report

Fiscal Year Ended June 30, 2015

[THIS PAGE INTENTIONALLY LEFT BLANK]

Exhibit C

[THIS PAGE INTENTIONALLY LEFT BLANK]

Commonwealth of Massachusetts

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Martin J. Benison, CGFM
Comptroller of the Commonwealth

This document and related information are available at

Mass.Gov

"Your Government, Your Way"

The Office of the Comptroller's home page is www.mass.gov/osc

Arthur Smith Covered Bridge – Colrain
Photo Credit: Massachusetts Office of Travel and Tourism

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Table of Contents

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL *1*
CONSTITUTIONAL OFFICERS *8*
COMMONWEALTH ORGANIZATIONAL STRUCTURE *9*
ADVISORY BOARD TO THE COMPTROLLER *10*
ACKNOWLEDGEMENTS *11*
CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING *13*

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT *17*
MANAGEMENT'S DISCUSSION AND ANALYSIS *21*
BASIC FINANCIAL STATEMENTS: *39*
GOVERNMENT-WIDE FINANCIAL STATEMENTS *39*
Statement of Net Position *40*
Statement of Activities *42*
GOVERNMENTAL FUND FINANCIAL STATEMENTS *45*
Balance Sheet *46*
Reconciliation of Fund Balances to the Statement of Net Position *47*
Statement of Revenues, Expenditures and Changes in Fund Balances *48*
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities *49*
PROPRIETARY FUND FINANCIAL STATEMENTS *51*
Statement of Net Position *52*
Statement of Revenues, Expenses and Changes in Net Position *53*
Statement of Cash Flows *54*
FIDUCIARY FUND FINANCIAL STATEMENTS *55*
Statement of Net Position *56*
Statement of Changes in Net Position *57*
DISCRETELY PRESENTED COMPONENT UNIT FINANCIAL STATEMENTS *59*
Statement of Net Position *60*
Statement of Revenues, Expenses and Changes in Net Position *61*
TABLE OF CONTENTS – NOTES TO THE BASIC FINANCIAL STATEMENTS *63*
Notes to the Basic Financial Statements *65*
REQUIRED SUPPLEMENTARY INFORMATION-OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS *125*
Schedules of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual – General Fund *126*

Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for the General Fund on a Budgetary Basis and GAAP Basis *127*
Notes to Required Supplementary Information – Budgetary Reporting *128*
Schedule of Funding Process *130*
Schedule of Employer and Non-Employer Contributions *131*
Schedule of Changes in the State Employees' Retirement System (SERS) .....
Net Pension Liability and Related Ratios *132*
Notes to the SERS Schedule *133*
Schedule of Changes in the Massachusetts Teachers' Retirement System (MTRS) .....
Net Pension Liability and Related Ratios *134*
Notes to the MTRS Schedule *135*
Schedule of Investment Returns *136*

OTHER SUPPLEMENTARY INFORMATION *137*
Combining Balance Sheet – Other Governmental Funds *138*
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Other Governmental Funds *142*
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds *146*
Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds *150*
Combining Statement of Net Position Available for Post - Employment Benefits – Pension Trust Funds *152*
Combining Statement of Changes in Net Position Available for Post - Employment Benefits – Pension Trust Funds *153*
Combining Statement of Net Position Held in Trust for Pool Participants – External Investment Trust Fund *154*
Combining Statement of Changes in Net Position Held in Trust for Pool Participants – External Investment Trust Fund *155*
Combining Statement of Changes in Assets and Liabilities – Agency Funds *156*
Combining Statement of Net Position – Nonmajor Component Units *158*
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Component Units *159*

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents *161*
Schedule of Net Position by Component Last Ten Fiscal Years *164*
Changes in Net Position – Last Ten Fiscal Years *166*
Fund Balances, Governmental Funds Last Ten Fiscal Years *168*
Ten-Year Schedule of Revenues and Other Financing Sources All Governmental Fund Types – Fund Perspective *170*
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat All Governmental Fund Types – Fund Perspective *172*
Personal Income by Industry Last Ten Calendar Years *174*

Commonwealth of Massachusetts Personal Income Tax Filers and Liability by Income Level – Tax Years 2012 and 2003 ..... *176*
Ten – Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases *177*
Ten-Year Schedule of Outstanding Direct Debt and Statutory Debt Limit *178*
Ten-Year Schedule of Pledged Revenue Coverage *180*
Ten-Year Schedule of Percentage of Annual Debt Service Expenditures For General Bonded Debt to Total Expenditures – Fund Perspective All Governmental Fund Types *182*
Component Units Revenue Bond Coverage for the Last Ten Fiscal Years *183*
Ten-Year Schedule of Massachusetts and United States Resident Population *184*
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income *185*
Ten-Year Schedule of Annual Average Civilian Labor Force, Unemployment and Unemployment Rates for Massachusetts and the United States *186*
Largest Private Sector Massachusetts Employers *187*
Full Time Equivalent Employees by Function / Program Last Ten Years *188*
Average Annual Medicaid Caseload and Medicaid Expenditures – Fund Perspective – Last Ten Fiscal Years *190*
Massachusetts Road Inventory Calendar Year End, Lane Miles by Type Last Ten Calendar Years *191*
Massachusetts Real Property Owned and Leased Annual Inventory, Acreage, Improvements and Square Footage Last Ten Years *192*
Massachusetts Public Higher Education Enrollment and Degrees Conferred Last Ten Academic Years *194*
Calculation of Transfers: Stabilization Fund *196*
Calculation of Transfers: Tax Reduction Fund *197*
Massachusetts General Information *198*

THIS PAGE LEFT INTENTIONALLY BLANK

Introductory Section

(Unaudited)

BU Bridge, Boston

Letter of Transmittal
Constitutional Officers
Commonwealth Organizational Structure
Advisory Board to the Comptroller
Acknowledgements
Certificate of Achievement

THIS PAGE LEFT INTENTIONALLY BLANK

Martin J. Benison, Comptroller
One Ashburton Place
Boston, MA 02108

December 23, 2014

To the Citizens of the Commonwealth of Massachusetts, Governor Deval L. Patrick and Honorable Members of the General Court

I am pleased to transmit the Commonwealth's fiscal year 2014 (FY14) Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The objective of this report is to provide a clear picture of our government as a single, unified entity.

This document presents the Commonwealth's financial information on three bases of accounting, each serving a different purpose. The back of the report includes "required supplementary information" budgetary basis statements, which are prepared in accordance with the Commonwealth's budgetary basis of accounting or statutory basis. More detailed information on the statutory basis of accounting and the results of operating on that basis from FY14 are found in the Statutory Basis Financial Report (SBFR) issued separately this past November. The SBFR report documents compliance with the legislatively adopted budget at a fund level. Further documentation is found within the Commonwealth's accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Each state maintains different rules for budgetary reporting and therefore the SBFR should not be used for comparison across states.

The fund perspective statements present the governmental operations on a modified accrual basis of accounting. The fund perspective is designed to measure inter-period equity, the extent to which current resources (available within the next year) fully fund all current services provided by the government. Long-term liabilities are excluded with the implicit assumption that future tax revenues will fund these liabilities as they come due. This fund perspective provides results similar to the statutory basis financial statements published in November.

In addition to the fund perspective, this CAFR presents a government-wide perspective. This perspective combines all governmental and business-type activities in a statement of net position and a statement of activities, presenting all functions on a full accrual basis of accounting. All capital assets are added to the government-wide statements as are all long-term liabilities. Funds that are shown as fiduciary under the fund perspective are not portrayed in the government-wide statements, as the assets do not belong to the Commonwealth.

In the government–wide statements, the balance sheet has been organized into a "net position format." This format classifies all assets and liabilities as short and long-term and then subtracts liabilities from assets to arrive at net position.

The Commonwealth's government-wide revenues, expenses and activities are included in the statement of activities. The expenses of the Commonwealth, organized by function, are netted against fees, fines, grant revenues and assessments generated to fund each function in an attempt to derive the net cost to the taxpayer of each function. This format allows the reader of the financial statements to discern the net cost of a particular function of government funded by taxation and other general revenues by a review of this statement.

This CAFR is presented in three sections: **Introductory**, **Financial** and **Statistical**. The **Introductory Section** contains an overview of current initiatives and summary financial data. The **Financial Section** contains the Management's Discussion and Analysis (MD&A) section and the Commonwealth's Basic Financial Statements. GAAP requires that management provide a narrative overview and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement the MD&A, where the financial analysis is presented. The Commonwealth's MD&A can be found immediately following the independent auditors' report. The **Statistical Section** contains selected financial and demographic information. It also contains background information on the Commonwealth.

PROFILE OF THE COMMONWEALTH

The Commonwealth of Massachusetts was the sixth of the original 13 colonies to ratify the United States Constitution, joining the United States on February 6, 1788. Boston, the capital of the Commonwealth since its founding, dates from 1630. The Commonwealth has an area of 8,257 square miles. Geographically, the Commonwealth includes 351 cities and towns. The largest city is the capital, Boston. Employment is largely in the education, health services, wholesale and retail trade, financial and public sectors. Due to the Commonwealth's high levels of basic education and the presence of world-class educational institutions, the Commonwealth's economy is driven in large part by innovation in high technology, life sciences, health care and business services.

The Massachusetts Constitution was ratified in 1780 while the Revolutionary War was still in progress, nine years before the United States Constitution was adopted, and is the oldest written Constitution now in use. It specified three branches of Government: Legislative, Executive, and Judicial. "The Great and General Court," elected every two years, is made up of a Senate of forty members and a House of Representatives of one hundred and sixty members. It is the second oldest democratic deliberative body in the world.

The table on page 3 reconciles the fund balances on three bases of accounting: the statutory basis presented in separately issued financial statements this past November; the fund basis; and the entity-wide basis statements, the latter two of which are included in this report.

Governmental Funds - Statutory to GAAP - Fund Perspective and to Governmental Net Position

(Amounts in millions)

Governmental Funds - Statutory Basis, June 30, 2014:		
Budgeted Fund Balance	$ 1,450.5	
Non Budgeted Special Revenue Fund Balance	2,269.9	
Capital Projects Fund Balance	(1,101.2)	
Governmental Fund Balance - Statutory Basis, June 30, 2014		**$ 2,619.2**
Plus: Expendable Trust and Similar Fund Statutory Balances that are considered Governmental Funds for GAAP reporting purposes		467.9
Less: Massachusetts Department of Transportation Funds		(1,292.2)
Adjusted Statutory Governmental Fund Balance		1,795.0
Short term accruals, net of allowances and deferrals for increases /(decreases):		
Taxes, net of refunds and abatements	$ 1,951.6	
Tobacco Settlement Agreement receivable	126.8	
Medicaid	(355.2)	
Other short term accruals:		
Assessments and other receivables	280.6	
Amounts due to authorities and municipalities, net	(576.9)	
Claims, judgments and other risks	(33.2)	
Amounts due to health care providers and insurers	(78.5)	
Workers' compensation and group insurance	(133.3)	
Other accruals, net	469.2	
Net increase to governmental fund balances	**1,651.1**	
Massachusetts School Building Authority fund balance	**1,173.3**	
Total changes to governmental funds		**2,824.4**
Governmental fund balance (fund perspective)		**$ 4,619.4**
Plus: Capital assets including infrastructure, net of accumulated depreciation		4,572.6
Deferred revenue, net of other eliminations		682.2
Long term accruals:		
Pension Benefits cumulative over / (under) funding		(2,219.0)
Post employment benefits other than pensions cumulative over / (under) funding		(4,832.0)
Environmental Remediation Liability		(217.3)
Massachusetts School Building Authority debt and school construction payables		(7,403.8)
Long term debt, unamortized premiums and deferred losses on debt refundings		(23,109.6)
Compensated Absences		(527.2)
Capital leases		(55.9)
Accrued interest on bonds		(353.3)
Other Long term liabilities		(115.8)
Total governmental net position (entity wide perspective)		**$ (28,959.7)**

The deficit of $28.960 billion in governmental net position is largely attributable to the Commonwealth's policy decision to finance the construction of assets owned by other government entities, particularly Commonwealth roads and bridges, which as a result of transportation reform completed during FY10 shifted these assets from the books of the Commonwealth to the Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth. At the end of FY14, MassDOT held $22.798 billion in road, bridge and other transportation-related assets (excluding assets of the Massachusetts Bay

Transportation Authority) net of related depreciation, the vast majority of which were formerly held by the Commonwealth. Those assets were financed by the Commonwealth and the debt remains a long-term obligation of the Commonwealth. In addition, the Commonwealth has a net liability of $6.174 billion for debt and grant obligations for the School Building Assistance Program that finances construction of schools for the Commonwealth's cities and towns. Finally, the Commonwealth has financed significant transportation and non-transportation assets currently held by Massachusetts Institutions of Higher Education, Massachusetts' cities and towns and quasi-public authorities. While the exact amount of Commonwealth-funded assets held by these entities is difficult to determine, between FY05 and FY14 the Commonwealth's capital spending on Higher Education capital projects exceeded $1.08 billion, capital spending for transportation-related financial assistance to local governments totaled more than $2.1 billion and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget exceeded $3.9 billion, including $1 billion to fund the Massachusetts School Building Authority in FY05 and FY06. As almost all of this capital spending was financed by Commonwealth debt, the liabilities are retained by the Commonwealth while the assets are held by the Institutions of Higher Education, Massachusetts cities and towns and entities such as local housing and other quasi-governmental authorities.

Statement of Net Postion
Governmental Activity
Including MassDOT
(Amounts in thousands)

Net Position as of June 30, 2014:	
Commonwealth's Governmental Activity	$ (28,959,690)
Massachusetts Department of Transportation (major assets include roads and bridges)	21,474,790
Total Net Position of the Commonwealth, including MassDOT	$ (7,484,900)

Since MassDOT's governmental activity ended FY14 with a positive net position of $21.475 billion, it is more informative to view the Commonwealth's financial statements in combination with MassDOT than to analyze the two separately, while also keeping in mind that significant assets owned by the Institutions of Higher Education and local governments and authorities were financed by liabilities still on the Commonwealth's books.

The deficit in the net position of governmental activities (which excludes "business-type activities" of Unemployment Insurance and Higher Education) grew by almost $2.976 billion in FY14. While tax revenues experienced healthy growth on a statutory basis in FY14, much of this growth resulted from tax settlements, which reduced tax receivables and thus did not increase governmental net position on a GAAP basis. In addition, Medicaid expenditures grew more than 9% in FY14, mostly due to expanded Medicaid eligibility under the Affordable Care Act, federal reimbursements for which are 75% of expenditures and are expected to increase over the next several years, reducing the growth in net state cost. The other main factors underlying the change in the net deficit were as follows:

- The Commonwealth's pension funding schedule is updated every three years, while the Annual Required Contribution (ARC) is updated annually. Changes in the market value of assets are amortized over a five year period ("smoothed"). When pension fund asset values decline or increase, the Commonwealth's annual pension funding will lag the ARC.

The triennial updating of the pension fund schedule, combined with the dramatic stock market downturn in 2008-2009, has resulted in a cumulative underfunding of the Commonwealth's ARC to fund the pension liability of $2.219 billion since 2009, with FY14 being underfunded by $404 million.

- The Commonwealth had until recently funded its other post-employment benefits (OPEB) liability on a pay-as-you-go basis. GAAP requires the accrual of a liability for the difference between this amount and the actuarially required contribution. The change in the accrual was $685 million in FY14, reducing net position; cumulative OPEB underfunding is $4.832 billion. However, the Commonwealth has dedicated payments from the Master Settlement Agreement with tobacco companies to fund its OPEB liability. These payments are being phased in over ten years, and are projected to increase from $56 million in FY14 to approximately $250 million annually by FY23.

- As explained on page 4, the Commonwealth continues to fund, through its own debt, transportation-related assets that are owned by the Massachusetts Department of Transportation (MassDOT), Institutions of Higher Education, cities and towns and quasi-public authorities. In FY14, approximately $2.0 billion of the more than $2.5 billion in state-funded capital spending generated assets not owned by the Commonwealth, including $1.36 billion in transportation spending (including more than $246 million in grants and other financial assistance to cities and towns), $206 million for Institutions of Higher Education (which are attributed to the Commonwealth's business-type activities) and approximately $424 million in other capital grants and financial assistance to local governments and quasi-public entities.

The net deficit in government-wide activities, which includes the Commonwealth's business-type as well as governmental activities, increased by $2.308 billion from FY13, with the deficit in governmental activities partially offset by surpluses in Unemployment Insurance and Higher Education.

REPORTING ENTITY

The financial statements incorporate activity from over 150 departments. These departments include the various agencies, boards, and commissions, the 25 Institutions of Higher Education, the judicial and legislative branches of government, and constitutional offices. The departments record their daily financial operations in the state accounting system, MMARS, operated by the Office of the Comptroller.

In addition, the financial statements include 40 independent public authorities. These entities are defined as component units and meet the criteria for inclusion in the Commonwealth's reporting entity in accordance with GAAP. They are further described in Note 1 to the basic financial statements. The MSBA is blended into the Commonwealth's operations.

INDEPENDENT AUDIT

The Commonwealth's independent auditors, KPMG LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2014. The independent auditors' report is presented in the Financial Section.

The Office of the Comptroller prepares these financial statements and is responsible for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Office of the Comptroller, working in conjunction with the State Auditor, has established a comprehensive internal control framework that is designed to protect the Commonwealth's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commonwealth's financial statements in conformity with GAAP. Because of the cost, internal controls should not outweigh their benefits. The Commonwealth's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

I would like to express my thanks to the many dedicated employees within the Office of the Comptroller. Continuing to carry out our mission and meet the goals that are set meant another successful year. I am proud to have them all on my team as another year of initiatives is now underway.

Respectfully submitted,

Martin J. Benison
Comptroller of the Commonwealth

French King Bridge Over Connecticut River - Erving

CONSTITUTIONAL OFFICERS

Deval L. Patrick
Governor

William F. Galvin
Secretary of State

Martha Coakley
Attorney General

Steven Grossman
Treasurer and Receiver-General

Suzanne Bump
Auditor

LEGISLATIVE OFFICERS

Therese Murray
President of the Senate

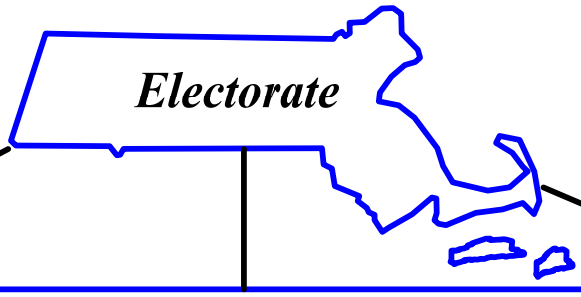
Robert A. DeLeo
Speaker of the House

JUDICIAL OFFICERS

Ralph D. Gants
Chief Justice, Supreme Judicial Court

Phillip Rapoza
Chief Justice, Appeals Court

Lewis H. Spence
Court Administrator, Trial Court



Legislative Branch

House of Representatives
Senate

Executive Branch

Governor
Lieutenant Governor
Governor's Council
Attorney General
Inspector General
Office of the Comptroller
Sheriffs
District Attorneys
State Auditor
Secretary of the Commonwealth
Treasurer and Receiver-General
Office of Campaign and Political Finance
Massachusetts Gaming Commission
Ethics Commission
Disabled Person Protection Commission
Independent Offices and Commissions

Judicial Branch

Supreme Judicial Court
Appeals Court
Trial Court
Committee for Public Counsel
Board of Bar Examiners
Commission on Judicial Conduct
Mental Health Legal Advisors

State Agencies

Administration and Finance
Executive Office for Administration and Finance
Appellate Tax Board
Bureau of the State House
Civil Service Commission
Department of Revenue
Developmental Disabilities Council
Division of Administrative Law Appeals
Division of Capital Asset Management and Maintenance
George Fingold Library
Group Insurance Commission
Health Policy Commission
Human Resource Division
Information Technology Division
Massachusetts Office on Disability
Massachusetts Teachers' Retirement System
Operational Services Division
Public Employee Retirement Administration Commission

Public Safety
Executive Office of Public Safety and Homeland Security
Chief Medical Examiner
Department of Criminal Justice Information Services
Department of Correction
Department of Fire Services
Department of Public Safety
Department of State Police
Massachusetts Emergency Management Agency
Military Division/ Massachusetts National Guard
Municipal Police Training Committee
Parole Board
Sex Offender Registry

Housing and Economic Development
Executive Office of Housing and Economic Development
Department of Business Development
Office of Consumer Affairs & Business Regulations
Massachusetts Marketing Partnership
Department of Housing & Community Development
Department of Telecommunications and Cable
Division of Banks
Division of Insurance
Division of Professional Licensure
Division of Standards

Energy and Environmental Affairs
Executive Office of Energy and Environmental Affairs
Department of Agricultural Resources
Department of Conservation and Recreation
Department of Energy Resources
Department of Environmental Protection
Department of Fish and Game
Department of Public Utilities
State Reclamation Board

Transportation and Public Works
Department of Transportation

Executive Office of Labor and Workforce Development

Health and Human Services
Executive Office of Health and Human Services
Executive Office of Elder Affairs
Department of Children and Families
Department of Developmental Services
Department of Mental Health
Department of Public Health
Department of Transitional Assistance
Department of Veterans' Services
Department of Youth Services
Massachusetts Commission for the Blind
Massachusetts Commission for the Deaf and Hard of Hearing
Massachusetts Rehabilitation Commission
Office for Refugees and Immigrants
Soldiers' Home, Holyoke
Soldiers' Home, Massachusetts

Education
Executive Office of Education
Department of Early Education and Care
Department of Elementary and Secondary Education
Department of Higher Education
Community Colleges
State Universities
University of Massachusetts System

Health Care Security Trust

Board of Library Commissioners

Commission Against Discrimination

ADVISORY BOARD TO THE COMPTROLLER

Glen Shor
Secretary of Administration and Finance

Suzanne Bump
Auditor

Steven Grossman
Treasurer and Receiver-General

Lewis H. Spence
Chief Administrator, Trial Court

Martha Coakley
Attorney General

Michael Esmond
Gubernatorial Appointee

Timothy C. Sullivan
Gubernatorial Appointee

REPORT PREPARED BY:

Howard Merkowitz
Deputy Comptroller

Financial Reporting And Analysis Bureau:

Bhavdeep J. Trivedi
Director

Michael Rodino, CPA
Assistant Director

Pauline Lieu, CPA, CGFM, CFE
Accountant

Neil Gouse, CGFM
Accountant

Mayowa Taiwo, CPA
Accountant

Frank Conlon
Accountant

Christine Bender
Accountant

Cathy Hunter
Program Coordinator

Accounting Bureau
Julia P. Burns, CGFM
Director

Art Direction
Scott Olsen

THIS PAGE LEFT INTENTIONALLY BLANK

Government Finance Officers Association

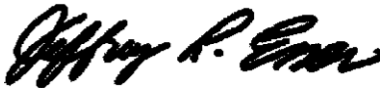
Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013



Executive Director/CEO

THIS PAGE LEFT INTENTIONALLY BLANK

Financial Section

French King Bridge – Erving

Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Notes to the Basic Financial Statements
Required Supplementary Information Other Than Management's Discussion and Analysis
Other Supplementary Information

THIS PAGE LEFT INTENTIONALLY BLANK

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Mr. Martin Benison, Comptroller
The Commonwealth of Massachusetts
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Massachusetts, the State Universities and certain of the Community Colleges all of which are major enterprise funds and represent 85% of the total assets and deferred outflows of the business-type activities. We did not audit 74% of the total assets and deferred outflows of the Community Colleges major enterprise fund. Additionally, we did not audit the financial statements of the nonmajor component units, which represent 8% of the total assets and deferred outflows of the aggregate discretely presented component units. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

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

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of certain entities identified in Note 13 of the basic financial statements were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in fiscal year 2014, the Commonwealth adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 65, *Items Previously Reported as Assets and Liabilities* and No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, as listed in the accompanying table of contents (collectively referred to as RSI), 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, other supplementary information and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014, on our consideration of the Commonwealth of Massachusetts' 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 the 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 Commonwealth's internal control over financial reporting and compliance.

KPMG LLP

December 23, 2014

THIS PAGE LEFT INTENTIONALLY BLANK

Management's Discussion and Analysis
(Unaudited)

This analysis, prepared by the Office of the Comptroller, offers readers of the Commonwealth's financial statements a narrative overview of the activities of the Commonwealth for the fiscal year ended June 30, 2014 (FY14). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal and with the Commonwealth's financial statements, which follow. This analysis is required by the Governmental Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included in and excluded from this analysis.

Financial Highlights – Primary Commonwealth Government

Government–Wide Highlights

Net Position – The liabilities of the primary government exceeded its assets at the end of FY14 by almost $23.472 billion, an increase in the net deficit of $2.308 billion from FY13.

Of the $23.472 billion deficit, "unrestricted net position" has a deficit of $28.811 billion and there is a $2.292 billion positive balance attributable to the net investment in capital assets. There are five primary reasons for the negative unrestricted net position:

1. The Commonwealth has a net liability of $6.174 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA);

2. In FY10, the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately $15.521 billion, as of the date of the transfer, net of depreciation. These assets were valued at $22.798 billion as of June 30, 2014. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains a large amount of transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.

3. The Commonwealth, through debt issuances, also pays for non-transportation capital assets not owned by the Commonwealth, particularly assets held by quasi-public entities and local governments and housing authorities.

4. The Commonwealth's pension funding schedule is updated every three years, while the Annual Required Contribution (ARC) is updated annually. Changes in the market value of assets are amortized over a five year period ("smoothed").

   When pension fund asset values decline or increase, the Commonwealth's annual pension funding will lag the ARC. The triennial updating of the pension funding schedule, combined with the dramatic stock market downturn in 2008-2009, has resulted in a cumulative underfunding of the

Commonwealth's ARC to fund the pension liability of $2.219 billion. The Commonwealth's pension funding schedule was updated beginning in fiscal 2015.

5. The Commonwealth had, until recently, funded its retiree health insurance benefits (Other Post-Employment Benefits, or OPEB) on a pay-as-you-go basis. As a result, as of June 30, 2014, it had accumulated a $4.832 billion liability for OPEB. However, the Commonwealth has dedicated payments from the Master Settlement Agreement with tobacco companies to fund its OPEB liability. These payments are being phased in over ten years, and are projected to increase from $56 million in FY14 to approximately $250 million annually by FY23.

At the end of FY14, the Commonwealth also held $3.046 billion in "restricted net position", which are assets restricted primarily for payment of debt service, unemployment insurance benefits and the Institutions of Higher Education. Approximately $1.366 billion in restricted net position balances were set aside for unemployment benefits, an additional $1.138 billion was restricted for debt retirement (of which $831 million was restricted for MSBA debt retirement), $224 million was restricted for Higher Education and $318 million was restricted for other governmental purposes.

The Commonwealth's governmental activities (which excludes the "business-type activities" of the Institutions of Higher Education and Unemployment Insurance) net deficit increased by $2.976 billion, to $28.960 billion, and its governmental activities unrestricted net deficit increased by approximately $3.179 billion in FY14, to $29.913 billion. Approximately $1.089 billion of the increase in the net deficit was due to increases in the liabilities for state pension and post-employment health benefits.

Total revenues of the primary government increased by $877 million, or 1.7% in FY14, to $53.040 billion. Total expenses of the primary government increased by $2.047 billion, or approximately 3.8%, to $55.347 billion. Detail on revenue and expenses can be found on pages 28 to 30.

Net position of business–type activities increased by $668 million, due to a surplus of $363 million in the Unemployment Insurance Trust Fund and a surplus of $305 million for Higher Education activity.

At June 30, 2014, the Commonwealth's governmental funds reported a combined ending fund balance of about $4.619 billion, a decrease of $251 million from June 30, 2013. Of the ending balances:

- $1 million is nonspendable, $1.518 billion is restricted, $2.250 billion is committed, $510 million is assigned and $341 million is unassigned fund balance. (A full discussion of these classifications is included in Note 1 to the basic financial statements, on pages 69 - 71)

- The MSBA's fund balance of approximately $1.173 billion is blended into the Commonwealth. Within this fund balance is

over $1.058 billion in cash and restricted investments which were funded by bond proceeds in FY14 and previous fiscal years, and other assets, less approximately $64 million in liabilities. In FY14, over $731 million was apportioned to the MSBA from the Commonwealth from sales taxes, adjusted for accruals, and the MSBA issued $549 million in long-term dedicated sales tax bonds.

- Lottery revenues for FY14 were $5.050 billion, an increase of approximately $7 million, or 0.1%, from FY13. Prizes were approximately $3.980 billion and operating expenses and mandated transfers to the governmental funds were $1.070 billion.

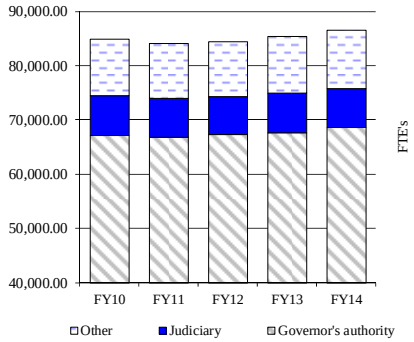
Other highlights of FY14 financial operations include:

- Tobacco settlement proceeds for the year were approximately $282 million on a GAAP basis, an increase of approximately $29 million from FY13. Approximately $127 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY15. By statute, in FY14 approximately $56 million, or the equivalent of 20% of tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. The FY15 budget funds a transfer to the SRBTF equal to 30% of tobacco settlement proceeds. The transfers to the SRBTF will increase 10% per year until an amount equal to 100% of the tobacco settlement proceeds is transferred in FY23.

- During the fiscal year, the Commonwealth passed or agreed to terms of approximately $14.817 billion in bond authorizations and approximately $8 million in de-authorizations of previously issued capital appropriations. The Commonwealth determines the timing and extent of capital spending and bonding as part of its five-year capital plan.

Full Time Equivalent Workforce Including Higher Education and the Massachusetts Department of Transportation

June 2010 – June 2014



Full-Time Equivalent Employment

The chart to the left shows the Commonwealth's full-time equivalent employment including Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal and trust) over the past five fiscal years. In FY14, the number of Commonwealth FTEs increased by approximately 1,100, to a total of 86,490, with most of the increases in public safety (approximately 421 additional FTEs), health and human services (approximately 362 additional FTEs) and the courts (approximately 183 additional FTEs). Employment levels increased by a total of approximately 1,643 FTEs between June 30, 2010 and June 30, 2014 restoring some of the reductions that occurred in FY09 and FY10.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Commonwealth's basic financial statements. The Commonwealth's basic financial statements are made up of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of budgetary schedules, which are prepared on the statutory basis of accounting, as well as pension and other post-employment benefits (OPEB) funding schedules. Other supplementary information is also provided to furnish additional detail to support the basic financial statements.

Government–Wide Financial Statements

The government-wide financial statements present the reader with a broad overview of the Commonwealth's finances in a manner similar to a private sector business. The statements include the *Statement of Net Position*, which presents the assets, liabilities and net position for the government as a whole. Also presented is the *Statement of Activities*, which presents the functional expenses, offsetting revenues and changes in net position of the Commonwealth. The statements report the Commonwealth's net position and changes in net position. An increase or decrease in the Commonwealth's net position is one way to measure financial health as well as the trend of increases or decreases over time. Non-financial measures such as capital investments, changes in taxation, population, employment and economic conditions are also indicators of the overall health of any government.

Both the statement of net position and the statement of activities have separate sections for three different categories of the Commonwealth's operations. These activities are Governmental Activities, Business-type Activities and Discretely Presented Component Units. Governmental activities are where the Commonwealth's basic services are reported. Business-type activities are those for which fees are charged for a particular service. For the Commonwealth, business-type activities are comprised of the unemployment insurance compensation system and the Institutions of Higher Education. The component units are separate legal entities that are included in this report due to the nature of their governance and financial relationship with the Commonwealth.

The government–wide financial statements can be found on pages 40-43 of this report.

Fund Financial Statements and Component Unit Financial Statements

Funds are groups of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the funds, budgetary compliance is demonstrated at the appropriation level for budgeted expenditures.

Only the major funds are shown separately in the fund financial statements, with the remaining funds included aggregated and reported as nonmajor funds.

Fund financial statements focus on individual parts of the Commonwealth, reporting its operations in more detail than the government–wide statements. The Commonwealth's funds can be divided into three categories: *Governmental Funds, Proprietary Funds and Fiduciary Funds*. It is important to realize that these fund categories use different bases of accounting and should be interpreted differently. Further discussion of the funds can be found in the section "Financial Analysis of the Commonwealth's Funds" and in Note 1 to the basic financial statements.

Component unit financial statements are presented for entities where the Commonwealth has financial accountability, but the entities are independent of the core Commonwealth operations. Most component units operate similar to private-sector businesses.

Although the Massachusetts School Building Authority (MSBA) is a component unit, the MSBA's operations have been determined by management to operate in a similar fashion to a Commonwealth department due to the MSBA's service to the Commonwealth and because it relies on a pledged portion of the Commonwealth's sales tax revenue to fund its debt service. In FY05, legislation changed the funding of school construction from a direct appropriation of the Commonwealth to a dedicated portion of the sales tax allocated to the MSBA. Because of the nature of transactions between the Commonwealth and this authority, per GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the authority's operations are reported within a governmental fund as a "blended component unit" and on the government–wide financial statements.

Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements as of the date provided in the government–wide and the fund financial statements. The notes to the financial statements can be found on pages 63-123.

The required supplementary information section includes a budgetary comparison schedule for the General Fund, along with a reconciliation comparing the original General Appropriation Act and supplemental appropriations to actual budgetary spending. A variance column is also provided. A further reconciliation schedule of the budgeted revenues and expenses to governmental fund perspective revenues and expenditures for the General Fund is also provided. Required pension schedules under GASB Statement No. 67, *Financial Reporting for Pension Plans*, are also presented in this section.

Other supplementary information is not required, but is included to present combining schedules of various nonmajor funds and component units.

GOVERNMENT–WIDE ANALYSIS

Major Long – Term Obligations for Assets of Political Subdivisions (amounts in thousands)

Massachusetts School Building Authority net deficit……	$ 6,174,141
Outstanding bonds issued to fund the MBTA……	207
Debt related to MassDOT assets……	10,972,954
Effect on unrestricted net position of items unique to the Commonwealth.....	$ 17,147,302

The primary government's combined net position (governmental and business-type activities) showed a net deficit of $23.472 billion at the end of FY14, an increase in the net deficit of $2.308 billion. Governmental activities unrestricted net position is negative by $29.913 billion. As explained previously, a substantial portion of this deficit is a result of programs where the Commonwealth decided to fund assets that are owned by political subdivisions of the Commonwealth, and in particular the result of the transfer of assets to MassDOT during FY10, as well as continued borrowing by the Commonwealth that funds, through its capital budget and debt issuance, construction of new assets owned by MassDOT, local governments and local authorities. In FY14, MassDOT reports its capital assets on its financial statements, which are incorporated into the Commonwealth's financial statements similarly to other component units.

Of the Commonwealth's more than $2.5 billion in FY14 capital spending, approximately $2.0 billion in state-funded capital spending did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately $1.36 billion in transportation spending (including more than $246 million in grants and other financial assistance to cities and towns), $206 million for Institutions of Higher Education (which are included in the Commonwealth's business-type activities) and approximately $424 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY14 the Commonwealth's capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled $14.5 billion. These include Higher Education capital projects totaling approximately $1.08 billion, capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately $7.5 billion, transportation-related financial assistance to local governments totaling more than $2.1 billion and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget of almost $3.9 billion, including $1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority.

The Commonwealth also funds school construction through debt issued by the MSBA (beyond its initial $1 billion capitalization), and includes the MSBA's debt on its balance sheet, but the assets paid for with that debt are owned by Massachusetts cities, towns and school districts.

Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year of the financial statement date, respectively. As of June 30, 2014, the Commonwealth's government-wide current cash and short-term investments totaled $3.750 billion, a decrease of $541 million from June 30, 2013. Total current assets were $9.996 billion, an increase of $53 million from June 30, 2014. During the year, the Commonwealth issued $800 million in Revenue Anticipation Notes (RANs). The RANS were retired in April, May and June 2014. As of June 30, 2014, the Commonwealth's current liabilities were $8.882 billion, an increase of $518 million from June 30, 2013.

The primary government's non-current assets totaled $16.885 billion, an increase of $660 million from June 30, 2013. This increase was due mainly to a $744 million increase in capital assets, most of which occurred in business-type of activities, as the result of increases in assets recorded by the Institutions of Higher Education.

The Commonwealth holds $10.769 billion in traditional capital assets such as land, construction in process, buildings, infrastructure and equipment, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The table on page 28 shows the Commonwealth's net position. Restricted net position represents resources that are subject to external constraints.

In addition to the Commonwealth funding assets owned by other entities, the primary reasons for the increase in net deficit were:

- As described in more detail on page 21, the combination of the stock market decline and the fact that the pension funding schedule is updated only triennially but the pension Annual Required Contribution (ARC) is updated annually has resulted in the Commonwealth underfunding its pension obligation by a cumulative $2.219 billion, including underfunding of the obligation by $404 million in FY14;

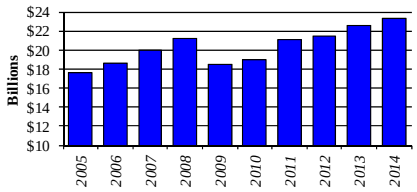
- The Commonwealth funds its other post-employment benefits (OPEB) liability on a pay-as-you-go basis. GAAP requires the accrual of a liability for the difference between this amount and the actuarially required contribution. The change in the accrual was $685 million in FY14, reducing net position; cumulative underfunding of the Commonwealth's OPEB obligation was $4.832 billion as of June 30, 2014.

Net Position as of June 30, 2014 and 2013
(in thousands of dollars)

	Governmental Activities		Business - Type Activities		Total Primary Government	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Current assets	$ 8,292,538	$ 8,315,303	$ 1,691,508	$ 1,627,511	$ 9,984,046	$ 9,942,814
Non-capital non-current assets	3,274,393	3,782,145	2,842,280	2,418,725	6,116,673	6,200,870
Capital assets	4,572,621	4,366,071	6,196,149	5,658,798	10,768,770	10,024,869
Deferred outflows of resources	505,587	566,095	143,319	72,304	648,906	638,399
Total assets and deferred outflows	16,645,139	17,029,614	10,873,256	9,777,338	27,518,395	26,806,952
Current liabilities	7,852,089	7,337,053	1,029,600	1,026,890	8,881,689	8,363,943
Long term liabilities	37,733,551	35,632,437	4,337,997	3,895,042	42,071,548	39,527,479
Deferred inflows of resources	19,189	-	18,018	14,283	37,207	14,283
Total liabilities and deferred outflows	45,604,829	42,969,490	5,385,615	4,936,215	50,990,444	47,905,705
Net position:						
Net investment in capital assets	(502,370)	(592,483)	2,794,845	2,605,263	2,292,475	2,012,780
Restricted	1,455,704	1,386,416	1,590,545	1,209,630	3,046,249	2,596,046
Unrestricted	(29,913,024)	(26,733,809)	1,102,251	1,026,230	(28,810,773)	(25,707,579)
Total net position	$ (28,959,690)	$ (25,939,876)	$ 5,487,641	$ 4,841,123	(23,472,049)	$ (21,098,753)

Changes in Net Position

Revenue from Taxation
FY05-FY14



As noted earlier, the Commonwealth's total primary government net deficit increased by approximately $2.308 billion between FY13 and FY14. The table on page 29 shows the major categories of government-wide revenues and expenses for FY13 and FY14, as well as net position for the two fiscal years. In FY14, approximately 44.0% of the Commonwealth's total revenue came from taxes, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the bulk of which was federal aid. Total revenues increased by $877 million, or 1.7%, with tax revenue increasing by $720 million, or 3.2%, from FY13. The increase in tax revenue was attributable primarily to sales tax revenue growth of $291 million, or 5.5%, corporate excise tax growth of $229 million, or 11.8% (due primarily to an increase in tax settlements), and motor fuels tax revenue growth of $90 million, or $13.8%, due to an increase in gasoline tax rates.

Operating grants and contributions (including federal revenue for Medicaid and Unemployment Insurance) decreased by $158 million, or 1.1%, in FY14, with unemployment insurance benefit reimbursements from the federal government declining by $466 million, or 48.2%, as the extended unemployment benefits program expired. These declines in federal funding were partially offset by an increase in federal Medicaid reimbursements due to growth in state Medicaid spending and an increased reimbursement rate under the Affordable Care Act.

Total charges for services increased by approximately $124 million, or 0.9%, with charges increasing by a net of $79 million across various governmental activities programs. In business-type activities, charges for Higher Education services increased by $71 million, offset by a decline in charges for Unemployment Compensation of $26 million.

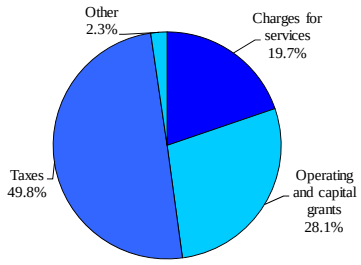
Government-wide restricted net position increased by $450 million due primarily to a $363 million increase in assets restricted for unemployment benefits, a $105 million increase in assets restricted for indebtedness, offset by a $18 million decrease in assets restricted for other purposes.

Total primary government spending increased by $2.047 billion, or 3.8%, from FY13, with governmental activities spending growing by $2.467 billion, or 5.3%, to $48.611 billion, and business-type activities spending declining by $420 million, or 5.9%, to $6.737 billion. Medicaid expenses increased by $1.749 billion, or 14.2%, although $564 million of this increase was due to reclassification of certain health care spending formerly included in the health and human services category. Medicaid spending increased by $1.185 billion, or 9.6%, adjusting for this reclassification, with growth primarily due to expanded Medicaid eligibility under the Affordable Care Act. The reimbursement rate for this expanded coverage is 75% of expenditures and is expected to increase over the next several years, limiting the growth in net state cost. Unemployment insurance compensation declined by $682 million, or 25.1%, as unemployment declined in the Commonwealth and the extended benefit program expired. Other significant spending changes occurred in health and human services, where spending declined by $427 million, or 5.5%, after adjusting for the Medicaid reclassification noted above, in transportation and public works, where spending grew by $512 million, or 27.2%, in direct local aid, where spending increased by $174 million, or 3.4%, and in general government expenses, where spending declined by $49 million, or 1.9%.

Changes in Net Position during the Fiscal Years Ended June 30, 2014 and 2013
(in thousands of dollars except percentages)

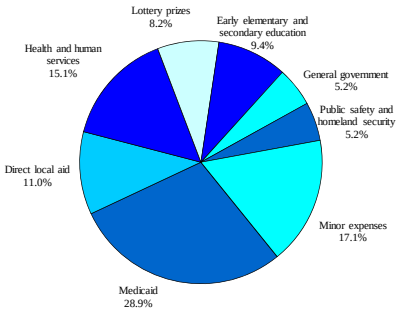
	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014 Distribution	June 30, 2013 Distribution	'14 to '13 % Change
Revenues									
Program Revenues:									
Charges for services	$ 9,236,702	$ 9,158,100	$ 4,423,762	$ 4,378,547	$ 13,660,464	$ 13,536,647	25.8%	26.0%	0.9%
Operating grants and contributions	13,121,648	12,836,122	1,347,423	1,791,196	14,469,071	14,627,318	27.3%	28.0%	-1.1%
Capital grants and contributions	30,699	18,726	-	-	30,699	18,726	0.1%	0.0%	63.9%
General Revenues:									
Taxes	23,319,168	22,599,332	-	-	23,319,168	22,599,332	44.0%	43.3%	3.2%
Other	1,131,754	985,713	428,771	395,228	1,560,525	1,380,941	3.0%	2.5%	13.0%
Total Revenues	46,839,971	45,597,993	6,199,956	6,564,971	53,039,927	52,162,964	100.0%	100.0%	1.7%
Expenses									
Medicaid	14,034,862	12,286,342	-	-	14,034,862	12,286,342	25.4%	23.1%	14.2%
Direct local aid	5,353,521	5,179,104	-	-	5,353,521	5,179,104	9.7%	9.7%	3.4%
Health and human services	7,360,519	7,787,051	-	-	7,360,519	7,787,051	13.3%	14.6%	-5.5%
Lottery	3,980,980	3,982,700	-	-	3,980,980	3,982,700	7.2%	7.5%	0.0%
Higher education	-	-	4,700,342	4,437,894	4,700,342	4,437,894	8.5%	8.3%	5.9%
Early elementary and secondary education	4,545,848	4,335,639	-	-	4,545,848	4,335,639	8.2%	8.1%	4.8%
Unemployment compensation	-	-	2,036,431	2,718,447	2,036,431	2,718,447	3.7%	5.1%	-25.1%
Other	13,334,933	12,573,184	-	-	13,334,933	12,573,184	24.1%	23.6%	6.1%
Total Expenses	48,610,664	46,144,020	6,736,773	7,156,341	55,347,437	53,300,361	100.0%	100.0%	3.8%
Excess/(Deficiency) before transfers	(1,770,693)	(546,027)	(536,817)	(591,370)	(2,307,510)	(1,137,397)			
Transfers	(1,205,141)	(1,096,061)	1,205,141	1,096,061	-	-			
Change in net position (deficits)	(2,975,834)	(1,642,088)	668,324	504,691	(2,307,510)	(1,137,397)			
Net position/(deficit) - beginning, as restated	(25,983,856)	(24,297,788)	4,819,317	4,336,432	(21,164,539)	(19,961,356)			
Net position/(deficit) - ending	$(28,959,690)	$(25,939,876)	$ 5,487,641	$ 4,841,123	$(23,472,049)	$(21,098,753)			

Revenue–Governmental Activities
Fiscal Year Ending June 30, 2014



The largest category of tax revenue is income taxes. Of the $23.319 billion in tax revenue within governmental activities, $12.866 billion, or 55.2% of total taxes, was from income taxes, $5.543 billion, or 23.8%, was from sales taxes, $2.173 billion, or 9.3%, was from corporate taxes, $740 million, or 3.2%, was from motor fuels taxes and $1.998 billion, or 8.6%, was from other forms of taxation. Lottery revenues of $5.050 billion made up 54.7% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled $7.618 billion, other health and human services grants of $2.632 billion and education grants of $1.230 billion. Most of the state's capital grants are for highway construction, and those federal grants are recorded not in the Commonwealth's financial statements but in the financial statements of the Massachusetts Department of Transportation.

Major Expenses–Governmental Activities
Fiscal Year Ending June 30, 2014



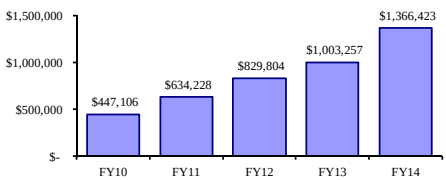
Medicaid expenses of $14.035 billion accounted for 28.9% of the Commonwealth's governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. These subsidies are noted herein in the "operating grants and contributions" segment. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately $7.361 billion, accounting for 15.1% of governmental expenses, pre-kindergarten through secondary education costs of approximately $4.546 billion, accounting for 9.4% of governmental expenses and public safety and homeland security costs of approximately $2.504 billion, accounting for 5.2% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were $1.954 billion.

Business–Type Activities

Business–type activities are functions that equate to activities of a private enterprise. In the Commonwealth, the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation. Also, Unemployment Compensation is considered to be a business–type activity.

Unemployment Compensation Fund Net Position
Fiscal Years 2010 - 2014
(*Amounts in Thousands*)



Business-type activities increased the Commonwealth's net position by approximately $668 million in FY14. Operating grants and contributions dropped by $466 million, due almost entirely to reduced unemployment insurance reimbursements from the federal government as unemployment fell in the Commonwealth and the extended benefits program expired. Charges for services increased by $45 million due largely to a $71 million increase in sales and service revenue from the Institutions of Higher Education, offset by a decline of $26 million in Unemployment Insurance charges. Total revenues of business-type activities dropped by $365 million, but unemployment insurance benefit spending declined by $682 million as the economy recovered. The net position of the Unemployment Compensation Trust Fund increased by $363 million. The net position of the Institutions of Higher Education increased by $305 million, not including a restatement of beginning

balance by $309 million, as expenses increased by $262 million and revenues increased by $236 million.

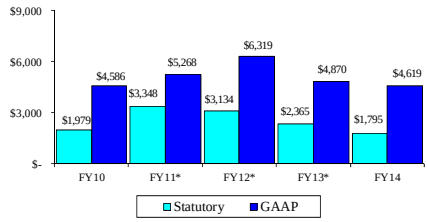
FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

The Commonwealth uses fund accounting to demonstrate inter-period equity and the extent to which current resources are financing the full cost of services that citizens are receiving. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

Governmental Funds

Governmental funds account for the near term inflows, outflows and balances of expendable resources of the Commonwealth's core functions and services. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

Governmental Fund Balance Statutory vs. GAAP
(*Amounts in Millions)*



*Statutory basis excludes MassDOT

The General Fund is the primary operating fund of the Commonwealth. At the end of FY14, the fund balance of the General Fund was $2.835 billion. Of this amount, $1.248 billion represents the balance in the Commonwealth's Stabilization Fund. $154 million was also assigned for continuing appropriations from FY14 into FY15.

The Federal Grants Fund is used to manage categorical grants funded in their entirety by the federal government. Between FY09 and FY11, this fund saw a significant increase in activity as a result of ARRA, with annual ARRA revenues in excess of $2 billion, but by FY14 ARRA revenues had declined to approximately $155 million, almost entirely for education and transportation projects. Also reported in this fund is almost $1.316 billion in food stamp benefit payments, $61 million of childhood immunization grant and $23 million from the USDA's food program, which do not flow through the Commonwealth but are included in this report under governmental accounting rules.

Governmental Fund Operations - GAAP Basis - Fund Perspective
(Amounts in thousands)

	FY14	FY13	FY12	FY11	FY10
Beginning fund balances……....	$ 4,869,951	$ 6,318,958	$ 5,267,628	$ 4,585,715	$ 5,061,342
Revenues and other financing sources….....	57,209,970	55,289,871	54,370,101	53,898,404	49,853,115
Expenditures and other financing uses.....	57,460,487	56,738,878	53,318,771	53,216,491	50,328,742
Excess/(deficiency)….....	(250,517)	(1,449,007)	1,051,330	681,913	(475,627)
Ending fund balances.....	$ 4,619,434	$ 4,869,951	$ 6,318,958	$ 5,267,628	$ 4,585,715

Governmental fund tax revenues increased by $1.396 billion, or 6.2%, primarily due to growth in income, sales and corporate taxes as the Massachusetts economy continued to recover from recession. Federal grants and reimbursements increased by $280 million, or 2.2%, due to growth in reimbursable Medicaid spending, but would have grown by $377 million, or 3.0%, had certain pharmacy rebate revenues not been reclassified from federal reimbursements to departmental revenue in FY14. Assessments, fees and investment earnings combined increased by $403 million, or 3.9%, but would have grown by $306 million or 2.9%, if not for the pharmacy rebate revenue classification. Revenues from other financing sources decreased by $159 million, or 1.6%. Overall revenues increased by $1.920 billion, or approximately 3.5%.

During FY14, governmental fund expenditures and other financing uses increased by $722 million, or 1.3%. Medicaid expenditures increased by $1.749 billion, or 14.2%, but would have increased by $1.185 billion, or 9.2%, if not for a reclassification of $564 million in health care expenditures as Medicaid spending in FY14. Debt service expenditures grew by $15.8 million, or 0.6%, post-employment benefits decreased by $13 million, or 1.5% and direct local aid grew by $175 million or 3.4%. Other financing uses declined by $1.549 billion, or 17.2%, due primarily to a decline in payments to refunding escrows.

As of the end of FY14, the Commonwealth's governmental funds reported combined ending fund balances of $4.619 billion, a decrease of $251 million from the previous year. The decline in fund balance was due primarily to expenditures that exceeded revenues for the Commonwealth's general operations paid from the state's General Fund.

Governmental Funds - Fund Balance Classification

(Amounts in thousands)

	2014	2013	Change	Percentage Change
Nonspendable/Restricted:				
Nonspendable	$ 1,116	$ 914	$ 202.0	22.1%
Restricted	1,517,555	1,557,928	(40,374)	-2.6%
Total Nonspendable/Restricted	**1,518,671**	**1,558,842**	**(40,172)**	-2.6%
Unrestricted				
Committed	2,249,906	2,324,228	(74,323)	-3.2%
Assigned	510,353	595,085	(84,732)	-14.2%
Unassigned	340,505	391,795	(51,290)	-13.1%
Total Unrestricted	**3,100,763**	**3,311,108**	**(210,345)**	-6.4%
Total fund balances	**$ 4,619,434**	**$ 4,869,951**	**$ (250,517)**	-5.1%

Nonspendable amounts represent loans receivable. Restricted fund balances represent amounts restricted for Commonwealth and MSBA debt service or restricted by bond covenants, funds that are restricted in capital projects and special revenue funds, balances in the federal grants funds and most of the balances held in expendable trusts. Unrestricted amounts include fund balances classified as committed, including those generated by revenue sources directed to specific purposes but with a lower level of constraints on their use than restricted balances, as well the fund balance of the Stabilization Fund. Unrestricted amounts also included prior appropriations continued, which are classified as assigned, and residual balances in the General Fund, which are classified as unassigned. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 can be found in Note 1 to the basic financial statements, on pages 69-71.

Proprietary Funds

Proprietary Funds report activities of the Commonwealth that are structured similar to for-profit businesses. Proprietary fund financial statements provide the same type of information as the government–wide financial statements, only in greater detail.

As discussed above, the business-type activities increased the Commonwealth's net position by approximately $669 million.

BUDGETARY HIGHLIGHTS

The FY14 General Appropriation Act (GAA) authorized approximately $33.527 billion in spending, exclusive of approximately $1.630 billion in required pension contributions and $283 million in FY13 spending authorized to be continued into FY14 as part of FY13 end-of-year supplemental budgets.

The FY14 budget as enacted by the Legislature was based on a FY14 consensus tax revenue estimate of $22.334 billion, of which approximately $19.179 billion represented taxes available for budget after adjusting for $3.155 billion in tax revenue allocated to state pension contributions ($1.630 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority ($799 million) and the Massachusetts School Building Authority ($704 million) and revenue deposited in the non-budgeted Workforce Training Fund ($22 million).

The FY14 tax revenue estimate was further adjusted to $22.797 billion (of which $19.642 billion was available for budget) as a result of several tax law changes included in the FY14 budget or enacted separately. On October 15, 2013 the Executive Office for Administration and Finance reaffirmed the FY14 tax revenue estimate of $22.797 billion and taxes available for budget of $19.642 billion.

The estimate was revised upward by $403 million to $23.200 billion on January 14, 2014. Tax revenues ended the year at $23.369 billion, $169 million above the final FY14 tax estimate and $572 million above the original FY14 tax estimate.

Approximately $582 million in supplemental appropriations were authorized during FY14 prior to June 30, 2014. Subsequent to year end, an additional supplemental budget was enacted totaling approximately $89 million in new and continued appropriations, $38 million of which was for FY14 expenditures and $51 million of which was continued to FY15 and reappropriated. The year's significant supplemental appropriation activity included:

- $226 million transfer for payments to hospitals that provide care for low-income Massachusetts residents; the majority of the increase aligned federal fiscal year 2013 payments with federal approval timelines;
- $66 million for the Group Insurance Commission to pay health care benefits for Commonwealth employees;
- $62 million for emergency homeless assistance for family shelters and services;
- $34 million to compensate private counsel who defend indigent defendants;
- $62 million for snow and ice removal costs;
- $28 million to reimburse cities and towns for lost revenue from charter school funding;
- $24 million to pay Sheriffs' Departments costs;
- $15 million to fund the costs of collective bargaining agreements;

- $15 million to seed a brownfields redevelopment fund;
- $11 million for a purchase of service rate increase;
- $11 million for a facility services program;
- $11 million for the operations of the House of Representatives;
- $7 million for a reserve for Sheriffs' facilities operations;
- $6 million for delivery of group care services;
- $5 million for a Community College critical investment reserve.

FY14 budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled $35.473 billion, an increase of $1.694 billion, or 5.0%, from FY13. Tax revenue grew by $1.190 billion, or 5.8%, as a result of continuing growth in the economy and increased tax settlements, and despite a $399 million decrease in capital gains tax revenues that resulted from a one-time acceleration of capital gains realizations by investors in FY13 in anticipation of tax increases effective January 1, 2014, much of which was "borrowed" from FY14. Federal reimbursements increased by $144 million, or 1.7%, primarily due to growth in reimbursable Medicaid spending, but would have grown by $241 million, or 3.0%, had certain pharmacy rebate revenues not been reclassified from federal to departmental. Departmental revenue totaled $3.712 billion, an increase of $342 million, or 10.1%, but would have grown by 7.1% if not for the pharmacy rebate reclassification, with the remaining growth primarily due to a $52 million increase in the employer portion of health insurance reimbursements from non-state entities and cities and towns. Interfund transfers from non-budgeted funds totaled $1.567 billion, an increase of $18 million, or 1.2%.

FY14 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled $35.897 billion, an increase of $2.003 billion, or 5.9%, from FY13, primarily due to increases in health care spending, including Medicaid and local aid.

Spending on programs and services totaled $30.211 billion, an increase of $2.117 billion, or 7.5% from FY13. Medicaid expenditures totaled $11.901 billion, an increase of $1.101 billion, or 10.2%, from FY13, due to provisions of the federal Affordable Care Act (ACA), which expanded eligibility for Medicaid as of January 1, 2014, as well as to base enrollment growth.

Debt service totaled $2.133 billion, up $16 million, or 0.8% from FY13. Interfund transfers to non-budgeted funds (primarily the Universal Health Care funds) totaled $1.502 billion, a decrease of $214 million, or 12.5%, primarily due to decreases in health care transfers of $116 million to the Delivery System Transformation Initiatives Trust Fund and $117 million to the Commonwealth Care Trust Fund. Post-employment benefits (for pension contributions and retiree health insurance) grew by $83 million, or 4.2%. Spending for direct local aid (both education aid and unrestricted aid), at $5.293 billion, was up $174 million, or 3.5%, from FY13.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2014 amounts to approximately $18.578 billion, with accumulated depreciation of approximately $7.809 billion, leaving a net book value of $10.769 billion. Infrastructure includes assets that are normally immovable and of value only to the Commonwealth, such as roads, bridges, piers and dams. (The investments in capital assets noted above do not include capital assets owned by MassDOT.) The total increase in the Commonwealth's investment in capital assets from 2013 to 2014 was approximately $740 million, with $207 million in governmental activities and $533 million in business-type activities. The major increases in the net value of capital assets was in construction in process for governmental activities and construction in process, buildings and machinery and equipment for the business-type activities.

The table below details the capital asset activity for the Commonwealth.

Capital Assets at Year - End
(net of depreciation)
(amounts in thousands)

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013*	2014	2013*
Land	$ 842,713	$ 822,076	$ 114,530	$ 107,847	$ 957,243	$ 929,923
Historical treasures	-	-	1,162	1,101	1,162	1,101
Construction in process	866,236	649,712	1,139,836	1,317,594	2,006,072	1,967,306
Buildings	2,483,617	2,546,882	4,125,043	3,398,886	6,608,660	5,945,768
Machinery and equipment	245,966	241,082	728,235	740,675	974,201	981,757
Infrastructure, excluding central artery	134,089	106,319	-	-	134,089	106,319
Library collections	-	-	87,343	96,584	87,343	96,584
Total	**$ 4,572,621**	**$ 4,366,071**	**$ 6,196,149**	**$ 5,662,687**	**$ 10,768,770**	**$ 10,028,758**

*Re-stated

Additional detail on the Commonwealth's FY14 capital asset activity can be found in Note 5 to the basic financial statements ("Capital Assets") on pages 86 – 87.

Debt Administration

The Commonwealth issues short-term and long-term debt. Debt that is general obligation in nature is backed by the full faith and credit of the Commonwealth and paid from governmental funds. Additionally, short-term notes are issued and redeemed annually.

To fund the FY14 capital budget, the Commonwealth borrowed by issuing $2.160 billion in long-term bonds, $1.492 billion of which was general obligation debt and $668 million of which was special obligation debt secured by motor fuels taxes, motor vehicle license and registration fees and future federal reimbursements for transportation spending. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued $637 million in debt to refund already existing debt, taking advantage of continued low interest rates in FY14.

Approximately 18.3% percent of the Commonwealth's $19.597 billion in general obligation debt outstanding as of June 30, 2014 was issued as variable rate bonds. Included in this variable rate debt was approximately $402 million in auction rate securities (about 2.0% of all general obligation debt).

The table below details the Commonwealth's debt by type for the fiscal year compared to the prior fiscal year, excluding premiums and discounts.

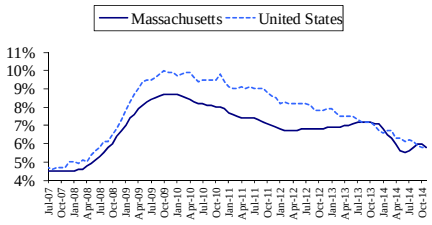
Additional detail on the Commonwealth's short-term debt can be found in Note 6 ("Short-Term Financing and Credit Arrangements") on pages 87-88 and Note 7 ("Long-Term Obligations") on pages 88 – 103.

Outstanding Long - Term Debt Obligations
(Amounts in thousands)

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	$ 19,596,662	$ 19,140,239	$ -	$ -	$ 19,596,662	$ 19,140,239
Special obligation bonds (excluding GANs)	2,292,255	1,923,700	-	-	2,292,255	1,923,700
Revenue obligation bonds	-	-	4,243,731	3,736,432	4,243,731	3,736,432
Grant anticipation notes	530,935	449,100	-	-	530,935	449,100
Subtotal	22,419,852	21,513,039	4,243,731	3,736,432	26,663,583	25,249,471
Massachusetts School Building Authority	5,632,470	5,195,160	-	-	5,632,470	5,195,160
Total	**$ 28,052,322**	**$ 26,708,199**	**$ 4,243,731**	**$ 3,736,432**	**$ 32,296,053**	**$ 30,444,631**

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

Unemployment Rate
July 2007 – November 2014



The Commonwealth, with an international reputation for medical, cultural, historical and educational institutions remains the economic and educational hub of New England. The Commonwealth's economy remains diversified, but its strongest component is its knowledge–based technology and service industries and consequently the state relies heavily on a highly educated workforce. The Commonwealth is home to sixteen S&P 500 companies, among them eight Fortune 500 headquarters.

In December 2007, the nation entered into a recession caused by the downturn in the housing markets that worsened due to the global capital markets crisis that occurred starting in September 2008. Rates of economic decline were sharp during the recession as the nation's gross domestic product fell and unemployment hit the highest levels in decades. While the national recession ended in June 2009, recovery has been slow compared to previous recessions.

The Massachusetts economy outperformed the nation's economy as a whole during and immediately following the most recent recession. Home prices fell in Massachusetts by approximately 18% at their lowest point during the recession, compared to a decline of 34% nationally. The unemployment rate for the Commonwealth rose from 5.2% in July of 2008 to a high of 9.5% in February 2011, declined to a low of 5.6% in June 2014, and stood at 5.8% as of November 2014. Nationally, the unemployment rose from 5.8% in July 2008 to a high of 10.0 % in

October 2009 (a rate that had not been seen since 1983), and had declined to 5.8% as of November 2014. Based on the "establishment survey" of employment, which is considered by most economists to be more accurate than the "household survey" upon which the unemployment rate is based, Massachusetts employment growth has exceeded the nation's both since the start and end of the most recent recession.

At the time of its enactment, the Commonwealth's FY15 statutory-based budget assumed revenues of $38.286 billion (net of tax revenues dedicated to funding the Massachusetts Bay Transit Authority and Massachusetts School Building Authority, and tax revenues allocated to the non-budgeted Workforce Training Fund, but including tax revenues allocated to budgeted pension contributions) an increase of $2.813 billion, or 7.9%, from FY14, and expenditures of $38.331 billion (including expenditures for pension contributions), an increase of $2.433 billion, or 6.8%, from FY14. Tax revenues available for budget (including revenues allocated for budgeted pension expenditures) were projected to total $23.604 billion, representing growth of $1.242 billion, or 5.7% from FY14.

Based on tax revenue collections through September 2014, the Secretary for Administration and Finance affirmed the tax revenue estimate reflected in the enacted budget. Through November 30, 2014, tax revenue collections were reported by the Department of Revenue to have been $48 million below the year-to-date benchmark based on the FY14 official tax revenue estimate. In November 2014, the Secretary estimated that FY15 tax revenue would be reduced by approximately $70 million due to an anticipated reduction in the personal income tax rate, a reduction that was officially certified by the Department of Revenue on December 3, 2014.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commonwealth's finances and accountability for all of the Commonwealth's citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to comptroller.info@state.ma.us or mail to: Commonwealth of Massachusetts, Office of the State Comptroller, 1 Ashburton Place, 9th Floor, Boston, Massachusetts, 02108. You may also download this report at: http://www.mass.gov/osc/publications-and-reports/financial-reports/cafr-reports.html.

THIS PAGE LEFT INTENTIONALLY BLANK

Basic Financial Statements

Burkeville Covered Bridge - Conway

Government-wide Financial Statements
Statement of Net Position
Statement of Activities

Statement of Net Position

June 30, 2014

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Government Wide Total	Component Units
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash, cash equivalents and short-term investments	$ 2,547,529	$ 894,786	$ 3,442,315	$ 2,762,301
Cash with fiscal agent	307,371	-	307,371	-
Assets held in trust	-	-	-	194,137
Receivables, net of allowance for uncollectibles:				
Taxes	3,079,790	-	3,079,790	-
Federal grants and reimbursements receivable	1,957,550	87,106	2,044,656	188,428
Loans	8,710	48,092	56,802	482,962
Other receivables	386,096	627,381	1,013,477	233,656
Due from cities and towns	5,020	-	5,020	-
Due from component units	472	328	800	-
Due from primary government	-	-	-	573,596
Other current assets	-	33,815	33,815	59,312
Total current assets	**8,292,538**	**1,691,508**	**9,984,046**	**4,494,392**
Noncurrent assets:				
Cash and cash equivalents - restricted	-	747,011	747,011	1,017,547
Long - term investments	-	1,011,213	1,011,213	1,673,565
Investments, restricted investments and annuity contracts	2,474,298	924	2,475,222	157,173
Receivables, net of allowance for uncollectibles:				
Taxes	511,972	-	511,972	-
Federal grants and reimbursements receivable	62,064	-	62,064	-
Loans	107,898	12,268	120,166	4,053,861
Other receivables	108,165	44,107	152,272	14,927
Due from component units	9,996	-	9,996	-
Non-depreciable capital assets	1,708,949	1,255,528	2,964,477	7,306,047
Depreciable capital assets, net	2,863,672	4,940,621	7,804,293	25,750,603
Other noncurrent assets	-	42,113	42,113	35,588
Other noncurrent assets - restricted	-	984,644	984,644	-
Total noncurrent assets	**7,847,014**	**9,038,429**	**16,885,443**	**40,009,311**
Deferred outflows of resources:				
Deferred change in fair value of interest rate swaps	353,639	42,398	396,037	219,627
Deferred loss on refunding	151,948	100,921	252,869	390,500
Total deferred outflows of resources	505,587	143,319	648,906	610,127
Total assets and deferred outflows	**16,645,139**	**10,873,256**	**27,518,395**	**45,113,830**
LIABILITIES				
Current liabilities:				
Accounts payable and other liabilities	2,951,052	309,238	3,260,290	1,080,685
Accrued payroll	194,809	189,113	383,922	1,623
Compensated absences	348,880	141,272	490,152	34,046
Accrued interest payable	353,308	22,145	375,453	216,603
Tax refunds and abatements payable	1,073,247	6,194	1,079,441	-
Due to component units	541,254	354	541,608	-
Due to primary government	-	-	-	29,377
Due to federal government	23,962	-	23,962	-
Claims and judgments	33,203	-	33,203	-
Deferred revenue	-	107,617	107,617	302,182
Deposits and unearned revenue	-	69,826	69,826	-
School construction grants payable	397,171	-	397,171	-
Capital leases	9,383	4,852	14,235	4,160
Massachusetts School Building Authority bonds and unamortized premiums	157,204	-	157,204	-
Bonds payable and unamortized premiums	1,757,106	177,542	1,934,648	781,111
Environmental remediation liability	11,510	1,447	12,957	-
Total current liabilities	**7,852,089**	**1,029,600**	**8,881,689**	**2,449,787**

Statement of Net Position

June 30, 2014

(Amounts in thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Government Wide Total	Component Units
Noncurrent liabilities:				
Compensated absences	178,320	64,089	242,409	18,444
Accrued interest payable	-	-	-	199,068
Due to primary government	-	-	-	9,996
Due to federal government - grants	-	10,750	10,750	-
Claims and judgments	2,500	-	2,500	-
Deferred revenue	-	-	-	55,348
Prizes payable	1,370,277	-	1,370,277	-
Capital leases	46,495	9,677	56,172	69,591
Bonds payable and unamortized premiums	21,333,328	4,066,189	25,399,517	11,353,138
Massachusetts School Building Authority bonds and unamortized premiums	5,986,042	-	5,986,042	-
School construction grants payable	927,387	-	927,387	-
Retirement system net pension obligations	2,218,980	-	2,218,980	-
Post - employment benefits obligations	4,832,000	-	4,832,000	863,748
Environmental remediation liability	205,836	-	205,836	-
Liability for derivative instruments	353,639	70,145	423,784	464,994
Other noncurrent liabilities	278,747	117,147	395,894	179,083
Total noncurrent liabilities	**37,733,551**	**4,337,997**	**42,071,548**	**13,213,410**
Deferred inflows of resources:				
Deferred service concession arrangements	-	18,018	18,018	-
Deferred gain on refunding	19,189	-	19,189	238
Total deferred inflows of resources	**19,189**	**18,018**	**37,207**	**238**
Total liabilities and deferred inflows	**45,604,829**	**5,385,615**	**50,990,444**	**15,663,435**
NET POSITION				
Net investment in capital assets	(502,370)	2,794,845	2,292,475	26,105,633
Restricted for:				
Unemployment benefits	-	1,366,423	1,366,423	-
Retirement of indebtedness	1,137,947	-	1,137,947	-
Higher education endowment funds	-	17,442	17,442	-
Higher education academic support and programs	-	3,377	3,377	-
Higher education scholarships and fellowships:				
Nonexpendable	-	3,176	3,176	-
Expendable	-	5,865	5,865	-
Other nonexpendable purposes	-	4,026	4,026	-
Capital projects - expendable purposes	-	1,744	1,744	-
Other purposes	317,757	188,492	506,249	3,667,519
Unrestricted (deficits)	(29,913,024)	1,102,251	(28,810,773)	(322,757)
Total net positon	**$ (28,959,690)**	**$ 5,487,641**	**$ (23,472,049)**	**$ 29,450,395**

The notes to the financial statements are an integral part of this statement. *(concluded)*

Statement of Activities

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental Activities:								
General government	$ 2,538,043	$ 361,105	$ 752,124	$ -	$ (1,424,813)	$ -	$ (1,424,813)	$ -
Judiciary	1,027,875	108,766	1,436	-	(917,673)	-	(917,673)	-
Direct local aid	5,353,521	-	-	-	(5,353,521)	-	(5,353,521)	-
Medicaid	14,034,862	1,226,108	7,617,732	307	(5,190,714)	-	(5,190,714)	-
Group health insurance	1,403,590	660,359	-	-	(743,231)	-	(743,231)	-
Energy and environmental affairs	623,952	262,339	467,084	-	105,470	-	105,470	-
Housing and economic development	1,291,676	165,365	53,074	-	(1,073,237)	-	(1,073,237)	-
Health and human services	7,360,519	483,080	2,631,581	16,395	(4,229,463)	-	(4,229,463)	-
Transportation and public works	2,391,322	530,853	460	13,997	(1,846,011)	-	(1,846,011)	-
Early elementary and secondary education	4,545,848	10,067	1,229,640	-	(3,306,141)	-	(3,306,141)	-
Public safety and homeland security	2,503,812	228,730	202,798	-	(2,072,285)	-	(2,072,285)	-
Labor and workforce development	356,954	150,394	165,719	-	(40,841)	-	(40,841)	-
Lottery	3,980,980	5,049,536	-	-	1,068,556	-	1,068,556	-
Interest (unallocated)	1,197,709	-	-	-	(1,197,709)	-	(1,197,709)	-
Total governmental activities	**48,610,664**	**9,236,702**	**13,121,648**	**30,699**	**(26,221,614)**	**-**	**(26,221,614)**	**-**
Business-Type Activities:								
Unemployment Compensation	2,036,431	1,897,495	502,102	-		363,166	363,166	-
Higher Education:								
University of Massachusetts	2,925,013	1,697,585	518,714	-		(708,714)	(708,714)	-
State Universities	922,383	558,170	68,647	-		(295,566)	(295,566)	-
Community Colleges	852,946	270,512	257,960	-		(324,474)	(324,474)	-
Total business-type activities	**6,736,773**	**4,423,762**	**1,347,423**	**-**	**-**	**(965,588)**	**(965,588)**	**-**
Total primary government	**$ 55,347,437**	**$ 13,660,464**	**$ 14,469,071**	**$ 30,699**	**(26,221,614)**	**(965,588)**	**(27,187,202)**	**-**
Component Units:								
Massachusetts Department of Transportation	$ 4,841,647	$ 1,322,535	$ 1,955,084	$ 2,334,862				770,834
Commonwealth Health Insurance Connector	874,825	796,883	76,830	-				(1,112)
Massachusetts Clean Water Trust	177,327	148,090	32,388	74,155				77,306
Other nonmajor component units	446,017	352,661	140,080	14,329				61,053
Total component units	**$ 6,339,816**	**$ 2,620,169**	**$ 2,204,382**	**$ 2,423,346**	**-**	**-**	**-**	**908,081**

(continued)

	Primary Government			
General revenues:	Governmental Activities	Business-Type Activities	Total	Component Units
Taxes:				
Income	12,866,096	-	12,866,096	-
Sales taxes	5,542,740	-	5,542,740	-
Corporate taxes	2,172,608	-	2,172,608	-
Motor and special fuel taxes	740,128	-	740,128	-
Other taxes	1,997,596	-	1,997,596	-
Miscellaneous:				
Investment earnings	41,674	111,827	153,501	99,828
Tobacco settlement	282,049	-	282,049	-
Contribution from municipalities	41,700	-	41,700	-
Other revenue	766,330	316,944	1,083,274	43,896
Transfers	(1,205,141)	1,205,141	-	-
Total general revenues and transfers	**23,245,781**	**1,633,912**	**24,879,693**	**143,724**
Change in net position	**(2,975,834)**	**668,324**	**(2,307,510)**	**1,051,805**
Net position (deficits) - beginning, as restated	(25,983,856)	4,819,317	(21,164,539)	28,398,590
Net position (deficits) - ending	**$ (28,959,690)**	**$ 5,487,641**	**$ (23,472,049)**	**$ 29,450,395**

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

(concluded)

THIS PAGE LEFT INTENTIONALLY BLANK

Governmental Fund Financial Statements

Old North Bridge - Concord

Balance Sheet
Governmental Funds
June 30, 2014
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Other Governmental Funds	Total
ASSETS					
Cash, cash equivalents and short-term investments	$ 874,844	$ 48,099	$ 215,431	$ 1,409,155	$ 2,547,529
Cash with fiscal agent	-	-	-	307,371	307,371
Investments and restricted investments	261,837	-	842,184	-	1,104,021
Receivables, net of allowance for uncollectibles:					
Taxes	3,377,368	-	55,068	159,326	3,591,762
Due from federal government	1,593,740	-	-	425,874	2,019,614
Loan receivable	-	-	114,578	2,030	116,608
Other receivables	278,022	4,944	10,263	197,580	490,809
Due from cities and towns	5,020	-	-	-	5,020
Due from other funds	533,226	-	-	80,348	613,574
Due from component units	472	-	-	-	472
Total assets	**$ 6,924,529**	**$ 53,043**	**$ 1,237,524**	**$ 2,581,684**	**$ 10,796,780**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 2,100,085	$ 45,754	$ -	$ 726,751	$ 2,872,590
Accrued payroll	175,141	-	-	19,668	194,809
Tax refunds and abatements payable	1,072,899	-	174	174	1,073,247
Due to other funds	-	-	-	613,574	613,574
Due to component units	68,100	-	-	473,154	541,254
Due to federal government	23,962	-	-	-	23,962
Claims and judgments	33,203	-	-	-	33,203
School construction grants payable	-	-	64,044	-	64,044
Other accrued liabilities	-	-	-	78,462	78,462
Total liabilities	**3,473,390**	**45,754**	**64,218**	**1,911,783**	**5,495,145**
Deferred inflows of resources	615,825	5,240	-	61,136	682,201
Total liabilities and deferred inflows of resources	**4,089,215**	**50,994**	**64,218**	**1,972,919**	**6,177,346**
Fund balances:					
Nonspendable	-	-	-	1,116	1,116
Restricted	-	-	840,610	676,945	1,517,555
Committed	1,248,435	-	-	1,001,470	2,249,906
Assigned	154,358	2,049	332,696	21,250	510,353
Unassigned (deficits)	1,432,521	-	-	(1,092,016)	340,505
Fund balances	**2,835,314**	**2,049**	**1,173,306**	**608,765**	**4,619,434**
Total liabilities and fund balances	**$ 6,924,529**	**$ 53,043**	**$ 1,237,524**	**$ 2,581,684**	**$ 10,796,780**

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

Reconciliation of Governmental Fund Balances to the Statement of Net Position

June 30, 2014
(Amounts in thousands)

Total fund balances - governmental funds		**$ 4,619,434**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Capital assets not being depreciated	$ 1,708,949	
Capital assets being depreciated, net	2,863,672	
Capital assets, net of accumulated depreciation		4,572,621
Revenues are not available soon enough after year end to pay for the current period's expenditures and therefore are unavailable deferred inflows of resources in the governmental funds		682,201
Massachusetts School Building Authority assets and deferred outflows		155,400
Lottery annuity contracts		1,370,277
Due from component units		9,996
Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:		
Pension over/(under) funding State Retirement Systems net pension obligation	(2,218,980)	
Net post-employment benefits obligations	(4,832,000)	
Commonwealth bonded debt	(22,419,852)	
Unamortized bond premiums	(670,582)	
Deferred loss/(gain) on refunding	(19,189)	
Accrued interest on bonds	(353,308)	
Massachusetts School Building Authority bonded debt	(6,143,246)	
Massachusetts School Building Authority grants to municipalities	(1,260,514)	
Prizes payable	(1,370,277)	
Capital leases	(55,878)	
Environmental remediation liability	(217,346)	
Claims and judgments	(2,500)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	(805,947)	
Long - term liabilities (including current portions)		(40,369,619)
Total net (deficit) - governmental activities		**$ (28,959,690)**

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Other Governmental Funds	Total
REVENUES					
Taxes	$ 20,667,904	$ 631	$ 731,239	$ 2,386,427	$ 23,786,201
Assessments	440,227	-	-	640,087	1,080,314
Federal grants and reimbursements	8,542,565	-	-	4,604,130	13,146,695
Departmental	2,470,761	5,048,502	-	1,121,025	8,640,288
Miscellaneous	470,116	694	69,519	515,736	1,056,065
Total revenues	**32,591,574**	**5,049,827**	**800,758**	**9,267,405**	**47,709,563**
EXPENDITURES					
Current:					
Legislature	56,299	-	-	-	56,299
Judiciary	814,405	-	-	1,322	815,727
Inspector General	6,162	-	-	12	6,174
Governor and Lieutenant Governor	5,144	-	-	89	5,233
Secretary of the Commonwealth	44,339	-	-	6,762	51,101
Treasurer and Receiver-General	206,885	3,979,882	13,374	1,126,734	5,326,875
Auditor of the Commonwealth	17,536	-	-	-	17,536
Attorney General	63,533	-	-	24,106	87,639
Ethics Commission	1,904	-	-	-	1,904
District Attorney	105,962	-	-	9,219	115,181
Office of Campaign and Political Finance	1,370	-	-	-	1,370
Sheriff's Departments	553,390	-	-	11,500	564,890
Disabled Persons Protection Commission	2,412	-	-	-	2,412
Board of Library Commissioners	22,184	-	-	2,994	25,178
Massachusetts Gaming Commission	-	-	-	22,869	22,869
Comptroller	12,811	-	-	3,482	16,293
Administration and Finance	1,942,401	-	-	353,775	2,296,176
Energy and Environmental Affairs	201,257	-	-	209,120	410,377
Health and Human Services	4,980,556	-	-	1,976,796	6,957,353
Massachusetts Department of Transportation	-	-	-	2,295,787	2,295,787
Executive Office of Education	2,156,311	-	-	1,044,484	3,200,795
Center for Health and Information Analysis	23,706	-	-	1,967	25,673
Massachusetts School Building Assistance	-	-	868,948	-	868,948
Public Safety and Homeland Security	1,058,890	-	-	214,918	1,273,808
Housing and Economic Development	499,814	-	-	535,294	1,035,108
Labor and Workforce development	56,419	-	-	274,066	330,485
Medicaid	12,247,883	-	-	1,786,979	14,034,862
Post employment benefits	864,693	-	-	-	864,693
Direct local aid	5,353,467	-	-	-	5,353,467
Capital outlay:					
Local aid	-	-	-	54	54
Capital acquisition and construction	-	-	-	998,484	998,484
Debt service	-	-	394,516	2,374,950	2,769,466
Principal on current refundings	-	-	-	159,335	159,335
Total expenditures	**31,299,733**	**3,979,882**	**1,276,838**	**13,435,098**	**49,991,552**
Excess (deficiency) of revenues over (under) expenditures	**1,291,841**	**1,069,945**	**(476,080)**	**(4,167,694)**	**(2,281,988)**
OTHER FINANCING SOURCES					
Bonds premium	-	-	-	192,575	192,575
Issuance of general and special obligation bonds	-	-	599,125	2,359,899	2,959,024
Issuance of current refunding bonds	-	-	-	159,335	159,335
Issuance of advance refunding bonds	-	-	-	477,460	477,460
Proceeds of capital leases	10,571	-	-	-	10,571
Transfers in for debt service	-	-	-	2,374,950	2,374,950
Transfers in	1,523,264	-	-	1,803,228	3,326,492
Total other financing sources	**1,533,835**	**-**	**599,125**	**7,367,447**	**9,500,407**
OTHER FINANCING USES					
Payments to refunding bond escrow agent	-	-	-	562,352	562,352
Transfers out	1,104,450	1,069,958	-	1,061,286	3,235,694
Transfers of appropriations	1,058,662	-	-	21,587	1,080,249
Transfers of bond proceeds	-	-	-	215,690	215,690
Transfers out for debt service	1,060,211	-	-	1,314,739	2,374,950
Total other financing uses	**3,223,323**	**1,069,958**	**-**	**3,175,655**	**7,468,936**
Total other financing sources and uses	**(1,689,488)**	**(1,069,958)**	**599,125**	**4,191,792**	**2,031,471**
Net change in fund balances (deficits)	**(397,647)**	**(13)**	**123,045**	**24,098**	**(250,517)**
Fund balances at beginning of year	3,232,961	2,062	1,050,261	584,667	4,869,951
Fund balances at end of year	**$ 2,835,314**	**$ 2,049**	**$ 1,173,306**	**$ 608,765**	**$ 4,619,434**

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the fiscal year ended June 30, 2014
(Amounts in thousands)

Net change in fund balances - total governmental funds	**$**	**(250,517)**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays including increases to construction in process, but excluding reductions and dispositions		401,844
Current year depreciation expense		(195,292)
Amounts presented in the statement of activities, but not in the change in fund fund balances due to difference in revenue and expense recognition under different bases of accounting		(485,171)
The issuance of long - term debt provides current financial resources to governmental funds, while the repayment of principal of long - term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized as part of the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items		(1,094,399)
Decrease in capital leases		(5,047)
Massachusetts School Building Authority		(261,551)
Net underfunding of post employment benefit obligations		(1,088,971)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued interest, lottery prizes, claims and benefits that are reported in the statement of activities, but not in funds		3,271
Change in net position of governmental activities	**$**	**(2,975,834)**

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

THIS PAGE LEFT INTENTIONALLY BLANK

Proprietary Fund Financial Statements

Bass River Bridge - Dennis

Statement of Net Position

Proprietary Funds

June 30, 2014

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	$ 26,369	$ 91,619	$ 378,721	$ 117,299	$ 614,008
Short-term investments	-	192,957	25,701	62,120	280,778
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursements receivable	-	81,006	1,295	4,805	87,106
Loans	-	46,573	1,329	190	48,092
Other receivables	414,789	114,897	20,766	36,122	586,574
Due from affiliates	-	40,807	-	-	40,807
Due from foundation	-	181	37	110	328
Other current assets	-	24,710	4,947	4,158	33,815
Total current assets	**441,158**	**592,750**	**432,796**	**224,804**	**1,691,508**
Noncurrent assets:					
Cash and cash equivalents - restricted	-	712,615	32,309	2,087	747,011
Long-term investments	-	775,953	196,596	38,664	1,011,213
Investments, restricted investments and annuity contracts	-	-	924	-	924
Accounts receivable, net	-	40,498	3,609	-	44,107
Loans receivable, net	-	-	11,784	484	12,268
Non-depreciable capital assets	-	848,253	330,006	77,269	1,255,528
Depreciable capital assets, net	-	3,202,037	1,368,033	370,551	4,940,621
Other noncurrent assets	-	28,821	13,277	15	42,113
Other noncurrent assets - restricted	984,644	-	-	-	984,644
Total noncurrent assets	**984,644**	**5,608,177**	**1,956,538**	**489,070**	**9,038,429**
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	-	41,082	-	1,316	42,398
Loss on debt refunding	-	71,798	29,123	-	100,921
Total deferred outflows of resources	-	112,880	29,123	1,316	**143,319**
Total assets and deferred outflows	**1,425,802**	**6,313,807**	**2,418,457**	**715,190**	**10,873,256**
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	53,185	177,785	51,909	26,359	309,238
Accrued payroll	-	110,464	44,143	34,506	189,113
Compensated absences	-	74,092	32,623	34,557	141,272
Accrued interest payable	-	21,872	131	142	22,145
Tax refunds and abatements payable	6,194	-	-	-	6,194
Deferred revenue	-	-	104,168	3,449	107,617
Student deposits and unearned revenues	-	40,923	9,972	18,931	69,826
Due to Foundation	-	354	-	-	354
Capital leases	-	2,232	1,227	1,393	4,852
Environmental remediation liability	-	-	1,447	-	1,447
Bonds, notes payable and other obligations	-	137,321	35,647	4,574	177,542
Total current liabilities	**59,379**	**565,043**	**281,267**	**123,911**	**1,029,600**
Noncurrent liabilities:					
Compensated absences	-	31,779	16,050	16,260	64,089
Due to federal government - grants	-	-	10,735	15	10,750
Capital leases	-	-	7,046	2,631	9,677
Bonds, notes payable and other obligations	-	2,726,436	1,280,425	59,328	4,066,189
Liability for derivative instruments	-	68,843	-	1,302	70,145
Other noncurrent liabilities	-	103,411	8,203	5,533	117,147
Total noncurrent liabilities	**-**	**2,930,469**	**1,322,459**	**85,069**	**4,337,997**
Deferred inflows of resources:					
Deferred service concession arrangements	-	-	17,664	354	18,018
Total liabilities and deferred inflows	**59,379**	**3,495,512**	**1,621,390**	**209,334**	**5,385,615**
NET POSITION					
Net investment in capital assets	-	1,800,767	608,062	386,016	2,794,845
Restricted for:					
Unemployment benefits	1,366,423	-	-	-	1,366,423
Higher education endowment funds	-	17,387	35	20	17,442
Higher education academic support and programs	-	-	-	3,377	3,377
Higher education scholarships and fellowships:					
Nonexpendable	-	-	3,176	-	3,176
Expendable	-	-	4,812	1,053	5,865
Other nonexpendable purposes	-	-	4,026	-	4,026
Capital projects - expendable purposes	-	-	1,744	-	1,744
Other purposes	-	174,530	12,142	1,820	188,492
Unrestricted	-	825,611	163,070	113,570	1,102,251
Total net position	**$ 1,366,423**	**$ 2,818,295**	**$ 797,067**	**$ 505,856**	**$ 5,487,641**

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

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:					
Unemployment compensation contribution	$ 1,858,020	$ -	$ -	$ -	$ 1,858,020
Net tuition and fees	-	740,116	350,303	208,793	1,299,212
Grants and reimbursements	-	511,694	68,647	257,960	838,301
Auxiliary enterprises	-	349,485	102,560	14,848	466,893
Sales & services	-	514,566	91,865	28,694	635,125
Miscellaneous	39,475	93,418	13,442	18,177	164,512
Total operating revenues	**1,897,495**	**2,209,279**	**626,817**	**528,472**	**5,262,063**
Operating expenses:					
Unemployment compensation	2,036,431	-	-	-	2,036,431
Instruction	-	690,635	284,807	316,972	1,292,414
Research	-	407,425	2	11	407,438
Academic support	-	151,000	79,723	93,409	324,132
Student services	-	119,295	92,062	113,226	324,583
Scholarships and fellowships	-	49,242	23,396	79,235	151,873
Public service	-	77,985	4,710	9,843	92,538
Operation and maintenance of plant	-	214,972	84,715	74,150	373,837
Institutional support	-	219,920	105,613	113,038	438,571
Other operating expenses	-	414,090	2,881	4,832	421,803
Depreciation	-	200,256	73,188	30,383	303,827
Auxiliary operations	-	265,080	124,128	14,498	403,706
Total operating expenses	**2,036,431**	**2,809,900**	**875,225**	**849,597**	**6,571,153**
Operating income/(loss)	**(138,936)**	**(600,621)**	**(248,408)**	**(321,125)**	**(1,309,090)**
Nonoperating revenues/(expenses):					
Other federal revenues	486,160	7,020	-	-	493,180
Other revenues	-	205,864	88,355	22,725	316,944
Other expenses	-	(115,113)	(47,158)	(3,349)	(165,620)
Investment income/(loss)	15,942	86,685	15,583	9,559	127,769
Total nonoperating revenues/(expenses)	**502,102**	**184,456**	**56,780**	**28,935**	**772,273**
Income/(loss) before transfers	**363,166**	**(416,165)**	**(191,628)**	**(292,190)**	**(536,817)**
Transfers, net	-	620,103	271,651	313,387	1,205,141
Change in net position	**363,166**	**203,938**	**80,023**	**21,197**	**668,324**
Total net position - beginning, as restated	1,003,257	2,614,357	717,044	484,659	4,819,317
Total net position - ending	**$ 1,366,423**	**$ 2,818,295**	**$ 797,067**	**$ 505,856**	**$ 5,487,641**

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

Statement of Cash Flows

Proprietary Funds

June 30, 2014

(Amounts in thousands)

	Unemployment Compensation Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Collection of unemployment contributions	$ 1,579,214	$ -	$ -	$ -	$ 1,579,214
Tuition, residence, dining and other student fees	-	793,246	356,525	227,236	1,377,007
Research grants and contracts	-	798,973	154,085	282,305	1,235,363
Payments to suppliers	-	(1,273,332)	(229,378)	(216,673)	(1,719,383)
Payments to employees	-	(1,587,022)	(453,310)	(470,958)	(2,511,290)
Payments to students	-	(56,448)	(20,432)	(72,018)	(148,898)
Payments for unemployment benefits	(2,109,271)	-	-	-	(2,109,271)
Collection of loans to students and employees	-	5,302	1,463	33	6,798
Income from contract services	-	-	4,847	2,278	7,125
Maintenance costs	-	-	(936)	-	(936)
Auxiliary enterprise charges	-	336,456	59,635	(4,970)	391,121
Other receipts	39,475	575,524	15,824	32,363	663,186
Net cash used by operating activities	**(490,582)**	**(407,301)**	**(111,677)**	**(220,404)**	**(1,229,964)**
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES					
State appropriations	-	594,212	232,571	248,414	1,075,197
Grants and contracts	486,160	74,279	606	606	561,651
Student organizations agency transactions	-	30	-	219	249
Principal on notes payable	-	-	-	(288)	(288)
Net cash provided by non-capital financing activities	**486,160**	**668,521**	**233,177**	**248,951**	**1,636,809**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital appropriations	-	112,132	4,932	5,017	122,081
Purchases of capital assets	-	(565,648)	(184,775)	(20,159)	(770,582)
Proceeds from sales of capital assets	-	-	2	-	2
Proceeds from revenue obligation debt issuance	-	587,555	187,561	11,090	786,206
Other capital asset activity	-	33,937	(31,756)	(969)	1,212
Investments held by bond trustee, net	-	-	(1,150)	2,720	1,570
Principal paid on capital debt and leases	-	(257,837)	(32,259)	(15,215)	(305,311)
Interest paid on capital debt and leases	-	(104,441)	(59,732)	(2,959)	(167,132)
Net cash provided by (used in) capital financing activities	**-**	**(194,302)**	**(117,177)**	**(20,475)**	**(331,954)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sales and maturities of investments	-	1,141,206	196,207	94,955	1,432,368
Purchases of investments	-	(1,162,801)	(192,504)	(87,437)	(1,442,742)
Investment earnings	15,942	8,959	6,516	621	32,038
Net cash provided by (used by) investing activities	**15,942**	**(12,636)**	**10,219**	**8,139**	**21,664**
Net increase (decrease) in cash and cash equivalents	**11,520**	**54,282**	**14,542**	**16,211**	**96,555**
Cash and cash equivalents at the beginning of the fiscal year	14,849	749,952	396,488	103,175	1,264,464
Cash and cash equivalents at the end of the fiscal year	**$ 26,369**	**$ 804,234**	**$ 411,030**	**$ 119,386**	**$ 1,361,019**
Reconciliation of net operating revenues and expenses to cash used by operating activities:					
Operating loss	$ (138,936)	$ (600,621)	$ (248,408)	$ (321,125)	$ (1,309,090)
Adjustments to reconcile operating loss to net cash used by operating activities:					
Depreciation expense	-	200,256	73,188	30,383	303,827
Fringe benefits paid by the Commonwealth	-	-	55,975	64,503	120,478
Changes in assets and liabilities:					
Accounts receivable, prepaids and other assets	23,233	(6,609)	1,897	(1,191)	17,330
Accounts payable, accrued liabilities and benefits	(72,840)	754	7,165	4,155	(60,766)
Student deposits and other unearned and deferred revenues	-	696	979	854	2,529
Other noncurrent assets - restricted and liabilities	(302,039)	(1,777)	(2,473)	2,017	(304,272)
Net cash used by operating activities	**$ (490,582)**	**$ (407,301)**	**$ (111,677)**	**$ (220,404)**	**$ (1,229,964)**

Non-cash investing, capital and financing activities:

The University System had approximately $74 million of non-cash activities, and the State Universities and Community Colleges had approximately $298 million and $82 million, respectively, of non-cash activities, including new capital leases.

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

Fiduciary Fund Financial Statements

Stockbridge, MA

Statement of Net Position

Fiduciary Funds
June 30, 2014
(Amounts in thousands)

	Post-Employment Benefits Trust Funds	External Investment Trust Funds	Private Purpose Funds	Agency Funds
ASSETS				
Cash and short-term investments	$ -	$ -	$ 819	$ 679,599
Assets held in trust for post-employment benefits:				
Cash and short-term investments	238,343	-	-	-
Net investment in PRIT at fair value	49,752,178	10,923,596	-	-
Assets held in trust for pool participants:				
Cash and short-term investments	-	2,747,948	-	-
Investments, restricted investments and annuity contracts	-	-	-	1,960,631
Receivables, net of allowance for uncollectibles:				
Taxes	-	-	-	2,183
Other receivables	85,992	-	-	134,492
Other assets	15,405	-	-	-
Total assets	**50,091,918**	**13,671,544**	**819**	**2,776,905**
LIABILITIES				
Accounts payable and other accrued liabilities	17,308		-	137,256
Due to cities and towns	-	-	-	33,065
Lottery prizes payable	-	-	-	1,370,277
Agency liabilities	-	-	-	1,236,307
Total liabilities	**17,308**	**-**	**-**	**$ 2,776,905**
NET POSITION				
Restricted for employees' post-employment benefits	50,074,610	-	-	
Restricted for external investment trust fund participants	-	13,671,544	-	
Restricted for private purposes	-	-	819	
Total net position	**$ 50,074,610**	**$ 13,671,544**	**$ 819**	

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

Statement of Changes in Net Position

Fiduciary Funds
Fiscal Year Ended June 30, 2014
(Amounts in thousands)

	Post - Employment Benefits Trust Funds	External Investment Trust Funds	Private Purpose Funds
ADDITIONS			
Contribution:			
Employer contributions	$ 1,081,091	$ -	$ -
Non-employer contributions	1,035,418	-	-
Employee contributions	1,154,434	793,507	-
Proceeds from sale of units	-	20,642,368	-
Other additions	122,894	-	-
Total contributions	**3,393,837**	**21,435,875**	**-**
Net investment gain/(loss):			
Investment gain/(loss)	7,663,234	1,678,298	-
Less: investment expense	(247,698)	(73,741)	-
Net investment gain/(loss)	**7,415,536**	**1,604,557**	**-**
Total additions	**10,809,373**	**23,040,432**	**-**
DEDUCTIONS			
Administration	77,937	-	-
Retirement benefits and refunds	4,797,113	739,175	-
Payments to State Boston Retirement System	99,532	-	-
Cost of units redeemed	-	20,606,497	-
Distribution to unit holders	-	5,705	-
Total deductions	**4,974,582**	**21,351,377**	**-**
Net increase/(decrease)	**5,834,791**	**1,689,055**	-
Net position - beginning	44,239,819	11,982,489	819
Net position - ending	**$ 50,074,610**	**$ 13,671,544**	**$ 819**

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

THIS PAGE LEFT INTENTIONALLY BLANK

Discretely Presented Component Unit Financial Statements

Bourne Bridge

Statement of Net Position

Component Units
June 30, 2014
(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	$ 368,390	$ 38,469	$ 367,669	$ 184,678	$ 959,206
Short-term investments	-	-	43,576	266,460	310,036
Restricted cash and investments	1,382,468	3,532	-	107,059	1,493,059
Assets held in trust	-	-	16,540	177,597	194,137
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	73,014	33,100	81,507	807	188,428
Loans	-	4,277	437,317	41,368	482,962
Other receivables	145,055	-	58,520	30,081	233,656
Due from primary government	470,968	34,174	-	68,454	573,596
Inventory	-	-	-	195	195
Other current assets	39,610	110	-	19,397	59,117
Total current assets	**2,479,505**	**113,662**	**1,005,129**	**896,096**	**4,494,392**
Noncurrent assets:					
Cash and cash equivalents - restricted	909,409	-	-	108,138	1,017,547
Long-term investments	-	-	1,029,899	643,666	1,673,565
Restricted investments and annuity contracts	-	-	-	157,173	157,173
Accounts receivables, net	5,216	-	-	9,711	14,927
Loans receivables, net	-	-	3,469,108	584,753	4,053,861
Non-depreciable capital assets	7,078,091	-	-	227,956	7,306,047
Depreciable capital assets, net	24,699,239	743	-	1,050,621	25,750,603
Other noncurrent assets	23,564	-	42	11,982	35,588
Total noncurrent assets	**32,715,519**	**743**	**4,499,049**	**2,794,000**	**40,009,311**
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	203,156	-	2,206	14,265	219,627
Deferred loss on refunding	279,490	-	111,010	-	390,500
Total deferred outflows of resources	**482,646**	**-**	**113,216**	**14,265**	**610,127**
Total assets and deferred outflows	**35,677,670**	**114,405**	**5,617,394**	**3,704,361**	**45,113,830**
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	885,996	70,817	16,977	106,895	1,080,685
Accrued payroll	-	623	-	1,000	1,623
Compensated absences	31,205	-	-	2,841	34,046
Accrued interest payable	161,266	-	53,749	1,588	216,603
Due to primary government	28,577	-	-	800	29,377
Deferred revenue	59,214	12,827	-	230,141	302,182
Capital leases	3,867	-	-	293	4,160
Bonds, notes payable and other obligations	554,780	-	205,540	20,791	781,111
Total current liabilities	**1,724,905**	**84,267**	**276,266**	**364,349**	**2,449,787**
Noncurrent liabilities:					
Compensated absences	16,974	-	-	1,470	18,444
Accrued interest payable	196,429	-	-	2,639	199,068
Due to primary government	-	-	-	9,996	9,996
Deferred revenue	-	-	28,065	27,283	55,348
Capital leases	69,591	-	-	-	69,591
Bonds, notes payable and other obligations	7,497,768	-	3,183,470	671,900	11,353,138
Post-employment benefits obligations	854,571	3,064	-	6,113	863,748
Liability for derivative instruments	448,523	-	2,206	14,265	464,994
Other noncurrent liabilities	144,833	-	-	34,250	179,083
Total noncurrent liabilities	**9,228,689**	**3,064**	**3,213,741**	**767,916**	**13,213,410**
Deferred inflows of resources:					
Deferred gain on refundings	238	-	-	-	238
Total liabilities and deferred inflows	**10,953,832**	**87,331**	**3,490,007**	**1,132,265**	**15,663,435**
NET POSITION					
Net investment in capital assets	24,973,627	743	-	1,131,263	26,105,633
Restricted for:					
Clean energy trusts	-	-	-	221,105	221,105
Economic development financing	-	-	-	172,629	172,629
Other purposes	839,181	-	1,718,052	716,552	3,273,785
Unrestricted	(1,088,970)	26,331	409,335	330,547	(322,757)
Total net position	**$ 24,723,838**	**$ 27,074**	**$ 2,127,387**	**$ 2,572,096**	**$ 29,450,395**

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

Statement of Revenues, Expenses and Changes in Net Position

Component Units

Fiscal Year Ending June 30, 2014

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services	$ 1,255,832	$ 776,053	$ 5,156	$ 230,354	$ 2,267,395
Other	66,703	20,830	142,934	122,307	352,774
Total operating revenues	**1,322,535**	**796,883**	**148,090**	**352,661**	**2,620,169**
Operating expenses:					
Cost of services	2,980,957	776,052	169,467	229,365	4,155,841
Administration costs	804,086	98,687	7,860	154,797	1,065,430
Depreciation	1,056,604	86	-	61,855	1,118,545
Total operating expenses	**4,841,647**	**874,825**	**177,327**	**446,017**	**6,339,816**
Operating income (loss)	**(3,519,112)**	**(77,942)**	**(29,237)**	**(93,356)**	**(3,719,647)**
Nonoperating revenues (expenses):					
Operating grants	1,955,084	76,830	32,388	140,080	2,204,382
Interest income	29,121	61	-	70,646	99,828
Other nonoperating revenues (expenses)	23,841	-	(20,812)	40,867	43,896
Nonoperating revenues (expenses), net	**2,008,046**	**76,891**	**11,576**	**251,593**	**2,348,106**
Income (loss) before contributions	**(1,511,066)**	**(1,051)**	**(17,661)**	**158,237**	**(1,371,541)**
Capital contributions	2,334,862	-	74,155	14,329	2,423,346
Change in net position (deficits)	**823,796**	**(1,051)**	**56,494**	**172,566**	**1,051,805**
Net position - beginning, as restated	23,900,042	28,125	2,070,893	2,399,530	28,398,590
Net position - ending	**$ 24,723,838**	**$ 27,074**	**$ 2,127,387**	**$ 2,572,096**	**$ 29,450,395**

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

THIS PAGE LEFT INTENTIONALLY BLANK

Contents
Notes to the Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 65

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION 65
B. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS 67
C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING 67
D. CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS 71
E. RECEIVABLES 72
F. DUE FROM CITIES AND TOWNS 72
G. CAPITAL ASSETS 73
H. INTERFUND / INTRAFUND TRANSACTIONS 74
I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY 74
J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES 74
K. COMPENSATED ABSENCES 75
L. DEDICATED REVENUES AND PLEDGES 75
M. LOTTERY REVENUE AND PRIZES 76
N. RISK FINANCING 76
O. NET POSITON 76
P. RECLASSIFICATIONS 77
Q. ESTIMATES 77
R. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS 77

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS 78

A. DERIVATIVE INSTRUMENTS 82
B. DISCRETELY PRESENTED COMPONENT UNIT INVESTMENTS 84

3. RECEIVABLES 84

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS 84

5. CAPITAL ASSETS 86

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS 87

A. GENERAL FUND 87
B. CREDIT FACILITIES 88

7. LONG-TERM OBLIGATIONS 88

A. GENERAL OBLIGATION BONDS 90
B. SPECIAL OBLIGATION BONDS 92
C. FEDERAL GRANT ANTICIPATION NOTES 93
D. THE BUILD AMERICA BOND PROGRAM 93
E. INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS 94
F. OUTSTANDING SWAPPED DEBT 98
G. OUTSTANDING LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT 99
H. PRIOR DEFEASANCE 100
I. STATUTORY DEBT LIMIT 100
J. ADMINISTRATION DEBT LIMIT 101
K. CHANGES IN LONG-TERM LIABILITIES 102

8. INDIVIDUAL FUND DEFICITS 103

9. RETIREMENT AND OTHER POST EMPLOYMENT BENEFITS 103

A. PLAN DESCRIPTIONS *104*
B. INVESTMENTS *105*
C. NET PENSION LIABILITY OF THE SYTEMS REQUIRED BY GASB 67 ..... *106*
D. ANNUAL PENSION COST AND NET PENSION OBLIGATION REQUIRED BY GASB 27 ..... *107*
E. STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION *109*
F. RESERVES *110*
G. COMMONWEALTH POST EMPLOYMENT OBLIGATIONS OTHER THAN PENSIONS *111*

10. LEASES **113**

11. COMMITMENTS **114**

A. PRIMARY GOVERNMENT *114*
B. SALTONSTALL BUILDING *114*
C. OTHER CONSTRUCTION COMMITMENTS *115*
D. CONTRACTUAL ASSISTANCE TO AUTHORITIES *115*
E. MSBA *115*

12. CONTINGENCIES **115**

A. TOBACCO SETTLEMENT *116*
B. WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES *117*
C. OTHER CLAIMS & JUDGMENTS *118*
D. ENVIRONMENTAL REMEDIATION *118*
E. SOCIAL IMPACT BONDS *119*

13. COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED **119**

14. SUBSEQUENT EVENTS **121**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The accompanying financial statements of the Commonwealth of Massachusetts (Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Commonwealth accounting policies are described below.

The Commonwealth is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 160 members; and the Judicial Branch, made up of the Supreme Judicial Court, the Appeals Court and the Trial Court. In addition, the Legislature has established 57 independent authorities and agencies. Below the level of state government are 351 cities and towns exercising the functions of local governments. The cities and towns of the Commonwealth are also organized into 14 counties, but 7 of those county governments have been abolished in recent years.

For financial reporting purposes, the Commonwealth has included all funds, organizations, agencies, boards, commissions and institutions. The Commonwealth has also considered all potential component units for which it is financially accountable, as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth (the primary government) and its component units. The Commonwealth has included 40 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Additional information related to the component units are found in note 13 to the basic financial statements.

Blended Component Units – Blended component units are entities that are legally separate from the Commonwealth but are so related to the Commonwealth, that they are, in substance, the same as the Commonwealth or entities providing services entirely or almost entirely to the Commonwealth. The net position and results of operations of the following legally separate entities are presented as part of the Commonwealth's operations:

The Massachusetts School Building Authority (MSBA) is charged with administering the Commonwealth's school construction and renovation program. The MSBA's sole revenues are from dedicated sales taxes from the Commonwealth, that starting in FY11, increased to 1% of applicable sales in the Commonwealth but with no annual floor or ceiling. The MSBA's bonded debt is secured by these sales tax revenues. Expenditures by the MSBA are made on behalf of the Commonwealth as a successor to a long-standing Commonwealth program of school construction. The MSBA's operations and results thereon are blended with the Commonwealth and as such are reported as a major governmental fund.

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately $10.924 billion relate to holdings on behalf of cities and towns that participate in the Pool and are reported as an external investment trust within the fiduciary fund type.

The Massachusetts Municipal Depository Trust (MMDT) is an investment pool of the Commonwealth and its political subdivisions. The various local governments and other political subdivisions share of net position is approximately $2.748 billion at June 30, 2014, and is reported as an external investment trust within the fiduciary fund type.

Departments Audited Separately from the Commonwealth but not legally separate from the Commonwealth - the following entities are audited separately from the Commonwealth but are not legally separate from the Commonwealth:

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver–General, operates the Commonwealth's lottery. The net position of the Commission and results thereon are presented as a major governmental fund.

The Institutions of Higher Education of the Commonwealth are also not legally separate from the Commonwealth and have operations and net position that are presented as part of the Commonwealth's business–type activities. These systems include:

The University of Massachusetts System including the University of Massachusetts Building Authority, and the Worcester City Campus Corporation. The Worcester City Campus Corporation includes a not-for-profit subsidiary, the Worcester Foundation for Biomedical Research, Inc.

The State University and Community College Systems including the 9 state universities and 15 community colleges located throughout the Commonwealth and the Massachusetts State College Building Authority.

Other Discretely Presented Component Units that are Separately Audited – Discrete component units are entities which are legally separate (often called Authorities) but financially accountable to the Commonwealth, or whose relationships with the Commonwealth are such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. The component units column of the basic financial statements includes the financial data of the following entities:

Major component units:

The Massachusetts Department of Transportation (MassDOT) incorporates the former Massachusetts Turnpike Authority and has jurisdiction over the Massachusetts Bay Transportation Authority (MBTA) and the Regional Transit Authorities.

The Massachusetts Clean Water Trust provides a combination of federal and Commonwealth funds for water and sewer projects around the Commonwealth as operator of the Commonwealth's State Revolving Fund.

Commonwealth Insurance Connector Authority administers the Commonwealth health insurance programs to facilitate subsidized health insurance for individuals without access to employer-sponsored health insurance as well as offer an affordable commercial health insurance product named Commonwealth Care to small businesses that are eligible for the program.

The Massachusetts Department of Transportation

The Commonwealth made a significant structural change to the government operations in FY10. Understanding the financial impact of this change is integral to understanding the Commonwealth financial statements. In June of 2009, the Commonwealth enacted legislation effective on November 1, 2009, implementing sweeping transportation reform and creating a new entity, the Massachusetts Department of Transportation (MassDOT).

MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance laws and is reported as part of the Commonwealth for compliance with federal and state tax law as well as the State Single Audit. In this unique relationship all road and bridge assets of the Commonwealth and the Turnpike Authority have been transferred to MassDOT, while the Commonwealth will continue to hold current and future debt for the construction repair, improvement and replacement of these assets. The Commonwealth also retains the liabilities for pension and other post-employment benefits (OPEB) costs for the former Commonwealth employees transferred to this entity and has assumed these liabilities for the 1,200 employees and 700 retirees of the former Turnpike Authority. MassDOT is assessed a fringe benefit rate on their current employee base to share in these pension and OPEB costs as well as to reimburse the Commonwealth for MassDOT's employee health care costs, which are paid from the Commonwealth's General Fund. MassDOT's capital authorizations are authorized by the legislature and controlled by the Executive Office for Administration and Finance like other state departments. Toll revenues are retained and expended by MassDOT. All non-toll revenues (primarily Registry fees and federal reimbursements) are deposited with the Commonwealth and used to finance MassDOT operating appropriations and infrastructure improvements. The result of this unique structure is that the Commonwealth retains significant liabilities for resources dedicated to the construction of assets controlled and managed by MassDOT.

Related Organizations

The following are "related organizations" under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*: Massachusetts Port Authority, Massachusetts Housing Finance Agency and MassVentures. The Commonwealth is responsible for appointing a voting majority of the members of each entity's board, but the Commonwealth's accountability does not extend beyond the appointments. These entities do not meet the criteria for inclusion as component units of the Commonwealth and therefore are not part of these financial statements.

Availability of Financial Statements

The separately audited financial statements of the Commonwealth's component units and funds may be obtained from the various entities, or by contacting the Office of the Comptroller, Financial Reporting and Analysis Bureau, at (617) 973-2660 for component unit contact information.

B. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are defined as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government–Wide Financial Statements

The **Statement of Net Position** presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

- **Restricted net position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.

- **Unrestricted net position** consists of net position which does not meet the definition of the two preceding categories.

Resources from restricted net position are used prior to those from unrestricted net position.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue and offset or supplant the net operating deficit or surplus from governmental or business–type operations.

Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures and changes in fund balances for its major and aggregated non-major funds.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with non-major funds being combined into a single column.

The Commonwealth reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Governmental Activities – Government–wide financial statements are reported using the economic resources management focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental Funds – Fund financial statements account for the general governmental activities of the Commonwealth. Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual and are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services are recognized in the year the materials are received, the grants are expended or services are provided. The measurement period for accrual for taxes earned is generally one year for income, corporate and other taxes and within thirty days for sales and use taxes. For federal and other reimbursements, the measurement period for accrual is generally sixty days if the related expenditures being reimbursed occurred prior to year end. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due. Compensated absences, claims and judgments, termination benefits and similar activities are recognized to the extent that they are normally expected to be liquidated with expendable available financial resources. Amounts incurred but not reported for Medicaid are reported to the extent that services are rendered before June 30th.

Business–Type Activities – Government–wide financial statements account for activities for which a fee is charged to external users for goods or services. In these services, debt may be issued backed solely by these fees and charges.

There may be also a legal requirement or a policy decision to recover costs. As such, these funds account for operations similarly to a for–profit business. The Commonwealth's Institutions of Higher Education's operations are reported as systems within the proprietary funds. Proprietary fund types are described in more detail below.

Proprietary and Fiduciary Funds – Fund financial statements are presented on the same basis of accounting as the business-type activities in the government–wide financial statements. Post-employment benefits and refunds are recognized when due and payable.

The Commonwealth reports the following fund types:

Governmental Fund Types:

General Fund, a governmental fund, is the primary operating fund of the Commonwealth. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

Special Revenue Funds account for specific revenue sources that have been aggregated according to Commonwealth general laws to support specific governmental activities.

Debt Service Fund accounts for the accumulation of resources for and the payment of debt.

Capital Projects Funds account for the acquisition or construction of major Commonwealth capital facilities financed primarily from bonds and federal reimbursements.

Within the governmental fund types, the Commonwealth has established the following major funds, in addition to the General Fund:

Lottery Funds are governmental funds and account for the operations of the State and Arts Lotteries, which primarily finance payments for local aid to cities and towns.

The Massachusetts School Building Authority is presented as a governmental fund. This is comprised of the activity of the blended component unit, the Massachusetts School Building Authority, accounting for grants to cities, towns and regional school districts for school construction and renovation projects.

Proprietary Fund Types:

Business-Type Activities account for programs financed in whole or in part by fees charged to external parties for goods and services. Major Proprietary Funds are the Unemployment Compensation Fund, the University of Massachusetts, State Universities and Community Colleges.

The proprietary funds include the following:

Unemployment Compensation Fund reports the taxes collected from employers and held by the United States Treasury in the Federal Unemployment Trust Fund, from which funds are drawn for the payment of benefits to the unemployed.

College and University Information, is presented here, aggregated by the University's activity, the State Universities' activity and the Community Colleges' activity.

Fiduciary Fund Types:

Post-Employment Benefit Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's post-employment benefit plans. These funds recognize employer and participant contributions in the period when contributions are due, and the Commonwealth has made a formal commitment to provide the contributions via an appropriation. Further information on the significant accounting policies for post-employment benefit trust funds may be found in Note 9 to the basic financial statements on pages 103 - 113.

External Investment Trust Funds account for the portion of pooled cash and pension assets held under the custodianship of the Commonwealth for the benefit of cities, towns and other political subdivisions of the Commonwealth.

Private Purpose Funds account for various gifts and bequests held by the Commonwealth of which only the income is expendable for purposes specified by the donor. The majority of the individual accounts are for perpetual cemetery care endowments on behalf of deceased individuals.

Agency Funds account for assets the Commonwealth holds on behalf of others. Agency Funds are custodial in nature and do not involve measurement of operations.

Fund Balances:

Governmental fund balances are considered nonspendable, restricted, committed, assigned, and unassigned, based on the relative strength of spending constraints.

Nonspendable fund balances are those that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact, such as balances in the form of inventories, permanent funds, and notes receivable. For the Commonwealth, the only nonspendable balances are notes receivable in the non-major governmental funds.

Restricted fund balances are those where constraints on their use are: a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by constitutional provisions or enabling legislation such that there is a legally enforceable requirement that those resources be used only for the specific purposes stipulated. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the stipulated purposes.

Committed balances are those that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which in the case of the Commonwealth is the Legislature and Governor. Committed amounts cannot be used for other than the specified purposes unless the Governor and Legislature

remove or change the specified use through legislation. The authorization specifying the purposes for which amounts can be used must have the consent of both the legislative and executive branches of the government prior to the end of the reporting period.

Assigned balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by: (a) the governing body itself; or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Massachusetts Legislature has the authority to assign or modify previously assigned fund balance. In distinction to restricted and committed balances, the authority for making an assignment is not required to be the government's highest level of decision-making authority, i.e., the Legislature and Governor, and the action to assign fund balance can occur after the end of the year. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with committed fund balances–constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Per GASB 54, assigned balances include those funds remaining at the end of the fiscal year that are reappropriated for the following fiscal year.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes in the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In addition, in accordance with GASB No. 54, negative balances in other governmental funds are classified as unassigned.

While the Commonwealth has not announced a formal policy governing the priority of spending fund balances, in conformance with GASB 54 requirements, when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, restricted resources are spent first, followed by committed resources, assigned resources and unassigned resources.

Detail of FY14 ending fund balances is shown below.

Governmental Fund Balances at June 30, 2014
(amounts in thousands)

	Nonspendable Purposes	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund						
General Government	$ -	$ -	$ -	$ -	$ 1,432,521	$ 1,432,521
Stabilization Fund	-	-	1,248,435	-	-	1,248,435
FY14 Appropriations Reappropriated in FY15	-	-	-	154,358	-	154,358
Subtotals, General Fund	-	-	**1,248,435**	**154,358**	**1,432,521**	**2,835,314**
Lottery Funds						
Lottery Operations	-	-	-	2,049	-	2,049
Subtotals, Lottery Funds	-	-	-	**2,049**	-	**2,049**
Massachusetts School Building Authority (MSBA)						
Debt Service	-	830,576	-	-	-	830,576
Grants to Cities, Towns and Local School Districts	-	10,034	-	332,696	-	342,730
Subtotals, MSBA	-	**840,610**	-	**332,696**	-	**1,173,306**
Other Governmental Funds						
Restricted by Federal Grantors	-	78,852	-	-	-	78,852
Child Support -- Restricted by Federal Grantors	-	41,133	-	-	-	41,133
Environmental	-	-	20,850	-	(844)	20,006
Public Safety -- Enhanced 911 Services	-	-	105,169	-	-	105,169
Public Safety -- Other	-	-	3,195	-	-	3,195
Universal Health Care - Distressed Hospital Relief	-	-	84,336	-	-	84,336
Universal Health Care - Affordable Care Act Primary Care Payments	-	-	51,669	-	-	51,669
Universal Health Care - Health Insurance for the Unemployed	-	-	65,425	-	-	65,425
Universal Health Care - Other	-	-	51,366	-	-	51,366
Other Health Care	-	-	24,068	-	-	24,068
Workforce Training	-	-	30,570	-	-	30,570
Convention Centers	-	-	126,104	-	-	126,104
General Government Capital Projects Fund	-	-	-	-	(556,769)	(556,769)
Highway Capital Projects Fund	-	-	-	-	(484,066)	(484,066)
General Government Debt Service	-	20,320	-	-	-	20,320
Transportation (GANS*/Commonwealth Transportation Fund)	-	218,883	75,279	-	-	294,162
Local Aid	-	-	-	21,250	(8,325)	12,925
Gaming	-	-	23,626	-	-	23,626
Expendable Trusts	-	317,757	158,878	-	-	476,635
Other	1,116	-	180,935	-	(42,012)	140,039
Subtotals, Other Governmental Funds	**1,116**	**676,945**	**1,001,470**	**21,250**	**(1,092,016)**	**608,765**
Totals	**$ 1,116**	**$ 1,517,555**	**$ 2,249,906**	**$ 510,353**	**$ 340,505**	**$ 4,619,434**

*Federal Grant Anticipation Notes

The Commonwealth does not have a formally adopted minimum fund balance policy. However, most governmental funds cannot end a fiscal year in deficit. Those funds that are authorized to end a fiscal year in deficit are discussed in note 8 to the basic financial statements, "Individual Fund Deficits" on page 103.

Stabilization Fund Arrangements:

In accordance with Section 2H of Chapter 29 of the Massachusetts General Laws, the Commonwealth maintains a Stabilization ("Rainy Day") Fund. Per Chapter 29, balances in the Stabilization Fund can be expended only when non-routine budget shortfalls occur and upon appropriation by the Legislature and approval by the Governor. Chapter 29 requires that after calculating the Commonwealth's "consolidated net surplus" (the sum of the "undesignated" balances in certain specific state budgeted funds, equal to balances that are not restricted nor reappropriated for the following fiscal year) any remaining surplus be transferred to the Stabilization Fund. In addition, withholding taxes on certain Lottery winnings are required to be transferred to the Stabilization Fund. Starting in FY10, statute requires the Comptroller, after certification by the Commissioner of Revenue, to transfer any capital gains tax revenues in excess of $1 billion (adjusted annually for economic growth) during a fiscal year to the Stabilization Fund. Starting in FY12, statute requires the Comptroller, after certification by the Commissioner of Revenue and the Attorney General, to transfer to the Stabilization Fund all revenue from individual settlements and judgments that exceed $10 million. For FY14, this statute was suspended by budgetary legislation enacted during the fiscal year and all settlements and judgments revenue was retained in the General Fund.

Historically, balances in the Stabilization Fund have been used almost exclusively during recessionary periods to offset budget shortfalls after other budgetary measures have been taken. Per Chapter 29, the Commonwealth is required to maintain a balanced budget, and if a revenue shortfall is projected, the Secretary of Administration and Finance is required to reduce state agencies' spending authorizations in an amount equal to any projected shortfall.

The Stabilization Fund ended FY14 with a balance of $1.248 billion. For the fiscal year ending June 30, 2014, the Stabilization Fund's balance decreased by $308 million as a result of inflows, including approximately $45 million in capital gains tax revenue, $414 million in judgment and settlement receipts (which were transferred to the General Fund) and approximately $1 million in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, offset by $776 million in withdrawals during the fiscal year. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Fiscal Year-End

All funds and component units are reported using fiscal years, which end on June 30.

Program Revenue

Program revenue is defined by the Commonwealth to be the revenue from fees and assessments collected by departments that are directly applicable to that department's operations.

Operating and non-operating revenues and expenses

Revenues and expenses of business-type activities and proprietary funds are classified as operating or non-operating and are subclassified by object. Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

D. CASH, SHORT-TERM INVESTMENTS AND INVESTMENTS

The Commonwealth follows the practice of pooling cash and cash equivalents. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other Governmental Funds.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT). MMDT is comprised of two portfolios, a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money-market-like investment pool; its investments are

carried at amortized cost, which approximates fair value. The Short Term Bond Portfolio investments are carried at fair value.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333 or download the statements from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

The post-employment benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, an external investment pool managed by the Pension Reserves Investment Management (PRIM) Board. The State Employees', Teachers' Public Employee Retirement Systems (PERS) and the State Retiree's Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 39.4%, 41.7 % and 0.9 % respectively, of the net position of the PRIT Fund. For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.

The Commonwealth's investments, including those of the PRIT Fund, are comprised of investments in domestic and international equities (marketable securities) and fixed income securities, as well as the following alternative investments: real estate, venture capital and private equity limited partnerships, hedge fund of funds and other alternative investments. Marketable securities are reported at fair value based upon quoted market prices. Investments in fixed income securities, including U.S. government agency obligations, are reported at fair value using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and rating, supplemented by deal quotations. Alternative investments are reported at estimated fair values as determined by management with input from the PRIM Board and its investment managers. Alternative investment securities comprise approximately 34.1 % of the total investments of the PRIT Fund.

The investments of the PRIT are held separately from those of other Commonwealth funds, with the exception of their investments in the MMDT. PRIT funds invested in the MMDT are accounted for separately. Security transactions are recorded on the trade date the securities are purchased or sold. The cost of a security is the purchase price or, in the case of assets transferred to PRIT by a Participating or Purchasing System, the fair value of the securities on the transfer date.

Investments of the University of Massachusetts (UMass) are stated at fair value. Annuity contracts represent guaranteed investment contracts and are carried at present value.

E. RECEIVABLES

In general, tax revenue is recognized on the government-wide statements when assessed or levied and on the governmental financial statements to the extent that it is both measurable and available, based upon collection experience. If revenue is not received by year–end, receivables are declared. Receivables are stated net of estimated allowances for uncollectible accounts.

Reimbursements due to the Commonwealth for its expenditures on federally-funded-reimbursement and grant programs are reported as "Federal grants and reimbursements" or "Due from federal government" in the statement of net position.

"Other Receivables" represent amounts due to Commonwealth including Lottery revenues and Higher Education receivables from students, amounts due to the University of Massachusetts from related organizations and other items.

Included in receivables for FY14 are amounts due to the Commonwealth under provisions of the Master Settlement Agreement between five tobacco companies and 46 states, including the Commonwealth. Pursuant to provisions of GASB Technical Bulletin No. 2004-1 "Tobacco Settlement Recognition and Financial Reporting Entity Issues", a receivable has been declared for approximately $127 million, representing 50% of the amounts expected to be received during FY15 and is included as part of other non-major governmental fund activity.

F. DUE FROM CITIES AND TOWNS

"Due from Cities and Towns" represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist school districts with unanticipated inflationary construction costs over the district's original amount budgeted for a project. The loans outstanding as of June 30, 2014 were $114.6 million, of which $6.7 million is due in FY15. During FY14, the MSBA executed one new loan for $6.3 million and collected $6.5 million of scheduled principal payments.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements.

Methods used to value capital assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair market value at the date of donation.

Capitalization policies

All land, non-depreciable land improvements and donated historical treasures or works of art are capitalized. Single pieces of equipment, vehicles, computer equipment and software that equal or exceed $50,000 ($1,000 for the University of Massachusetts) are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds $100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets of the Component Units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method. Unless unallocable, depreciation expense is charged to the function of the capital asset being depreciated. Estimated useful lives are as follows:

Type of Asset	**Estimated Useful Life (in years)**
Buildings	40
Infrastructure - roads, bridges and tunnels	40
Infrastructure - beaches, boardwalks, bikeways, etc	20
Infrastructure - dams, water and sewer systems	50
Furniture	10
Library collections that are not historical treasures	15
Equipment, office equipment and life safety equipment	10
Computer hardware and software	3 to 7
Vehicles	5

Road and Bridge Assets

Effective November 1, 2009 all road and bridge assets formerly owned by the Commonwealth are owned by MassDOT. The debt incurred for the construction of these assets remains a liability of the Commonwealth.

Construction in process

Construction in process includes all associated cumulative costs of a constructed capital asset. Construction in process is relieved at the point at which an asset is placed in service for its intended use.

H. INTERFUND / INTRAFUND TRANSACTIONS

As a general rule, the effect of interfund activity has been eliminated in the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned. Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

The Commonwealth has elected not to present its cost allocation and recovery separately on the statement of activities. Certain costs of nine "central service" agencies of the Commonwealth are recovered from the remaining agencies in a federally approved statewide cost allocation plan. These costs that are allocated are based upon benefits received by the user agency that benefit from these services. The Commonwealth also appropriates and pays the fringe benefit costs of its employees and retirees, as well as MassDOT employees and retirees, through the General Fund. These fringe benefits include the costs of employees' group health insurance, pensions, unemployment compensation and other costs necessary to support the workforce. As directed by Massachusetts General Laws, these costs are assessed to other funds based on payroll costs, net of credits for direct payments. Since fringe benefit costs are not separately appropriated or otherwise provided for in these funds, the required assessment creates an unfavorable budget variance in the budgeted funds. The employees' group health insurance and workers' compensation activity is accounted for in the governmental funds.

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

Under the former school building assistance program (prior to the creation of the MSBA) the Commonwealth reimbursed 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation to municipalities and regional school districts for 728 previously approved projects noted by MSBA as Prior Grant projects. The MSBA has assumed responsibility for these projects under its enabling statute. The liability for these projects, $1.0 billion as of June 30, 2014, will be reduced over time through annual payments, savings from project audits made by the MSBA and savings from refundings of debt related to the project. In addition, the MSBA is retiring the liabilities and commitments related to 428 school projects that were maintained on a waiting list for funding under the former program (prior to the creation of the MSBA). The MSBA funds projects on the waiting list via a lump sum, annual payments, or through progress payments. Each funding method has different eligibility requirements and is determined in part by the method of finance used by the local district to fund the capital project. Lump sum payment projects have a liability that is recognized once construction has started. For progress payment projects, a liability is generally recognized once a grantee requests reimbursement from the MSBA. Projects on the waiting list that receive annual payments, because the local district had permanently financed both the local and Commonwealth share, have a liability that is recognized based on the final audit conducted by the MSBA, which liability will be reduced over time through annual payments and any savings from refundings of debt related to the project. Projects not recognized are noted as commitments by the MSBA. The MSBA is committed to paying for its share of projects on the waiting list once communities meet all eligibility requirements for receiving grants. As of June 30, 2014, MSBA had an outstanding liability of $145 million, and $23 million of commitments outstanding, for the waiting list projects. New programs have been established by the MSBA under which communities submit monthly requests for reimbursement in order to receive grants. These New Program projects are funded via the progress payment method, and a liability is generally recognized once a grantee requests reimbursement from the MSBA. Outstanding grants for projects that have approved funding agreements with the MSBA, but for which eligible project costs have not been submitted, are considered commitments of the MSBA. As of June 30, 2014, MSBA had an outstanding liability of $177 million, and $1.1 billion of commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The Commonwealth recognizes contract assistance on an annual basis due to the Massachusetts Clean Water Trust (the Trust). This assistance is applied as a subsidy to repayments from the Trust loan borrowers. The expectation is that the assistance will be available for the life of the Trust financing agreement. The assistance is drawn from the Commonwealth on a 20-year repayment stream, even if the loan is for a longer period. If there is a differential between the assistance

received and the amounts needed for loan subsidies, that amount is invested by the Trust in an annuitized fashion to be used beyond year 20. If assistance is not provided by the Commonwealth, the Trust borrower is obligated for any shortfall.

Accounts payable includes amounts due to vendors of the Commonwealth for goods and services delivered before June 30th but paid for after year-end, the largest of which is Medicaid for $1.149 billion.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the statement of net position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2014 but paid after the fiscal year end are also reported in the funds.

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay.

Compensated absences in the governmental funds are liquidated from the same sources that fund the personnel expenses of the employees who are compensated for unused vacation and sick leave pay. In most cases, this is the General Fund, but also includes non-General Fund sources to the extent that personnel expenses are charged to those funding sources.

In the business-type activity and the discretely presented component units, employees' accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue.

L. DEDICATED REVENUES AND PLEDGES

The Commonwealth has a number of pledges of revenue streams for its own bonds and various other bond issues of other authorities. Commonwealth debt supported by dedicated revenue streams include special obligation bonds for road and bridge construction secured by motor fuels taxes and federal grant anticipation notes (GANS) secured by federal grants for highway construction. Detailed information on pledges for the Commonwealth's own debt is included in sections B and C of note 7, on page 92-93.

Portions of Commonwealth sales taxes are pledged as security for bonds issued by the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). The MBTA receives sales tax revenues equal to 1% of applicable sales, subject to an annual floor set in statute. In FY14, total dedicated sales tax revenue that was directed to the MBTA was approximately $799 million, $72 million more than would have been the case were the dedicated revenue equal to 1% of applicable sales. As a result, in FY14 the MBTA received from the Commonwealth sales tax revenues effectively equal to 1.10% of applicable sales, and is expected to receive approximately this percentage of applicable sales for the foreseeable future. Dedicated revenues to the MBTA increase by the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0% and a ceiling of 3.0%.

The MSBA also receives a pledge of sales tax that, starting in FY11, increased to 1.0% of applicable sales in the Commonwealth but with no annual floor or ceiling. In FY14, approximately $728 million of the dedicated sales tax revenue stream was directed to the MSBA.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2014, taxes within the Convention Center districts support approximately $639 million of outstanding principal and approximately $423 million of interest on debts related to these Convention Centers. Taxes collected in FY14 were approximately $109 million, while debt service on the bonds was approximately $37 million.

The Transportation Modernization Act of 2009, as amended, eliminated the pledges of sales tax revenue to MassDOT through the Commonwealth Transportation Fund (CTF). Under additional transportation finance reform effective July 1, 2013, motor vehicle sales tax collections were shifted from the general fund to the CTF while also eliminating the 0.385% pledge of regular and meals sales tax. During FY14, approximately $501 million in sales tax revenue was transferred to

MassDOT. From the Commonwealth Transportation Fund, $275 million was dedicated to funding the operations of the MBTA while an additional $68 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

M. LOTTERY REVENUE AND PRIZES

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Commonwealth purchases annuities and principal-only and interest-only treasury strips in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the agency fund and on the statement of net position. Though the annuities are in the Commonwealth's name in the case of a default, they are solely for the benefit of the prizewinner. The Commonwealth retains the risk related to such annuities.

N. RISK FINANCING

The Commonwealth self-insures for employees' workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to $100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees.

O. NET POSITON

The Commonwealth reports net position as restricted where legally segregated for a specific future use by enabling legislation. Otherwise, these balances are considered unrestricted.

Net position has been restricted as follows:

"Restricted for unemployment benefits" – identifies amounts solely for the payment of unemployment compensation under federal labor laws.

"Restricted for retirement of indebtedness" – identifies amounts held by fiscal agents to fund future debt service obligations pertaining to Special Obligation Revenue Bonds authorized under Section 2*O* of Chapter 29 of the Massachusetts General Laws and Chapter 33, Acts of 1991. It also includes amounts held for Grant Anticipation Notes authorized by Chapter 11 of the Acts of 1997 and Chapter 121 of the Acts of 1998.

"Restricted for other purposes" – identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments.

"Restricted for nonexpendable purposes" – identifies amounts held as permanent investments for a specific purpose.

As of June 30, 2014, the government-wide statement of net position reports the following as restricted net position (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government Wide Total
Restricted for:			
Unemployment benefits	$ -	$ 1,366,423	$ 1,366,423
Retirement of indebtedness	1,137,947	-	1,137,947
Restricted for other purposes including:			
Higher education endowment funds	-	17,442	17,442
Higher education academic support and programs	-	3,377	3,377
Higher education scholarships and fellowships:			
Nonexpendable	-	3,176	3,176
Expendable	-	5,865	5,865
Other nonexpendable purposes	-	4,026	4,026
Capital projects - expendable trusts	-	1,744	1,744
Other purposes	317,757	188,492	506,249
Total restricted net position	$ 1,455,704	$ 1,590,545	$ 3,046,249

The net position of the Pension Trust Funds and the Pension Reserves Investment Trust portion of the External Investment Trust Funds are restricted for post-employment benefits. These restrictions identify resources held in trust for the members and beneficiaries of the Commonwealth's post–employment plans. The Pension Reserves Investment Trust portion of the External Investment Trust Funds also includes pooled cash and pension assets held under the custodianship of the Commonwealth for the benefits of cities, towns and other political subdivisions of the Commonwealth.

P. RECLASSIFICATIONS

Certain amounts in the separately issued component units' financial statements have been reclassified to conform to the accounting classifications used by the Commonwealth.

Q. ESTIMATES

The preparation of the Comprehensive Annual Financial Report requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report.

Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

R. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS

The Commonwealth has implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*, for the fiscal year ending June 30, 2014. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans*, and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 67 requires plans to calculate a net pension liability (or NPL) to be measured as the total pension liability less the amount of the pension plan's fiduciary net position.

In March, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources certain items that were previously reported as assets and liabilities and recognizes as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously reported as assets or liabilities. The Commonwealth implemented this new standard during the fiscal year ended June 30, 2014 resulting in the restatement of the beginning net position of the governmental activities and the following business-type activities: the University of Massachusetts, State Universities and Community Colleges

The table below details the restatement and other prior period adjustments:

	Governmental Activities	Business-type Activities	Discretely Presented Component Units
Net position/(deficit) as of June 30, 2013, as previously reported……..	$ (25,939,876)	$ 4,841,123	$ 28,397,382
Plus:			
Other Restatements……..	-	648	1,208
Less:			
Reclassification of bond issue costs……..	(43,980)	(22,454)	-
Net position/(deficit) as of July 1, 2013, as restated……..	$ (25,983,856)	$ 4,819,317	$ 28,398,590

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS

Primary Government

The Commonwealth maintains cash in the MMDT Cash Portfolio that is available for use by all funds. Each fund type's net equity in the Cash Portfolio is displayed in the basic financial statements as "cash and cash equivalents".

	Governmental Activities	Business-Type Activities	Government Wide Total	Fiduciary Funds
Cash and cash equivalents	$ 1,192,194	$ 614,008	$ 1,806,202	$ 918,761
Short-term investments	1,355,335	280,778	1,636,113	-
Cash with fiscal agent	307,371	-	307,371	-
Total	$ 2,854,900	$ 894,786	$ 3,749,686	$ 918,761

Lottery Annuity Contracts

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver–General, purchases annuity contracts from insurance companies and United States treasury strips to fund the Commonwealth's liability for future installment prize obligations. These annuities and treasury strips represent an obligation of the insurance company and the custodial bank, respectively, to provide a fixed series of payments over a specified period. Only the annuity investments are subject to credit risk. For the annuity contracts, risk is controlled by purchasing these investments only from insurance companies with the top two ratings issued by a national recognized ratings organization. However, due to the nature of these annuity contracts, the credit quality of the insurance company issuer is subject to change. As of June 30, 2014, the amortized cost of annuities is approximately $137 million. At June 30, 2014, the Commonwealth held these investments with a maturity value of approximately $1.109 billion and with a carrying value of approximately $1.233 billion. Approximately 89% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 4.5% of the overall portfolio.

MSBA Deposits and Investments

The MSBA is authorized to invest in obligations of the US Treasury, its agencies and instrumentalities, bonds or notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and repurchase agreements. These investments are recorded at fair value. The MSBA has an investment policy that establishes the minimum credit quality for certain instruments, outlines investment procedures and updates for periodic reporting. The MSBA investment policy does not specifically limit the amount the MSBA may invest in any one issuer.

As of June 30, 2014, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	$	151,251
Cash and cash equivalents held in pooled cash		64,180
Restricted investments		842,184
Total	$	1,057,615

Custodial Credit Risk – Pooled Cash

Custodial credit risk is the risk that in the event of a bank failure, deposits and investments may not be returned to the Commonwealth. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk.

The Commonwealth requires all bank deposits in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) to be collateralized with a perfected pledge of eligible collateral or a letter of credit. For programs created by the Treasury, such as the Small Business Banking Program, eligible collateral must be pledged in an amount equal to 102% of the amount of the deposits that exceed FDIC insurance. Sufficient collateral to cover total Commonwealth deposits in excess of the FDIC insured amount must be pledged and held in safekeeping by a custodian that is approved by and under the control of the Treasurer and Receiver General.

Membership by a financial institution in the Depositors Insurance Fund (DIF) or the Share Insurance Fund (SIF) will be accepted by the Treasurer and Receiver General's Office as alternative security, provided that the financial institution submits proof of membership in the DIF or the SIF. Membership in the DIF is limited to Massachusetts chartered savings banks while membership in the SIF is limited to Massachusetts cooperative banks.

Custodial Credit Risk – Higher Education

The Institutions of Higher Education have investment policies that may vary by institution for custodial credit risk. Each institution carries deposits that are fully insured by the FDIC, as well as uninsured deposits. As of June 30, 2014, the bank balances of uninsured deposits totaled approximately $392 million.

Custodial Credit Risk – MSBA

The MSBA does not have a formal investment policy for custodial credit risk. The MSBA carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance, as well as deposits that are fully collateralized. As of June 30, 2014, all MSBA bank balances were fully protected against loss.

Interest Rate Risk – MMDT

Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. These investments include certain short–term cash equivalents, various long-term items and restricted assets by maturity in years. The Treasury cash portfolio minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining a dollar-weighted average portfolio maturity of 60 days or less. The Treasury cash portfolio's assets are managed to maintain a dollar-weighted average life to maturity of 120 days or less.

The MMDT Cash Portfolio's dollar-weighted average maturity fluctuated from 63 days on July 1, 2013 to 57 days on June 30, 2014.

Investments in the MMDT Short Term Bond Portfolio are made in investment-grade securities as defined by national statistical rating agencies. The Commonwealth assesses risk for the Short Term Bond Portfolio by using duration. Duration is the weighted maturity of the security's cash flows, where the present values of the cash flows serve as weights.

For the MMDT Short Term Bond Portfolio, the duration fluctuated from 2.18 to 2.52 years. At June 30, 2014, investments in the MMDT Short Term Bond Portfolio had a total net position of $441 million with investment maturities ranging from less than one year to more than ten years. At June 30, 2014, the Short Term Bond Portfolio's effective maturity schedule was as follows:

Securities with an Effective Maturity of	Percentage of Total Net Position
Less than one year……..	17.10%
One to five years……..	78.50%
Six to ten years……..	2.00%
Greater than ten years……	0.20%
Total* ……..	97.80%

*The remaining 2.2% consists of cash equivalents and other assets.

Interest Rate Risk – Higher Education

As of June 30, 2014, the Institutions of Higher Education had debt investments stated at fair value of approximately $805 million and had investment maturities ranging from less than one year to more than ten years, with approximately 50.1% of the investment's fair values maturing in less than 1 year, approximately 29.8% from one to five years, approximately 10.2% from six to ten years, and approximately 9.9% more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. As of June 30, 2014, the MSBA had approximately $226 million invested in a collateralized guaranteed investment contract and approximately $407 million invested in U.S. Treasury Bonds and Municipal Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on August 15, 2030 while the U. S. Treasury Bonds and Municipal Bonds mature from 2019 to 2043. These investments represent approximately 76% of the MSBA's total investments.

Interest Rate Risk – Agency Funds

The agency funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 3014, these investments had a fair value of approximately $590 million with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 27.9% has maturities of less than one year, 43.8% from one to five years, 14.2% from six to ten years and 14.1% greater than ten years.

Credit Risk – MMDT

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth, exclusive of Pension Trust Funds, minimizes concentration of credit risk, the risk attributed to the magnitude of the investment in a single issuer. The Commonwealth's investment policy prohibits the Treasury from investing more than 5% of the total investment portfolio in any single financial institution or issuer, excluding various public entity securities and repurchase agreements. There are no restrictions on the amount that can be invested in public entity securities and the portfolio may be invested in U.S. Treasury and other Government Sponsored Enterprises (GSE's) obligations and repurchase agreements.

The Treasury cash portfolio is invested only in First Tier and Second Tier Securities as defined by the Securities and Exchange Commission's Rule 2A-7 of the Investment Company Act of 1940. The Treasury does not have any additional policies regarding credit ratings of investments. At June 30, 2014, the Cash Portfolio's securities were rated as follows: First tier 96.7% and Second Tier 3.3%.

At June 30, 2014, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA	61.40%
AA	6.90%
A	17.40%
BBB	12.10%
Total*	97.80%

* The remaining 2.2% consists of cash equivalents and other assets.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were approximately $473 million at AAA, approximately $180 million from AA+ to A- and approximately $152 million either unrated, BBB+ or less.

Credit Risk – MSBA

The MSBA's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The MSBA's policy requires issuers of investment contracts to be rated AA or above by at least two of the nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance. As of June 30, 2014, the guaranteed investment contracts were not rated; however, the issuer was rated AA by Standard & Poor's and A2 by Moody's and the guaranteed investment contracts were collateralized.

As of June 30, 2014, the MSBA's investments in municipal bonds were rated AA+ or above.

Credit Risk – Agency Funds

The agency funds debt investments with a fair value of $590 million, of which approximately $472 million were in U.S Government securities. The remaining $118 million were unrated as of June 30, 2014.

Interest Rate Risk – PRIT Funds

As pension trust funds have a longer investment horizon than many of the Commonwealth's other investments, the PRIM Board manages PRIT's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. The guidelines with each individual manager require that the effective duration of the domestic fixed income investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have a duration with a band ranging from three to eight years.

Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments and other factors.

The PRIM Board compares the effective duration of a manager's portfolio to the Barclays Capital Aggregate Index for domestic core fixed income securities and the Merrill Lynch High Yield Master II Index for domestic high yield fixed income securities. The PRIT Fund had fixed income and short-term investments totaling approximately $16.095 billion at fair value with an effective weighted average duration range from 1.33 to 21.81 years at June 30, 2014.

Credit Risk – PRIT Funds

The PRIM Board establishes credit investment guidelines with each of its fixed income securities investment managers in establishing a diversified portfolio. These guidelines vary depending on the manager's strategy and the role of its portfolio to the overall diversification of the PRIT fund. The guidelines for the PRIT Fund's core fixed income portfolio establish the minimum credit rating for any security in the portfolio and the overall weighted average credit rating of the portfolio. The guidelines for the PRIT Fund's high yield, fixed income portfolio establish a market value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by PRIT results from counterparty risk. PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. The weighted average quality rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was BBB+ at June 30, 2014.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately $3.205 billion, BBB+ to B- investments with a fair value of approximately $2.555 billion, $245 million rated CCC+ to D, $5.407 billion are unrated and the remaining $4.683 billion are investments that are explicitly backed by the U. S. Government.

Foreign Currency Risk – PRIT Funds

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The Treasury does not have a policy regarding foreign currency risk for the Pension Trust. The PRIM Board manages PRIT's exposure to foreign currencies by hedging a percentage of PRIT's non-U.S. dollar denominated investments through forward foreign currency contracts. The PRIT Fund's investments in foreign currency denominated investments as of June 30, 2014 were approximately $191 million in cash and investments, $13.154 billion in equities, $2.297 billion in fixed income investments, $1.455 billion in private equity investments and $172 million in timber investments. An additional $2.867 billion is invested in international investments denominated in U. S. dollars.

Concentration of Credit Risk – PRIT

The PRIM Board manages PRIT's exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percent of investment in any single issue or issuer.

MMDT and PRIT have no investments at fair value that exceed 5% of PRIT's net position held in trust for pool participants as of June 30, 2014.

A. DERIVATIVE INSTRUMENTS

PRIT may invest in derivative transactions. In accordance with GASB Statement No 53, *Accounting and Financial Reporting for Derivative Instruments*, PRIT's derivatives are accounted for as investment derivatives and are reported at fair value.

Forward Currency Contracts

PRIT enters into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The market value of the contracts will fluctuate with changes in currency exchange rates. Risks may arise from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

The contracts are marked-to-market daily and the change in market value is recorded as an unrealized gain or loss by PRIT. When a contract is closed, PRIT records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

As of June 30, 2014, PRIT had open foreign exchange contracts with combined net unrealized losses of approximately $8 million with various delivery dates.

Further information on derivative instruments can be found in the notes to PRIT's basic financial statements.

Futures Contracts

PRIT may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owns or expects to purchase.

Upon entering such contracts, they must pledge to the broker an amount of cash or securities equal to a percentage of the contract amount.

The potential risk is that the change in the value of futures contracts may not correspond to the change in the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that PRIT may not be able to close out its future positions due to a non-liquid secondary market. Risks may also arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

PRIT may also invest in financial futures contracts for non-hedging purposes.

PRIT held contracts outstanding at June 30, 2014 with various expirations from FY15 to FY17. These contracts are for cash and cash equivalents, fixed income, equities and commodities. A portion of the contracts were short contracts. The aggregated notional exposure amount as of June 30, 2014 was approximately $3.212 billion with a fair value of $3.236 billion, yielding an unrealized net gain of approximately $23 million.

Payments are made or received by PRIT each day, depending on the daily fluctuations in the value of the underlying security and are recorded as unrealized gains or losses. When the contracts are closed, the PRIT Fund recognizes a realized gain or loss.

Swaps – PRIT

PRIT has entered into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risk. The swap contracts are reported at fair value, which represents their estimated liquidation values (costs). PRIT either receives cash from the swap counterparties or pays the swap counterparties monthly depending on whether the fixed-rate interest is lower or higher than the variable-rate interest. Changes in fair value are included as part of investment income.

As of June 30, 2014, PRIT had contracts in effect with an aggregated notional amount of approximately $1.927 billion to various investment banks that had maturity dates from FY15 to FY46. The contracts have an aggregate fair value gain of approximately $11 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRITs counterparty exposure was with various major investment companies with ratings ranging from AA- to A- and various other banks with other ratings. Open swap contracts as of June 30, 2014 were as follows (amounts in thousands):

		Interest Rate Swaps		Credit Default Swaps		Inflation Swaps	
Counterparty	Credit Ratings	Gross Notional	Fair Value	Gross Notional	Fair Value	Gross Notional	Fair Value
Barclays Bank PLC	A	$ 23,150	$ 291	$ 12,500	$ (64)	$ 116,010	$ 92
CME Group Inc	AA-	784,699	4,955	-	-	-	-
Citibank NA	A	181,717	107	29,361	14	-	-
Deutsche Bank AG	A	-	-	35,700	255	-	-
Intercontinental Exchange Inc	A-	-	-	78,294	2,653	-	-
JPMorgan Chase Bank NA	A+	22,617	(19)	9,900	45	-	-
UBS AG	A	4,582	42	27,346	152	-	-
U.S. Bank National Association	AA-	500,000	2,603	-	-	-	-
All others	Various	4,741	99	95,900	(142)	-	-
Totals		$ 1,521,506	$ 8,078	$ 289,001	$ 2,913	$ 116,010	$ 92

B. DISCRETELY PRESENTED COMPONENT UNIT INVESTMENTS

Component units invest in derivative transactions. Detailed information on those transactions is found in the notes to the basic financial statements for those component units.

3. RECEIVABLES

Taxes, federal reimbursements, loans and other receivables are presented in the statement of net position, exclusive of amounts due from cities and towns and component units as follows (amounts in thousands):

Primary Government	Taxes Receivable	Federal Grants and Reimbursements	Loans	Other Receivables	Total
Governmental activities:					
Gross receivables	$ 4,885,913	$ 2,137,327	$ 116,608	$ 1,822,052	$ 8,961,900
Less: allowance for uncollectibles	(1,294,151)	(117,713)	-	(1,327,791)	(2,739,655)
Receivables, net of allowance for uncollectibles	3,591,762	2,019,614	116,608	494,261	6,222,245
Less: current portion	(3,079,790)	(1,957,550)	(8,710)	(386,096)	(5,432,146)
Noncurrent receivables	$ 511,972	$ 62,064	$ 107,898	$ 108,165	$ 790,099
Business-Type activities:					
Gross receivables	$ -	$ 88,366	$ 61,720	$ 864,140	$ 1,014,226
Less: allowance for uncollectibles	-	(1,260)	(1,360)	(192,652)	(195,272)
Receivables, net of allowance for uncollectibles	-	87,106	60,360	671,488	818,954
Less: current portion	-	(87,106)	(48,092)	(627,381)	(762,579)
Noncurrent receivables	$ -	$ -	$ 12,268	$ 44,107	$ 56,375

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

The purposes of interfund receivables, payables and transfers between funds vary by legislative authority. Transfers include the following: intergovernmental services, fringe benefit cost assessments, the year-end Stabilization Fund transfer, certain license fees collected by the registry of motor vehicles that fund various highway project initiatives, fund closure transfers, transfers from the Stabilization Fund to fund current operations and various other transfers for operations, largely for Institutions of Higher Education.

Activity between funds reflected as due to/from primary government in the various statements is summarized as follows (amounts in thousands):

	General	Lotteries	Other Governmental Funds	Total
Governmental funds:				
Transfers in:				
Debt service	$ -	$ -	$ 2,374,950	$ 2,374,950
Transfers in	1,523,264	-	1,803,228	3,326,492
Subtotal	1,523,264	-	4,178,178	5,701,442
Transfers out:				
Appropriations	(1,058,662)	-	(21,587)	(1,080,249)
Transfer of bond proceeds	-	-	(215,690)	(215,690)
Debt service	(1,060,211)	-	(1,314,739)	(2,374,950)
Transfers out	(1,104,450)	(1,069,958)	(1,061,286)	(3,235,694)
Subtotal	(3,223,323)	(1,069,958)	(2,613,303)	(6,906,583)
Total governmental funds	**(1,700,059)**	**(1,069,958)**	**1,564,875**	**(1,205,141)**

Proprietary funds:	University of Massachusetts	State Universities	Community Colleges	Total
Transfers in:				
Transfers in from the General Fund and other governmental funds	$ 676,365	$ 289,175	$ 330,399	$ 1,295,939
Transfers out:				
Transfers out to the General Fund	(56,262)	(17,524)	(17,011)	(90,798)
Total proprietary funds	**$ 620,103**	**$ 271,651**	**$ 313,387**	**1,205,141**
Net transfers in / (out) between funds				**$ -**

Due to/from component units on the Statement of Net Position reflects a timing difference for a payment of approximately $3 million at year end.

Remaining receivables and payables between funds as of June 30, 2014 largely occur due to the timing of accruals and the funding of escrows. The University also reported unremitted benefits costs as of June 30, 2014. The amount due to the General Fund largely represents deficits funded by the General Fund. The following is a summary of receivables and payables between funds remaining as of June 30, 2014 (amounts in thousands):

Receivable Fund	**Payable Fund**	**Amount**
Governmental Funds:		
General	Nonmajor Governmental Funds	$ 533,226
Non-major Governmental Funds	Nonmajor Governmental Funds	80,348
Total Governmental Funds		**$ 613,574**

5. CAPITAL ASSETS

Capital asset activities for the fiscal year ended June 30, 2014 were as follows (amounts in thousands):

Primary Government Governmental Activities	July 1, 2013 Beginning Balance*	Increases	Decreases and Reclassifications	June 30, 2014 Ending Balance
Capital assets not being depreciated:				
Land	$ 822,076	$ 21,658	$ (1,021)	$ 842,713
Construction in process	649,712	327,211	(110,687)	866,236
Total capital assets not being depreciated	1,471,788	348,869	(111,708)	1,708,949
Capital assets being depreciated:				
Buildings	5,410,250	45,994	(4,745)	5,451,499
Machinery and equipment	1,028,669	89,468	(14,744)	1,103,393
Infrastructure non - central artery/tunnel project	333,004	35,750	(3,500)	365,254
Total capital assets being depreciated	6,771,923	171,212	(22,989)	6,920,146
Less, accumulated depreciation:				
Buildings	(2,863,368)	(108,133)	3,619	(2,967,882)
Machinery and equipment	(787,587)	(79,238)	9,398	(857,427)
Infrastructure non - central artery/tunnel project	(226,685)	(7,921)	3,441	(231,165)
Total accumulated depreciation	(3,877,640)	(195,292)	16,458	(4,056,474)
Total capital assets being depreciated, net	2,894,283	(24,080)	(6,531)	2,863,672
Governmental activity capital assets, net	4,366,071	324,789	(118,239)	4,572,621
Business - Type Activities				
Capital assets not being depreciated:				
Land	107,847	7,201	(518)	114,530
Construction in process	1,317,594	797,531	(975,289)	1,139,836
Historical treasures	1,101	61	-	1,162
Total capital assets not being depreciated	1,426,542	804,793	(975,807)	1,255,528
Capital assets being depreciated:				
Buildings	6,610,770	962,622	(10,474)	7,562,918
Machinery and equipment	990,186	57,605	(22,351)	1,025,440
Library collections, not including historical treasures	113,739	551	(9,590)	104,700
Total capital assets being depreciated	7,714,695	1,020,778	(42,415)	8,693,058
Less, accumulated depreciation:				
Buildings	(3,211,884)	(243,122)	17,131	(3,437,875)
Machinery and equipment	(249,511)	(60,087)	12,393	(297,205)
Library collections, not including historical treasures	(17,155)	(618)	416	(17,357)
Total accumulated depreciation	(3,478,550)	(303,827)	29,940	(3,752,437)
Total capital assets being depreciated, net	4,236,145	716,951	(12,475)	4,940,621
Business - type activity capital assets, net	5,662,687	1,521,744	(988,282)	6,196,149
Total Primary Government capital assets, net	**$ 10,028,758**	**$ 1,846,533**	**$ (1,106,521)**	**$ 10,768,770**

*As restated and are more fully described in footnote #1

Depreciation expense was charged to the various functions of governmental and business-type activities as follows (amounts in thousands):

Function	Amount
General government	$ 50,315
Judiciary	32,796
Health and human services	43,345
Early elementary and secondary education	820
Public safety and homeland security	57,631
Housing and economic development	48
Labor and workforce development	10,337
Total depreciation, governmental activities	$ 195,292
University of Massachusetts	$ 200,256
State universities	73,188
Community colleges	30,383
Total depreciation, business-type activities	$ 303,827

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. Short-term borrowing may be issued as fixed rate notes, floating rate notes or through a commercial paper program supported by bank liquidity facilities maintained by the Commonwealth. Per the State Constitution, revenue anticipation notes (RANs) issued for cash flow purposes are required to be paid within the same fiscal year. Temporary financings for capital needs, such as bond anticipation notes may be outstanding for up to five years, per statute**.**

A. *GENERAL FUND*

The balance of revenue anticipation notes (RANs) and commercial paper outstanding may fluctuate during a fiscal year, but all short-term borrowing for cash flow purposes must be reduced to zero by June 30. In terms of short-term borrowing for cash flow purposes, the Commonwealth borrowed $800 million by selling RANs in September 2013. All of the $800 million in RANs were retired in April, May and June of 2014.

On June 30, 2014, the Commonwealth issued $200 million in commercial paper bond anticipation notes (BANs) in anticipation of the issuance of bonds. These notes were redeemed subsequent to year end with a portion of the long-term General Obligation Bonds, Consolidated Loan of 2014, Series C, dated July 11, 2014. The bonds mature annually starting in FY2022 through FY2032 and carry interest rates ranging from 3.0% to 5.0%. The BANs meet long-term financing criteria and, therefore, are reported as long-term debt rather than as fund liability.

The following schedule details short–term financing for all funds for the fiscal year (amounts in thousands):

	Beginning Balance July 1, 2013	Issued / Drawn	Redeemed / Repaid	Ending Balance June 30, 2014
General Fund:				
Revenue anticipation notes	$ -	$ 800,000	$ (800,000)	$ -
Capital Projects Funds:				
Commercial paper - Bond anticipation notes	-	200,000	(200,000)	-
Total primary government	$ -	$ 1,000,000	$ (1,000,000)	$ -

B. *CREDIT FACILITIES*

During FY14, the Commonwealth maintained credit facilities to provide liquidity support for commercial paper notes totaling $400 million. The Commonwealth started FY14 with a total of two credit facilities to provide such liquidity support, each in the amount of $200 million. These facilities expire in periods at various times in FY14 and FY15. In addition, to credit facilities for commercial paper, the Commonwealth maintained standby bond purchase agreements for Variable Rate (VR) Demand Bonds sold from FY97 through FY06. These VR bonds require external liquidity support because bond holders have the right to sell the bonds back to the Commonwealth at par at any time. As of June 30, 2014, these agreements totaled $759 million.

7. LONG-TERM OBLIGATIONS

Section 1 of Article 62 of the Massachusetts Constitution empowers the State Legislature to borrow money on the credit of the Commonwealth for various public purposes. Under the state Constitution, the Commonwealth may pledge its credit to borrow money only by a vote of two-thirds of each house of the Legislature. Borrowed funds may be used for defense of the state or of the United States, and in anticipation of receipts from taxes or other sources, "any such loan to be paid out of the revenue of the year in which the loan is made". The Legislature may not in any manner allow the Commonwealth's credit to be given or loaned to or in aid of any individual, or of any private association, or of any corporation, which is privately owned or managed. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan.

Statutorily, the authority to borrow is delegated to the Massachusetts State Treasurer & Receiver General pursuant to Chapter 29 of the Massachusetts General Laws. Section 49 of Chapter 29 of the Massachusetts General Laws is the primary statute governing the issuance of Commonwealth debt and contains a number of provisions spelling out the process for the issuance of bonds.

The issuance of bonds to fund the Commonwealth's capital needs must be authorized by the Legislature. Pursuant to legislative authorizations to borrow, the Governor determines the amount and timing of any authorized borrowing to fund capital investments. At the request of the Governor, the State Treasurer & Receiver General borrows by issuing bonds to the public. The Governor approves the use of the bond proceeds by agencies to pay for authorized and budgeted capital projects.

Massachusetts General Law provides for the allocation of bond proceeds to bond authorizations and capital spending in arrears (as needed), as expenditures are made, or at the time of issuance of the bonds. In general, bond proceeds are primarily allocated to capital spending that has already occurred. When allocating in arrears, the allocation of segregated bond proceeds is a reimbursement to the General Fund.

Bond proceeds that are awaiting allocation are typically invested by the State Treasurer in the Commonwealth's primary investment vehicle, the Massachusetts Municipal Depository Trust (MMDT), which is structured similarly to an SEC – registered money market fund (for more information please see the notes on the Commonwealth's short-term investments). Bond proceeds are segregated from other funds until they are allocated to capital expenditures, a process that requires review by the Commonwealth's bond counsel.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including bonds and notes issued by it and all claims with respect hereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for the payment of principal or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, enacted to extend the time for payment or impose other constraints upon enforcement. The Commonwealth cannot file for bankruptcy under the United States Bankruptcy code.

As of June 30, 2014, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For these types of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

The following is a summary of the Commonwealth's outstanding debt, exclusive of capital leases, (amounts in thousands):

Type of Bond	Amount Outstanding
General obligation bonds, net proceeds	$ 20,149,098
Special obligation bonds (including GANs), net proceeds	2,941,336
Outstanding Commonwealth bonds, net proceeds	23,090,434
MSBA bonds, net proceeds	6,143,246
Total governmental activities, net proceeds	29,233,680
Less:	
Unamortized premiums on general obligation bonds	(552,436)
Unamortized premiums on special obligation bonds	(118,146)
Unamortized premiums on MSBA bonds	(510,776)
Total governmental activities, principal	$ 28,052,322

The general obligation (GO) bonds listed in the table above include outstanding tax-exempt bonds, taxable bonds including Build America Bonds, College Opportunity Bonds, and debt assumed from former counties. The special obligation (SO) bonds listed above include outstanding tax-exempt and taxable bonds (including Build America Bonds and Recovery Zone Economic Development Bonds) secured by indentures that legally define the specific revenues pledged to bondholders, as defined in the trust agreement. This includes outstanding bonds or notes secured by Federal Highway funds to be received by the Commonwealth, certain portions of the Commonwealth's motor fuel excise taxes and Registry of Motor Vehicle fees and dedicated taxes and fees levied in certain geographic areas of the state to support the Commonwealth's convention center facilities. As of June 30, 2014, there were five different special obligation bond programs with bonds outstanding. It should be noted that two of the five bond programs have closed liens, meaning that no additional new-money bonds will be issued under those specific special obligation bond indentures.

The following is a table of GO bonds principal outstanding as of June 30, 2014, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds	$ 16,004,332	81.7%
Variable rate bonds	3,592,330	18.3%
Total	$ 19,596,662	100.0%

The following is a table of the different types of outstanding variable rate GO bonds, (amounts in thousands):

Variable Rate GO Bonds	Principal Outstanding	Percent of Total GO
Direct purchase bonds	$ 443,545	2.3%
Variable rate demand bonds	759,265	3.9%
Auction rate securities	401,500	2.0%
CPI-index bonds	145,765	0.7%
LIBOR index bonds	845,795	4.3%
SIFMA index bonds	996,460	5.1%
Total	$ 3,592,330	

The following is a table of hedged and unhedged variable rate GO bonds, (amounts in thousands):

	Principal Outstanding	Percent of Total Variable Rate GO Bonds
Hedged variable rate GO bonds…..	$ 2,820,455	78.5%
Unhedged variable rate GO bonds..	771,875	21.5%
Total variable rate GO bonds…..…	$ 3,592,330	100.0%

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2014, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds…..……..	$ 2,640,110	93.5%
Variable rate bonds…..……..	183,080	6.5%
Total…..……..	$ 2,823,190	100.0%

The following is a table of the different types of outstanding SO bonds (amounts in thousands):

Special Obligation Bonds	Amount Outstanding
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds……	$ 557,125
CPI variable rate convention center bonds……	86,590
Total convention center bonds, net proceeds……	643,715
Special obligation revenue bonds, net proceeds:	
Fixed rate gas tax bonds……	156,234
CPI variable rate gas tax bonds……	96,490
Total gas tax bonds, net proceeds……	252,724
Special obligation revenue bonds, net proceeds:	
Accelerated bridge program……	1,466,857
Special obligation federal highway grant anticipation notes and accelerated bridge program……	578,040
Total special obligation bonds, net proceeds……	2,941,336
Less: unamortized premiums……	(118,146)
Outstanding special obligation principal……	$ 2,823,190

A. *GENERAL OBLIGATION BONDS*

General obligation bonds are authorized and issued primarily to provide funds for the Commonwealth's five-year capital improvement program (CIP), including capital infrastructure projects throughout the state as well as Commonwealth-supported local government capital improvements. The five-year plan is developed by the Executive Office for Administration and Finance (A&F) and updated annually. The CIP is primarily funded through the issuance of bonds that are sold by the State Treasurer and Receiver General. The Commonwealth borrows from the capital markets by selling GO bonds and notes pursuant to Chapter 29 of the Massachusetts General Laws. GO bonds are backed by the full faith and credit of the Commonwealth and are paid mainly from the Governmental Funds, to which debt service principal and interest payments are appropriated in the state's operating budget.

In addition to GO bonds issued to fund the state's capital needs, certain bonds are approved by the Legislature to be issued for specific programs. These bonds, known as College Opportunity Bonds, are issued pursuant to statute directly to the Massachusetts Educational Financing Authority for its pre-paid tuition program called the "U.Plan". As of June 30, 2014, the Commonwealth had approximately $142 million in "U. Plan" bonds (at accreted value) outstanding. Pursuant to statute, all of the outstanding bonds are variable rate bonds. Interest on the bonds is based on the percentage change in the consumer price index plus 2.0% together with current interest at the rate of 0.5%.

In terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2014, approximately 81.7% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 18.3% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. For example, most of the Commonwealth's outstanding variable rate debt is in the form of variable rate demand bonds or "VRDBs", which are long-term bonds whose interest rates re-set daily or weekly through an active remarketing process. Because these bonds provide bondholders with a "put" or tender feature enabling the bonds to be sold back to the Commonwealth at par at any time, they are supported by standby liquidity facilities provided by third-party commercial banks which require the applicable bank to purchase any bonds that are tendered by investors and not successfully remarketed. As of June 30, 2014, the Commonwealth had approximately $759 million in outstanding VRDBs. This accounts for approximately 3.9% of total GO debt and approximately 21.1% of total GO variable-rate debt. All of these bonds are uninsured. As of June 30, 2014, none of the Commonwealth's outstanding VRDBs have been subject to failed remarketing and "put" back to the Commonwealth; consequently, there have not been any draws on any of the outstanding bank liquidity facilities.

The Commonwealth has also issued GO variable-rate debt in the form of auction-rate securities. Like VRDBs, these are long-term bonds whose interest rates are re-set at pre-determined, short-term intervals. Unlike VRDBs, these bonds do not provide bondholders with a "put" feature and therefore do not require a supporting credit facility from a commercial bank. The Commonwealth's outstanding auction-rate securities have long-term nominal maturities of over 20 years with interest rates re-set every seven days. A periodic "Dutch auction" process is designed to provide a mechanism of liquidity to bondholders, with bonds re-priced and traded in auctions managed by broker-dealers. Beginning in February 2008, however, and continuing through FY14, all of the Commonwealth's outstanding auction rate securities experienced auction failure on the days interest rates were to re-set, meaning there were insufficient bids from new investors to purchase the securities being offered for sale by existing bondholders. Upon auction failure, the interest rate paid to existing bondholders is the failure rate as specified in the bond documents. For the series of Commonwealth bonds whose auctions have experienced failed auctions (approximately $401.5 million in total outstanding debt obligations, including Commonwealth of Massachusetts GO Bonds, Series 2000D, 2000E, 2000F, and 2000G), the failure rate is based on a multiple of the 7-day non-financial commercial paper rate as published by the Federal Reserve, with a maximum failure rate of 12%. The failed auctions have resulted in actual interest costs to the Commonwealth that were consistently below budgeted debt service levels of 5%.

A portion of the Commonwealth's outstanding bonds have been directly purchased by banks (or "direct purchase bonds"). These variable rate, direct purchase bonds bear interest at an index rate and are payable on the first business day of each month until maturity. As of June 30, 2014, the Commonwealth had $444 million direct purchase bonds outstanding . This includes $200 million of the Commonwealth's Consolidated Loan of 2006 (Variable Rate Demand Bonds), Series B. Those bonds were tendered by the Commonwealth in FY2013, converted to direct purchase bonds from variable rate demand bonds, and purchased by JP Morgan Chase Bank and TD Bank, NA. The final portion of outstanding direct purchase bonds were purchased from the Commonwealth by Royal Bank of Canada in FY2012. All of the bonds are subject to bondholder agreements.

The following table details the general obligation direct purchase bonds (amounts in thousands):

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2001 Series B Refunding Bonds..	$ 243,545	1/1/2021	1 Month LIBOR/ Monthly Pay	Royal Bank of Canada	8/1/2014	8/1/2017
2006 Series B, Subseries B-1……	100,000	3/1/2026	1 Month LIBOR/ Monthly Pay	JP Morgan Chase Bank	5/17/2013	5/31/2016
2006 Series B, Subseries B-2……	100,000	3/1/2026	1 Month LIBOR/ Monthly Pay	TD Bank	5/17/2013	5/31/2016
Total……..	$ 443,545					

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2014, the Commonwealth had approximately $146 million of bonds that pay interest based on the consumer price index (CPI); $846 million of bonds that pay interest based on the three-month London Interbank Offered Rate (LIBOR); and $996 billion of bonds that pay interest based on the Securities Industry and Financial Markets Association (SIFMA) Index. These bonds make up approximately 0.7%, 4.3% and 5.1% of total outstanding general obligation indebtedness, respectively.

To fund the FY14 capital budget, the Commonwealth borrowed by issuing $2.160 billion in long-term bonds, $1.492 billion of which was general obligation debt and $668 million was special obligation debt secured by motor fuels taxes and motor vehicle license and registration fees. In addition, $637 million in refunding bonds were issued in three separate transactions; one current and two advanced refunding transactions. The present value savings of these refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2014, the MSBA had outstanding approximately $5.632 billion of Dedicated Sales Tax bonds, including approximately $511 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 2.0% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY43. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the $5.632 billion of debt outstanding as of June 30, 2014, $450 million is taxable Build America Bonds for which the MSBA is eligible to receive a 35% interest subsidy directly from the United States Treasury. In addition, $293 million of the Subordinated Dedicated Sales Tax Bonds was issued as "Qualified School Construction Bonds" for which the MSBA is eligible to receive a 100% interest subsidy payment directly from the United States Treasury. During FY13 and FY14, the federal government implemented automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. Subsidy payments received from March 1, 2013 through September 30, 2013 were reduced by 8.7% (5.1% on an annualized basis) due to sequestration. On September 30, 2013, the IRS published a notice indicating that subsidy payments processed on or after October 1, 2013 and on or before September 30, 2014 will be reduced by the FY14 sequestration rate of 7.2%. The notice states that the sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise modifies the sequester. The reductions were approximately $662,000 on the 2010 Series A Bonds and 2011 Series A Bonds in FY13, and $2.1 million on the 2009 Series B Bonds, 2010 Series A Bonds and 2011 Series A Bonds in FY 14.

B. *SPECIAL OBLIGATION BONDS*

Commonwealth Transportation Fund (CTF)

The largest amount of special obligation bonds outstanding (by par) are bonds secured by certain revenues of the Commonwealth Transportation Fund. In FY14, the Commonwealth issued approximately $424 million in special obligation bonds under the Accelerated Bridge Program (ABP). These bonds mature from FY15 to FY43 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry

of Motor Vehicle fees deposited into the CTF. These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in the senior lien. As of June 30, 2014, approximately $1.404 billion in principal was outstanding on the ABP bonds and approximately $1.125 billion of interest (net of the federal subsidy) was expected to be paid through maturity.

Motor Fuels Tax Bonds

Other special obligation bonds for highway construction purposes are secured by a pledge of 6.86 cents of the 24 cent per gallon gasoline tax. During FY14, the Commonwealth issued current refunding bonds of approximately $10 million to refund, in the current year, a future maturity. As of June 30, 2014 bonds secured by these pledged funds totaled approximately $250 million of principal and approximately $54 million in interest. These bonds mature from FY14 to FY22 and were issued in various series. Principal and interest paid during FY14 amounted to approximately $37 million and $15 million, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorized $694 million of special obligation bonds to be issued for the purpose of building a new convention center in Boston ($609 million), the Springfield Civic Center ($66 million) and the Worcester Convention Center ($19 million). The bonds are payable from monies credited to the Convention Center Fund created by that legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge and Springfield. The legislation requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of June 30, 2014, taxes within the Convention Center districts support approximately $639 million of outstanding principal and approximately $423 million of interest on debts related to these Convention Centers. Taxes collected in FY14 were approximately $109 million, while debt service on the bonds was approximately $37 million.

C. *FEDERAL GRANT ANTICIPATION NOTES*

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal 1998, 1999, 2001, 2011, 2014 and refunding notes in fiscal 2003 and fiscal 2011. During FY14, the Commonwealth issued approximately $253 million in GANs for new-money needs under the Commonwealth's Accelerated Bridge Program. As of June 30, 2014, total principal remaining to be paid is approximately $531 million. Maturities are from FY15 through FY27. Debt service paid during FY14 was approximately $186 million.

The legislation authorizing such notes contains a statutory covenant that as long as any such GANs remain outstanding, the Commonwealth will deposit all federal highway reimbursements into the Grant Anticipation Note Trust Fund, to be released to the Commonwealth once all the debt service and reserve funding obligations of the trust agreement securing the GANs have been met. If the United States Congress reduces the aggregate amount appropriated nationwide to less than $17.1 billion and debt service coverage with respect to the notes falls below 120%, then the legislation further pledges that an additional 10 cents per gallon of existing motor fuel tax collections will be deposited into the trust fund, to be used for debt service on the notes, subject to legislative appropriation. Principal amortization of the notes began in fiscal 2006 and will continue through fiscal 2015. Under the trust agreement securing the notes, aggregate annual debt service on GANs may not exceed $216 million unless the rating agencies rating the notes confirm that exceeding $216 million in annual debt service will not cause them to withdraw or reduce their credit ratings. Such notes and the interest thereon are secured solely by the pledge of federal highway construction reimbursement payments and by a contingent pledge of certain motor fuels excises. In practice, the interest on such notes has been paid from Commonwealth appropriations.

D. *THE BUILD AMERICA BOND PROGRAM*

As part of the federal America Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program issuers, including the Commonwealth, issued taxable bonds in calendar years 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% of the interest costs on the

bonds, depending on whether the proceeds are used for projects in economically distressed areas. Between the GO bond program and the special obligation bond programs, the Commonwealth issued a total of $2.791 billion in Build America Bonds and Recovery Zone Economic Development Bonds in six separate financings over the two year period of the temporary program. All of the bonds were issued as "direct pay to issuer", meaning that the interest rate subsidies would be paid to the Commonwealth from the U.S. Treasury and not pledged to bondholders. As of June 30, 2014, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled $862 million. The Commonwealth's repayment obligation to bondholders is based on the gross interest rate. From a budgetary perspective, the bonds' debt service is budgeted at the net-of-interest-rate subsidy rate.

Given the interest rate subsidy from the U.S. Treasury and given market conditions at the time of the Commonwealth's BABs sales, this program resulted in borrowings whose net interest costs will be significantly lower than the interest on traditional tax-exempt bonds. The BABs program expired on December 31, 2010.

E. ***INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS***

Over the last twenty years, the Commonwealth has periodically entered into interest rate swap agreements for the sole purpose of hedging changes in the interest rates on a portion of its outstanding variable rate bonds, taking advantage of the fact that these bonds, combined with interest rate swaps, generally result in lower interest costs than fixed-rate bonds. Of the Commonwealth's variable-rate debt outstanding of approximately $3.592 billion, approximately $2.820 billion were hedged via floating-to-fixed interest rate swap agreements. Of this amount, $2.740 billion are for G.O. bonds and the remainder on outstanding special obligation bonds.

Under the terms of these floating-to-fixed rate hedge agreements, counterparties to the hedge agreements are obligated to pay the Commonwealth an amount equal to or approximately equal to the variable-rate interest payment to bondholders of the related bonds or an interest payment based on a market index. In return, the Commonwealth is obligated to pay counterparties a stipulated fixed rate. The floating rate payments received by the Commonwealth from its swap counterparties are used to offset the variable rate payments paid to bondholders. Only the net difference in interest payments is actually exchanged with the swap counterparty. The net payments made or received on these hedge agreements are reported as part of interest expense on the Commonwealth's basic financial statements. In all cases, the Commonwealth remains responsible for making interest payments to the variable rate bondholders.

Objective of the Interest Rate Swap Agreements

In connection with the issuance of variable rate GO refunding bonds in 1997, 1998, 2001, 2003, 2005, 2006, and 2007, the Commonwealth entered into interest rate swap hedge agreements with certain counterparties to hedge against the volatility of the interest rates on certain bonds whose interest costs were floating and not fixed. Additional swap agreements were entered into to hedge this same volatility on certain special obligation bonds, including the Commonwealth's Series 2005 Special Obligation Tax Revenue (Gas Tax) Bonds and the Series 2004 Special Obligation Dedicated Tax Revenue (Convention Center) Bonds. In addition, a floating-to-fixed rate swap agreement was novated or transferred to the Commonwealth from the Route 3 North Transportation Improvements Association (secured by Commonwealth Contract Assistance) in November 2008 after the lease revenue bonds associated with that swap experienced remarketing failure. The swap was assigned to a portion of the Commonwealth's previously unhedged variable rate bonds that were outstanding.

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. But in both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. This allows the Commonwealth to finance its capital budget using floating rate bonds, which, combined with interest rate hedges, are less costly than fixed-rate bonds while hedging the risk of rising interest rates on those bonds to provide long-term budgetary and cash flow certainty. As of June 30, 2014, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and were deemed effective hedges pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements have final maturities ranging from 2014 to 2037. The swaps' total notional value of approximately $2.923 billion effectively matches the par amount of the related variable-rate bonds.
Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 3.555% to 5.250% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds or a payment based on a market index. In some of the outstanding swap agreements, the Commonwealth receives an interest rate based on changes to Libor, the SIFMA index, or the CPI index. In other agreements, the floating payment received by the Commonwealth is precisely equal to the variable rate payment paid to bondholders based on an active remarketing of those bonds.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2014, the Commonwealth is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the Commonwealth would be exposed to credit risk in the amount of the swap's fair value. All of the Commonwealth's counterparties are required to post collateral in certain circumstances, including credit rating downgrades. The Commonwealth is not required to post collateral in any of its existing swap agreements.

The chart below details the Commonwealth's outstanding swaps and related bond issuances (amounts in thousands except for percentages).

Associated Bond Issue	Notional Amounts Outstanding	Effective Date	Replacement Agreement Effective Date	Terms: Fixed Rate Paid (Range)	Terms: Variable Rate Received	Fair value at June 30 2014	Fair value at June 30 2013	Change in Fair Value	Final Termination Date	Counterparty	Counterparty Credit Rating Moody's/S&P/Fitch
General Obligation Bonds:											
Series 1997B	$ 54,075	8/12/1997	8/12/1997	4.659%	Cost of Funds	$ (1,427)	$ (4,013)	$ 2,586	8/1/2015	Goldman Sachs Matsui Marine Derivative Products Co., LP	Aa2 /AAA/NA
Series 1997B	36,050	8/12/1997	9/1/2010	4.659%	SIFMA	(938)	(2,633)	1,695	8/1/2015	Sumitomo Mitsui Banking Corp	Aa3/A+/A-
Series 1998A	60,775	9/17/1998	9/3/2012	4.174%	Cost of Funds	(2,155)	(7,452)	5,297	9/1/2016	Wells Fargo Bank	A2/A/A+
Series 1998A, Series 2006A, Series 2000A, & Series 2000B	143,838	9/17/1998	11/17/2008	4.174%	60% 1-Month LIBOR + 25 basis points	(5,208)	(10,608)	5,400	9/1/2016	Deutsche Bank AG	Aa3/AA-/AA-
Series 2000A	105,417	8/16/2007	8/16/2007	3.942%	SIFMA - 3 basis points	(8,713)	(11,693)	2,980	8/1/2018	Merrill Lynch Cap Svcs	Baa2/A-/A
Series 2000A	53,108	8/16/2007	8/16/2007	3.942%	SIFMA - 3 basis points	(4,224)	(5,882)	1,658	8/1/2018	JP Morgan formerly Bear Stearns	Aa3/A+/A+
Series 2001B & C	487,095	2/20/2001	2/20/2001	4.150%	Cost of Funds	(61,534)	(71,913)	10,379	1/1/2021	Morgan Stanley Capital Services	Baa2/A-/A
Series 2003B	45,765	3/12/2003	3/12/2003	4.500%	CPI-based formula	(2)	(979)	977	12/1/2014	Goldman Sachs Matsui Marine Derivative Products Co., LP	Aa2 / AAA / NA
Series 2003B	-	-	-	-	-	-	(93)	93	12/1/2013	Deutsche Bank AG	A2 / A+ / A+
Series 2006B, Series 2000D	294,000	11/25/2008	4/2/2009	4.515%	67% 3-Month LIBOR	(80,716)	(81,725)	1,009	6/15/2033	Barclays Bank PLC	A2/A/A
Series 2006C	100,000	1/1/2007	9/1/2013	3.73%-3.85%	CPI-based formula	(2,762)	(4,813)	2,051	11/1/2020	Wells Fargo Bank	Aa3/AA-/AA-
Series 2007A	400,000	5/30/2007	10/8/2008	4.420%	67% 3-Month LIBOR + 0.57%	(35,836)	(41,967)	6,131	5/1/2037	Barclays Bank PLC	A2/A/A
Series 2007A (refunding)	414,130	5/30/2007	10/8/2008	4.083%	67% 3-Month LIBOR + 0.57%	(64,950)	(66,641)	1,691	11/1/2025	Bank of NY Mellon	Aa2/AA-/AA-
Series 2007A (refunding)	31,665	5/30/2007	10/8/2008	3.936%	67% 3-Month LIBOR + 0.57%	(4,212)	(4,575)	363	11/1/2020	Deutsche Bank AG	A2/A/A+
Series 2010A, 2011A, 2012A(refunding) & 2013A	513,680	3/15/2005	9/1/2013	3.555% - 4.004%	SIFMA	(73,991)	(78,161)	4,170	2/1/2028	Wells Fargo Bank	Aa3/AA-/AA-
Subtotal	2,739,598					(346,668)	(393,148)	46,480			
Special Obligation Dedicated Tax Revenue Bonds											
Series 2004 (Convention Ctr)	28,863	6/29/2004	6/29/2004	4.45% - 5.25%	CPI-based formula	(932)	(1,861)	929	1/1/2018	Goldman Sachs Cap Markets	A2/A-/A
Series 2004 (Convention Ctr)	28,864	6/29/2004	6/29/2004	4.45% - 5.25%	CPI-based formula	(942)	(1,861)	919	1/1/2018	JP Morgan formerly Bear Stearns	A3/A/A+
Series 2004 (Convention Ctr)	28,863	6/29/2004	6/29/2004	4.45% - 5.25%	CPI-based formula	(940)	(1,861)	921	1/1/2018	JPMorgan Chase Bank	Aa3/A+/A+
Series 2005A (Gas Tax)	96,490	1/12/2005	1/12/2005	4.771% - 5.059%	CPI-based formula	(4,157)	(5,993)	1,836	6/1/2022	Merrill Lynch Cap Serv	Baa2/A-/A
Subtotal	183,080					(6,971)	(11,576)	4,605			
Total	$ 2,922,678					$(353,639)	$(404,724)	$ 51,085			

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2014 is negative $354 million and is reflected on the statement of net position as a liability for derivative instruments which is offset by deferred outflows from derivative instruments. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2014 were recognized as deferred outflows resulting in no impact on the Statement of Activities.

If all the Commonwealth's swap agreements had been terminated as of the end of FY14, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated above if certain termination events occurred, as described herein. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swap agreements due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

Basis and Market-Access Risk of the Interest Rate Swap Agreements

Because the terms on most of the interest rate swap hedge agreements require the Commonwealth's counterparties to make variable rate payments equal or approximately equal to those the Commonwealth makes on the related variable rate bonds, the Commonwealth is not subject to significant basis risk as a result of the terms of these agreements. Under certain circumstances, such as a downgrade of the credit rating of the bonds being hedged or the enactment of tax-related legislation which causes the related bonds to trade differently, certain of the swap agreements provide that the Commonwealth's counterparties, may, at their option, pay a variable rate that is based on one or more market indices such as LIBOR or the SIFMA swap index. Under these circumstances, the Commonwealth would be subject to basis risk if these indices varied from the basis for the variable rates that were paid to bondholders that were determined for the Commonwealth's variable-rate demand bonds through the associated remarketing process. For certain other interest rate swap agreements, the variable rate on the swap is based on a market index that differs from the variable rate on the hedged bonds, which is generally remarketed or auction rate. The Commonwealth is subject to basis risk on these agreements.

A majority of the swap contracts have the same maturity dates and amortizations as the related bonds. For two of the swap agreements, the underlying bonds have maturity dates that come due before the termination date of the associated swaps. This applies to the 2006B and 2000D bonds being hedged by the $294 million notional hedge agreement with Barclays and the 2010A bonds being hedged by the $513 million notional swap with Wells Fargo Bank. The Commonwealth's stated debt plan is to extend the underlying variable rate bonds to match the terms and amounts of the associated swaps. If the Commonwealth is unable to extend the underlying variable rate bonds or identify other variable rate bonds the swaps may hedge, the Commonwealth would be required to make net settlement payments on the swaps without the offsetting effects of changes in variable rate bond settlement payments.

Termination Risk of the Interest Rate Swap Agreements

The swap agreements are based on the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap agreements include termination events additional to those in the standard ISDA master agreement based on credit ratings. The swap agreements are not otherwise subject to termination except at the Commonwealth's option. The swap agreements require that the Commonwealth's counterparties maintain certain ratings levels. If they fail to maintain such ratings, the Commonwealth would have the option to terminate the related swap agreement and receive or pay a termination payment depending on the interest rates at the time. Similarly, the Commonwealth is required to maintain certain credit ratings under the agreements, generally 'BBB-' or above, well above the current credit rating of 'AA+' (based on long-term ratings assigned by Standard & Poor's). If the Commonwealth's rating fell below the defined threshold levels, the Commonwealth's counterparties would have the option to terminate the related swap agreements or for certain agreements choose to make variable rate payments based on a market index (instead of the actual bond rate) which would subject the Commonwealth to basis risk, as previously described. If one or more of the swap agreements were terminated, then the related variable rate bonds would no longer be hedged and the Commonwealth would no longer be paying a synthetic fixed rate with respect to the bonds. In addition, if at the time of termination, the swap had a negative fair value, the Commonwealth would incur a loss and would be required to settle with the related counterparty or counterparties at the swaps' fair market values. However, to avoid a termination payment and to maintain the interest rate hedge, when the terminating event is an event of the counterparty, the Commonwealth would likely seek to replace counterparties to the swap agreement. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swaps due to an event of the Commonwealth is remote.

F. *OUTSTANDING SWAPPED DEBT*

Security for Interest Rate Swap Agreements

Under legislation approved by the Governor on August 11, 2008, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date shall constitute general obligations of the Commonwealth for which its full faith and credit is pledged.

Future bond interest payments are calculated using rates applicable to the scheduled payment nearest to June 30, 2014 for variable rate bonds. The net swap payments are calculated by subtracting the projected future variable rate interest payment per the swap agreement from the projected future fixed rate payment per the swap agreement. Projected future variable rate payments on the swap agreements are based on variable rates applicable to the scheduled payment nearest to June 30, 2014. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indices. Changes in the amounts paid to bondholders versus amounts paid to counterparties are largely offsetting.

Debt service requirements to maturity for variable-rate bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2014 are provided below (amounts in thousands):

	Variable-Rate Bonds			
Fiscal Year Ending June 30	Principal	Interest	Interest Rate Swaps, Net	Total
2015	$ 225,515	$ 17,512	$ 99,066	$ 342,093
2016	238,668	15,333	91,876	345,877
2017	343,700	14,026	83,089	440,815
2018	114,840	11,455	75,082	201,377
2019	205,290	10,971	69,488	285,749
2020-2024	1,000,875	31,819	237,353	1,270,047
2025-2029	497,535	10,817	93,629	601,981
2030-2034	212,605	5,469	35,288	253,362
2035-2039	83,650	933	4,721	89,304
Total	$ 2,922,678	$ 118,335	$ 789,592	$ 3,830,605

Business - Type Activities – Swapped Debt

The University System has various swaps. At June 30, 2014, the fair value liability of the universities' outstanding interest rate swaps was $69 million.

For financial reporting purposes, long-term debt is carried at its face value. Unamortized discounts and premiums are shown separately. For capital appreciation bonds, the outstanding amount represents total principal and accreted interest to be repaid.

Component Unit – Swapped Debt

At June 30, 2014, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately $449 million. For complete details, see separate MassDOT financial statements.

G. OUTSTANDING LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT

The amount of long-term debt authorized but unissued is measured in accordance with the statutory basis of accounting. Long-term debt principal outstanding and debt authorized and unissued at June 30, 2014 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs	$ 530,935	2015-2027	$ -
Capital projects:			
General	9,393,350	2015-2044	9,131,114
Highway	10,605,205	2015-2044	17,107,407
Local aid	1,251,662	2015-2038	17,247
Other	638,700	2015-2034	-
Subtotal	21,888,917		26,255,768
Subtotal - governmental activities debt (exclusive of MSBA)	22,419,852		$ 26,255,768
MSBA debt	5,632,470		
Governmental activities debt	$ 28,052,322		

Interest rates on the Commonwealth's outstanding debt at the end of FY14 ranged from 0.5% to 6.6%.

Changes in long-term debt outstanding (excluding discount and premium) and bonds authorized - unissued for the year ended June 30, 2014 are as follows (amounts in thousands):

	Governmental Funds Debt - Primary Government	MSBA	Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2013	$ 21,513,039	$ 5,195,160	$ 26,708,199	$ 13,762,257
Plus: Increases in bonds authorized	-	-	-	14,816,620
Less: Authorizations deauthorized	-	-	-	(8,048)
General and special obligation bonds:				
Proceeds, as defined as principal, premium less discount	3,189,269	599,125	3,788,394	(2,315,061)
Less: Net premium	(192,575)	(50,125)	(242,700)	-
Less: Principal on refunded bonds	(655,370)	-	(655,370)	-
Less: Bonds retired	(1,434,511)	(111,690)	(1,546,201)	-
Outstanding principal June 30, 2014	$ 22,419,852	$ 5,632,470	$ 28,052,322	$ 26,255,768

Business - Type Activities – Colleges and University Debt

Building authorities related to the University of Massachusetts and the state universities have issued bonds for construction of higher education facilities and equipment. Such bonds are guaranteed by the Commonwealth in an aggregate amount not to exceed $200 million. The bond agreements generally provide that revenues from student fees are pledged as collateral on the bonds and establish bond reserve funds, bond funds, and maintenance reserve funds. The University of Massachusetts and state universities have also entered into various loan agreements as participants in the MassDevelopment's ongoing capital asset program to finance construction projects and equipment.

At June 30, 2014, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

	Governmental Activities					Business - Type Activities	
	Excluding MSBA Debt		MSBA Debt			Revenue Obligation	
Fiscal Year Ended June 30	Principal	Interest *	Principal	Interest	Interest subsidies (1)	Principal	Interest
2015	$ 1,691,269	$ 949,381	$ 116,555	$ 278,385	$ (22,470)	$ 177,542	$ 180,363
2016	1,596,448	889,779	119,885	272,158	(24,213)	136,691	174,041
2017	1,353,826	828,344	128,420	266,328	(24,213)	137,061	169,608
2018	1,226,674	773,928	132,665	260,118	(24,213)	142,712	162,058
2019	1,100,787	722,135	154,630	253,838	(24,213)	145,525	161,095
2020 - 2024	5,429,819	2,822,841	810,640	1,153,765	(121,065)	780,156	714,370
2025- 2029	3,996,950	1,735,559	1,070,285	937,646	(101,074)	765,044	549,371
2030 - 2034	2,792,324	978,905	1,227,660	625,924	(41,062)	665,124	365,809
2035 - 2039	1,892,655	498,721	1,270,385	314,308	(19,093)	729,654	205,089
2040 - 2044	1,339,100	146,135	601,345	69,311	(578)	440,671	59,853
2045 - 2049	-	-	-	-	-	123,551	4,431
Total long - term debt	22,419,852	10,345,728	5,632,470	4,431,781	(402,194)	4,243,731	2,746,088
Less: current portion	(1,691,269)	(949,381)	(116,555)	(278,385)	22,470	(177,542)	(180,363)
Long - term debt	$ 20,728,583	$ 9,396,347	$ 5,515,915	$ 4,153,396	$ (379,724)	$ 4,066,189	$ 2,565,725

*for all variable rate interest not hedged by swap agreements the budgeted interest rate is 5%

(1) FY15 Interest Subsidies reflect projected sequestration reductions of 7.2%. There may be sequestration reductions in future years as well.

H. *PRIOR DEFEASANCE*

The Commonwealth defeased certain general and special obligation bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus operating funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust account assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2014, approximately $2.436 billion of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The University of Massachusetts (UMass) and the Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2014, approximately $309 million and $133 million of bonds outstanding from advanced refunding transactions are considered defeased for UMass and MSCBA, respectively.

I. *STATUTORY DEBT LIMIT*

The Massachusetts General Laws, as recently amended, establishes limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, this limit provides a control on annual capital spending. The direct debt limit for FY14 was approximately $18.820 billion. Outstanding debt subject to the limit at June 30, 2014 was approximately $17.631 billion.

For purposes of determining compliance with the limit, outstanding direct debt is defined by statute, as amended on June 10, 2013 (effective January 1, 2013), as principal outstanding. It excludes BANs and discount, if any, special obligation bonds, GANs, refunded bonds, certain refunding bonds, debt issued by counties, debt issued in conjunction with the MBTA Forward Funding, certain Central Artery/Tunnel debt and debt issued for the SMART program. The amounts excluded from the debt limit are as follows (amounts in thousands):

	Principal Outstanding
Statutory debt June 30, 2014	$ 22,419,852
Less amounts excluded:	
Central artery project bonds	(1,241,263)
Accelerated bridge program	(1,756,395)
GANs	(178,390)
MBTA forward funding	(207)
SMART bonds	(723,917)
Convention center bonds	(638,700)
Special obligation gas bonds	(249,705)
Outstanding direct debt	$ 17,631,275

J. ADMINISTRATION DEBT LIMIT

During FY09, the administration announced a policy that sets the annual borrowing limit at a level designed to keep debt service at a maximum of 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations and budgetary contract assistance payment obligations on certain capital lease financings. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future annual growth in the bond cap to not more than $125 million through fiscal 2014. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

The Administration intends to treat all debt and debt-like obligations of the Commonwealth as subject to the bond cap for purposes of developing the annual capital budget, except in limited circumstances when there is a sound policy justification for not including a particular debt issue. Debt may be excluded from the bond cap, for example, where there is a new, dedicated source of project-related revenues supporting the payment of debt service on such debt; in such cases, the dedicated revenue would also be excluded from projected budgeted revenues for purposes of determining the bond cap as described above.

The following table shows the annual bond cap, the resulting total annual debt service payment obligations and debt service as a percentage of budgeted revenues, (amounts in thousands):

	Fiscal 2014
Bond cap as approved by the Governor	$ 2,205,673
Total annual debt service obligations	2,354,910
Budgeted fund revenues	37,230,145
Debt service as % of budgeted revenues	6.3%

K. *CHANGES IN LONG-TERM LIABILITIES*

The following table summarizes changes in long-term liabilities for both governmental activities and business-type activities (amounts in thousands):

Changes in Long Term Liabilities - Governmental Activities:

Description	Beginning Balance*	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	$ 518,309	$ 527,200	$ 518,309	$ 527,200	$ 348,880
Claims and judgments	12,831	36,137	13,265	35,703	33,203
Prizes payable	1,486,299	175,999	292,021	1,370,277	-
School construction grants payable	1,519,769	869,223	1,064,434	1,324,558	397,171
Retirement system pension obligations	1,815,009	1,913,335	1,509,364	2,218,980	-
Post employment benefit obligations	4,147,000	1,293,000	608,000	4,832,000	-
Environmental remediation liability	230,784	-	13,438	217,346	11,510
Lottery instant grand prizes	29,771	803	-	30,574	-
Workers' compensation	282,694	43,035	52,297	273,432	38,554
Arbitrage rebate - MSBA	10,022	1,042	-	11,064	-
Group insurance claims	96,356	1,403,590	1,402,925	97,021	94,790
Total other long-term obligations	10,148,844	6,263,364	5,474,053	10,938,155	924,108
Liability for derivative instruments	404,724	353,639	404,724	353,639	-
Bonded Debt:					
Bonds and notes payable - non MSBA	21,513,039	2,341,324	1,434,511	22,419,852	1,691,269
Unamortized bond and note premiums - non MSBA	532,634	192,575	54,627	670,582	65,837
MSBA Bonds and notes payable excluding premium	5,195,160	549,000	111,690	5,632,470	116,555
Unamortized bond and note premiums - MSBA	466,437	50,125	5,786	510,776	40,649
Other financing arrangements:					
Capital leases	50,831	10,569	5,522	55,878	9,383
Total bonded debt and other financing arrangements	27,758,101	3,143,593	1,612,136	29,289,558	1,923,693
Long-term liabilities, governmental activities	**$ 38,311,669**	**$ 9,760,596**	**$ 7,490,913**	**$ 40,581,352**	**$ 2,847,801**

Changes in Major Long Term Liabilities - Business-Type Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences	$ 201,006	$ 32,506	$ 28,151	$ 205,361	$ 141,272
Environmental remediation liability	1,467	-	20	1,447	1,447
Total other long-term obligations	202,473	32,506	28,171	206,808	142,719
Liability for derivative instruments	70,610	-	465	70,145	-
Bonded Debt:					
Bonds and notes payable, including MSCBA	3,736,937	766,921	260,127	4,243,731	177,542
Other financing arrangements:					
Capital leases	19,299	1,650	6,420	14,529	4,852
Total bonded debt and other financing arrangements	3,756,236	768,571	266,547	4,258,260	182,394
Long-term liabilities, business - type activities	**$ 4,029,319**	**$ 801,077**	**$ 295,183**	**$ 4,535,213**	**$ 325,113**

*as restated and more fully described in footnote 1

Governmental long-term liabilities, other than debt, are typically liquidated by using General Fund resources.

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2014, net of unamortized discounts and premiums and compensated absences are as follows (amounts in thousands):

Discretely Presented Component Units	Interest Rates	Maturities	July 1, 2013 Beginning Balance*	Increases	Decreases	June 30, 2014 Ending Balance	Due Within One Year	Long Term
Major component units:								
MassDOT	0.00 - 7.00%	2015-2041	$ 8,107,623	$ 251,073	$ (306,148)	$ 8,052,548	$554,780	$ 7,497,768
MCWT	1.00 - 6.375%	2015-2043	3,771,008	668,168	(1,050,166)	3,389,010	205,540	3,183,470
Nonmajor component units	1.00 - 6.50%	2015-2038	640,276	126,009	(73,594)	692,691	20,791	671,900
Total bonds and notes payable			12,518,907	1,045,250	(1,429,908)	12,134,249	781,111	11,353,138
Compensated absences, net			50,239	4,847	(2,596)	52,490	34,046	18,444
Total long term liabilities			$12,569,146	$1,050,097	$(1,432,504)	$ 12,186,739	$815,157	$11,371,582

*As restated and more fully described in footnote 1

Further information on debt is found in the notes to the basic financial statements for the various component units.

8. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type had fund deficits at June 30, 2014. None of these funds were in deficit due to finance-related contractual provisions and were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Other Special Revenue Funds:	
Government land bank fund	$ 35,033
Local aid stabilization fund	8,325
Community preservation trust fund	844
General capital projects fund	556,769
Highway capital projects fund	484,066
Other Capital Project Funds:	
Federal highway construction program capital projects fund	6,814
Government land bank capital projects fund	129
Local aid capital projects fund	36

9. RETIREMENT AND OTHER POST EMPLOYMENT BENEFITS

The Commonwealth is statutorily responsible for the pension benefits for Commonwealth employees (members of the State Employees' Retirement System) and for teachers of the cities, towns, regional school districts throughout the Commonwealth and Quincy College (members of the Teachers' Retirement System). The members of the retirement systems do not participate in the Social Security System.

A. *PLAN DESCRIPTIONS*

Plan administration

The Massachusetts *State Employees' Retirement System* (SERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of SERS upon the creation of MassDOT. Other employees who transferred to MassDOT had been, and remain, members of SERS. The assets and liabilities of the former MTA have been transferred to SERS. SERS is administered by the Massachusetts State Retirement Board and is part of the reporting entity and does not issue a stand-alone audited financial report.

Management of the SERS is vested in the Massachusetts State Retirement Board (the SRB), which consists of five members–two elected by current and active SERS members, one by the remaining members of the SRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chairman of the SRB.

Certain Commonwealth employees and current retirees employed prior to the establishment of SERS are covered on a "pay-as-you-go" basis. Benefits are recorded when due and payable.

The Massachusetts *Teachers' Retirement System* (MTRS) is a PERS that administers a cost-sharing multi-employer defined benefit plan managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts and Quincy College. The MTRS is administered by the Commonwealth and is part of the reporting entity and does not issue a stand-alone audited financial report.

Management of the MTRS is vested in the Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members–two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves as ex-officio and is the Chairman of the MTRB.

Plan membership. As of January 1, 2014, the date of the most recent valuation, plan membership consisted of the following:

	SERS	MTRS
Retirees and beneficiaries currently receiving benefits	56,327	61,034
Terminated employees entitled to benefits but not yet receiving them	4,216	-
Subtotal	60,543	61,034
Current members	88,156	88,788
Total	148,699	149,822

Boston teachers are members of the State Boston Retirement System (SBRS) and are not included in this membership data.

Benefits provided. SERS and MTRS provide retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The retirement systems' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS and TRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.
Member contributions for SERS and MTRS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
7/1/2001 to present	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present	An additional 2% of regular compensation in excess of $30,000

B. ***INVESTMENTS***

Investment Policy. Investment of assets in the SERS and MTRS are with the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments within acceptable levels of risk for a public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during fiscal 2014. See note 1 (D) for a description of the fair value policies of PRIT's investments.

The following was the PRIT Fund asset allocation as of June 30, 2014:

	Target Allocation	
Asset Class	SERS	MTRS
Global Equity	43.0%	43.0%
Core Fixed Income	13.0%	13.0%
Hedge Funds	10.0%	10.0%
Private Equity	10.0%	10.0%
Real Estate	10.0%	10.0%
Value Added Fixed Income	10.0%	10.0%
Timber/Natural Resources	4.0%	4.0%
Total	100.0%	100.0%

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses for fiscal 2014 was 17.13% for SERS and 17.12% for MTRS. A money-weighted

rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

C. *NET PENSION LIABILITY OF THE SYTEMS REQUIRED BY GASB 67*

The components of the net pension liability for SERS and MTRS at June 30, 2014 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability……..	$ 31,355,000	$ 41,435,000
Plan fiduciary net position……..	(23,930,895)	(25,538,646)
Net pension liability……..	$ 7,424,105	$ 15,896,354
Fiduciary net position as a percentage of the total pension liability……..	76.3%	61.6%

Additional information regarding changes in the net pension liability can be found in the Required Supplementary Information section of these financial statements.

Actuarial assumptions. The total pension liability, for both SERS and MTRS, was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014, using the following actuarial assumptions:

1. The actuarial assumptions included (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.

3. Mortality rates were as follows:

   a. SERS:
      - Pre-retirement - reflects RP-2000 Employees Table projected 20 years with Scale AA (gender distinct)
      - Post-retirement - reflects Healthy Annuitant table projected 15 years with Scale AA (gender distinct)
      - Disability - the morality rate is assumed to be in accordance with the RP-2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

   b. MTRS:
      - Pre-retirement - reflects RP-2000 Employees table adjusted for "white-collar" employment projected 20 years with Scale AA (gender distinct)
      - Post-retirement - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 15 years with Scale AA (gender distinct)
      - Disability - reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 15 years with Scale AA (gender distinct)

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 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 rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table:

	Long-Term Expected Real Rate of Return	
Asset Class	SERS	MTRS
Private Equity	8.8%	8.8%
Global Equity	7.2%	7.2%
Real Estate	6.3%	6.3%
Value Added Fixed Income	6.3%	6.3%
Hedge Funds	5.5%	5.5%
Timber/Natural Resources	5.0%	5.0%
Core Fixed Income	2.5%	2.5%

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the SERS and MTRS net positions were 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 for SERS and MTRS.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of SERS and MTRS, calculated using the discount rate of 8.0%, as well as what the SERS and MTRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate (amounts in thousands):

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
SERS net pension liability	$ 10,748,000	$ 7,424,105	$ 4,571,000
MTRS net pension liability	20,247,000	15,896,354	12,200,000

D. ***ANNUAL PENSION COST AND NET PENSION OBLIGATION REQUIRED BY GASB 27***

GASB Statement No. 68, *Accounting and Reporting for Pensions*, which determines how employers and nonemployer contributing entities will report their pension liabilities on their financial statements, is effective for years beginning after June 15, 2014. Until that statement is implemented, the Commonwealth continues to report its annual pension cost and net pension obligation in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Schedule of Annual Required Contributions and Calculation Methodology

Chapter 32 of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current

schedule adopted in 2011, the amortization payments are designed to eliminate the unfunded liability by FY40 according to the following schedule: in FY14 5.0%, increasing to 6.0% in FY15 through FY17. In FY18 the unfunded actuarial liability will be amortized on a 4.0% annual increasing basis to FY40. The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

Contributions by the Commonwealth of $1.629 billion were made during the fiscal year ended June 30, 2014. Of this amount $21 million represents budgeted payments for COLAs granted to participants in retirement systems of cities, towns and counties and approximately $100 million represents payments for Boston Teachers.

The Commonwealth is financially responsible for the cost of living adjustment (COLA) granted to participants in various retirement systems of cities, towns and counties in fiscal years 1981 to 1997. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to their respective systems. Any future COLA granted by the Legislature to employees of these plans will be the responsibility of the individual system, assuming approval by the local board. The individual employer governments are also responsible for the basic pension benefits.

The actuarial accrued liability for COLAs as of January 1, 2014 was $201 million.

The policy for post-retirement benefit increases for all retirees of the SERS, MTRS, for those participants who serve in the City of Boston's School Department in a teaching capacity and COLAs of local governments is subject to legislative approval.

The following table shows the detail of annual required contributions (ARC) and Commonwealth contribution, as well as pension cost contributions exclusive of cost of living adjustments (amounts in thousands), under GASB 27 reporting requirements:

	SERS	MTRS	Total
2014			
Annual required contribution	$ 718,909	$ 1,158,461	$ 1,877,370
Interest on net pension obligation	36,852	93,677	130,529
Adjustment to annual required contribution	(26,698)	(67,866)	(94,564)
Annual pension cost	729,063	1,184,272	1,913,335
Less: Contributions made, excluding COLAs	(573,428)	(935,936)	(1,509,364)
Increase in net pension obligation	155,635	248,336	403,971
Net pension obligation beginning of year	541,056	1,273,953	1,815,009
Net pension obligation end of year	$ 696,691	$ 1,522,289	$ 2,218,980
Percentage of annual pension cost contributed	78.7%	79.0%	78.9%
2013			
Annual pension cost	$ 706,912	$ 1,126,236	$ 1,833,148
Percentage of annual pension cost contributed	77.2%	79.2%	78.4%
Net pension obligation end of year	$ 541,056	$ 1,273,953	$ 1,815,009
2012			
Annual pension cost	$ 625,165	$ 962,782	$ 1,587,947
Percentage of annual pension cost contributed	83.0%	88.2%	86.2%
Net pension obligation end of year	$ 379,597	$ 1,039,297	$ 1,418,894

The funded status of SERS and MTRS as of January 1, 2014, the most recent actuarial valuation date, is as follows (amounts in thousands except for percentages), under GASB 27 reporting requirements:

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll *	UAAL as a % of Covered Payroll *
State Employees Retirement System						
Actuarial Valuation as of January 1, 2014…..	$21,581,133	$30,679,600	$ 9,098,467	70.3%	$ 5,344,510	170.2%
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2014…..	$22,940,196	$40,741,695	$ 17,801,499	56.3%	$ 5,962,650	298.6%

* The covered payroll amount approximates the employer payroll

The actuarial assumptions used to determine the annual pension cost and net pension obligation are based on an actuarial valuation as of January 1, 2014. In addition to those assumptions described in section C of this note, the additional actuarial assumptions that are applicable to the GASB 27 tables above are:

1. The actuarial value of assets was determined using various techniques that smooth the effects of short-term volatility in the market value of investments, with a phased–in approach. Under this approach, 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior, etc., so that 100% of gains and losses occurring five years prior are recognized. The actuarial value of assets is adjusted if necessary in order to remain between 90% and 110% of market value.

2. Normal costs are amortized using level percentage of payroll, closed.

3. The remaining amortization period for the unfunded pension liability at January 1, 2014 was 27 years to FY40.

Chapter 112 of the Acts of 2010, signed on May 22, 2010, changed the methodology for the Commonwealth funding of Boston teachers in the SBRS and created a special funding situation for the Commonwealth. The cost of pension benefits of the other participants of the SBRS is the responsibility of the City of Boston. Chapter 112 clarified that the Commonwealth is responsible for all contributions and future benefit requirements for Boston Teachers that are members of the SBRS. For the fiscal year ending June 30, 2014, the Commonwealth contributed $100 million in satisfaction of its actuarially required contribution to the SBRS. The SBRS is a cost sharing multiple employer pension system that is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth. For a complete copy of SBRS's separately issued financial statements, please contact the City of Boston Retirement Board at (617) 635-4305, or you may download this report at http://www.cityofboston.gov/retirement/investment.asp.

E. *STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION*

The following table displays the Statement of Net Position and the Statement of Changes in Net Position for the SERS, the MTRS and the SRBT as of June 30, 2014, (amounts in thousands):

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ASSETS				
Cash and short-term investments	$ 52,178	$ 126,380	$ 59,785	$ 238,343
Net investment in PRIT at fair value	23,882,168	25,324,715	545,295	49,752,178
Other receivables	1,602	84,390	-	85,992
Other assets	10	15,395	-	15,405
Total assets	**23,935,958**	**25,550,880**	**605,080**	**50,091,918**
LIABILITIES				
Accounts payable	5,063	12,234	11	17,308
Net position available for post-employment benefits	**$ 23,930,895**	**$ 25,538,646**	**$ 605,069**	**$ 50,074,610**

	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ADDITIONS				
Contribution:				
Employer contributions	$ 593,932	$ -	$ 487,159	$ 1,081,091
Non-employer contributions	-	1,035,418	-	1,035,418
Employee contributions	501,106	653,328	-	1,154,434
Other additions	49,115	73,659	120	122,894
Total contributions	**1,144,153**	**1,762,405**	**487,279**	**3,393,837**
Net investment gain/(loss):				
Investment gain/(loss)	3,675,419	3,904,048	83,767	7,663,234
Less: investment expense	(112,563)	(132,165)	(2,970)	(247,698)
Net investment gain/(loss)	**3,562,856**	**3,771,883**	**80,797**	**7,415,536**
Total additions	**4,707,009**	**5,534,288**	**568,076**	**10,809,373**
DEDUCTIONS				
Administration	36,057	41,675	205	77,937
Retirement benefits and refunds	1,825,015	2,551,737	420,361	4,797,113
Payments to State Boston Retirement System	-	99,532	-	99,532
Total deductions	**1,861,072**	**2,692,944**	**420,566**	**4,974,582**
Net increase/(decrease)	**2,845,937**	**2,841,344**	**147,510**	**5,834,791**
Net position available for post-employment benefits at beginning of year	21,084,958	22,697,302	457,559	44,239,819
Net position available for post-employment benefits at end of year	**$ 23,930,895**	**$ 25,538,646**	**$ 605,069**	**$ 50,074,610**

F. *RESERVES*

Chapter 32 of the MGL establishes certain legally required reserve accounts for both SERS and MTRS. These reserves are used to account for the accumulation of resources according to purpose for which they are received, acquired or held. The reserve accounts can only be modified or changed by legislation.

The balances of legally required reserves at June 30, 2014 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund……	$ 5,684,452	$ 6,136,294	Active members' contribution balance
Annuity Reserve Fund……	1,543,995	2,559,907	Retired members' contribution account
Special Military Service Fund……	44	223	Members' contribution account while on military leave
Pension Reserve Fund……	16,702,404	16,842,222	Amounts appropriated to fund future retirement benefits
Total	$23,930,895	$25,538,646	

G. *COMMONWEALTH POST EMPLOYMENT OBLIGATIONS OTHER THAN PENSIONS*

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs which are comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Group Insurance Commission (GIC) of the Commonwealth manages the Commonwealth's defined benefit OPEB plan as an agent multiple employer program including the Commonwealth and 370 municipalities and other non–Commonwealth governmental entities. These entities that participate in the GIC are responsible for paying premiums at the same rate to the GIC and therefore benefit from the Commonwealth's premium rates. The GIC has representation on the Board of Trustees of the State Retiree Benefits Trust (SRBT).

At the inception of MassDOT, the employees of the former MTA became eligible to participate in the Commonwealth's OPEB plan. All other employees of MassDOT were members of the plan prior to the creation of MassDOT and remain so. The liability for MassDOT (including former MTA employees) is included in the Commonwealth's liability. The former MTA had established an irrevocable trust to fund OPEB liabilities. That trust had a balance of approximately $77 million as of June 30, 2014 and the trustees had yet to make a decision on the disposition of that Trust. No adjustment has been made in the Commonwealth OPEB valuation for these assets. On December 17, 2014, the Trustees voted to transfer the assets of the trust to the State Retiree Benefits Trust Fund (SRBTF) for the exclusive benefit and use of the members of the MTA Retirement System and their beneficiaries pending acceptance by the SRBT Board.

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The FY14 General Appropriation Act transferred approximately $420 million to the Trust for the purpose of benefits payments.

Funding Policy

Employer and employee contribution rates are set in General Law. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2014 and as of the valuation date (January 1, 2014), Commonwealth participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree or survivor status. As part of the FY14 General Appropriation Act, all active employees pay an additional 5% of premium costs. Normal costs paid for OPEB to retirees during FY14 totaled approximately $608 million. There are approximately 151,007 participants eligible to receive benefits at June 30, 2014.

Effective beginning FY13, the Commonwealth by statute is required to allocate, to the SRBTF, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in FY13 to 100% by FY23. In FY14, 20% of tobacco settlement proceeds or approximately $56 million was allocated to the SRBTF.

Annual OPEB Cost and Net OPEB Obligation, Funded Status and Funding Progress

The Commonwealth is not required to contribute the actuarially determined annual required contribution (ARC) under the provisions of GASB Statement No. 45 and under Commonwealth general laws. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For FY14, the Commonwealth's annual OPEB contribution of approximately $608 million for retiree benefits was less than the ARC. The Commonwealth's annual OPEB cost, the percentage of annual OPEB cost contributed to the SRBT and the net OPEB obligation for the Commonwealth for FY14 are as follows from the valuation calculated as of January 1, 2014 (amounts in millions except percentages):

2014	SRBT
Annual required contribution (ARC)……	$ 1,251
Interest on net OPEB obligation……	187
Adjustment to annual required contribution……	(145)
Annual OPEB cost (AOC)……	1,293
Less: Contributions made*……	(608)
Increase in net OPEB obligation……	685
Net OPEB obligation as reported at beginning of year……	4,147
Net OPEB obligation - end of year……	$ 4,832
Percentage of annual OPEB cost contribution……	47.0%
2013	
Annual OPEB cost……	$ 1,286
Percentage of annual OPEB cost contributed……	45.5%
Net OPEB obligation - end of year……	$ 4,147
2012	
Annual OPEB cost……	$ 1,313
Percentage of annual OPEB cost contributed……	42.4%
Net OPEB obligation - end of year……	$ 3,446

*Includes approximately $32 million in Medicare Part D Retiree Drug Subsidy Payments

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll *	UAAL as a % of Covered Payroll *
Actuarial Valuation as of January 1, 2014…	$ 511,200	$ 15,670,200	$ 15,159,000	3.3%	$ 5,344,510	283.6%

* The covered payroll amount approximates the employer payroll

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the SRBT and the annual required contributions of the Commonwealth are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Commonwealth and those non-Commonwealth governments that participate in the GIC) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs on a premium basis between the Commonwealth and those non-Commonwealth governments that participate in the GIC to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5%, decreasing to 6.0% for the next eight years, and then decreasing by 0.5% for two years to an ultimate rate of 5.0%.

Administrative expenses are expected to rise 5.0% per annum. The Commonwealth's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis for a period of thirty years, increasing at a rate of 4.5% per year, the same rate as the projected salary increases.

A schedule of funding progress for OPEB is presented as Required Supplementary Information (RSI).

The most recent OPEB actuarial valuation for the Commonwealth is available on the Comptroller's web site at http://www.mass.gov/osc/publications-and-reports/financial-reports/opeb.html. There is currently no separate, audited GAAP-basis postemployment benefit plan report available for the Commonwealth.

MSBA

The MSBA has a separate OPEB trust fund. The amount of assets and actuarial accrued liabilities related to MSBA's OPEB plan are not material to the Commonwealth (approximately $2 million) and are therefore, not included in these financial statements.

10. LEASES

Primary Government

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease purchase (TELP) agreements, which are accounted for as capital leases. Included in the capital assets of the Commonwealth are additions financed by capital leases. For FY14, these additions are approximately $11 million. Lease agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature.

The Commonwealth has numerous operating lease agreements for real property and equipment with varying terms. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature.

The Institutions of Higher Education lease real property and equipment under numerous operating lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2014 (amounts in thousands):

	Governmental Activities					Business - Type Activities			
	Capital Leases					Capital Leases			
Fiscal Year Ended June 30	Principal	Interest	Operating Leases	MSBA Operating Leases	Governmental Activities Total	Principal	Interest	Operating Leases	Business -Type Activities Total
2015	$ 9,383	$ 2,095	$ 179,580	$ 579	$ 191,637	$ 4,852	$ 497	$ 25,673	$ 31,022
2016	8,225	1,836	123,757	-	133,818	2,397	373	24,110	26,880
2017	7,938	1,772	111,604	-	121,314	1,969	295	20,056	22,320
2018	7,514	1,675	98,759	-	107,948	835	279	17,301	18,415
2019	3,517	785	79,321	-	83,623	586	228	133,912	134,726
2020 - 2024	15,147	3,384	141,934	-	160,465	2,379	770	6,170	9,319
2025 - 2029	4,144	926	65,249	-	70,319	1,511	116	1,555	3,182
2030 - 2034	10	2	47,823	-	47,835	-	-	-	-
2034 - 2038	-	-	6,399	-	6,399	-	-	-	-
2040 - 2044	-	-	6,316	-	6,316	-	-	-	-
Total lease obligations	55,878	12,475	860,742	579	929,674	14,529	2,558	228,777	245,864
Less: current portion	(9,383)	(2,095)	(179,580)	(579)	(191,637)	(4,852)	(497)	(25,673)	(31,022)
Long - term lease obligations	$ 46,495	$ 10,380	$ 681,162	$ -	$ 738,037	$ 9,677	$ 2,061	$ 203,104	$ 214,842

Capital assets acquired under capital lease (amounts in thousands):

	Primary Government	
Asset type:	Governmental Activities	Business-type Activities
Buildings	$ -	$ 12,298
Machinery and equipment	71,934	70,682
Total assets	71,934	82,980
Less: accumulated depreciation	(15,988)	(67,236)
Total	$ 55,946	$ 15,744

11. COMMITMENTS

A. *PRIMARY GOVERNMENT*

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2014, totaling approximately $297 million.

The MBTA's Forward Funding legislation of 1999 provides for the MBTA to issue general obligation, revenue or other debt secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the MBTA. Accordingly, all MBTA debt issued after this legislation is not backed by the full faith and credit of the Commonwealth.

Additional commitments of the Commonwealth remain for the University of Massachusetts Building Authority and the Massachusetts State College Building Authority. As of June 30, 2014, the University of Massachusetts Building Authority has approximately $2.478 billion, of outstanding debt, of which approximately $126 million is guaranteed by the Commonwealth. The Massachusetts State College Building Authority has approximately $1.031 billion of outstanding debt, of which approximately $32 million is guaranteed by the Commonwealth.

B. *SALTONSTALL BUILDING*

The Massachusetts Development Finance Agency (MDFA) was authorized in legislation to undertake redevelopment of the Saltonstall State Office Building (Building) and its surrounding area. Under the provisions of MDFA's bond authorization,

the Building is to be leased by the MDFA for a lease term of up to 50 years with extension terms permitted for an aggregate 30 more years. The MDFA renovated the Building and leased half of it back to the Commonwealth for office space and related parking for a comparable lease term. The remainder of the Building and surrounding area has been redeveloped as private office space, housing and retail establishments. The Commonwealth is obligated for future lease payments for space it rents.

However, this obligation is not a general obligation or a pledge of credit of the Commonwealth. Though MDFA's bonds are revenue obligations, with pledges of the public and private lease payments, the Commonwealth's lease payments are due upon occupancy and are subject to annual appropriation.

C. *OTHER CONSTRUCTION COMMITMENTS*

At June 30, 2014, the Commonwealth had commitments of approximately $489 million related to ongoing construction projects.

D. *CONTRACTUAL ASSISTANCE TO AUTHORITIES*

The Commonwealth is also authorized to pledge its credit in aid of and provide contractual support for certain independent authorities and political subdivisions within the Commonwealth. These Commonwealth liabilities are classified as: (a) general obligation contract assistance; (b) budgetary contractual assistance liabilities; or (c) contingent liabilities. In addition, the Commonwealth is authorized to pledge its credit in support of scheduled, periodic payments to be made by the Commonwealth under interest rate swaps and other hedging agreements related to bonds or notes of the Commonwealth.

General obligation contract assistance arise from statutory requirements for payments by the Commonwealth to the Massachusetts Water Pollution Abatement Trust, the Massachusetts Department of Transportation and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds. Such assistance constitutes a pledge of the Commonwealth's credit for which a two-thirds vote of the Legislature is required.

Budgetary contract assistance liabilities do not constitute a pledge of the Commonwealth's credit. Contingent liabilities relate to debt obligations of independent authorities and agencies of the Commonwealth, or payment obligations of such entities on hedging transactions related to such debt, that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These contingent liabilities consist of guarantees and similar obligations with respect to which the Commonwealth's credit has been or may be pledged. Under legislation approved by the Governor during FY09, the Commonwealth may pledge its credit to guarantee payment obligations of the Massachusetts Turnpike Authority (succeeded by MassDOT in FY10) with respect to certain hedging transactions or provide financial support subject to annual appropriation and without a pledge of the Commonwealth's credit. The same legislation authorizes the Commonwealth to provide credit support to the Turnpike Authority (succeeded by MassDOT) in connection with the issuance of certain refunding bonds, subject to annual appropriation and without a pledge of the Commonwealth's credit. In addition, the Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to replenish the capital reserve funds securing certain debt obligations of the Massachusetts Housing Finance Agency and the Commonwealth's obligation to fund debt service, solely from monies otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

E. *MSBA*

The MSBA has estimated the amount of outstanding Waiting commitments and New Program commitments at June 30, 2014 to be $23 million and $1.1 billion, respectively.

12. CONTINGENCIES

A number of lawsuits are pending or threatened against the Commonwealth, which arise from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings

and other alleged violations of law. The Commonwealth records a liability for those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid. A short term liability of approximately $33 million is recorded based on; 1) historical payments made and 2) actual claims settled and to be paid prior to June 30, 2015.

Workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2014 is estimated to be $273 million of which approximately $39 million is expected to be paid during FY15.

The Commonwealth receives significant financial assistance from the federal government. Entitlement to these resources is generally contingent upon compliance with terms and conditions of the grant or reimbursement agreements and with applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits.

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY14 totaled approximately $99 million. A portion of accumulated claims since the law's enactment represent a contingency, because claims for refunds can be made by the owners of the property.

Drug Testing Laboratory disputes. On August 28, 2012, a chemist formerly employed at the Department of Public Health's drug testing laboratory in Boston admitted to several types of misconduct involving her handling of laboratory samples, which were used in criminal cases. The Governor was informed and ordered the immediate closure of the laboratory. The Governor established a central office to identify individuals who may have been affected by the chemist's alleged malfeasance, which the office has estimated as possibly tens of thousands of criminal drug cases. The Governor also announced that Inspector General Glenn Cunha is conducting an independent assessment of the laboratory's operations. In addition, the Attorney General's Office is conducting a criminal investigation. On December 17, 2012, the former chemist was indicted by a Statewide Grand Jury on 27 charges in connection with altering drug evidence during the testing process and obstructing justice. She was arraigned on December 20, 2012 in Suffolk Superior Court. There likely will be significant, but as yet undetermined, state costs required to investigate and respond to the chemist's alleged malfeasance. Supplemental appropriations totaling $30 million were approved during fiscal 2013 to create a fund to reimburse agencies and cities for costs associated with investigating and responding to misconduct at the state drug testing laboratory. In addition, there may be costs to defend civil complaints alleging state liability in both state and federal court and for potential judgments. Those additional state costs cannot be fully estimated at this time.

A. *TOBACCO SETTLEMENT*

A Master Settlement Agreement (MSA) was executed in November of 1998 between five tobacco companies and 46 states, including the Commonwealth. Several additional tobacco companies have joined the MSA and are bound by its terms.
The MSA called for, among other things, annual payments to the states in perpetuity. These payments have been estimated to total more than $200 billion over the first 25 years, subject to various offsets, reductions and adjustments. In FY14, the Commonwealth received approximately $282 million or 76.2% of the estimated amounts shown in the MSA. During FY14, 20.0% of tobacco settlement payments, or approximately $56 million, was deposited in the State Retiree Benefits Trust (SRBT) to fund the Commonwealth's liability for retiree health care, with the remainder deposited in the General Fund. The portion of the annual tobacco settlement payments dedicated to the SRBT will increase by 10.0% per year until it reaches 100% in FY23. While fiscal 2012 legislation required that 30% of fiscal 2015 tobacco settlement proceeds be transferred to SRBT, the fiscal 2015 budget, as approved by the Governor on July 15, 2014, included provisions that temporarily changed the funding source for this transfer for fiscal 2014. Those provisions direct that all tobacco settlement proceeds be deposited in the General Fund, but that unspent debt service appropriations be transferred to the SRBT, up to 30% of the value of fiscal 2015 tobacco settlement proceeds. In the event that unspent debt service appropriations are less than 30% of tobacco settlement proceeds, the provisions require that the difference between unspent debt service appropriations and 30% of tobacco settlement proceeds be transferred from tobacco settlement proceeds to the SRBT. Amounts received in FY14 continued to be less than had previously been projected as payments under the MSA, primarily because the payment amounts are related to national tobacco sales volumes, which have continued to decline since the settlement. The Commonwealth's allocable share of the base amounts payable under the MSA is approximately 4.04%. The Commonwealth's allocable share of the base amounts under the agreement through 2025 is $8.96 billion, which is subject to adjustments, reductions and

offsets. However, in pending litigation, tobacco manufacturers are claiming that because of certain developments, they are entitled to reduce future payments under the MSA and, from FY06 to the present, certain manufacturers have withheld portions of the payments due to the states. The Commonwealth continues to pursue legal action to compel the payment of these additional funds and to obtain a legal determination that the Commonwealth is immune from any downward adjustment to its settlement payments.

In FY04, a Suffolk Superior Court jury rejected the claims of the Commonwealth's private tobacco attorneys that they should be paid a fee amounting to 25% of the Commonwealth's tobacco settlement money. The jury awarded the plaintiffs 10.5% of the amount the Commonwealth receives under the MSA through 2025, minus an offset for amounts received by the attorneys from the tobacco companies pursuant to an arbitration award. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2014, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

B. *WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES*

Workers' Compensation is managed as part of the course of the Commonwealth's general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws. Claims for compensation are not separately insured and are funded by the Commonwealth only when incurred. Such losses, including estimates of amounts incurred, but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. The Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury, Massachusetts General Laws limit the risk assumed by the Commonwealth to $100,000 per occurrence, in most circumstances.

Based on actuarial calculations as of June 30 2014, discounted, the Commonwealth is liable for unfunded claims and incurred but not reported claims totaling approximately $273 million.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY14 and FY13 were (amounts in thousands):

	FY14	FY13
Claim liability, beginnng of year……	$ 282,694	$ 276,132
Increase in liability estimate……	43,035	58,354
Payments and decreases in liability estimate……	(52,297)	(51,792)
Claims liability, end of year……	$ 273,432	$ 282,694

The Group Insurance Commission (GIC), a department of the Commonwealth, manages health insurance claims of the Commonwealth's active and retired employees. The Commonwealth is self-insured and various health insurance providers provide health care services to the employees. The accrued liability is estimated based on data provided to the GIC by the insurance companies who participate in the self-insured plans.

Based on GIC estimates, the Commonwealth is liable for an amount of $141 million, net of the employees' reserve of $98 million. Changes in the Commonwealth's liability relating to Group Insurance claims in FY14 and FY13 were (amounts in thousands):

	FY14	FY13
Claim liability, beginnng of year……	$ 96,356	$ 92,176
Increase in liability estimate……	1,403,590	1,282,661
Payments and decreases in liability estimate……	(1,402,925)	(1,278,481)
Claims liability, end of year……	$ 97,021	$ 96,356

C. *OTHER CLAIMS & JUDGMENTS*

The following amounts were recognized for claims and judgments in FY14 and FY13 (amounts in thousands):

	FY14	FY13
Unpaid claims, beginning of year	$ 12,831	$ 40,000
Incurred claims	36,137	9,002
Claim payments and reductions	(13,265)	(36,171)
Unpaid claims end of year	$ 35,703	$ 12,831

D. *ENVIRONMENTAL REMEDIATION*

Governmental Accounting Standards Board Statement No 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) became effective in FY09. GASB 49 provides guidance in estimating and reporting the potential costs of pollution remediation. While GASB 49 does not require the Commonwealth to search for pollution, it does require the Commonwealth to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the Commonwealth is compelled to take action;
- The Commonwealth is found in violation of a pollution-related permit or license;
- The Commonwealth is named, or has evidence that it will be named, as a responsible party by a regulator;
- The Commonwealth is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup;
- The Commonwealth commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the Commonwealth. Several Commonwealth agencies have dedicated programs, rules and regulations that routinely deal with remediation related issues; others become aware of pollution conditions in the fulfillment of their missions. The Commonwealth has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities.

The standard requires the Commonwealth to calculate pollution remediation liabilities using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. Where the Commonwealth cannot reasonably estimate a pollution remediation obligation it does not report a liability. Several state departments perform continual monitoring of polluted sites. Since the monitoring for such sites is perpetual, undiscounted multi-year costs for such sites have not been estimated. Because of a lack of information about the type and extent of the remediation effort that could be required, no range of outlays for the overall remediation effort for such sites could be developed at this time.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the Commonwealth's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During the fiscal year, the Commonwealth had the following activity related to GASB 49 (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government-Wide Total
Environmental remediation liability, beginnng of year……..	$ 230,784	$ 1,467	$ 232,251
Expected additional future outlays, changes in liability estimates.	(5,627)	-	(5,627)
FY14 outlays for environmental remdiation ……..	(7,811)	(20)	(7,831)
Environmental remediation liability, end of year……..	$ 217,346	$ 1,447	$ 218,793

Massachusetts Military Reservation. The Commonwealth, through the Executive Office of Energy and Environmental Affairs, the Department of Environmental Protection and the Attorney General's office, were engaged in discussions with federal Natural Resource Trustees, including the United States Army and Air Force, the Department of the Interior and the National Oceanic and Atmospheric Administration and private contractors regarding natural resource damages at the Massachusetts Military Reservation on Cape Cod. Federal Trustees and private contractors claim that the Commonwealth and others are liable for natural resource damages due to widespread contamination primarily from past military activities at the Reservation and are responsible for response actions and related clean-up activities. The assessment process for natural resource damages is set out in federal regulations and has not been completed. While no recent comprehensive estimate of natural resource damages and response actions is available, it is expected that the damages and response actions may cost at least tens of millions of dollars. In 2013, the state and federal trustees reopened preliminary discussions per a Trustee Council resolution on a potential settlement framework.

Closed State Facilities. The Commonwealth has 17 facilities which contain a total of 235 buildings, mainly in closed state hospitals that may have varying degrees of asbestos, polychlorinated biphenyl (PCB's) and other compounds that are currently in a dormant state. The Commonwealth typically sells these facilities at minimal cost to private developers who assume full responsibility for all cleanup activity. Cost estimates are only performed during the sale process. At this time, the Commonwealth has no estimate of any potential asset that would be developed from these activities that would ready these sites for sale.

E. *SOCIAL IMPACT BONDS*

In January 2014, the Commonwealth entered into a "pay for success contract" (Social Impact Bonds) with a nonprofit intermediary organization and a nonprofit social service agency to reduce the re recidivism rate of young men in the juvenile justice system or on probation. The Commonwealth is obligated to make success payments totaling $27 million through calendar year 2019 and the Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. Payments are only made based upon successful achievement of specified outcomes based on defined performance targets contained in the contract. The total amount of payments backed by the full faith and credit of the Commonwealth under such contracts may not exceed, in the aggregate, $50 million. As the amount required to be paid as of June 30, 2014 cannot be determined until performance targets have been achieved as determined by an independent evaluator, no liability has been accrued in these financial statements for this contract.

13. COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED

The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 40 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Details of those entities' operations can be found in those entities' basic financial statements and notes to those entities' basic financial statements.

The following entities are presented in the basic financial statements (all having a June 30, 2013 fiscal year end) (entities marked with an * are not legally separate from the Commonwealth but have separately audited financial statements). Entities that are marked with a § also were not audited in accordance with *Governmental Auditing Standards* as promulgated by the Comptroller General of the United States.

Entities Audited by KPMG LLP:

The Massachusetts School Building Authority (MSBA)
The Pension Reserves Investment Trust Fund (PRIT)
*The Massachusetts State Lottery Commission
The Massachusetts Department of Transportation (MassDOT)
The Massachusetts Clean Water Trust
Commonwealth Health Insurance Connector Authority
*§The Massachusetts Municipal Depository Trust (MMDT)

*Community Colleges:
- Greenfield Community College
- Middlesex Community College
- North Shore Community College

Entities Audited by Other Auditors:

*The University of Massachusetts System
*Community Colleges (in addition to the three Community Colleges audited by KPMG LLP, above):
- Berkshire Community College
- Bristol Community College
- Bunker Hill Community College
- Cape Cod Community College
- Holyoke Community College
- Massasoit Community College
- Massachusetts Bay Community College
- Mount Wachusett Community College
- Northern Essex Community College
- Quinsigamond Community College
- Roxbury Community College
- Springfield Technical Community College

*State Universities
- Bridgewater State University
- Fitchburg State University
- Framingham State University
- Massachusetts College of Art
- Massachusetts Maritime Academy
- Massachusetts College of Liberal Arts
- Salem State University
- Westfield State University
- Worcester State University
- The Massachusetts State College Building Authority

Massachusetts Convention Center Authority (MCCA)

Massachusetts Development Finance Agency (MassDevelopment)

§Massachusetts Technology Park Corporation (MTPC)

Massachusetts Clean Energy Center (CEC)

Massachusetts Housing Partnership (MHP)

Economic Development Entities (5 separate entities) including:
Massachusetts Growth Capital Corporation (MGCC)
Commonwealth Corporation
Community Economic Development Assistance Corporation (CEDAC)
§Massachusetts Life Sciences Center
Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (25 separate entities) including:
Berkshire Community College Foundation
Bristol Community College Foundation
Bunker Hill Community College Foundation
Cape Cod Community College Educational Foundation, Inc.
Greenfield Community College Foundation, Inc.
Holyoke Community College Foundation
Massachusetts Bay Community College Foundation, Inc.
Massasoit Community College Foundation
Middlesex Community College Foundation, Inc.
North Shore Community College Foundation
Springfield Technical Community College Foundation
The Mount Wachusett Community College Foundation, Inc.
The Northern Essex Community College Foundation, Inc.
The Quinsigamond Community College Foundation, Inc.
The Roxbury Community College Foundation, Inc.

Bridgewater State University Foundation:
The Bridgewater State University Foundation
The Bridgewater Alumni Association of Bridgewater State University

Fitchburg State University Foundation, Inc.
Framingham State University Foundation, Inc.
Massachusetts College of Art Foundation, Inc.
Massachusetts College of Liberal Arts Foundation, Inc.
The Massachusetts Maritime Academy Foundation, Inc.
Salem State University Foundation:
The Salem State University Foundation, Inc.
Salem State University Assistance Corporation

Westfield State University Foundation, Inc.
Worcester State Foundation

The University of Massachusetts System Foundation

14. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On July 2, 2014, the Commonwealth issued $30 million in General Obligation Bonds, Consolidated Loan of 2014 (MassDirect Notes), Series 7. These bonds carry interest rates from 2.00% to 5.00% with the first payment due July 1, 2017 and final maturity on July 1, 2024.

On July 2, 2014, the Commonwealth issued approximately $28 million in General Obligation Bonds, Consolidated Loan of 2014 (MassDirect Notes), Series 8. These bonds carry interest rates from 2.00% to 5.00% with the first payment due July 1, 2016 and final maturity on July 1, 2023.

On July 10, 2014, the Commonwealth issued $450 million in General Obligation Bonds, Consolidated Loan of 2014, Series C. These bonds carry interest rates from 3.00% to 5.00% with the first payment due July 1, 2022 and final maturity on July 1, 2031.

On July 17, 2014, the MSBA issued $300 million 2014 Series A Subordinated Dedicated Sales Tax Bond Anticipation Notes plus approximately $8.9 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the Notes range from approximately 1.0% to 5.0% with interest payable at maturity on July 16, 2015.

On August 1, 2014, the Commonwealth issued approximately $10 million in General Obligation Bonds, Consolidated Loan of 2014 (College Opportunity Bonds), Series A. These bonds carry an interest rate of 0.50% with the first principal payment due on August 1, 2019 and final maturity on August 1, 2034.

On August 5, 2014, the Commonwealth issued $200 million in General Obligation Bonds, Consolidated Loan of 2014, Series D-1 (Multi-Modal Bonds). These bonds carry variable interest rates equal to the SIFMA Rate plus or minus a stated spread, which is 0.20% or 20 basis points. The Commonwealth will pay interest only starting on September 1, 2014 with the first principal payment due on August 1, 2038 and final maturity on August 1, 2043.

On August 5, 2014, the Commonwealth issued $200 million in General Obligation Bonds, Consolidated Loan of 2014, Series D-2 (Multi-Modal Bonds). These bonds carry variable interest rates equal to the SIFMA Rate plus or minus a stated spread, which is 0.30% or 30 basis points. The Commonwealth will pay interest only starting on September 1, 2014 with the principal payment and final maturity due on August 1, 2017.

On August 13, 2014, the Commonwealth issued approximately $44 million in General Obligation Bonds, Consolidated Loan of 2014 (MassDirect Notes), Series 9. These bonds carry interest rates from 2.00% to 5.00% with the first payment due August 1, 2017 and final maturity on August 1, 2024.

On September 24, 2014, the Commonwealth issued approximately $429 million in General Obligation Refunding Bonds 2014 Series C. These bonds were issued to advance refund approximately $453 million of various General Obligation Bonds and carry interest rates from 1.25% to 5.00% with final maturity on August 1, 2025. The refunding resulted in reduced debt service principal of approximately $24 million and a present value savings of approximately $38 million over the life of the bonds.

On September 24, 2014, the Commonwealth issued $350 million in General Obligation Bonds, Consolidated Loan of 2014, Series E (Green Bonds). These bonds carry interest rates from 2.00% to 5.00% with the first payment due on September 1, 2019 with final maturity on September 1, 2031.

On October 29, 2014, the Commonwealth issued approximately $500 million in General Obligation Bonds, Consolidated Loan of 2014, Series F. These bonds carry interest rates from 3.00% to 5.00% with the first payment due November 1, 2023 and final maturity on November 1, 2031.

On October 29, 2014, the Commonwealth issued approximately $200 million in General Obligation Bonds, Consolidated Loan of 2014, Series G (Federally Taxable). These bonds carry interest rates from 0.25% to 1.85% with the first payment due November 1, 2015 and final maturity on November 1, 2019.

On November 5, 2014, the Commonwealth issued approximately $30 million in General Obligation Bonds, Consolidated Loan of 2014 (MassDirect Notes), Series 10. These bonds carry interest rates from 1.50% to 5.00% with the first payment due November 1, 2017 and final maturity on November 1, 2024.

On November 5, 2014, the Commonwealth issued approximately $6 million in General Obligation Bonds, Consolidated Loan of 2014 (MassDirect Notes), Series 11. These bonds carry interest rates from 1.50% to 5.00% with the first payment due November 1, 2016 and final maturity on November 1, 2023.

On December 3, 2014, the Commonwealth issued approximately $35 million in General Obligation Bonds, Consolidated Loan of 2014 (MassDirect Notes), Series 12. These bonds carry interest rates from 2.00% to 5.00% with the first payment due December 1, 2017 and final maturity on December 1, 2024.

On December 3, 2014, the Commonwealth issued approximately $5 million in General Obligation Bonds, Consolidated Loan of 2014 (MassDirect Notes), Series 13. These bonds carry interest rates from 2.00% to 5.00% with the first payment due December 1, 2016 and final maturity on December 1, 2023.

On December 10, 2014, the Commonwealth issued approximately $347 million in Federal Highway Grant Anticipation Notes (Accelerated Bridge Program) 2014 Series A. These notes carry interest rates from 2.00% to 5.00% with the first payment due June 15, 2016 and final maturity on June 15, 2027.

On December 16, 2014, the Commonwealth issued approximately $100 million in Commonwealth Transportation Fund Revenue Bonds (Accelerated Bridge Program) 2014 Series A. This bond carries an interest rate of 5.00%. The Commonwealth will pay interest only starting on June 1, 2015 with the principal payment due on June 1, 2044.

All debt issues were sold as tax exempt.

THIS PAGE LEFT INTENTIONALLY BLANK

Required Supplementary Information Other Than Management Discussion and Analysis

(Unaudited)

Covered Bridge at Governor's Academy - Byfield

Schedule of Revenue, Expenditures And Changes In Fund Balances – Statutory Basis – Budget and Actual – General Fund
Explanation of Differences Between Revenues, Expenditures and Other Financing Sources for the General Fund on a Budgetary Basis and GAAP Basis
Notes to Required Supplementary Information – Budgetary Reporting
Required Pension Schedules

Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

General Fund

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	$ 20,077,700	$ 20,077,700	$ 20,540,602	$ 462,902
Assessments	458,634	458,634	439,998	(18,636)
Federal grants and reimbursements	8,777,590	8,777,590	8,366,140	(411,450)
Tobacco settlement revenue	253,628	253,628	282,049	28,421
Departmental	2,069,011	2,069,011	2,511,712	442,701
Miscellaneous	256,544	256,544	262,227	5,683
Total revenues	**31,893,107**	**31,893,107**	**32,402,728**	**509,621**
Other financing sources:				
Fringe benefit cost recovery	294,051	294,051	310,559	16,508
Lottery reimbursements	91,216	91,216	95,891	4,675
Lottery distributions	946,917	946,917	921,730	(25,187)
Operating transfers in	249,706	249,706	241,225	(8,481)
Stabilization transfer	508,000	508,000	1,231,336	723,336
Total other financing sources	**2,089,890**	**2,089,890**	**2,800,741**	**710,851**
Total revenues and other financing sources	**33,982,997**	**33,982,997**	**35,203,469**	**1,220,472**
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	74,274	74,274	56,299	17,975
Judiciary	780,288	822,826	814,129	8,697
Inspector General	3,745	6,251	6,162	89
Governor and Lieutenant Governor	9,024	9,338	5,144	4,194
Secretary of the Commonwealth	44,490	44,932	44,339	593
Treasurer and Receiver-General	1,071,200	236,874	203,358	33,516
Auditor of the Commonwealth	17,624	17,624	17,536	88
Attorney General	40,775	44,678	43,028	1,650
Ethics Commission	1,922	1,922	1,904	18
District Attorney	102,648	106,090	105,962	128
Office of Campaign & Political Finance	1,408	1,408	1,370	38
Sheriff's Departments	482,822	567,569	552,978	14,591
Disabled Persons Protection Commission	2,413	2,413	2,412	1
Board of Library Commissioners	22,241	22,241	22,184	57
Comptroller	8,544	13,249	12,811	438
Administration and finance	2,812,963	2,240,131	2,128,733	111,398
Energy and environmental affairs	184,115	210,220	202,266	7,954
Health and human services	16,904,766	5,216,338	5,070,536	145,802
Executive office of education	6,458,160	2,111,262	2,077,838	33,424
Center for Health Information and Analysis	26,668	32,193	23,706	8,487
Public safety and homeland security	940,357	1,088,751	1,058,775	29,976
Housing and economic development	443,124	522,176	499,814	22,362
Labor and workforce development	50,312	71,724	41,437	30,287
Direct local aid	-	5,294,063	5,292,467	1,596
Medicaid	-	12,116,397	11,900,776	215,621
Post employment benefits	-	2,050,361	2,050,361	-
Debt service:				
Principal retirement	643,059	649,277	631,610	17,667
Interest and fiscal charges	436,371	436,371	428,601	7,770
Total expenditures	**31,563,312**	**34,010,953**	**33,296,536**	**714,417**
Other financing uses:				
Operating transfers out	2,268,439	8,922	76,727	(67,805)
State Retiree Benefits transfer	-	-	29,619	(29,619)
State Pension transfer	-	-	2,273	(2,273)
Commonwealth care transfer	340,079	340,079	390,079	(50,000)
Medical assistance transfer	394,000	620,025	395,025	225,000
Stabilization transfer	364,700	401,700	1,231,336	(829,636)
Delivery system transformation initiatives trust transfer	93,449	93,449	70,732	22,717
Other fund deficit support	-	-	148,019	(148,019)
Total other financing uses	**3,460,667**	**1,464,175**	**2,343,810**	**(879,635)**
Total expenditures and other financing uses	**35,023,979**	**35,475,128**	**35,640,346**	**(165,218)**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**807,095**	(1,492,131)	(436,877)	1,055,254
Fund balances (deficit) at beginning of year	1,839,670	1,839,670	1,839,670	-
Fund balances (deficits) at end of year	**$ 2,646,765**	**$ 347,539**	**$ 1,402,793**	**$ 1,055,254**

See Independent Auditor's Report and notes to required supplementary information

Explanation of Differences between Revenues, Expenditures and Other Financing Sources (Uses) for the General Fund on a Budgetary Basis and GAAP Basis (in thousands):

		General
REVENUES		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	$	32,402,728
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Tax revenue		127,302
Federal reimbursements and other receivables		228,192
Reclassifications:		
Higher education revenue is reclassified for GAAP reporting		(166,665)
Inflows from component units and other miscellaneous financing sources		17
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$**	**32,591,574**
EXPENDITURES		
Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	$	33,296,536
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:		
Medicaid payments		255,600
Compensated absences and other accrued liabilities		28,589
Reclassifications:		
State Retiree Benefits Trust Fund transfers are reclassified to expenditures for GAAP reporting		4,546
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund		(1,060,211)
Higher education expenditures are reclassified for GAAP reporting		(1,225,327)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$**	**31,299,733**
OTHER FINANCING SOURCES		
Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	$	2,800,741
Adjustments:		
Consolidation of transfers between funds		(1,277,477)
Inflows from component units and other miscellaneous financing sources		10,571
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$**	**1,533,835**
OTHER FINANCING USES		
Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	$	2,343,810
Adjustments and Reclassifications:		
Consolidation of transfers between funds		(1,234,814)
Budgetary higher education amounts are reclassed to transfers under the modified accrual basis		1,058,662
State Retiree Benefits Trust Fund transfers are reclassified to expenditures for GAAP reporting		(4,546)
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund		1,060,211
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	**$**	**3,223,323**

See Independent Auditor's Report and notes to required supplementary information

Note to Required Supplementary Information – Budgetary Reporting

The Commonwealth passes a combined budget for all budgeted operations. State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act. Generally, expenditures may not exceed the level of spending authorized for an appropriation account

Before signing the appropriations act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations act may be made via supplemental appropriation acts or other legislative acts. These must also be signed by the Governor and are subject to the line item veto.

In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds which effectively reduce the account's expenditure budget.

The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs which are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference to separately published budget documents, which eliminate some interfund activity. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003), amended section 9C, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any reductions in spending. Alternatively, the Governor may propose specific additional revenues to fund the deficiency. The Governor may also propose to transfer funds from the Stabilization Fund to cure the deficiency. This proposal must be delivered to the Legislature 15 days before any reductions take effect.

The table below summarizes budgetary activity for FY14 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 38 of the Acts of 2013:		
Direct appropriations	$ 33,858,500	$ 33,526,507
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2013	-	1,239,494
Total original budget	33,858,500	34,766,001
Supplemental Acts of 2013:		
Chapter 118	-	175,521
Supplemental Acts of 2014:		
Chapter 52	-	258,911
Chapter 62	-	450
Chapter 70	-	600
Chapter 119	-	144,679
Chapter 295	-	1,853
Chapter 359	-	38,000
Total budgeted revenues and expenditures per Legislative action	-	620,014
Plus: Pension contributions and revenue authorized outside of General Appropriation Act, and other transfers of revenue and spending	2,033,983	2,109,723
Budgeted revenues and expenditures as reported	$ 35,892,483	$ 37,495,738

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the State Comptroller, Financial Reporting and Analysis Bureau, at (617) 973-2660.

Schedule of Funding Progress

(Amounts in thousands except for percentages)

Pension Funding Progress for the last six fiscal years

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
State Employees' Retirement System						
Actuarial Valuation as of January 1, 2014….	$ 21,581,133	$ 30,679,600	$ 9,098,467	70.3%	$ 5,344,510	170.2%
Actuarial Valuation as of January 1, 2013….	20,317,389	29,385,442	9,068,053	69.1%	5,183,195	175.0%
Actuarial Valuation as of January 1, 2012….	20,507,644	27,784,731	7,277,087	73.8%	4,922,388	147.8%
Actuarial Valuation as of January 1, 2011….	21,244,900	26,224,776	4,979,876	81.0%	4,808,250	103.6%
Actuarial Valuation as of January 1, 2010….	19,019,062	24,862,421	5,843,359	76.5%	4,711,563	124.0%
Actuarial Valuation as of January 1, 2009….	16,992,214	23,723,240	6,731,026	71.6%	4,712,655	142.8%
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2014….	$ 22,940,196	$ 40,741,695	$ 17,801,499	56.3%	$ 5,962,650	298.6%
Actuarial Valuation as of January 1, 2013….	21,787,470	39,135,218	17,347,748	55.7%	5,783,294	300.0%
Actuarial Valuation as of January 1, 2012….	22,141,475	36,483,027	14,341,552	60.7%	5,655,353	253.6%
Actuarial Valuation as of January 1, 2011….	23,117,952	34,890,991	11,773,039	66.3%	5,558,311	211.8%
Actuarial Valuation as of January 1, 2010….	21,262,462	33,738,966	12,476,504	63.0%	5,509,698	226.4%
Actuarial Valuation as of January 1, 2009….	18,927,731	32,543,782	13,616,051	58.2%	5,389,895	252.6%

For a complete analysis of the Commonwealth's actuarial valuation report, please go to http://www.mass.gov/perac/valuation/2014commonwealth.pdf. Alternatively, copies of the Commonwealth's actuarial valuation reports may be obtained by contacting the Massachusetts Public Employee Retirement Administration Commission, 5 Middlesex Avenue, Suite 304, Somerville, MA 02145. Telephone number: 617-666-4446.

State Retiree Benefits Trust Funding Progress for the last six fiscal years

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Covered Payroll
Actuarial Valuation as of January 1, 2014….	$ 511,200	$ 15,670,200	$ 15,159,000	3.3%	$ 5,344,510	283.6%
Actuarial Valuation as of January 1, 2013….	406,700	15,784,100	15,377,400	2.6%	5,183,195	296.7%
Actuarial Valuation as of January 1, 2012….	360,500	16,659,400	16,298,900	2.2%	4,922,388	331.1%
Actuarial Valuation as of January 1, 2011….	350,500	16,568,600	16,218,100	2.1%	4,808,250	337.3%
Actuarial Valuation as of January 1, 2010….	309,800	15,166,300	14,856,500	2.0%	4,711,563	315.3%
Actuarial Valuation as of January 1, 2009….	273,500	15,305,100	15,031,600	1.8%	4,712,655	319.0%

For a complete analysis of the Commonwealth's actuarial valuation report, please contact the Office of the State Comptroller, 1 Ashburton Place, 9th Floor, Boston, MA 02108.

See Independent Auditor's Report

Schedule of Employer and Non-Employer Contributions

(Amounts in thousands except for percentages)

Retirement System	Fiscal Year Ended June 30,	Actuarially Determined Contribution	Amount Contributed	Percentage Contributed	Covered Employee Payroll	Contribution as a Percentage of Payroll
State Employees' Retirement System	2014	$ 718,909	$ 573,428	79.8%	$ 5,344,510	10.7%
	2013	699,962	545,453	77.9%	5,183,195	10.5%
	2012	620,274	518,918	83.7%	4,922,388	10.5%
	2011	471,096	431,166	91.5%	4,808,250	9.0%
	2010	646,932	410,682	63.5%	4,711,563	8.7%
	2009	697,340	397,482	57.0%	4,712,655	8.4%
	2008	369,866	460,788	124.6%	4,574,233	10.1%
	2007	432,219	435,610	100.8%	4,391,891	9.9%
	2006	445,527	425,751	95.6%	4,200,577	10.1%
	2005	390,867	415,296	106.2%	3,967,000	10.5%
Teachers' Retirement System	2014	$ 1,158,461	$ 935,936	80.8%	$ 5,962,650	15.7%
	2013	1,104,486	891,580	80.7%	5,783,294	15.4%
	2012	941,918	849,496	90.2%	5,655,353	15.0%
	2011	767,960	855,201	111.4%	5,558,311	15.4%
	2010	1,106,052	690,397	62.4%	5,509,698	12.5%
	2009	1,149,629	781,026	67.9%	5,389,895	14.5%
	2008	749,853	809,000	107.9%	5,163,498	15.7%
	2007	763,798	747,000	97.8%	4,969,092	15.0%
	2006	779,158	727,000	93.3%	4,819,325	15.1%
	2005	699,722	682,000	97.5%	4,643,000	14.7%

The following table shows the Commonwealth's annual required contribution (ARC) and percent of the ARC funded for the State Retiree Benefits Trust (SRBT) for each of the past six fiscal years.

	Annual Required Contribution	Percentage Contributed
2014	$ 1,251,000	48.6%
2013	1,251,000	46.8%
2012	1,286,000	43.4%
2011	1,276,000	43.7%
2010	1,163,000	32.0%
2009	1,222,000	28.8%

See Independent Auditor's Report

Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2014
Total pension liability, July 1	$ 29,918,000
Service cost	677,845
Interest	2,320,439
Differences between expected and actual experience	161,731
Changes of assumptions	102,000
Benefit payments, including refunds of member contributions	(1,825,015)
Net change in total pension liability	1,437,000
Total pension liability, June 30 (a)	$ 31,355,000
Plan fiduciary net position, July 1	$ 21,084,958
Contributions:	
Employers	593,932
Plan members	501,106
Other additions	49,115
Total contributions	1,144,153
Net investment income	3,562,856
Benefit payments, including refunds of plan member contributions	(1,825,015)
Administrative expense	(36,057)
Net change in plan fiduciary net position	2,845,937
Plan fiduciary net position, June 30 (b)	$ 23,930,895
Plan net pension liability/(asset) - June 30 (a) - (b)	$ 7,424,105
Plan fiduciary net position as a percentage of the total pension liability	76.3%
Covered employee payroll	$ 5,344,510
Net pension liability/(asset) as a percentage of covered employee payroll	138.9%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditor's Report

Valuation date	January 1, 2014
Methods and assumptions:	
Inflation	3.0%
Salary increases	3.5% for 2013, 3.75% for 2014 and 4.0% for 2015. After 2015, salary increase are from 4.0% to 9.0%, depending on group and years of service.
Investment rate of return	8.0%
Retirement age	The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 2 and Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.
Mortality	Pre-retirement mortality reflects RP-2000 Employees table projected 20 years with Scale AA (gender distinct) Post-retirement mortality reflects RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) For disabled members, the mortality rate is assumed to be in accordance with the RP-2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.
Other information	Chapter 176 of the Acts of 2011, *An Act Providing for Pension Reform and Benefit Modernization,* among other things, increased the normal retirement age by two years, increased the age (early retirement) reduction factor for ages below the maximum age and increased the period for determining a member's average annual compensation (from 3 years to 5 years) for all members hired after April 1, 2012.

See Independent Auditor's Report

Schedule of Changes in the Massachusetts Teachers' Retirement System (MTRS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2014
Total pension liability, July 1	$ 39,952,000
Service cost	747,049
Interest	3,094,091
Differences between expected and actual experience	85,597
Changes of assumptions	108,000
Benefit payments, including refunds of member contributions	(2,551,737)
Net change in total pension liability	1,483,000
Total pension liability, June 30 (a)	$ 41,435,000
Plan fiduciary net position, July 1	$ 22,697,302
Contributions:	
Employers	1,035,418
Plan members	653,328
Other additions	73,659
Total contributions	1,762,405
Net investment income	3,771,883
Benefit payments, including refunds of plan member contributions	(2,551,737)
Administrative expense	(41,675)
Other changes	(99,532)
Net change in plan fiduciary net position	2,841,344
Plan fiduciary net position, June 30 (b)	$ 25,538,646
Plan net pension liability/(asset) - June 30 (a) - (b)	$ 15,896,354
Plan fiduciary net position as a percentage of the total pension liability	61.6%
Covered employee payroll	$ 5,962,650
Net pension liability/(asset) as a percentage of covered employee payroll	266.6%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditor's Report

NOTES TO THE MTRS SCHEDULE

Valuation date	January 1, 2014
Methods and assumptions:	
Inflation	3.0%
Salary increases	4.0% to 7.5% depending on length of service
Investment rate of return	8.0%
Retirement age	The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 2 and Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.
Mortality	Pre-retirement mortality reflects RP-2000 Employees table adjusted for "white-collar" employement projected 20 years with Scale AA (gender distinct) Post-retirement mortality reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 15 years with Scale AA (gender distinct) For disabled members, post-retirement mortality reflects RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 15 years with Scale AA (gender distinct)
Other information	Chapter 176 of the Acts of 2011, *An Act Providing for Pension Reform and Benefit Modernization,* among other things, increased the normal retirement age by two years, increased the age (early retirement) reduction factor for ages below the maximum age and increased the period for determining a member's average annual compensation (from 3 years to 5 years) for all members hired after April 1, 2012.

See Independent Auditor's Report

Schedule of Investment Returns

	2014
Annual money-weighted rate of returnnet of investment expense - SERS……	17.13%
Annual money-weighted rate of returnnet of investment expense - MTRS……	17.12%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditor's Report

Other Supplementary Information

Charlemont Bissell Bridge

Combining Balance Sheet – Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds
Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds
Combining Statement of Net Position Available for Pension Benefits
Combining Statement of Changes in Net Position Available for Pension Benefits
Combining Statement of Net Position Held in Trust for Pool Participants
Combining Statement of Changes in Net Position Held in Trust for Pool Participants
Combining Statement of Changes in Assets and Liabilities – Agency Funds
Combining Statement of Net Position – Nonmajor Component Units
Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Component Units

Combining Balance Sheet

Other Governmental Funds

June 30, 2014

(Amounts in thousands)

	Special Revenue							
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Massachusetts Tourism	Local Capital Projects	Local Aid Stabilization	Manufacturing
ASSETS								
Cash and short-term investments	$ 608	$ -	$ 272,094	$ 21,086	$ 1,376	$ 21,250	$ -	$ 30
Cash with fiscal agent	14,384	-	-	-	-	-	-	-
Receivables, net of allowance for uncollectibles:								
Taxes	64,125	-	14,251	84	5,242	-	-	-
Due from federal government	-	324,277	-	735	-	-	-	-
Loans receivable	-	-	-	-	-	-	-	-
Other receivables	2,372	-	154,860	199	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Total assets	**$ 81,489**	**$ 324,277**	**$ 441,205**	**$ 22,104**	**$ 6,618**	**$ 21,250**	**$ -**	**$ 30**
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 608	$ 208,942	$ 14,340	$ 895	$ 1,279	$ -	$ 1,143	$ 30
Accrued payroll	-	10,767	297	359	77	-	-	-
Tax refunds and abatements payable	-	-	-	-	-	-	-	-
Due to other funds	-	25,716	-	-	-	-	7,182	-
Due to component units	5,602	-	34,174	-	-	-	-	-
Other accrued liabilities	-	-	78,462	-	-	-	-	-
Total liabilities	**6,210**	**245,425**	**127,273**	**1,254**	**1,356**	**-**	**8,325**	**30**
Deferred inflows of resources	-	-	61,136	-	-	-	-	-
Total liabilities and deferred inflows of resources	**6,210**	**245,425**	**188,409**	**1,254**	**1,356**	**-**	**8,325**	**30**
Fund balances:								
Nonspendable	-	-	-	-	-	-	-	-
Restricted	-	78,852	-	-	-	-	-	-
Committed	75,279	-	252,796	20,850	5,262	-	-	-
Assigned	-	-	-	-	-	21,250	-	-
Unassigned (deficits)	-	-	-	-	-	-	(8,325)	-
Fund balances (deficits)	**75,279**	**78,852**	**252,796**	**20,850**	**5,262**	**21,250**	**(8,325)**	**-**
Total liabilities and fund balances	**$ 81,489**	**$ 324,277**	**$ 441,205**	**$ 22,104**	**$ 6,618**	**$ 21,250**	**$ -**	**$ 30**

See Independent Auditor's Report

	Special Revenue									
Community College	Gaming Control	Dam and Seawall Repair or Removal	MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Healthcare Workforce Transformation Trust	Health Information Technology Trust
$ 778	$ 23,407	$ 19,705	$ 74,513	$ 23,902	$ 8,702	$ 2,949	$ 122,876	$ 18,552	$ 5,629
-	-	-	-	-	-	-	-	-	-
-	-	-	55,068	-	-	-	-	-	-
-	-	-	-	-	267	-	-	-	10,192
-	-	1,116	-	-	-	-	-	-	-
-	72	-	-	11,390	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-			
$ 778	**$ 23,479**	**$ 20,821**	**$ 129,581**	**$ 35,292**	**$ 8,969**	**$ 2,949**	**$ 122,876**	**$ 18,552**	**$ 15,821**
$ -	$ 1,531	$ 56	$ 41,968	$ 36,136	$ 425	$ 119	$ 17,565	$ 642	$ 9,810
758	160	-	-	-	6	300	142	3	9
-	-	-	174	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	87,439	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
758	**1,691**	**56**	**129,581**	**36,136**	**431**	**419**	**17,707**	**645**	**9,819**
-	-	-	-	-	-	-	-	-	-
758	**1,691**	**56**	**129,581**	**36,136**	**431**	**419**	**17,707**	**645**	**9,819**
-	-	1,116	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
20	21,788	19,649	-	-	8,538	2,530	105,169	17,907	6,002
-	-	-	-	-	-	-	-	-	-
-	-	-	-	(844)	-	-	-	-	-
20	**21,788**	**20,765**	**-**	**(844)**	**8,538**	**2,530**	**105,169**	**17,907**	**6,002**
$ 778	**$ 23,479**	**$ 20,821**	**$ 129,581**	**$ 35,292**	**$ 8,969**	**$ 2,949**	**$ 122,876**	**$ 18,552**	**$ 15,821**

continued

Combining Balance Sheet

Other Governmental Funds

June 30, 2014

(Amounts in thousands)

	Special Revenue						
	Build America Bonds Subsidy Trust	Housing Preservation and Stabilization	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Child Support Enforcement	Department of Industrial Accidents	Convention and Exhibition Center
ASSETS							
Cash and short-term investments	$ 8,426	$ 9,811	$ 45,345	$ 36,401	$ 38,544	$ 7,534	$ 41,578
Cash with fiscal agent	-	-	-	-	-	-	76,542
Receivables, net of allowance for uncollectibles:							
Taxes	-	-	-	6,048	-	-	14,508
Due from federal government	-	-	-	-	3,956	-	-
Loans receivable	-	-	-	-	-	-	-
Other receivables	-	-	-	-	3,379	18,238	-
Due from other funds	-	-	-	-	-	-	-
Total assets	**$ 8,426**	**$ 9,811**	**$ 45,345**	**$ 42,449**	**$ 45,879**	**$ 25,772**	**$ 132,628**
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 57	$ 898	$ 4,617	$ 11,862	$ 4,436	$ -	$ 14,917
Accrued payroll	-	-	66	17	310	-	-
Tax refunds and abatements payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-
Other accrued liabilities	-	-	-	-	-	-	-
Total liabilities	**57**	**898**	**4,683**	**11,879**	**4,746**	**-**	**14,917**
Deferred inflows of resources	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	**57**	**898**	**4,683**	**11,879**	**4,746**	**-**	**14,917**
Fund balance:							
Nonspendable	-	-	-	-	-	-	-
Restricted	8,369	-	-	-	41,133	-	-
Committed	-	8,913	40,662	30,570	-	25,772	117,711
Assigned	-	-	-	-	-	-	-
Unassigned (deficits)	-	-	-	-	-	-	-
Fund balances (deficits)	**8,369**	**8,913**	**40,662**	**30,570**	**41,133**	**25,772**	**117,711**
Total liabilities and fund balances	**$ 8,426**	**$ 9,811**	**$ 45,345**	**$ 42,449**	**$ 45,879**	**$ 25,772**	**$ 132,628**

See Independent Auditor's Report

Special Revenue				Capital Projects					
Grant Anticipation Note Trust	Expendable Trust	Other	Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
$ 14,389	$ 523,630	$ 48,092	$ -	$ -	$ 8,393	$ -	$ 9,555	$ -	$ 1,409,155
204,494	-	-	11,951	-	-	-	-	-	307,371
-	-	-	-	-	-	-	-	-	159,326
80,348	840	400	-	4,717	-	-	142	-	425,874
-	914	-	-	-	-	-	-	-	2,030
-	6,968	84	-	-	-	-	18	-	197,580
-	-	-	-	-	-	-	80,348	-	80,348
$ 299,231	**$ 532,352**	**$ 48,576**	**$ 11,951**	**$ 4,717**	**$ 8,393**	**$ -**	**$ 90,063**	**$ -**	**$ 2,581,684**
$ -	$ 52,895	$ 7,732	$ -	$ 293,847	$ -	$ -	$ -	$ 1	$ 726,751
-	2,822	1,096	-	2,479	-	-	-	-	19,668
-	-	-	-	-	-	-	-	-	174
80,348	-	-	-	248,531	-	251,633	-	164	613,574
-	-	-	-	16,629	-	232,433	96,877	-	473,154
-	-	-	-	-	-	-	-	-	78,462
80,348	**55,717**	**8,828**	**-**	**561,486**	**-**	**484,066**	**96,877**	**165**	**1,911,783**
-	-	-	-	-	-	-	-	-	61,136
80,348	**55,717**	**8,828**	**-**	**561,486**	**-**	**484,066**	**96,877**	**165**	**1,972,919**
-	-	-	-	-	-	-	-	-	1,116
218,883	317,757	-	11,951	-	-	-	-	-	676,945
-	158,878	74,781	-	-	8,393	-	-	-	1,001,470
-	-	-	-	-	-	-	-	-	21,250
-	-	(35,033)	-	(556,769)	-	(484,066)	(6,814)	(165)	(1,092,016)
218,883	**476,635**	**39,748**	**11,951**	**(556,769)**	**8,393**	**(484,066)**	**(6,814)**	**(165)**	**608,765**
$ 299,231	**$ 532,352**	**$ 48,576**	**$ 11,951**	**$ 4,717**	**$ 8,393**	**$ -**	**$ 90,063**	**$ -**	**$ 2,581,684**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Special Revenue							
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Massachusetts Tourism	Local Capital Projects	Local Aid Stabilization	Manufacturing
REVENUES								
Taxes	$ 1,215,075	$ -	$ 163,293	$ 972	$ 48,854	$ -	$ -	$ -
Assessments	23,133	-	403,813	-	-	-	-	-
Federal grants and reimbursements	-	3,729,503	77,407	6,060	-	-	-	-
Departmental	522,409	-	304,291	8,564	-	-	-	-
Miscellaneous	3,629	1,273	79,727	40	-	-	-	-
Total revenues	**1,764,246**	**3,730,776**	**1,028,531**	**15,636**	**48,854**	**-**	**-**	**-**
OTHER FINANCING SOURCES								
Bonds premium	-	-	-	-	-	-	-	-
Issuance of general and special obligation bonds	-	-	-	-	-	-	-	-
Issuance of current refunding bonds	-	-	-	-	-	-	-	-
Issuance of advance refunding bonds	-	-	-	-	-	-	-	-
Transfers in for debt service	-	-	-	-	-	-	-	-
Transfers in	112,759	3,923	1,047,631	179	113	21,250	375	13,583
Total other financing sources	**112,759**	**3,923**	**1,047,631**	**179**	**113**	**21,250**	**375**	**13,583**
Total revenues and other financing sources	**1,877,005**	**3,734,699**	**2,076,162**	**15,815**	**48,967**	**21,250**	**375**	**13,583**
EXPENDITURES								
Current:								
Judiciary	-	1,215	-	-	-	-	-	-
Inspector General	-	-	12	-	-	-	-	-
Governor and Lieutenant Governor	-	-	-	-	17	-	-	-
Secretary of the Commonwealth	-	916	-	-	-	-	-	-
Treasurer and Receiver-General	-	1,044	-	-	-	-	-	-
Attorney General	-	9,559	-	-	-	-	-	-
District Attorney	-	1,850	-	-	-	-	-	-
Sheriff's Departments	-	3,437	-	-	-	-	-	-
Board of Library Commissioners	-	2,939	-	-	-	-	-	-
Massachusetts Gaming Commission	-	-	-	-	-	-	-	-
Comptroller	-	-	-	-	-	-	-	-
Administration and Finance	125,000	10,731	12,612	118	-	-	-	-
Energy and Environmental Affairs	-	40,106	-	14,152	-	-	-	-
Health and Human Services	-	1,807,561	37,342	-	-	-	-	-
Massachusetts Department of Transportation	586,382	446	-	-	-	-	-	-
Executive Office of Education	-	-	-	-	-	-	-	-
Center for Health and Information Analysis	-	1,008,560	-	-	-	-	8,700	0
Massachusetts School Building Assistance	-	676	593	-	-	-	-	-
Public Safety and Homeland Security	-	143,236	-	-	-	-	-	-
Housing and Economic Development	-	460,108	-	-	25,182	-	-	9,729
Labor and Workforce development	-	146,762	29,829	-	-	-	-	2,000
Medicaid	-	-	1,776,579	-	-	-	-	-
Capital outlay:								
Local aid	-	-	-	-	-	-	-	-
Capital acquisition and construction	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Principal on current refundings	-	-	-	-	-	-	-	-
Total expenditures	**711,382**	**3,639,146**	**1,856,967**	**14,270**	**25,199**	**-**	**8,700**	**11,729**
OTHER FINANCING USES								
Payments to refunding bond escrow agent	-	-	-	-	-	-	-	-
Transfers out	40,483	94,999	189,313	2,150	23,442	-	-	272
Transfers of appropriations	-	-	-	-	-	-	-	1,582
Transfers of bond proceeds	-	-	-	-	-	-	-	-
Transfers out for debt service	1,073,217	-	-	-	-	-	-	-
Total other financing uses	**1,113,700**	**94,999**	**189,313**	**2,150**	**23,442**	**-**	**-**	**1,854**
Total expenditures and other financing uses	**1,825,082**	**3,734,145**	**2,046,280**	**16,420**	**48,641**	**-**	**8,700**	**13,583**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**51,923**	**554**	**29,882**	**(605)**	**326**	**21,250**	**(8,325)**	**-**
Fund balances (deficits) at beginning of year	23,356	78,298	222,914	21,455	4,936	-	-	-
Fund balances (deficits) at end of year	**$ 75,279**	**$ 78,852**	**$ 252,796**	**$ 20,850**	**$ 5,262**	**$ 21,250**	**$ (8,325)**	**$ -**

See Independent Auditor's Report

Special Revenue									
Community College	Gaming Control	Dam and Seawall Repair or Removal	MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Healthcare Workforce Transformation Trust	Health Information Technology Trust
$ -	$ -	$ -	$ 802,831	$ 23,771	$ -	$ -	$ -	$ -	$ -
-	-	-	157,283	-	-	-	-	-	-
-	-	-	-	-	13,241	-	-	-	60,711
-	31,939	-	-	-	-	10,761	74,685	-	-
-	-	21,937	-	11,410	-	-	90	-	1,875
-	**31,939**	**21,937**	**960,114**	**35,181**	**13,241**	**10,761**	**74,775**	**-**	**62,586**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
33,719	-	-	-	25,000	-	-	-	-	1,125
33,719	**-**	**-**	**-**	**25,000**	**-**	**-**	**-**	**-**	**1,125**
33,719	**31,939**	**21,937**	**960,114**	**60,181**	**13,241**	**10,761**	**74,775**	**-**	**63,711**
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	960,114	-	-	-	-	-	-
-	72	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	5,948	-	-
-	-	-	-	-	-	-	-	-	-
-	20,087	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	63,432	-	-	495	-	-
-	-	1,172	-	-	-	-	-	-	-
-	-	-	-	-	-	-	59	794	61,147
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8,311	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	61,401	-	-
-	-	-	-	-	-	8,375	-	-	-
-	-	-	-	-	-	-	-	1,282	-
-	-	-	-	-	10,400	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8,311	**20,159**	**1,172**	**960,114**	**63,432**	**10,400**	**8,375**	**67,903**	**2,076**	**61,147**
-	-	-	-	-	-	-	-	-	-
5,389	861	-	-	44	306	1,779	3,692	17	94
19,999	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
25,388	**861**	**-**	**-**	**44**	**306**	**1,779**	**3,692**	**17**	**94**
33,699	**21,020**	**1,172**	**960,114**	**63,476**	**10,706**	**10,154**	**71,595**	**2,093**	**61,241**
20	**10,919**	**20,765**	**-**	**(3,295)**	**2,535**	**607**	**3,180**	**(2,093)**	**2,470**
-	10,869	-	-	2,451	6,003	1,923	101,989	20,000	3,532
$ 20	**$ 21,788**	**$ 20,765**	**$ -**	**$ (844)**	**$ 8,538**	**$ 2,530**	**$ 105,169**	**$ 17,907**	**$ 6,002**

continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Special Revenue						
	Build America Bonds Subsidy Trust	Housing Preservation and Stabilization	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Child Support Enforcement	Department of Industrial Accidents	Convention and Exhibition Center
REVENUES							
Taxes	$ -	$ -	$ -	$ 22,219	$ -	$ -	$ 108,897
Assessments	-	-	-	-	-	11,548	-
Federal grants and reimbursements	46,617	-	-	-	35,969	-	-
Departmental	-	-	67,631	-	4,987	2,391	-
Miscellaneous	-	-	-	-	68	5	2,308
Total revenues	**46,617**	**-**	**67,631**	**22,219**	**41,024**	**13,944**	**111,205**
OTHER FINANCING SOURCES							
Bonds premium	-	-	-	-	-	-	-
Issuance of general and special obligation bonds	-	-	-	-	-	-	-
Issuance of current refunding bonds	-	-	-	-	-	-	-
Issuance of advance refunding bonds	-	-	-	-	-	-	-
Transfers in for debt service	-	-	-	-	-	-	-
Transfers in	-	17,380	-	-	-	-	-
Total other financing sources	**-**	**17,380**	**-**	**-**	**-**	**-**	**-**
Total revenues and other financing sources	**46,617**	**17,380**	**67,631**	**22,219**	**41,024**	**13,944**	**111,205**
EXPENDITURES							
Current:							
Judiciary	-	-	-	-	-	-	-
Inspector General	-	-	-	-	-	-	-
Governor and Lieutenant Governor	-	-	-	-	-	-	-
Secretary of the Commonwealth	-	-	-	-	-	-	-
Treasurer and Receiver-General	33,747	-	-	-	315	-	-
Attorney General	-	-	-	-	-	-	-
District Attorney	-	-	-	-	220	-	-
Sheriff's Departments	-	-	-	-	-	-	-
Board of Library Commissioners	-	-	-	-	-	-	-
Massachusetts Gaming Commission	-	-	-	-	-	-	-
Comptroller	-	-	-	-	-	-	-
Administration and Finance	-	-	-	-	49,444	-	49,685
Energy and Environmental Affairs	-	-	64,839	-	-	-	-
Health and Human Services	-	-	-	-	-	-	-
Massachusetts Department of Transportation	-	-	-	-	-	-	-
Executive Office of Education	-	-	-	-	-	-	-
Center for Health and Information Analysis	-	-	-	-	-	-	-
Massachusetts School Building Assistance	-	-	-	-	-	-	-
Public Safety and Homeland Security	-	-	-	-	-	-	-
Housing and Economic Development	-	8,467	-	-	-	-	-
Labor and Workforce development	-	-	-	14,889	40	-	-
Medicaid	-	-	-	-	-	-	-
Capital outlay:							
Local aid	-	-	-	-	-	-	-
Capital acquisition and construction	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Principal on current refundings	-	-	-	-	-	-	-
Total expenditures	**33,747**	**8,467**	**64,839**	**14,889**	**50,019**	**-**	**49,685**
OTHER FINANCING USES							
Payments to refunding bond escrow agent	-	-	-	-	-	-	-
Transfers out	12,791	-	-	162	1,456	21,878	-
Transfers of appropriations	-	-	-	-	-	-	-
Transfers of bond proceeds	-	-	-	-	-	-	-
Transfers out for debt service	-	-	-	-	-	-	36,722
Total other financing uses	**12,791**	**-**	**-**	**162**	**1,456**	**21,878**	**36,722**
Total expenditures and other financing uses	**46,538**	**8,467**	**64,839**	**15,051**	**51,475**	**21,878**	**86,407**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**79**	**8,913**	**2,792**	**7,168**	**(10,451)**	**(7,934)**	**24,798**
Fund balances (deficits) at beginning of year	8,290	-	37,870	23,402	51,584	33,706	92,913
Fund balances (deficits) at end of year	**$ 8,369**	**$ 8,913**	**$ 40,662**	**$ 30,570**	**$ 41,133**	**$ 25,772**	**$ 117,711**

See Independent Auditor's Report

Special Revenue				Capital Projects					
Grant Anticipation Note Trust	Expendable Trust	Other	Debt Service	General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
$ -	$ -	$ 515	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,386,427
-	18,794	25,516	-	-	-	-	-	-	640,087
582,871	19,810	1,242	-	16,702	-	-	13,997	-	4,604,130
-	42,839	47,313	-	-	-	-	3,215	-	1,121,025
71	387,626	4,037	-	1,313	-	327	-	-	515,736
582,942	**469,069**	**78,623**	**-**	**18,015**	**-**	**327**	**17,212**	**-**	**9,267,405**
19,014	-	-	84,920	35,185	-	53,456	-	-	192,575
-	-	-	-	1,179,662	-	1,178,525	-	1,712	2,359,899
-	-	-	159,335	-	-	-	-	-	159,335
-	-	-	477,460	-	-	-	-	-	477,460
-	-	-	2,374,950	-	-	-	-	-	2,374,950
9,773	21,573	28,259	-	-	-	-	466,586	-	1,803,228
28,787	**21,573**	**28,259**	**3,096,664**	**1,214,847**	**-**	**1,231,981**	**466,586**	**1,712**	**7,367,447**
611,729	**490,642**	**106,882**	**3,096,664**	**1,232,862**	**-**	**1,232,308**	**483,798**	**1,712**	**16,634,851**
-	107	-	-	-	-	-	-	-	1,322
-	-	-	-	-	-	-	-	-	12
-	72	-	-	-	-	-	-	-	89
-	-	5,846	-	-	-	-	-	-	6,762
9,070	117,242	65	27	4,357	-	753	-	-	1,126,734
-	13,944	531	-	-	-	-	-	-	24,106
-	7,045	104	-	-	-	-	-	-	9,219
-	1,543	572	-	-	-	-	-	-	11,500
-	55	-	-	-	-	-	-	-	2,994
-	744	2,038	-	-	-	-	-	-	22,869
-	455	3,027	-	-	-	-	-	-	3,482
-	39,903	2,355	-	-	-	-	-	-	353,775
-	62,746	26,105	-	-	-	-	-	-	209,120
-	48,147	21,737	-	-	-	-	9	-	1,976,796
-	-	11	-	174,867	-	1,082,167	451,914	-	2,295,787
-	16,821	2,093	-	-	-	-	-	-	18,914
-	609	89	-	-	-	-	-	-	1,026,268
-	-	-	-	-	-	-	-	-	1,269
-	6,547	3,734	-	-	-	-	-	-	214,918
-	22,230	1,203	-	-	-	-	-	-	535,294
-	79,264	-	-	-	-	-	-	-	274,066
-	-	-	-	-	-	-	-	-	1,786,979
		-							
-	-	-	-	-	-	-	-	54	54
-	-	-	-	957,757	-	39,302	497	928	998,484
-	-	-	2,374,950	-	-	-	-	-	2,374,950
-	-	-	159,335	-	-	-	-	-	159,335
9,070	**417,474**	**69,510**	**2,534,312**	**1,136,981**	**-**	**1,122,222**	**452,420**	**982**	**13,435,098**
-	-	-	562,352	-	-	-	-	-	562,352
404,481	128,145	25,796	-	11,342	-	84,866	7,528	-	1,061,286
-	-	6	-	-	-	-	-	-	21,587
-	-	-	-	215,690	-	-	-	-	215,690
186,166	-	18,634	-	-	-	-	-	-	1,314,739
590,647	**128,145**	**44,436**	**562,352**	**227,032**	**-**	**84,866**	**7,528**	**-**	**3,175,655**
599,717	**545,619**	**113,946**	**3,096,664**	**1,364,013**	**-**	**1,207,088**	**459,948**	**982**	**16,610,753**
12,012	**(54,977)**	**(7,064)**	**-**	**(131,151)**	**-**	**25,220**	**23,850**	**730**	**24,098**
206,871	531,612	46,812	11,951	(425,618)	8,393	(509,286)	(30,664)	(895)	584,667
$ 218,883	**$ 476,635**	**$ 39,748**	**$ 11,951**	**$ (556,769)**	**$ 8,393**	**$ (484,066)**	**$ (6,814)**	**$ (165)**	**$ 608,765**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2014
(Amounts in thousands)

	Commonwealth Transportation Fund				Environmental Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ 1,217,400	$ 1,217,400	$ 1,231,994	$ 14,594	$ 900	$ 900	$ 962	$ 62
Assessments	22,460	22,460	22,211	(249)	-	-	-	-
Federal grants and reimbursements	-	-	-	-	5,600	5,600	6,005	405
Departmental	523,795	523,795	522,364	(1,431)	8,638	8,638	8,487	(151)
Miscellaneous	1,410	1,410	2,430	1,020	28	28	40	12
Total revenues	1,765,065	1,765,065	1,778,999	13,934	15,166	15,166	15,494	328
Other financing sources:								
Operating transfers in	-	-	11,428	11,428	130	130	179	49
Other fund deficit support	-	-	102,495	102,495	-	-	-	-
Total other financing sources	-	-	113,923	113,923	130	130	179	49
Total revenues and other financing sources	1,765,065	1,765,065	1,892,922	127,857	15,296	15,296	15,673	377
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Governor and Lieutenant Governor	-	-	-	-	-	-	-	-
Treasurer and Receiver-General	177,981	-	-	-	-	-	-	-
Administration and Finance	-	-	-	-	-	118	118	-
Energy and Environmental Affairs	-	-	-	-	14,689	14,570	14,152	418
Massachusetts Department of Transportation	351,895	275,300	275,200	100	-	-	-	-
Executive Office of Education	-	-	-	-	-	-	-	-
Housing and Economic Development	-	-	-	-	-	-	-	-
Labor and Workforce Development	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	637,447	616,364	21,083	-	-	-	-
Interest and fiscal charges	-	470,315	456,853	13,462	-	-	-	-
Total expenditures	529,877	1,383,062	1,348,417	34,645	14,689	14,688	14,270	418
Other financing uses:								
Fringe benefit cost assessment	-	-	-	-	-	1,939	2,150	(211)
Operating transfers out	238,462	512,079	515,089	(3,010)	-	-	-	-
State Retiree Benefits transfer	-	-	29,064	(29,064)	-	-	-	-
Other fund deficit support		-	-	-		-	-	-
Total other financing uses	238,462	512,079	544,153	(32,074)	-	1,939	2,150	(211)
Total expenditures and other financing uses	768,339	1,895,141	1,892,570	2,571	14,689	16,627	16,420	207
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	996,726	(130,076)	352	130,428	607	(1,331)	(747)	584
Fund balances/(deficit) at beginning of year	-	14,032	14,032	-	-	20,579	20,579	-
Fund balances/(deficit) at end of year	$ 996,726	$ (116,044)	$ 14,384	$ 130,428	$ 607	$ 19,248	$ 19,832	$ 584

See Independent Auditor's Report

Massachusetts Tourism Fund				Local Capital Projects Fund				Local Aid Stabilization Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
$ 46,000	$ 46,000	$ 48,472	$ 2,472	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
46,000	46,000	48,472	2,472	-	-	-	-	-	-	-	-
2,625	2,625	113	(2,512)	19,250	19,250	825	(18,425)	8,750	8,750	375	(8,375)
-	-	-	-	-	-	20,425	20,425	-	-	-	-
2,625	2,625	113	(2,512)	19,250	19,250	21,250	2,000	8,750	8,750	375	(8,375)
48,625	48,625	48,585	(40)	19,250	19,250	21,250	2,000	8,750	8,750	375	(8,375)
-	17	17	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	5	-	5	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	7,350	8,700	8,700	-
25,033	25,300	25,182	118	19,250	21,250	-	21,250	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
25,033	25,322	25,199	123	19,250	21,250	-	21,250	7,350	8,700	8,700	-
-	356	480	(124)	-	-	-	-	-	-	-	-
-	-	3,009	(3,009)	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
	-	19,953	(19,953)	-	-	-	-		-	-	-
-				-				-			
-	356	23,442	(23,086)	-	-	-	-	-	-	-	-
25,033	25,678	48,641	(22,963)	19,250	21,250	-	21,250	7,350	8,700	8,700	-
23,592	22,947	(56)	(23,003)	-	(2,000)	21,250	23,250	1,400	50	(8,325)	(8,375)
76	76	76	-	-	-	-	-	-	-	-	-
$ 23,668	$ 23,023	$ 20	$ (23,003)	$ -	$ (2,000)	$ 21,250	$ 23,250	$ 1,400	$ 50	$ (8,325)	$ (8,375)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2014
(Amounts in thousands)

	Manufacturing Fund				Community College Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Assessments	-	-	-	-	-	-	-	-
Federal grants and reimbursements	-	-	-	-	-	-	-	-
Departmental	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-	-	-
Other financing sources:								
Operating transfers in	22,750	22,750	975	(21,775)	29,750	29,750	1,275	(28,475)
Other fund deficit support	-	-	12,608	12,608	-	-	32,444	32,444
Total other financing sources	22,750	22,750	13,583	(9,167)	29,750	29,750	33,719	3,969
Total revenues and other financing sources	22,750	22,750	13,583	(9,167)	29,750	29,750	33,719	3,969
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Governor and Lieutenant Governor	-	-	-	-	-	-	-	-
Treasurer and Receiver-General	-	-	-	-	-	-	-	-
Administration and Finance	1,582	-	-	-	-	-	-	-
Energy and Environmental Affairs	-	-	-	-	-	-	-	-
Massachusetts Department of Transportation	-	-	-	-	-	-	-	-
Executive Office of Education	-	1,582	1,582	-	24,750	30,469	28,310	2,159
Housing and Economic Development	18,750	19,163	9,729	9,434	-	-	-	-
Labor and Workforce Development	2,000	2,000	2,000	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	22,332	22,745	13,311	9,434	24,750	30,469	28,310	2,159
Other financing uses:								
Fringe benefit cost assessment	-	-	272	(272)	-	-	5,389	(5,389)
Operating transfers out	-	-	-	-	-	-	-	-
State Retiree Benefits transfer	-	-	-	-	-	-	-	-
Other fund deficit support	-	-	-	-		-	-	-
	-				-			
Total other financing uses	-	-	272	(272)	-	-	5,389	(5,389)
Total expenditures and other financing uses	22,332	22,745	13,583	9,162	24,750	30,469	33,699	(3,230)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	418	5	-	(5)	5,000	(719)	20	739
Fund balances/(deficit) at beginning of year	-	-	-	-	-	-	-	-
Fund balances/(deficit) at end of year	$ 418	$ 5	$ -	$ (5)	$ 5,000	$ (719)	$ 20	$ 739

See Independent Auditor's Report

Public Safety Trust Fund				Children and Families Protection Fund				Totals			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,264,300	$ 1,264,300	$ 1,281,428	$ 17,128
-	-	-	-	-	-	-	-	22,460	22,460	22,211	(249)
-	-	-	-	-	-	-	-	5,600	5,600	6,005	405
-	-	568	568	-	-	1	1	532,433	532,433	531,420	(1,013)
-	-	-	-	-	-	-	-	1,438	1,438	2,470	1,032
-	-	568	568	-	-	1	1	1,826,231	1,826,231	1,843,534	17,303
-	-	-	-	-	-	-	-	83,255	83,255	15,170	(68,085)
-	-	-	-	-	-	-	-	-	-	167,972	167,972
-	-	-	-	-	-	-	-	83,255	83,255	183,142	99,887
-	-	568	568	-	-	1	1	1,909,486	1,909,486	2,026,676	117,190
-	-	-	-	-	-	-	-	-	17	17	-
-	-	-	-	-	-	-	-	177,981	-	-	-
-	-	-	-	-	-	-	-	1,582	118	118	-
-	-	-	-	-	-	-	-	14,689	14,570	14,152	418
-	-	-	-	-	-	-	-	351,895	275,305	275,200	105
-	-	-	-	-	-	-	-	32,100	40,751	38,592	2,159
-	-	-	-	-	-	-	-	63,033	65,713	34,911	30,802
-	-	-	-	-	-	-	-	2,000	2,000	2,000	-
-	-	-	-	-	-	-	-	-	637,447	616,364	21,083
-	-	-	-	-	-	-	-	-	470,315	456,853	13,462
-	-	-	-	-	-	-	-	643,280	1,506,236	1,438,207	68,029
-	-	-	-	-	-	-	-	-	2,295	8,291	(5,996)
-	-	-	-	-	-	1	(1)	238,462	512,079	518,099	(6,020)
-	-	-	-	-	-	-	-	-	-	29,064	(29,064)
-	-	-	-	-	-	-	-	-	-	19,953	(19,953)
-	-	-	-	-	-	1	(1)	238,462	514,374	575,407	(61,033)
-	-	-	-	-	-	1	(1)	881,743	2,020,610	2,013,614	6,996
-	-	568	568	-	-	-	-	1,027,743	(111,124)	13,062	124,186
-	-	-	-	-	-	-	-	76	34,687	34,687	-
$ -	$ -	$ 568	$ 568	$ -	$ -	$ -	$ -	$ 1,027,819	$ (76,437)	$ 47,749	$ 124,186

Combining Budget to GAAP Reconciliation

Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2014
(Amounts in thousands)

	Commonwealth Transportation Fund	Environmental Funds	Massachusetts Tourism Fund	Local Capital Projects Fund
Total actual revenues - budgetary basis (pages 142-145)	$ 1,778,999	$ 15,494	$ 48,472	$ -
Adjustments:				
Taxes receivable, net	(16,919)	10	382	-
Federal grants and other receivables, net	2,166	132	-	-
Total actual revenues - GAAP basis (pages 138-141)	$ 1,764,246	$ 15,636	$ 48,854	$ -
Total actual other financing sources - budgetary basis (page 142-145)	$ 113,923	$ 179	$ 113	$ 21,250
MassDOT transfers in is reclassified to revenues	(1,164)	-	-	-
Total actual other financing sources - GAAP basis (pages 138-141)	$ 112,759	$ 179	$ 113	$ 21,250
Total actual expenditures- budgetary basis (pages 142-145)	$ 1,348,417	$ 14,270	$ 25,199	$ -
Adjustment:				
Due to component units accrual, net	(67,488)	-	-	-
Reclassification:				
MassDOT transfers out is reclassified to expenditures	503,670	-	-	-
Higher education expenditures are reclassified to transfers out	-	-	-	-
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	(1,073,217)	-	-	-
Total actual expenditures - GAAP basis (pages 138-141)	$ 711,382	$ 14,270	$ 25,199	$ -
Total actual other financing uses - budgetary basis (pages 142-145)	$ 544,153	$ 2,150	$ 23,442	$ -
Reclassification:				
MassDOT transfers out is reclassified to expenditures	(503,670)	-	-	-
Higher education expenditures are reclassified to transfers out	-	-	-	-
Debt service principal and interest payments are reclassified to transfers out to the debt service fund	1,073,217	-	-	-
Total actual other financing uses - GAAP basis (pages 138-141)	$ 1,113,700	$ 2,150	$ 23,442	$ -

* On a GAAP basis, the activity of these funds is combined in the other special revenue funds column on the combined statement of revenues, expenditures and changes in f balance. The revenues, other financing sources, expenditures and other financing uses of these other special revenue funds are $205,437, $28,259, $68,135 and $172,625, respectively (all amounts in thousands).

See Independent Auditor's Report

Local Aid Stabilization Fund	Manufacturing Fund	Community College Fund	Public Safety Trust Fund*	Children and Families Protection Fund*	Totals
$ -	$ -	$ -	$ 568	$ 1	$ 1,843,534
-	-	-	-	-	(16,527)
-	-	-	-	2	2,300
$ -	$ -	$ -	$ 568	$ 3	$ 1,829,307
$ 375	$ 13,583	$ 33,719	$ -	$ -	$ 183,142
-	-	-	-	-	(1,164)
$ 375	$ 13,583	$ 33,719	$ -	$ -	$ 181,978
$ 8,700	$ 13,311	$ 28,310	$ -	$ -	$ 1,438,207
-	-	-	-	-	(67,488)
-	-	-	-	-	503,670
-	(1,582)	(19,999)	-	-	(21,581)
-	-	-	-	-	(1,073,217)
$ 8,700	$ 11,729	$ 8,311	$ -	$ -	$ 779,590
$ -	$ 272	$ 5,389	$ -	$ 1	$ 575,407
-	-	-	-	-	(503,670)
-	1,582	19,999	-	-	21,581
-	-	-	-	-	1,073,217
$ -	$ 1,854	$ 25,388	$ -	$ 1	$ 1,166,536

Combining Statement of Net Position Available for Post-Employment Benefits

Pension Trust Funds
June 30, 2014
(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ASSETS				
Cash and short-term investments	$ 52,178	$ 126,380	$ 59,785	$ 238,343
Net investment in PRIT at fair value	23,882,168	25,324,715	545,295	49,752,178
Other receivables	1,602	84,390	-	85,992
Other assets	10	15,395	-	15,405
Total assets	**23,935,958**	**25,550,880**	**605,080**	**50,091,918**
LIABILITIES				
Accounts payable	5,063	12,234	11	17,308
Net position available for post-employment benefits	**$ 23,930,895**	**$ 25,538,646**	**$ 605,069**	**$ 50,074,610**

See Independent Auditor's Report

Combining Statement of Changes in Net Position Available for Post-Employment Benefits

Pension Trust Funds

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teachers' PERS	State Retiree Benefits	Total
ADDITIONS				
Contribution:				
Employer contributions	$ 593,932	$ -	$ 487,159	$ 1,081,091
Non-employer contributions	-	1,035,418	-	1,035,418
Employee contributions	501,106	653,328	-	1,154,434
Other additions	49,115	73,659	120	122,894
Total contributions	**1,144,153**	**1,762,405**	**487,279**	**3,393,837**
Net investment gain/(loss):				
Investment gain/(loss)	3,675,419	3,904,048	83,767	7,663,234
Less: investment expense	(112,563)	(132,165)	(2,970)	(247,698)
Net investment gain/(loss)	**3,562,856**	**3,771,883**	**80,797**	**7,415,536**
Total additions	**4,707,009**	**5,534,288**	**568,076**	**10,809,373**
DEDUCTIONS				
Administration	36,057	41,675	205	77,937
Retirement benefits and refunds	1,825,015	2,551,737	420,361	4,797,113
Payments to State Boston Retirement System	-	99,532	-	99,532
Total deductions	**1,861,072**	**2,692,944**	**420,566**	**4,974,582**
Net increase/(decrease)	**2,845,937**	**2,841,344**	**147,510**	**5,834,791**
Net position available for post-employment benefits at beginning of year	21,084,958	22,697,302	457,559	44,239,819
Net position available for post-employment benefits at end of year	**$ 23,930,895**	**$ 25,538,646**	**$ 605,069**	**$ 50,074,610**

See Independent Auditor's Report

Combining Statement of Net Position Held in Trust for Pool Participants

External Investment Trust Funds
June 30, 2014
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Assets held in trust for pension benefits:			
Net investment in PRIT at fair value	$ -	$ 10,923,596	$ 10,923,596
Assets held in trust for pool participants:			
Cash and short-term investments	2,747,948	-	2,747,948
Total assets	**2,747,948**	**10,923,596**	**13,671,544**
LIABILITIES			
Accounts payable	-	-	-
Net position held in trust for pool/pension participants	**$ 2,747,948**	**$ 10,923,596**	**$ 13,671,544**

See Independent Auditor's Report

Combining Statement of Changes in Net Position Held in Trust for Pool Participants

External Investment Trust Funds
Fiscal Year Ended June 30, 2014
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contribution:			
Employees contributions	$ -	$ 793,507	$ 793,507
Proceeds from sale of units	20,642,368	-	20,642,368
Total contributions	**20,642,368**	**793,507**	**21,435,875**
Net investment gain/(loss):			
Investment gain/(loss)	7,433	1,670,865	1,678,298
Less: investment expense	(1,515)	(72,226)	(73,741)
Net investment gain/(loss)	**5,918**	**1,598,639**	**1,604,557**
Total additions	**20,648,286**	**2,392,146**	**23,040,432**
DEDUCTIONS			
Cost of units redeemed	20,606,497	-	20,606,497
Distributions to unit holders from net interest income	5,705	-	5,705
Retirement benefits and refunds	-	739,175	739,175
Total deductions	**20,612,202**	**739,175**	**21,351,377**
Net increase/(decrease)	**36,084**	**1,652,971**	**1,689,055**
Net position held in trust for pool/pensions participants at beginning of year	2,711,864	9,270,625	11,982,489
Net position held in trust for pool/pensions participants at end of year	**$ 2,747,948**	**$ 10,923,596**	**$ 13,671,544**

See Independent Auditor's Report

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Central Agency Funds				
ASSETS				
Cash and short-term investments	$ 334,680	$ 9,556,140	$ 9,483,824	$ 406,996
Investments, restricted investments and annuity contracts	1,486,299	175,999	292,021	1,370,277
Taxes receivable	2,417	2,183	2,417	2,183
Other receivables	22,743	12,927	22,743	12,927
Total assets	**$ 1,846,139**	**$ 9,747,249**	**$ 9,801,005**	**$ 1,792,383**
LIABILITIES				
Accounts payable	$ 71,270	$ 3,646,641	$ 3,587,254	$ 130,657
Due to cities and towns	23,450	507,830	498,215	33,065
Due to federal government	-	110	110	-
Lottery prizes payable	1,486,299	175,999	292,021	1,370,277
Agency liabilities	252,429	4,054,348	4,054,750	252,027
Other liabilities	12,691	6,357	12,691	6,357
Total liabilities	**$ 1,846,139**	**$ 8,391,285**	**$ 8,445,041**	**$ 1,792,383**
Court Escrow and Client Accounts				
ASSETS				
Cash and short-term investments	$ 144,044	$ 1,700,318	$ 1,685,436	$ 158,926
Other receivables	116,660	121,565	116,660	121,565
Total assets	**$ 260,704**	**$ 1,821,883**	**$ 1,802,096**	**$ 280,491**
LIABILITIES				
Accounts payable	$ 422	$ 1,953,237	$ 1,953,417	$ 242
Agency liabilities	260,282	1,126,780	1,106,813	$ 280,249
Total liabilities	**$ 260,704**	**$ 3,080,017**	**$ 3,060,230**	**$ 280,491**
Statutory Bonds and Deposits				
ASSETS				
Cash and short-term investments	$ 113,794	$ 531,862	$ 531,979	$ 113,677
Investments, restricted investments and annuity contracts	564,610	36,374	10,630	590,354
Total assets	**$ 678,404**	**$ 568,236**	**$ 542,609**	**$ 704,031**
LIABILITIES				
Agency liabilities	**$ 678,404**	**$ 568,236**	**$ 542,609**	**$ 704,031**

See Independent Auditor's Report

Combining Statement of Changes in Assets and Liabilities

Agency Funds

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Total Agency Funds				
ASSETS				
Cash and short-term investments	$ 592,518	$ 11,788,320	$ 11,701,239	$ 679,599
Investments, restricted investments and annuity contracts	2,050,909	212,373	302,651	1,960,631
Taxes receivable	2,417	2,183	2,417	2,183
Other receivables	139,403	134,492	139,403	134,492
Total assets	**$ 2,785,247**	**$ 12,137,368**	**$ 12,145,710**	**$ 2,776,905**
LIABILITIES				
Accounts payable	$ 71,692	$ 5,599,878	$ 5,540,671	$ 130,899
Due to cities and towns	23,450	507,830	498,215	33,065
Due to federal government	-	110	110	-
Lottery prizes payable	1,486,299	175,999	292,021	1,370,277
Agency liabilities	1,191,115	5,749,364	5,704,172	1,236,307
Other liabilities	12,691	6,357	12,691	6,357
Total liabilities	**$ 2,785,247**	**$ 12,039,538**	**$ 12,047,880**	**$ 2,776,905**

See Independent Auditor's Report

Combining Statement of Net Position

Nonmajor Component Units

June 30, 2014

(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
ASSETS AND DEFERRED OUTFLOWS								
Current assets:								
Cash and cash equivalents	$ 28,275	$ 9,498	$ 40,400	$ 129	$ 14,876	$ 68,287	$ 23,213	$ 184,678
Short-term investments	-	116,264	-	38,376	-	44,723	67,097	266,460
Restricted cash and investment	1,033	16,922	-	-	59,175	27,151	2,778	107,059
Assets held in trust	-	-	177,597	-	-	-	-	177,597
Receivables, net of allowance for uncollectibles:								
Federal grants and reimbursement receivable	-	-	-	-	-	807	-	807
Loans	318	15,559	1,984	-	12,280	11,227	-	41,368
Other receivables	2,057	13,103	2,582	1,541	2,194	2,497	6,107	30,081
Due from primary government	14,917	762	-	1,634	-	50,787	354	68,454
Inventory	-	139	-	-	-	56	-	195
Other current assets	1,944	1,999	86	402	-	13,730	1,236	19,397
Total current assets	**48,544**	**174,246**	**222,649**	**42,082**	**88,525**	**219,265**	**100,785**	**896,096**
Noncurrent assets:								
Cash and cash equivalents - restricted	-	34,690	63,950	8,120	-	-	1,378	108,138
Long - term investments	-	74,138	8,803	-	-	1,690	559,035	643,666
Restricted investments	-	-	113,904	-	-	-	43,269	157,173
Accounts receivables, net	-	-	-	-	-	601	9,110	9,711
Loans receivables, net	17,095	79,539	-	-	446,968	41,151	-	584,753
Non-depreciable capital assets	189,082	19,789	2,536	1,984	-	495	14,070	227,956
Depreciable capital assets, net	634,886	214,138	73,500	90,112	-	12,400	25,585	1,050,621
Other noncurrent assets	-	7,890	-	-	609	-	3,483	11,982
Total noncurrent assets	**841,063**	**430,184**	**262,693**	**100,216**	**447,577**	**56,337**	**655,930**	**2,794,000**
Deferred outflows of resources:								
Deferred change in fair value of interest rate swaps	-	14,265	-	-	-	-	-	14,265
Total assets and deferred outflows	**889,607**	**618,695**	**485,342**	**142,298**	**536,102**	**275,602**	**756,715**	**3,704,361**
LIABILITES								
Current liabilities:								
Accounts payable and other liabilities	13,690	8,785	10,610	7,894	1,256	47,524	17,136	106,895
Accrued payroll	-	-	-	-	840	160	-	1,000
Compensated absences	1,187	833	-	-	-	821	-	2,841
Accrued interest payable	-	-	-	-	1,572	-	16	1,588
Due to primary government	-	472	-	-	-	-	328	800
Deferred revenue	10,858	-	177,591	-	-	39,997	1,695	230,141
Capital leases	-	-	-	-	-	-	293	293
Bonds, notes payable and other obligations	-	4,350	-	-	10,848	4,326	1,267	20,791
Total current liabilities	**25,735**	**14,440**	**188,201**	**7,894**	**14,516**	**92,828**	**20,735**	**364,349**
Noncurrent liabilities:								
Compensated absences	1,350	-	-	-	-	120	-	1,470
Accrued interest payable	-	2,639	-	-	-	-	-	2,639
Due to primary government	-	9,996	-	-	-	-	-	9,996
Deferred revenue	-	-	-	-	25,862	1,421	-	27,283
Bonds, notes payable and other obligations	-	162,338	-	-	436,882	60,250	12,430	671,900
Post - employment obligations	6,113	-	-	-	-	-	-	6,113
Liability for derivative instruments	-	14,265	-	-	-	-	-	14,265
Other noncurrent liabilities	6,179	8,705	-	-	13,773	1,900	3,693	34,250
Total noncurrent liabilities	**13,642**	**197,943**	**-**	**-**	**476,517**	**63,691**	**16,123**	**767,916**
Total liabilities	**39,377**	**212,383**	**188,201**	**7,894**	**491,033**	**156,519**	**36,858**	**1,132,265**
NET POSITION								
Net investment in capital assets	823,968	103,036	76,036	92,096	-	12,889	23,238	1,131,263
Restricted for:								
Clean energy trusts	-	-	221,105	-	-	-	-	221,105
Economic develpoment financing	-	163,473	-	-	-	9,156	-	172,629
Other purposes	1,033	-	-	30,345	19,117	43,941	622,116	716,552
Unrestricted	25,229	139,803	-	11,963	25,952	53,097	74,503	330,547
Total net position	**$ 850,230**	**$ 406,312**	**$ 297,141**	**$ 134,404**	**$ 45,069**	**$ 119,083**	**$ 719,857**	**$ 2,572,096**

See Independent Auditor's Report

Combining Statement of Revenues, Expenses and Changes in Net Position

Nonmajor Component Units

Fiscal Year Ended June 30, 2014

(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
Operating revenues:								
Charges for services	$ 51,519	$ 50,603	$ -	$ -	$ 7,882	$ 105,771	$ 14,579	$ 230,354
Other	805	29,168	26,456	34,738	6,351	6,613	18,176	122,307
Total operating revenues	**52,324**	**79,771**	**26,456**	**34,738**	**14,233**	**112,384**	**32,755**	**352,661**
Operating expenses:								
Cost of services	47,952	10,085	21,980	26,883	6,367	116,098	-	229,365
Administration costs	30,265	61,066	8,485	41	5,485	11,935	37,520	154,797
Depreciation	45,524	11,979	1,804	552	107	885	1,004	61,855
Total operating expenses	**123,741**	**83,130**	**32,269**	**27,476**	**11,959**	**128,918**	**38,524**	**446,017**
Operating income (loss)	**(71,417)**	**(3,359)**	**(5,813)**	**7,262**	**2,274**	**(16,534)**	**(5,769)**	**(93,356)**
Nonoperating revenues (expenses):								
Operating grants	49,684	434	64,008	-	-	25,954	-	140,080
Interest income	796	1,834	-	88	-	113	67,815	70,646
Other nonoperating revenue (expense)	(67)	-	8,091	-	(14)	(1,275)	34,132	40,867
Nonoperating revenues (expenses), net	**50,413**	**2,268**	**72,099**	**88**	**(14)**	**24,792**	**101,947**	**251,593**
Income (loss) before contributions	**(21,004)**	**(1,091)**	**66,286**	**7,350**	**2,260**	**8,258**	**96,178**	**158,237**
Capital contributions	-	13,736	-	-	-	593	-	14,329
Change in net position (deficits)	**(21,004)**	**12,645**	**66,286**	**7,350**	**2,260**	**8,851**	**96,178**	**172,566**
Net position - beginning, as restated	871,234	393,667	230,855	127,054	42,809	110,232	623,679	2,399,530
Net position - ending	**$ 850,230**	**$ 406,312**	**$ 297,141**	**$ 134,404**	**$ 45,069**	**$ 119,083**	**$ 719,857**	**$ 2,572,096**

See Independent Auditor's Report

THIS PAGE LEFT INTENTIONALLY BLANK

Statistical Section

(Unaudited)

Old North Bridge, Concord

Schedule of Net Position by Component – Last Ten Fiscal Years
Changes in Net Position – Last Ten Fiscal Years
Fund Balances, Governmental Funds – Last Ten Fiscal Years
Ten-Year Schedule of Revenues and Other Financing Sources – All Governmental Fund Types
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat – All Governmental Fund Types
Personal Income by Industry – Last Ten Calendar Years
Personal Income Tax Filers and Liability by Income Level Calendar (Tax) Years 2012 and 2003
Ten-Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases
Ten-Year Schedule of Outstanding Direct Debt and Statutory Debt Limit
Ten-Year Schedule of Pledged Revenue Coverage
Ten-Year Schedule of Percentage of Annual Debt Service Expenditures for General Bonded Debt To Total Non-Capital Expenditures – Fund Perspective - All Governmental Fund Types
Component Units Revenue Bond Coverage for the Last Ten Fiscal Years
Ten-Year Schedule of Massachusetts and United States Resident Population
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income
Ten-Year Schedule of Annual Average Civilian Labor Force, Unemployment and Unemployment Rates
Largest Private Sector Massachusetts Employers
Full Time Equivalent Employees by Function / Program – Last Ten Years
Average Annual Medicaid Caseload and Medicaid Expenditure – Last Ten Fiscal Years
Massachusetts Road Inventory – Calendar Year End, Lane Miles by Type – Last Ten Calendar Years
Massachusetts Real Property Owned and Leased Annual Inventory, Acreage, Improvements and Square Footage
Massachusetts Public Higher Education Enrollment and Degrees Conferred – Last Ten Academic Years
Calculation of Transfers – Stabilization Fund
Calculation of Transfer – Tax Reduction Fund
Massachusetts General Information

Statistical Section Narrative and Table of Contents

This part of the Commonwealth of Massachusetts' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

Entity Wide Perspective:

Schedule of Net Position by Component, last ten fiscal years 164
Changes in Net Position, last ten fiscal years 166

Fund Perspective:

Fund Balances (deficits), Governmental Funds, last ten fiscal years 168
Ten-Year Schedule of Revenues and Other Financing Sources,
All Governmental Fund Types – Fund Perspective 170
Ten-Year Schedule of Expenditures And Other Financing Uses By Secretariat,
All Governmental Fund Types – Fund Perspective 172

Revenue Capacity

These schedules contain information to help the reader assess the Commonwealth's most significant revenue source, income taxation. Schedules included are:

Personal Income by Industry, Last Ten Calendar Years -
(inclusive of the Commonwealth's highest income tax rate) 174
Personal Income Tax Filers and Liability by Income Level,
Tax Years 2012 and 2003 176

Debt Capacity

These schedules present information to help the reader assess the affordability of the Commonwealth's current levels of outstanding debt and the Commonwealth's ability to issue additional debt in the future. Schedules included are:

Ten Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases 177
Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit 178
Ten Year Schedule of Pledged Revenue Coverage 180
Ten Year Schedule of Percentage of Annual Debt Service Expenditures for General Bonded
Debt to Total Non - Capital Expenditures – Fund Perspective, All Governmental Fund Types 182
Component Unit Revenue Bond Coverage for the Last Ten Fiscal Years 183

Demographic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within the Commonwealth's financial activities take place. Schedules included are:

Ten Year Schedule of Massachusetts and United States Resident Population 184
Ten Year Schedule of Massachusetts and United States Resident
Per Capita Net Income 185
Ten Year Schedule of Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates For Massachusetts and The United States 186
Largest Private Sector Employers 187

Operating Information

These schedules offer operating data to help the reader understand how the information in the Commonwealth's financial report relates to the services it provides and the activities it performs. Schedules included are:

Full Time Equivalent Commonwealth Employees by Function / Program,
Last Ten Years 188
Average Annual Medicaid Caseload and Expenditures – Fund Perspective, Last Ten Fiscal Years 190
Massachusetts Road Inventory, Calendar Year End, Lane Miles by Type,
Last Ten Calendar Years 191
Commonwealth Owned Real Property by Executive Office, Last Ten Years 192
Massachusetts Public Higher Education, Enrollment and Degrees Conferred,
Last Ten Academic Years 194

Other Information

Calculation of Transfers: Stabilization Fund 196
Calculation of Transfers: Tax Reduction Fund 197
Massachusetts General Information 198

Schedule of Net Position by Component
Last Ten Fiscal Years

(Amounts in thousands)

	2014	2013	2012	2011	2010*
Governmental activities					
Net investment in capital assets	$ (502,370)	$ (592,483)	$ (849,338)	$ (722,469)	$ (885,593)
Restricted	1,455,704	1,386,416	1,456,715	1,520,702	1,403,877
Unrestricted	(29,913,024)	(26,733,809)	(24,905,165)	(23,631,098)	(22,891,629)
Total governmental activities net position	**$ (28,959,690)**	**$ (25,939,876)**	**$ (24,297,788)**	**$ (22,832,865)**	**$ (22,373,344)**
Business-type activities					
Net investment in capital assets	$ 2,794,845	$ 2,605,263	$ 2,366,038	$ 2,026,223	$ 1,767,434
Restricted	1,590,545	1,209,630	1,576,865	1,364,646	1,148,751
Unrestricted	1,102,251	1,026,230	969,309	978,043	857,263
Total business-type activities net position	**$ 5,487,641**	**$ 4,841,123**	**$ 4,912,212**	**$ 4,368,912**	**$ 3,773,448**
Commonwealth net position					
Net investment in capital assets	$ 2,292,475	$ 2,012,780	$ 1,516,700	$ 1,303,754	$ 881,841
Restricted	3,046,249	2,596,046	3,033,580	2,885,348	2,552,628
Unrestricted	(28,810,773)	(25,707,579)	(23,935,856)	(22,653,055)	(22,034,366)
Total Commonwealth net position	**$ (23,472,049)**	**$ (21,098,753)**	**$ (19,385,576)**	**$ (18,463,953)**	**$ (18,599,896)**

* Restated

See Independent Auditor's Report

2009*	2008*	2007*	2006*	2005*
$ 189,913	$ 446,666	$ 489,432	$ 101,510	$ 196,765
1,377,951	1,413,968	1,271,051	2,010,373	1,526,576
(13,721,519)	(11,022,084)	(11,357,260)	(12,409,269)	(13,267,433)
$ (12,153,655)	**$ (9,161,450)**	**$ (9,596,777)**	**$ (10,297,385)**	**$ (11,544,092)**
$ 1,698,825	$ 1,562,002	$ 1,392,363	$ 1,283,570	$ 1,149,352
1,609,145	2,390,206	2,295,507	1,816,066	1,331,053
621,952	644,363	645,211	548,774	562,777
$ 3,929,922	**$ 4,596,571**	**$ 4,333,081**	**$ 3,648,410**	**$ 3,043,182**
$ 1,888,738	$ 2,008,668	$ 1,881,795	$ 1,385,080	$ 1,346,117
2,987,096	3,804,174	3,566,558	3,826,439	2,857,629
(13,099,567)	(10,377,721)	(10,712,049)	(11,860,495)	(12,704,656)
$ (8,223,733)	**$ (4,564,879)**	**$ (5,263,696)**	**$ (6,648,975)**	**$ (8,500,910)**

Changes in Net Position
Last Ten Fiscal Years

(Amounts in thousands)

	2014	2013	2012	2011	2010
EXPENSES					
Governmental Activities:					
General government	$ 2,538,043	$ 2,587,273	$ 2,391,694	$ 2,305,783	$ 2,358,706
Judiciary	1,027,875	1,002,797	945,457	992,990	1,043,004
Direct local aid	5,353,521	5,179,104	4,991,532	4,845,738	5,030,363
Medicaid	14,034,862	12,286,342	11,708,397	12,124,261	10,677,999
Group health insurance	1,403,590	1,282,661	1,218,079	1,113,544	1,092,178
Energy and environmental	623,952	532,330	572,632	685,032	326,128
Housing and economic development*	1,291,676	1,252,292	1,247,310	1,362,822	1,297,143
Health and human services*	7,360,519	7,787,051	7,643,950	7,124,856	7,244,968
Transportation and public works	2,391,322	1,879,271	1,765,101	2,262,374	2,088,354
Early elementary and secondary education*	4,545,848	4,335,639	4,259,568	3,649,543	3,395,360
Public safety and homeland security	2,503,812	2,440,212	2,346,958	2,276,402	2,409,557
Labor and workforce development*	356,954	389,806	474,096	497,927	483,091
Lottery	3,980,980	3,982,700	3,877,305	3,661,834	3,649,396
Interest (unallocated)	1,197,709	1,206,542	1,202,772	1,177,569	1,090,471
Total governmental activities	**48,610,664**	**46,144,020**	**44,644,851**	**44,080,674**	**42,186,717**
Business-type Activities:					
Unemployment compensation	2,036,431	2,718,447	3,466,500	4,388,360	5,435,611
Higher Education:					
University of Massachusetts	2,925,013	2,759,488	2,684,039	2,865,015	2,640,134
State Universities	922,383	864,161	851,118	834,453	762,043
Community Colleges	852,946	814,245	801,038	772,883	716,526
Total business-type activities	**6,736,773**	**7,156,341**	**7,802,695**	**8,860,711**	**9,554,314**
Total Commonwealth expenses	**$ 55,347,437**	**$ 53,300,361**	**$ 52,447,546**	**$ 52,941,385**	**$ 51,741,031**
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	$ 361,105	$ 352,291	$ 458,320	$ 443,869	$ 464,592
Judiciary	108,766	111,384	114,170	120,293	128,198
Medicaid	1,226,108	471,539	297,566	258,032	185,463
Group health insurance	660,359	619,982	495,377	431,078	349,870
Energy and environmental	262,339	228,019	214,340	270,449	214,269
Housing and economic development*	165,365	150,690	142,320	142,387	221,340
Health and human services*	483,080	1,143,551	931,535	896,328	797,929
Transportation and public works	530,853	567,348	505,842	502,004	517,045
Early elementary and secondary education*	10,067	6,748	6,783	6,645	9,661
Public safety and homeland security	228,730	218,643	205,546	193,983	202,427
Labor and workforce development*	150,394	246,577	237,772	142,731	38,319
Lottery	5,049,536	5,041,329	4,940,151	4,630,205	4,626,777
Total Charges for services	9,236,702	9,158,100	8,549,722	8,038,003	7,755,891
Operating grants and contributions	13,121,648	12,836,122	12,909,908	14,217,481	12,771,164
Capital grants and contributions	30,699	18,726	79,733	168,912	779,403
Total governmental activities	**22,389,049**	**22,012,948**	**21,539,363**	**22,424,397**	**21,306,458**
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,897,495	1,923,476	1,982,602	1,945,801	1,727,964
Higher Education:					
University of Massachusetts	1,697,585	1,640,296	1,519,496	1,685,386	1,527,880
State Universities	558,170	533,347	523,979	530,078	479,900
Community Colleges	270,512	281,428	275,778	250,341	235,865
Operating grants and contributions	1,347,423	1,791,196	2,525,342	3,500,210	4,020,351
Total business-type activities	**5,771,185**	**6,169,743**	**6,827,197**	**7,911,816**	**7,991,960**
Total Commonwealth program revenues	**$ 28,160,234**	**$ 28,182,691**	**$ 28,366,560**	**$ 30,336,213**	**$ 29,298,418**
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	$ 23,319,168	$ 22,599,332	$ 21,403,426	$ 21,066,430	$ 19,034,227
Investment earnings and miscellaneous	1,131,754	985,713	1,393,094	991,230	1,474,995
Gain on sale of capital assets	-	-	-	-	-
Transfers	(1,205,141)	(1,096,061)	(1,155,955)	(860,904)	(864,697)
Transfers to\from MassDOT	-	-	-	-	(8,983,955)
Total governmental activities	**23,245,781**	**22,488,984**	**21,640,565**	**21,196,756**	**10,660,570**
Business-type Activities:					
Investment earnings and miscellaneous	$ 428,771	$ 395,228	$ 376,327	$ 695,308	$ 553,088
Other losses	-	-	-	(10,746)	(12,125)
Transfers	1,205,141	1,096,061	1,155,955	860,904	864,697
Total business -type activities	**1,633,912**	**1,491,289**	**1,532,282**	**1,545,466**	**1,405,660**
Total Commonwealth general revenues	**$ 24,879,693**	**$ 23,980,273**	**$ 23,172,847**	**$ 22,742,222**	**$ 12,066,230**
CHANGES IN NET POSITION					
Governmental activities	$ (2,975,834)	$ (1,642,088)	$ (1,464,923)	$ (459,521)	$ (10,219,688)
Business-type activities	668,324	504,691	556,784	596,571	(156,694)
Current year restatements	-	-	-	-	-
Total changes in net position including restatements	**$ (2,307,510)**	**$ (1,137,397)**	**$ (908,139)**	**$ 137,050**	**$ (10,376,382)**

* NOTE: Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

See Independent Auditor's Report

2009	2008	2007	2006	2005
$ 2,630,554	$ 2,321,251	$ 2,198,999	$ 2,043,365	$ 1,861,827
1,138,179	993,424	852,124	731,931	694,245
5,210,451	5,118,858	5,081,359	4,682,027	4,525,847
10,842,549	9,769,893	9,044,420	8,150,576	7,705,717
977,565	828,297	1,033,796	970,150	872,970
426,808	537,691	488,883	438,731	419,329
1,042,084	899,474	519,399	670,518	609,409
7,452,418	6,726,961	6,414,249	6,585,029	6,441,959
1,336,257	1,199,103	1,271,608	1,286,857	1,566,773
3,210,200	2,932,143	1,870,250	1,948,769	8,226,508
2,561,607	2,097,076	1,763,191	1,768,924	1,638,434
474,438	340,668	641,134	387,132	358,839
3,693,318	3,910,362	3,689,221	3,708,713	3,692,520
1,116,278	1,152,162	1,079,551	985,474	861,265
42,112,704	**38,827,362**	**35,948,184**	**34,358,196**	**39,488,186**
3,475,027	1,554,885	1,430,130	1,337,565	1,662,955
2,474,797	2,274,312	2,233,634	2,116,226	1,977,546
736,972	733,842	624,470	568,592	514,122
671,923	685,235	627,400	592,310	548,017
7,358,719	**5,248,274**	**4,915,634**	**4,614,693**	**4,702,640**
$ 49,471,424	**$ 44,075,636**	**$ 40,863,818**	**$ 38,972,889**	**$ 44,190,826**
$ 436,344	$ 414,614	$ 564,347	$ 451,753	$ 492,750
123,819	124,542	118,652	115,443	105,072
180,380	176,471	172,136	702,104	937,422
230,456	209,008	151,604	131,611	111,342
226,754	162,639	168,789	156,074	138,854
178,011	185,019	1,892	6,245	3,515
718,628	601,483	538,543	613,780	756,469
494,733	477,420	461,217	448,349	478,154
15,728	10,766	8,042	6,346	5,583
175,069	153,641	126,962	135,846	112,350
37,728	31,758	187,256	213,078	199,817
4,643,592	4,905,509	4,656,110	4,726,339	4,698,935
7,461,243	7,452,873	7,155,550	7,706,968	8,040,263
12,059,019	9,271,936	8,849,046	8,347,822	7,961,904
853,221	484,172	487,365	481,780	461,371
20,373,482	**17,208,980**	**16,491,961**	**16,536,570**	**16,463,538**
1,671,098	1,587,543	1,698,249	1,741,101	242,769
1,419,932	1,160,513	1,194,393	1,076,875	424,184
442,685	400,369	287,195	272,918	64,872
219,986	204,190	190,808	175,418	122,828
1,721,199	710,974	746,385	684,108	854,653
5,474,900	**4,063,589**	**4,117,030**	**3,950,420**	**4,108,237**
$ 25,848,382	**$ 21,272,569**	**$ 20,608,991**	**$ 20,486,988**	**$ 20,571,775**
$ 18,499,273	$ 21,174,430	$ 20,001,189	$ 18,668,322	$ 17,580,271
1,489,018	2,057,309	1,318,008	1,396,033	1,168,540
-	-	-	26,300	-
(1,070,652)	(1,178,030)	(1,167,367)	(1,022,320)	(926,715)
-	-	-	-	-
18,917,639	**22,053,709**	**20,151,830**	**19,068,335**	**17,822,096**
$ 140,227	$ 270,145	$ 315,908	247,181	228,643
(11,530)	-	-	-	-
1,070,652	1,178,030	1,167,367	1,022,320	926,715
1,199,349	**1,448,175**	**1,483,275**	**1,269,501**	**1,155,358**
$ 20,116,988	**$ 23,501,884**	**$ 21,635,105**	**$ 20,337,836**	**$ 18,977,454**
$ (2,821,583)	$ 435,327	$ 695,608	$ 1,246,707	$ (5,202,551)
(684,470)	263,490	684,671	605,228	560,955
(152,800)	-	-	-	-
$ (3,658,854)	**$ 698,817**	**$ 1,380,279**	**$ 1,851,935**	**$ (4,641,596)**

Fund Balances, Governmental Funds
Last Ten Fiscal Years

(Modified accrual basis of accounting)

(Amounts in thousands)

	2014	2013	2012	2011	2010*
Total Unreserved general fund……	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
All Other Governmental Funds					
Reserved……	-	-	-	-	-
Unreserved:					
Special Revenue Funds……	-	-	-	-	-
Capital Projects Funds……	-	-	-	-	-
Permanent Trust Funds……	-	-	-	-	-
Total Unreserved……	-	-	-	-	-
Total all other governmental funds……	**-**	**-**	**-**	**-**	**-**
Total governmental fund balances……	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

* 2010 has been restated for GASB 54 presentation. Years prior have not been restated.

Fund balances (deficits) GASB 54 :					
Nonspendable……	$ 1,116	$ 914	$ 914	$ 914	$ 5,914
Restricted……	1,517,555	1,557,928	2,195,287	1,675,055	1,905,749
Committed……	2,249,906	2,324,228	2,404,158	2,020,009	2,166,175
Assigned……	510,353	595,085	574,621	750,462	156,483
Unassigned……	340,505	391,795	1,143,978	821,188	351,395
Total governmental fund balances……	**$ 4,619,434**	**$ 4,869,951**	**$ 6,318,958**	**$ 5,267,628**	**$ 4,585,716**

See Independent Auditor's Report

2009*	2008*	2007*	2006*	2005*
$ 1,734,822	**$ 3,171,278**	**$ 4,899,154**	**$ 4,922,074**	**$ 4,067,885**
1,401,985	1,809,058	1,496,094	1,361,980	1,392,209
2,044,674	2,437,897	1,587,596	1,476,440	91,913
(125,138)	(360,570)	(251,985)	(497,300)	(503,441)
5,000	5,000	5,000	-	-
1,924,535	2,082,327	1,340,611	979,140	(411,528)
3,326,520	**3,891,385**	**2,836,705**	**2,341,120**	**980,681**
$ 5,061,342	**$ 7,062,663**	**$ 7,735,859**	**$ 7,263,194**	**$ 5,048,566**

Ten-Year Schedule of Revenues and Other Financing Sources

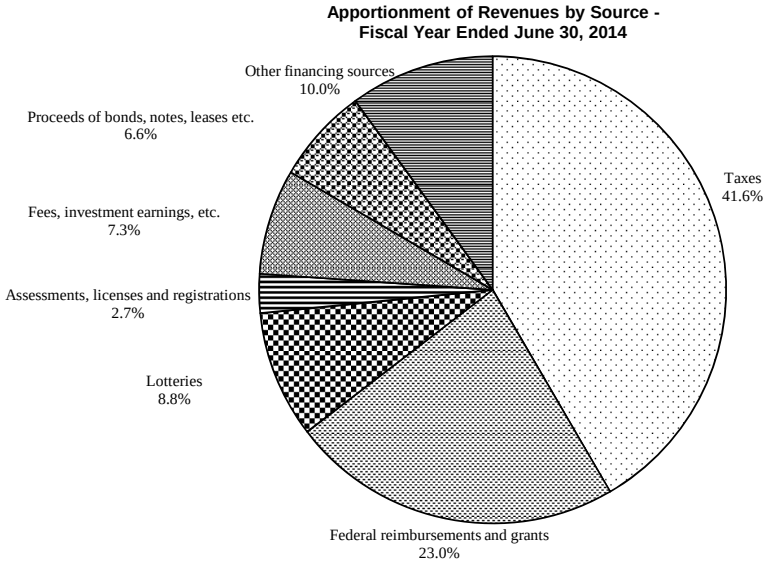
All Governmental Fund Types - Fund Perspective

(Modified Accrual Basis of Accounting)

(Amounts in millions)

	2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010
Taxes	$ 23,786	41.6	$ 22,391	40.5	$ 21,533	39.6	$ 20,854	38.7	$ 18,991
Federal reimbursements	9,417	16.5	8,981	16.2	8,934	16.4	10,066	18.8	9,453
Federal grants	3,730	6.5	3,887	7.0	4,051	7.5	4,311	8.0	4,097
Lotteries	5,049	8.8	5,042	9.1	4,944	9.1	4,631	8.6	4,628
Assessments	1,080	1.8	1,093	2.0	1,024	1.9	980	1.8	965
Motor vehicle licenses and registrations	495	0.9	487	0.9	474	0.9	461	0.9	463
Fees, investment earnings, etc	4,152	7.3	3,750	6.8	3,823	7.0	3,246	6.0	3,365
Issuance of general and special obligation bonds	2,360	4.1	1,471	2.7	2,902	5.3	2,233	4.1	2,419
Issuance of refunding bonds	1,236	2.2	1,913	3.5	388	0.7	888	1.6	538
Bond premiums	193	0.3	398	0.7	260	0.5	130	0.2	16
Proceeds of capital lease	11	-	1	-	4	-	12	-	17
Other financing sources	5,701	10.0	5,876	10.6	6,033	11.1	6,086	11.3	6,027
Total revenues and other financing sources	$ 57,210	100.0	$ 55,290	100.0	$ 54,370	100.0	$ 53,898	100.0	$ 50,979

See Independent Auditor's Report



% Total	2009	% Total	2008	% Total	2007	% Total	2006	% Total	2005	% Total
37.3	$ 18,354	36.9	$ 21,120	42.1	$ 19,985	40.5	$ 18,754	39.7	$ 17,671	40.6
18.5	9,392	18.9	7,037	14.0	6,847	13.9	6,350	13.5	6,053	13.9
8.0	3,510	7.0	2,681	5.4	2,489	5.0	2,479	5.3	2,369	5.4
9.1	4,650	9.3	4,915	9.8	4,670	9.5	4,739	10.0	4,705	10.8
2.0	929	1.9	858	1.8	860	1.7	850	1.9	831	1.9
0.9	383	0.8	376	0.7	380	0.8	361	0.8	401	0.9
6.6	3,204	6.4	3,546	7.1	2,875	5.8	3,270	7.0	3,213	7.5
4.7	2,042	4.1	1,281	2.6	3,104	6.3	4,445	9.4	1,371	3.1
1.1	390	0.8	-	-	1,428	2.9	633	1.3	1,385	3.2
-	99	0.2	25	-	129	0.3	47	0.1	(17)	-
-	18	0.0	17	-	21	-	30	0.1	58	0.1
11.8	6,817	13.7	8,280	16.5	6,743	13.6	5,232	11.1	5,493	12.6
100.0	$ 49,788	100.0	$ 50,136	100.0	$ 49,402	100.0	$ 47,190	100.0	$ 43,533	100.0

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat

All Governmental Fund Types - Fund Perspective

(Modified Accrual Basis of Accounting)

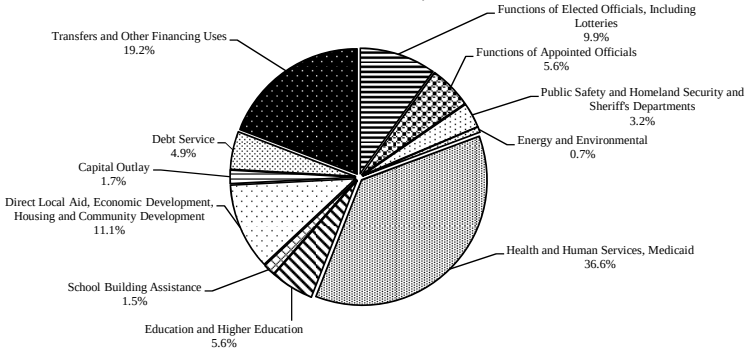
(Amounts in millions)

	2014	% Total	2013	% Total	2012	% Total	2011	% Total	2010	% Total
Legislature	$ 56	0.1	$ 57	0.1	$ 58	0.1	$ 58	0.1	$ 59	0.1
Judiciary	816	1.4	792	1.4	757	1.4	771	1.4	769	1.5
Inspector General	6	-	6	-	3	-	4	0.0	4	0.0
Governor and Lieutenant Governor	5	-	6	-	7	-	5	0.0	5	0.0
Secretary of the Commonwealth	51	0.1	49	0.1	41	0.1	45	0.1	52	0.1
Treasurer and Receiver-General	5,327	9.5	5,307	9.5	5,282	9.9	5,084	9.6	4,862	9.4
Auditor of the Commonwealth	18	-	18	-	17	-	18	0.0	18	0.0
Attorney General	88	0.2	76	0.1	55	0.1	34	0.1	52	0.1
Ethics Commission	2	-	2	-	2	-	2	0.0	2	0.0
District Attorney	115	0.2	115	0.2	110	0.2	104	0.2	102	0.2
Office of Campaign and Political Finance	1	-	1	-	1	-	3	0.0	1	0.0
Sheriff's Department	565	1.0	541	1.0	529	1.0	514	1.0	394	0.8
Disabled Persons Protection Commission	2	-	2	-	2	-	2	0.0	2	0.0
Board of Library Commissioners	25	-	25	-	24	-	25	0.0	28	0.1
Massachusetts Gaming Commission	23	-	14	-	1	-	-	-	-	-
Comptroller	16	-	14	-	14	-	14	0.0	13	0.0
Administration and finance	2,296	4.0	2,295	4.1	1,949	3.7	1,852	3.3	1,686	3.3
Energy and environmental	410	0.7	365	0.6	351	0.7	368	0.7	403	0.8
Housing and communities development	-	-	-	-	-	-	-	-	-	-
Early education and care	-	-	-	-	-	-	-	-	-	-
Health and human services	6,957	12.1	7,384	13.1	7,301	13.6	6,791	12.8	6,655	12.9
Transportation and public works	-	-	-	-	-	-	-	-	474	0.9
Massachusetts department of transportation	2,296	4.0	1,785	3.1	1,679	3.1	2,086	3.9	1,209	2.3
Executive office of education*	3,201	5.6	3,008	5.3	3,069	5.8	3,232	6.1	2,968	5.8
Center for Health and Information Analysis	26	-	9	-	-	-	-	-	-	-
Massachusetts school building assistance	869	1.5	1,037	1.8	975	1.8	791	1.5	973	1.9
Higher education	-	-	-	-	-	-	-	-	-	-
Public safety and homeland security	1,274	2.2	1,296	2.3	1,208	2.3	1,146	2.2	1,282	2.5
Housing and economic development*	1,035	1.8	988	1.7	999	1.9	1,082	2.0	1,060	2.1
Labor and workforce development*	330	0.6	350	0.6	455	0.9	478	0.9	447	0.9
Elder affairs*	-	-	-	-	-	-	-	-	-	-
Consumer affairs*	-	-	-	-	-	-	-	-	-	-
Labor*	-	-	-	-	-	-	-	-	-	-
Medicaid	14,035	24.4	12,286	21.7	11,708	22.0	12,124	22.8	10,678	20.8
Pension	865	1.5	878	1.5	801	1.5	744	1.4	587	1.1
Direct local aid	5,353	9.3	5,179	9.1	4,991	9.4	4,846	9.1	5,030	9.8
Capital outlay:										
Local aid	0	-	-	-	-	-	-	-	1	-
Capital acquisition and construction	999	1.7	854	1.5	847	1.6	885	1.7	1,300	2.5
Debt service	2,769	4.8	2,754	4.9	2,504	4.7	2,220	4.2	2,407	4.7
Principal on current refunding	159	0.3	230	0.4	-	-	-	-	-	-
Other financing uses:										
Payments to refunding bond escrow agent	562	1.0	2,046	3.6	388	0.7	945	1.8	537	1.0
Transfers	6,907	12.0	6,972	12.3	7,189	13.5	6,947	13.1	7,395	14.4
Total expenditures and other financing uses	$ 57,461	100.0	$ 56,739	100.0	$ 53,319	100.0	$ 53,217	100.0	$ 51,455	100.0
Change in Governmental Fund Balance	$ (251)		$ (1,448)		$ 1,051		$ 681		$ (476)	

* NOTE: Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

See Independent Auditor's Report

Apportionment of Expenditures - Fiscal Year Ended June 30, 2014



2009	% Total	2008	% Total	2007	% Total	2006	% Total	2005	% Total
$ 60	0.1	$ 58	0.1	$ 59	0.1	$ 55	0.1	$ 50	0.1
797	1.5	796	1.6	799	1.6	660	1.5	580	1.4
3	0.0	3	0.0	3	0.0	3	0.0	3	-
8	0.0	9	0.0	5	0.0	5	0.0	5	-
51	0.1	51	0.1	52	0.1	44	0.1	46	0.1
5,097	9.8	5,089	10.0	4,712	9.6	4,803	10.7	4,706	11.0
19	0.0	19	0.0	18	0.0	18	0.0	16	-
53	0.1	45	0.1	62	0.1	52	0.1	70	0.2
2	-	2	-	2	-	1	-	1	-
112	0.2	111	0.2	102	0.2	94	0.2	84	0.2
1	-	1	-	2	-	1	-	1	-
296	0.6	295	0.6	272	0.6	247	0.5	216	0.5
3	-	2	-	2	-	2	-	2	-
37	0.1	36	0.1	10	0.0	8	0.0	7	-
-	-	-	-	-	-	-	-	-	-
14	0.0	14	0.0	14	0.0	14	0.0	12	-
1,709	3.4	1,528	3.1	1,849	3.9	1,651	3.9	1,536	3.5
352	0.7	312	0.6	318	0.6	282	0.6	238	0.6
-	-	-	-	402	0.8	536	1.2	483	1.1
-	-	560	1.1	518	1.1	482	1.1	-	-
6,684	12.9	6,423	12.6	5,907	12.1	5,865	13.0	6,208	14.5
389	0.8	347	0.7	350	0.7	282	0.6	316	0.7
-	-	-	-	-	-	-	-	-	-
2,920	5.6	2,205	4.3	2,048	4.2	1,978	4.4	2,990	7.0
-	-	-	-	-	-	-	-	-	-
657	1.3	765	1.5	1,411	2.9	2,330	5.2	-	-
-	-	131	0.3	126	0.3	106	0.2	114	0.3
1,416	2.7	1,407	2.8	1,238	2.5	1,165	2.6	1,053	2.5
793	1.5	710	1.4	512	1.0	384	0.9	346	0.8
398	0.8	308	0.6	81	0.2	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
10,843	20.9	9,770	19.2	9,044	18.5	8,151	18.1	7,706	18.0
647	1.2	368	0.7	373	0.8	346	0.8	439	1.0
5,208	10.1	5,108	10.1	5,072	10.4	4,674	10.4	4,515	10.5
3	0.0	10	0.0	9	0.0	8	0.0	11	-
2,514	4.9	1,698	3.3	1,724	3.5	1,754	3.9	1,863	4.3
2,410	4.7	2,486	4.9	2,538	5.2	2,088	4.6	1,719	4.0
-	-	-	-	-	-	-	-	-	4.0
410	0.8	-	-	1,520	3.1	633	1.4	1,153	2.7
7,887	15.2	10,141	20.0	7,781	15.9	6,253	13.9	6,419	15.0
$ 51,789	100.0	$ 50,810	100.0	$ 48,935	100.0	$ 44,975	100.0	$ 42,908	104.0
$ (2,001)		$ (674)		$ 467		$ 2,215		$ 624	

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2013	2012	2011	2010	2009
Total personal income	**$ 381,271**	**$ 363,944**	**$ 352,243**	**$ 336,400**	**$ 324,680**
Unearned income	91,615	87,333	83,338	81,190	78,336
Farm earnings	151	150	136	186	137
Nonfarm earnings	289,505	276,461	268,769	255,024	246,208
Private earnings	**252,939**	**243,502**	**236,763**	**223,784**	**215,396**
Agricultural services, forestry, fishing	373	426	409	383	376
Mining	201	113	124	97	101
Construction	14,759	13,426	12,526	11,687	11,717
Manufacturing	**25,341**	**26,375**	**25,387**	**25,108**	**23,290**
Durable goods	17,977	19,223	18,319	18,053	16,466
Nondurable goods	7,364	7,152	7,069	7,055	6,824
Transportation and utilities	7,083	6,742	6,604	6,208	6,029
Wholesale trade	13,483	12,979	13,082	12,501	12,458
Retail trade	13,565	13,333	12,891	12,599	12,255
Services	178,134	170,109	165,740	155,202	149,171
Government	**36,567**	**32,959**	**32,006**	**31,240**	**30,812**
Federal, civilian	4,792	5,442	5,426	5,431	5,314
Military	943	1,221	1,245	1,260	1,220
State and local	30,832	26,296	25,335	24,550	24,278
Personal income tax revenue (fiscal year, statutory basis)	$ 12,831	$ 11,911	$ 11,576	$ 10,110	$ 10,584
Total personal income	381,271	363,944	352,243	336,400	324,680
Average Effective Rate	3.4%	3.3%	3.3%	3.0%	3.3%
Highest Earned Income Tax Rate	5.3%	5.3%	5.3%	5.3%	5.3%

Sources: *U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System and the Massachusetts Department of Revenue. Average effective rate is individual income tax revenue divided by personal income.*

Note: *U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System adjusted its methodology in 2008. Prior years restated.*

See Independent Auditor's Report

2008	2007	2006	2005	2004
$ 335,722	**$ 322,543**	**$ 304,855**	**$ 282,368**	**$ 271,086**
80,365	71,529	65,384	55,211	51,966
180	135	131	126	147
255,176	250,878	239,340	227,030	218,974
225,122	**222,302**	**211,900**	**200,639**	**193,996**
383	405	396	400	371
181	301	363	311	297
13,671	14,900	15,193	14,460	13,976
25,449	**25,865**	**24,698**	**24,485**	**24,356**
18,170	18,464	17,639	17,539	17,547
7,280	7,401	7,059	6,947	6,809
6,235	5,891	5,706	5,456	5,388
13,412	13,025	12,538	11,478	11,529
12,545	12,960	12,952	13,188	12,900
153,246	148,954	140,056	130,864	125,180
30,054	**28,577**	**27,439**	**26,392**	**24,978**
5,157	5,045	4,873	4,700	4,626
1,092	1,025	1,005	1,009	934
23,806	22,507	21,561	20,683	19,419
$ 12,484	$ 11,400	$ 10,483	$ 9,690	$ 8,830
335,722	322,543	304,855	282,368	271,086
3.7%	3.5%	3.4%	3.4%	3.3%
5.3%	5.3%	5.3%	5.3%	5.3%

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2012 and 2003

(Amounts, except income level are in thousands)

Calendar Year 2012 (or Fiscal Year 2013)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	651,136	18.2%	$ 8,525,382	70.6%
$75,001 - $100,000	286,030	8.0%	1,064,216	8.8%
$50,001 - $75,000	459,265	12.8%	1,163,314	9.6%
$25,001 - $50,000	771,026	21.6%	1,014,322	8.4%
$10,001 - $25,000	674,488	18.9%	277,196	2.3%
$10,000 and lower	733,227	20.5%	30,289	0.3%
Total	3,575,172	100.0%	$ 12,074,719	100.0%

Calendar Year 2003 (or Fiscal Year 2004)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	405,104	12.3%	$ 4,416,981	54.8%
$75,001 - $100,000	266,179	8.1%	1,008,220	12.5%
$50,001 - $75,000	450,676	13.7%	1,164,688	14.4%
$25,001 - $50,000	807,287	24.6%	1,127,217	14.0%
$10,001 - $25,000	674,895	20.5%	317,698	3.9%
$10,000 and lower	681,768	20.7%	25,383	0.3%
Total	3,285,909	100.0%	$ 8,060,187	100.0%

Source: *Massachusetts Department of Revenue - 2012 is the most recent tax year for which complete data* are available.

See Independent Auditor's Report

Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

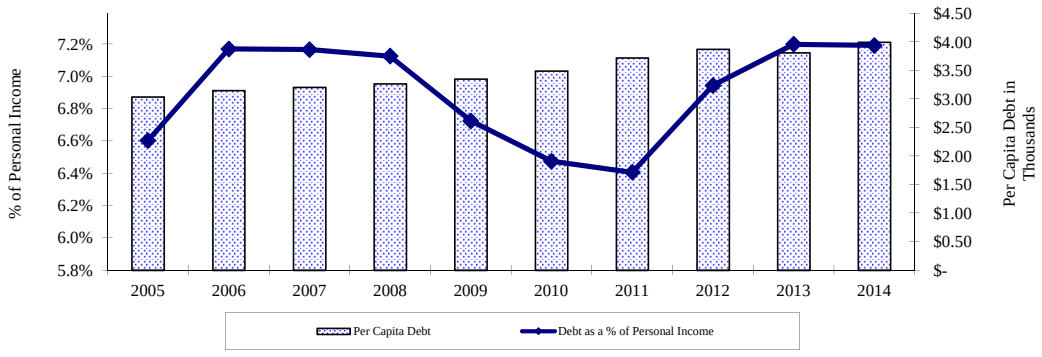
(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities		Total Primary Government	Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a Percentage of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Capital Leases (2)	Bonded Debt (2)	Capital Leases					
2014	$ 22,419,852	$ 55,878	$ 4,243,731	$ 14,529	$ 26,733,990	$ 381,271,000	6,693	7.0%	$ 3.99
2013	21,513,039	50,831	3,736,432	19,299	25,319,601	363,943,750	6,646	7.0%	3.81
2012	21,907,683	60,457	3,370,389	23,327	25,361,856	352,242,750	6,557	7.2%	3.87
2011	20,875,055	60,975	3,277,413	31,105	24,244,548	336,399,750	6,518	7.2%	3.72
2010	19,726,507	76,608	2,731,124	40,924	22,575,163	324,680,250	6,469	7.0%	3.49
2009	19,264,569	109,765	2,103,675	58,885	21,536,894	335,721,500	6,432	6.4%	3.35
2008	18,734,440	83,741	2,026,551	67,631	20,912,363	322,542,500	6,410	6.5%	3.26
2007	18,736,961	81,351	1,624,617	83,443	20,526,372	304,855,000	6,410	6.7%	3.20
2006	18,461,406	74,552	1,519,727	87,798	20,143,483	282,367,750	6,403	7.1%	3.15
2005	17,856,799	71,018	1,421,557	101,596	19,450,970	271,086,000	6,412	7.2%	3.03

(1) Excludes Massachusetts School Building Authority debt. Amounts of bonded debt for governmental activities are the amount of debt for statutory debt calculation purposes. For fiscal 2004 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.
(2) Governmental capital leases exclude the lease between the Commonwealth and the Route 3 North Transportation Improvement Association, a discretely presented component unit.
(3) Business-type activities bond debt includes notes payable of the Institutions of Higher Education.
(4) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year.
Source: - HTTP://www.fedstats.gov (US Census Bureau.)

See Independent Auditor's Report

Ten- Year Per Capita Debt and Capital Leases



Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2014 (3)	2013 (3)	2012	2011	2010
Outstanding principal as of June 30 (1)	$ 22,419,852	$ 21,513,039	$ 21,433,553	$ 20,875,056	$ 19,509,819
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs	-	-	474,130	335,078	216,688
Total net proceeds/principal	22,419,852	21,513,039	21,907,683	21,210,134	19,726,507
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds	(1,241,263)	(1,303,013)	(1,342,841)	(1,356,606)	(1,243,250)
Accelerated bridge program	(1,756,395)	(1,088,605)	(1,095,385)	(676,125)	-
County debt assumed	-	-	(75)	(150)	(225)
(Premium)/discount	-	-	(474,130)	(335,078)	216,688
Grant anticipation notes (2)	(178,390)	(349,100)	(510,385)	(666,790)	(997,467)
School Modernization and Reconstruction Trust Bonds	(723,917)	(764,337)	(795,009)	(824,279)	(894,502)
Convention center bonds	(638,700)	(638,700)	(638,700)	(643,715)	(643,715)
MBTA forward funding bonds	(207)	(207)	(207)	(44,472)	(165,559)
Special obligation gas bonds	(249,705)	(296,395)	(337,545)	(371,665)	(419,785)
Outstanding direct debt, net proceeds/principal	17,631,275	17,072,682	16,713,406	16,291,254	15,578,692
Statutory debt limit*	18,819,675	17,923,500	17,070,000	18,042,424	17,183,261
Debt margin (debt limit less direct debt)	$ 1,188,400	$ 850,818	$ 356,594	$ 1,751,170	$ 1,604,569
Debt margin as a percentage of direct debt limit	6.3%	4.7%	2.1%	9.7%	9.3%

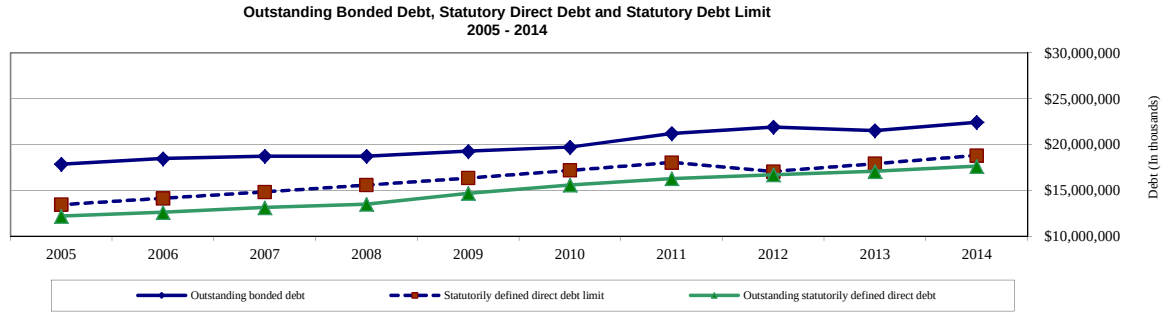
(1) Exclusive of the Massachusetts School Building Authority debt

(2) Inclusive of crossover refunding amounts

(3) For fiscal 2004 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.

* Section 60A of Chapter 165 of the Acts of 2012, as amended, reset the statutory defined debt limit, effective July 1, 2012, to $17.070 billion

See Independent Auditor's Report



2009	2008	2007	2006	2005
$ 19,047,679	$ 18,611,105	$ 18,634,913	$ 18,348,733	$ 17,785,862
216,890	123,335	102,048	112,673	70,937
19,264,569	18,734,440	18,736,961	18,461,406	17,856,799
(1,401,581)	(1,434,654)	(1,462,870)	(1,476,287)	(1,336,741)
-	-	-	-	-
(300)	(375)	(450)	(525)	(600)
216,890	123,335	102,048	112,673	70,937
(1,134,797)	(1,536,206)	(1,666,690)	(1,789,876)	(1,908,015)
(921,751)	(946,285)	(946,285)	(1,000,002)	(500,000)
(643,715)	(643,715)	(643,715)	(643,715)	(693,400)
(231,000)	(309,203)	(368,873)	(416,830)	(511,546)
(456,984)	(482,953)	(617,226)	(647,551)	(792,148)
14,691,331	13,504,384	13,132,900	12,599,293	12,185,286
16,365,011	15,585,725	14,843,547	14,136,712	13,463,535
$ 1,673,680	$ 2,081,341	$ 1,710,647	$ 1,537,419	$ 1,278,249
10.2%	13.4%	11.5%	10.9%	9.5%

Ten Year Schedule of Pledged Revenue Coverage

Special Obligation Highway Bonds (Motor Fuels Taxation and Motor Vehicle Fees), Convention Center Bonds (Tax Incremental Financing) and Grant Anticipation Notes (Federal Highway Grants)

(Statutory Basis, Amounts in Thousands, Except for Federal Highway Appropriations which are in Billions and on a Federal Fiscal Year, and Except for Ratios)

	2014	2013	2012	2011	2010
Highway Bonds					
For issues prior to December 2010, the bonds are secured by a pledge of 6.86¢ of the 21¢ per gallon state gasoline excise tax for FY2008 and before. For FY2009 and beyond, the pledge is up to 10¢ of the tax. Bonds issued in December 2010, May 2012 and November 2013 (Commonwealth Transportation Fund, or "CTF bonds") are secured by a senior lien on 17.085 cents of the total 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The bonds also have a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from the these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds/Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
Pre-2010 Bond Issues					
Tax Receipts	$ 187,467	$ 186,638	$ 190,129	$ 189,763	$ 188,666
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 187,467	$ 186,638	$ 190,129	$ 189,763	$ 188,666
Annual Debt Service	$ 52,228	$ 58,922	$ 58,939	$ 59,453	$ 58,931
Debt Service Coverage Ratio	3.59	3.17	3.23	3.19	3.20
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	6469	AA+, Aa1, AAA	AA, Aa1, AAA	AA, Aa2, AA+
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts	$ 1,149,580	$ 1,170,297	$ 1,121,709	$ 626,619	
Operating Expenses	N/A	N/A	N/A	N/A	
Net Available Revenues	$ 1,149,580	$ 1,170,297	$ 1,121,709	$ 626,619	
Annual Debt Service	$ 69,921	$ 58,108	$ 32,623	$ 14,318	
Debt Service Coverage Ratio	16.44	20.14	34.38	43.76	
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	
Convention Center Bonds					
These bonds are secured by amounts payable to the Convention Center Fund, which include certain hotel tax receipts in Boston, Cambridge, Springfield, surcharges on car rentals, parking, sightseeing tours and cruises and sales tax receipts in those cities. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from the these revenue sources are not applicable for the purpose of calculating debt service coverage rations and are not shown in this table.					
Receipts	$ 109,879	$ 100,631	$ 94,234	$ 84,905	$ 75,432
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 109,879	$ 100,631	$ 94,234	$ 84,905	$ 75,432
Annual Debt Service	$ 36,722	$ 36,469	$ 36,345	$ 35,391	$ 36,296
Debt Service Coverage Ratio	2.99	2.76	2.59	2.40	2.08
Ratings History of Bonds (Fitch, Moody's and S&P)*	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A
Grant Anticipation Notes (GANS)					
Notes issued prior to December 2010 ("Senior Federal Highway Notes") are secured by all federal highway reimbursements into the Grant Anticipation Note Trust fund, released by the Commonwealth once all debt service and reserve funding obligations of the notes have been met. If the United States Congress reduces the aggregate amount appropriated nationwide for federal highway spending to less than $17.1 billion and debt service coverage with respect to the notes falls below 120%, then the legislation further pledges that 10 ¢ per gallon of existing motor fuel tax collections will be deposited into the trust fund to be used for debt service, subject to appropriation. Notes issued in December 2010 ("Federal Highway Grant Anticipation Notes") are secured by all federal highway reimbursements after payment of debt service on the Senior Federal Highway Notes and also by any revenues pledged to the payment of pre-2010 and December 2010 Highway Bonds (as described above) in excess of debt service paid on those bonds. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage rations and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds; the program provides an interest subsidy of 35% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
Pre-2010 GANS					
Receipts	$ 598,463	$ 636,116	$ 755,985	$ 623,410	$ 761,351
Operating Expenses	N/A	N/A	N/A	N/A	N/A
Net Available Revenues	$ 598,463	$ 636,116	$ 755,985	$ 623,410	$ 761,351
Annual Debt Service	$ 176,215	$ 174,467	$ 184,394	$ 188,379	$ 196,248
Debt Service Coverage Ratio	3.40	3.65	4.10	3.31	3.88
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+[(2)], Aa2, AA+
Amount Appropriated for National Federal Highway Spending (Federal Fiscal Year) (billions) (1)	$ 43,449	$ 43,427	$ 43,896	$ 44,323	$ 43,040
Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds and GANS)					
Receipts	$ 1,503,272	$ 1,575,266	$ 1,674,485	$ 909,546	
Operating Expenses	N/A	N/A	N/A	N/A	
Net Available Revenues	$ 1,503,272	$ 1,575,266	$ 1,674,485	$ 909,546	
Annual Debt Service	$ 7,173	$ 6,402	$ 4,271	$ 2,039	
Debt Service Coverage Ratio	209.58	246.04	392.10	446.01	
Ratings History of Bonds (Fitch, Moody's and S&P)*	AA+, Aa1, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA	

*(1) Source: The Federal Budget for Fiscal 2015, Historical Tables, Table 9.6 2014 is estimated. *Uninsured rating, if available.*

(2) Reflects rating recalibration

See Independent Auditor's Report

2009	2008	2007	2006	2005
$ 189,246	$ 194,785	$ 148,047	$ 239,469	$ 196,210
N/A	N/A	N/A	N/A	N/A
$ 189,246	$ 194,785	$ 148,047	$ 239,469	$ 196,210
$ 58,924	$ 56,535	$ 58,867	$ 56,545	$ 48,378
3.21	3.45	2.51	4.24	4.06
AA+, Aa3, AA+	AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA	AA-, Aa3, AA
$ 73,918	$ 78,984	$ 66,347	$ 55,052	$ 50,561
N/A	N/A	N/A	N/A	N/A
$ 73,918	$ 78,984	$ 66,347	$ 55,052	$ 50,561
$ 36,293	$ 35,600	$ 34,486	$ 33,964	$ 18,350
2.04	2.22	1.92	1.62	2.76
NA, A1, A	NA, A2, A	A2, A	A2, A	A2, A
$ 828,956	$ 463,588	$ 462,484	$ 451,284	$ 449,331
N/A	N/A	N/A	N/A	N/A
$ 828,956	$ 463,588	$ 462,484	$ 451,284	$ 449,331
$ 204,788	$ 211,709	$ 211,712	$ 211,712	$ 95,223
4.05	2.19	2.18	2.13	4.72
AA, Aa3, AA+	Aa3, AA	Aa3, AA	Aa3, AA	Aa3, AA
$ 39,358	$ 36,747	$ 34,373	$ 33,975	$ 31,433

Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types

(Amounts in thousands)

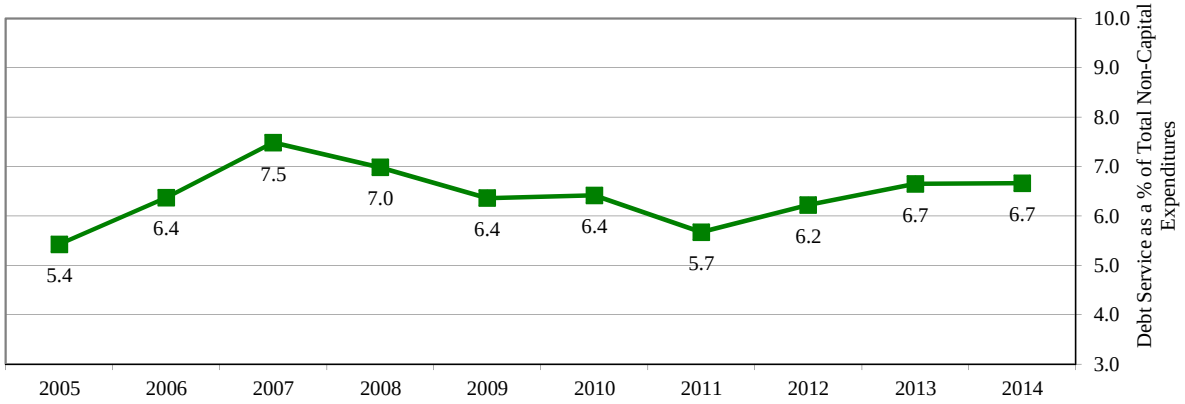
Fiscal year ended June 30	Debt service(1)	Total Non-capital expenditures(2)	Ratio (%)
2014	$ 2,928,801	$ 43,953,346	6.7
2013	2,753,715	41,403,978	6.7
2012	2,504,253	40,234,846	6.2
2011	2,219,667	39,126,733	5.7
2010	2,407,270	37,519,262	6.4
2009	2,409,590	37,878,441	6.4
2008	2,486,403	35,608,652	7.0
2007	2,538,134	33,918,074	7.5
2006	2,028,441	31,831,391	6.4
2005	1,719,489	31,699,602	5.4

(1) Business type activities debts are secured solely by leases between the Institutions of Higher Education and two blended building authorities.

(2) Expenditures are shown net of Massachusetts School Building Authority expenditures as they are school building assistance capital grants to local cities and towns.

See Independent Auditor's Report

Debt Service to Non-Capital Expenditures Ratio 2005 - 2014



Component Units Revenue Bond Coverage
For the Last Ten Fiscal Years

(Amounts in thousands)

Fiscal year ended June 30	Net revenues [1]	Debt service requirements [2]	Coverage Ratio (%)
2014	$ 1,481,374	$ 1,126,392	1.32
2013	1,585,500	1,244,358	1.27
2012	1,584,013	1,517,899	1.04
2011	1,444,813	1,170,149	1.23
2010	1,460,045	1,383,231	1.06
2009	1,825,018	1,066,175	1.71
2008	1,753,149	831,978	2.11
2007	1,725,941	853,752	2.02
2006	1,499,896	825,170	1.82
2005	1,613,858	766,686	2.10

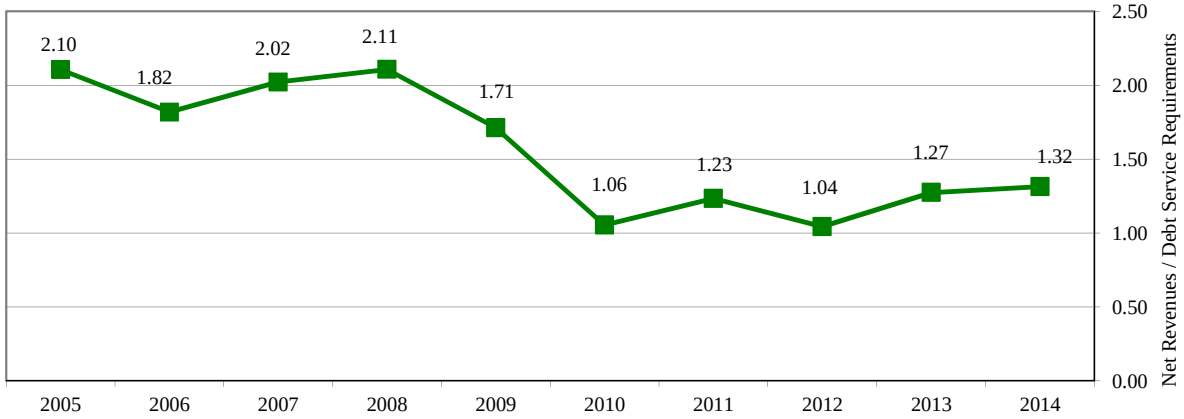
(1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus operating expenses paid from these revenue sources are not applicable when calculating debt service coverage and are not subtracted from pledged revenues.

(2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

See Independent Auditor's Report

Source: Office of the Comptroller

Component Units Revenue Bond Coverage 2005 - 2014



Ten-Year Schedule of Massachusetts and United States Resident Population

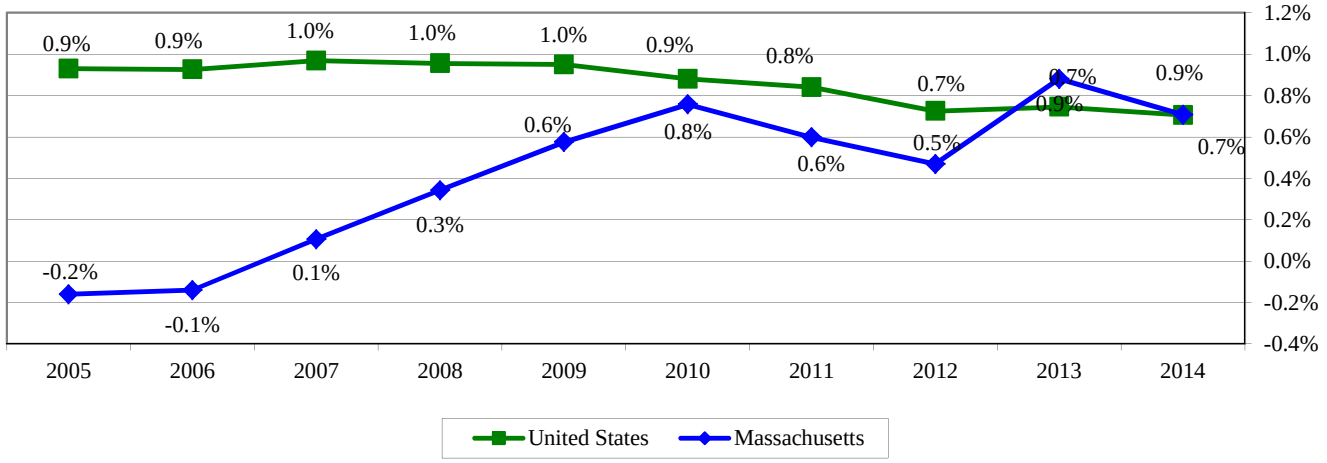
(Amounts in thousands)

Beginning of Fiscal Year	United States	% Change	Massachusetts Resident Population [1]	% Change	Massachusetts as % of U.S.
2014	316,129	0.7%	6,693	0.7%	2.1%
2013	313,914	0.7%	6,646	0.9%	2.1%
2012	311,592	0.7%	6,588	0.5%	2.1%
2011	309,350	0.8%	6,557	0.6%	2.1%
2010	306,772	0.9%	6,518	0.8%	2.1%
2009	304,094	1.0%	6,469	0.6%	2.1%
2008	301,231	1.0%	6,432	0.3%	2.1%
2007	298,380	1.0%	6,410	0.1%	2.1%
2006	295,517	0.9%	6,403	-0.1%	2.2%
2005	292,805	0.9%	6,412	-0.2%	2.2%

(1) Population estimates have been restated using most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

See Independent Auditor's Report

Massachusetts and United States Estimated Year- to- Year Population Change
2005 - 2014

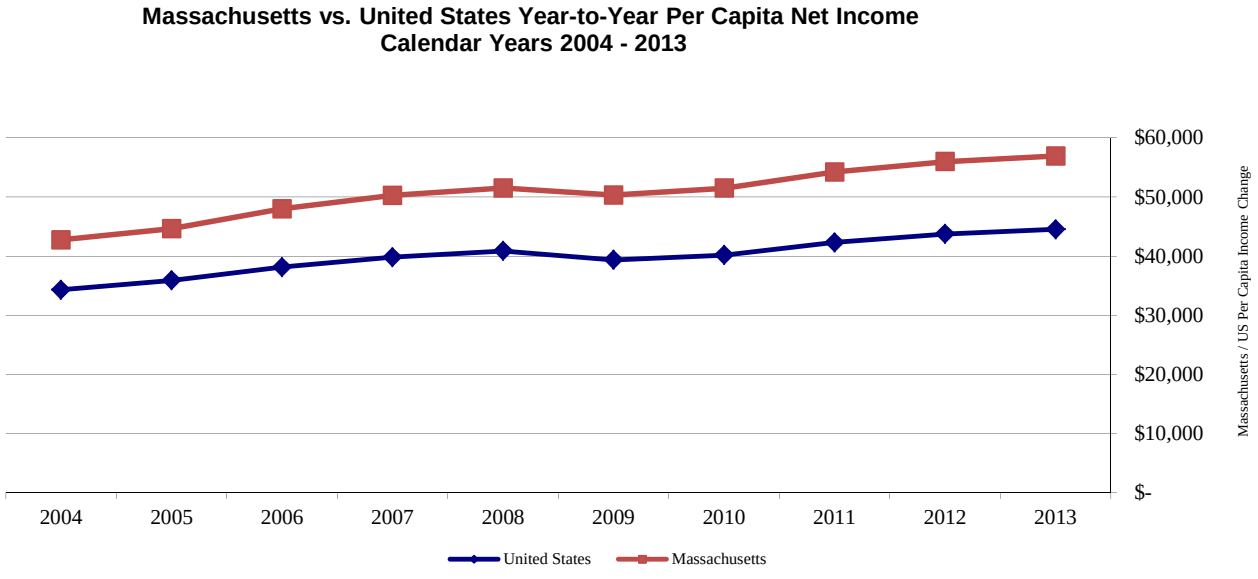


Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar Year	United States	% Change	Massachusetts	% Change	Massachusetts as % of U.S.
2013	$ 44,543	1.8%	$ 56,923	1.7%	127.8%
2012	43,735	3.4%	55,976	3.2%	128.0%
2011	42,298	5.3%	54,218	5.3%	128.2%
2010	40,163	2.0%	51,488	2.4%	128.2%
2009	39,357	-3.7%	50,304	-2.4%	127.8%
2008	40,873	2.7%	51,515	2.5%	126.0%
2007	39,804	4.4%	50,257	4.7%	126.3%
2006	38,127	6.2%	47,993	7.5%	125.9%
2005	35,888	4.6%	44,646	4.5%	124.4%
2004	34,300	5.0%	42,726	5.2%	124.6%

See Independent Auditor's Report

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates released on May 30, 2014.

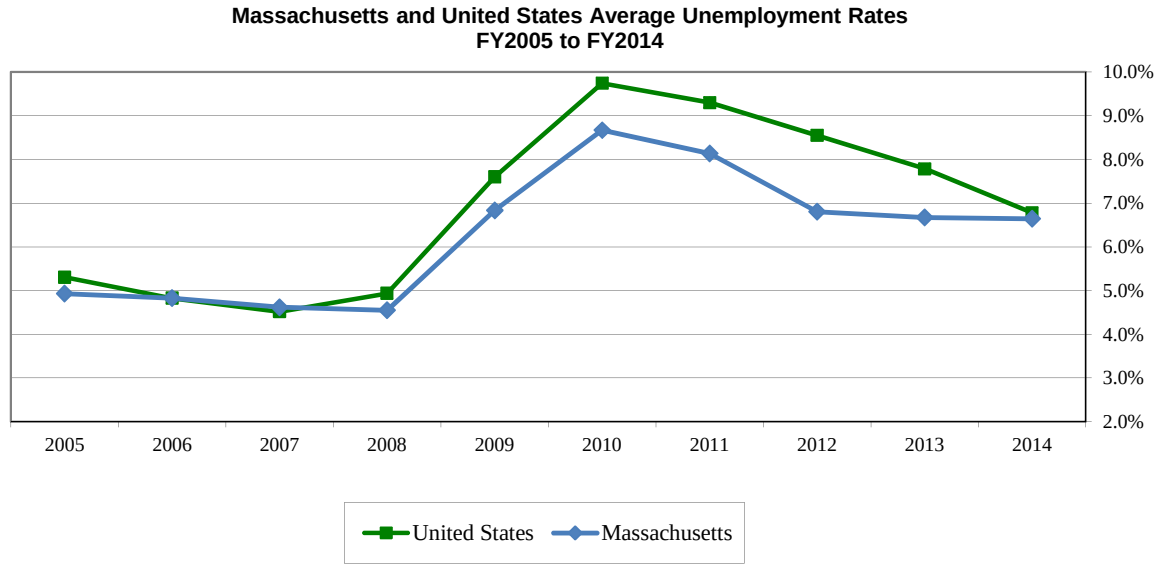


Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force, Unemployment and Unemployment Rates For Massachusetts and the United States

(Amounts in thousands)

	Massachusetts			United States			
Fiscal Year	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	Massachusetts Rate as % of U.S. Rate
2014	3,492	232	6.6%	155,466	10,534	6.8%	98.1%
2013	3,477	232	6.7%	155,337	12,092	7.8%	85.7%
2012	3,455	235	6.8%	154,285	13,176	8.6%	79.6%
2011	3,497	284	8.1%	153,654	14,288	9.3%	87.5%
2010	3,484	302	8.7%	153,916	15,006	9.7%	89.0%
2009	3,479	238	6.8%	154,555	11,758	7.6%	89.9%
2008	3,446	157	4.6%	153,686	7,591	4.9%	92.2%
2007	3,432	158	4.6%	152,436	6,898	4.5%	102.2%
2006	3,399	164	4.8%	150,353	7,252	4.8%	100.0%
2005	3,376	166	4.9%	148,241	7,861	5.3%	92.6%

See Independent Auditor's Report



Source: *Federal Bureau of Labor Statistics, November 2014. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics*

Largest Private Sector Massachusetts Employers 2014 and 2005

(Alphabetical Order)

2014			2005		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc	Springfield	Insurance
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University	Boston University		
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
EMC Corporation	Hopkinton	Computer Storage & Peripherals	EMC Corporation	Hopkinton	Computer Storage & Peripherals
General Hospital Corporation	Boston	Hospital	Friendly Ice Cream Corporation	Wilbraham	Food Service
Harvard University	Cambridge	University	General Hospital Corporation	Boston	Hospital
Massachusetts Institute of Technology	Cambridge	University	Harvard University	Cambridge	University
Partners Healthcare Systems, Inc.	Boston	Hospital	Massachusetts Institute of Technology	Cambridge	University
Raytheon Company	Lexington	Electronics / Defense	Raytheon Company	Lexington	Electronics / Defense
The Stop & Shop Supermarkets , Co.	Quincy	Supermarket	S & S Credit Company, Inc (Stop & Shop)	Quincy	Supermarket
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
Southcoast Hospitals Group	New Bedford	Hospital	Southcoast Hospitals Group	New Bedford	Hospital
State Street Bank and Trust Company	Boston	Banking	State Street Bank and Trust Company	Boston	Banking
The Children's Hospital Corporation	Boston	Hospital	The Children's Hospital Corporation	Boston	Hospital
Tufts University	Medford	University	UMASS Memorial Medical Center, Inc.	Worcester	Hospital
UMASS Memorial Medical Center, Inc.	Worcester	Hospital			

Source: *Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2014 survey. In addition, Bank of America NA, Home DepotUSA, Inc., Massachusetts CVS Pharmacy LLC, Target Corp, United Parcel Service, Inc and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.*

See Independent Auditor's Report

Full Time Equivalent Employees
By Function / Program
Last Ten Years

Functions / Programs	2014	2013	2012	2011	2010
General government	7,637	7,627	7,408	8,020	8,280
Judiciary	7,195	7,297	7,087	7,111	7,388
Energy and environmental affairs	2,629	2,684	2,685	2,737	2,783
Health and human services	21,496	21,996	21,042	21,011	21,401
Transportation and construction	4,301	4,243	4,230	4,209	4,127
Education	1,099	928	922	1,037	1,575
Public safety and homeland security	17,215	16,907	16,503	15,785	15,857
Housing and economic development	891	868	845	831	846
Higher Education:					
University of Massachusetts	14,066	14,688	14,159	14,159	14,031
State universities	4,969	4,856	4,747	4,487	4,282
Community colleges	4,990	5,111	4,834	4,684	4,276
Totals	**86,488**	**87,205**	**84,462**	**84,070**	**84,846**
Percentage Change	**-0.8%**	**3.2%**	**0.5%**	**-0.9%**	**2.2%**

Source: Office of the State Comptroller

"Education" includes the Department of Elementary & Secondary Education, Executive Office of Education, Board of Higher Education and in 2009 Early Education and Care. Transportation and construction includes MassDOT. FTE's are rounded. Prior years not restated for changes. Includes approximately 6,600 FTEs transferred to the Commonwealth's payroll in FY09 and FY10 in the categories of Higher Education, Transportation and construction and Public safety and homeland security (see page 23 of Management's Discussion and Analysis for details).

See Independent Auditor's Report

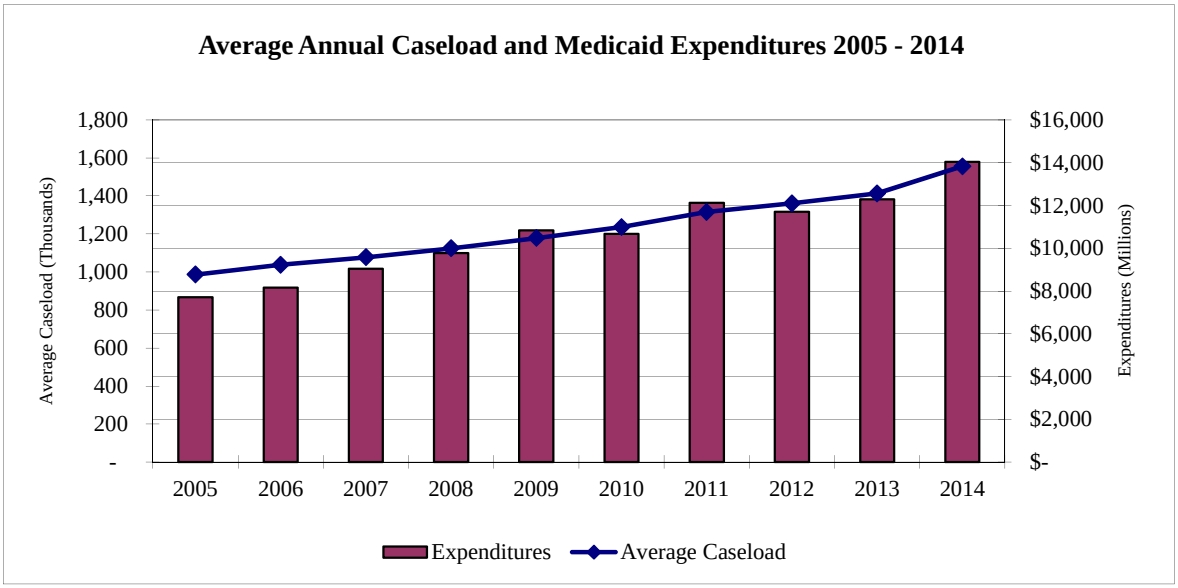
2009	2008	2007	2006	2005	Change - 2014 from 2005
6,277	6,368	6,204	6,177	5,750	32.8%
7,821	8,021	7,993	7,635	7,467	-3.6%
2,955	2,928	2,847	2,686	2,744	-4.2%
22,605	23,322	22,972	22,935	22,855	-5.9%
3,043	2,892	1,903	2,708	2,759	55.9%
844	615	617	651	587	87.2%
13,951	14,242	14,550	13,517	13,152	30.9%
2,314	2,302	2,339	2,264	2,299	-61.2%
13,814	13,651	13,602	13,360	12,807	9.8%
4,650	4,519	4,495	4,301	4,224	17.6%
4,781	4,775	4,689	4,603	4,523	10.3%
83,055	**83,636**	**82,211**	**80,837**	**79,167**	9.2%
-0.7%	**1.7%**	**1.7%**	**2.1%**	**4.0%**	

Average Annual Medicaid Caseload and Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years

(Caseload amounts in thousands, Expenditure amounts in Millions)

Fiscal year ended June 30	Average Annual Caseload	Medicaid expenditures	Average Expenditures per Case
2014*	1,556	$ 14,035	$ 9,020
2013	1,413	12,286	8,695
2012	1,361	11,708	8,602
2011	1,315	12,124	9,220
2010	1,263	10,678	8,454
2009	1,178	10,843	9,205
2008	1,124	9,770	8,690
2007	1,077	9,044	8,397
2006	1,038	8,151	7,853
2005	986	7,706	7,815

See Independent Auditor's Report



* Includes members in transitional coverage program starting January 1, 2014.

Massachusetts Road Inventory
Calendar Year End, Lane Miles by Type
Last Ten Calendar Years

Calendar Year	Interstate	Arterial	Collector	Local	Total	% Change	Total Urban	Total Rural
2013	3,211	15,674	9,058	44,438	72,381	0.16%	85.7%	14.3%
2012	3,212	15,639	9,038	44,379	72,268	0.13%	85.8%	14.2%
2011	3,212	15,051	9,611	44,300	72,174	0.20%	81.1%	18.9%
2010*	3,210	15,047	9,607	44,169	72,033	0.20%	81.1%	18.9%
2009	3,212	14,974	9,589	44,112	71,887	0.30%	81.1%	18.9%
2008	3,212	14,976	9,591	43,893	71,672	0.40%	81.1%	18.9%
2007	3,213	14,993	9,566	43,612	71,383	0.17%	80.9%	19.1%
2006	3,209	14,958	9,567	43,527	71,261	0.31%	81.0%	19.0%
2005	3,202	14,966	9,573	43,303	71,044	0.11%	81.0%	19.0%
2004	3,202	14,929	9,584	43,260	70,967	0.96%	81.0%	19.0%

*2010 was restated to include both urban and rural roads.

Source: Massachusetts Highway Department, Bureau of Transportation Planning and Development Annual Road Inventory Reports, Lane Miles Table 8. Exclusive of shoulders.

See Independent Auditor's Report

Massachusetts Real Property Owned and Leased
Annual Inventory, Acreage, Improvements and Square Footage
Last Ten Years

Functions / Programs	Survey Year 2014	Survey Year 2013	Survey Year 2012	Survey Year 2011	Survey Year 2010
General Government:					
Total Acreage	3,114	3,101	3,039	2,993	2,373
Number of Improvements	513	333	279	255	227
Gross square footage	10,916,681	9,076,550	7,690,761	7,206,548	6,797,819
Judiciary:					
Total Acreage	149	148	148	141	141
Number of Improvements	74	73	73	68	68
Gross square footage	5,310,049	4,700,920	4,700,920	4,787,564	4,787,564
Energy and environmental affairs					
Total Acreage	668,631	652,400	642,799	627,286	623,952
Number of Improvements	1,806	2,192	2,191	2,182	2,183
Gross square footage	6,507,161	7,287,961	7,283,666	7,295,922	7,299,322
Housing and economic development:					
Total Acreage	-	2	2	2	2
Number of Improvements	4	5	5	6	6
Gross square footage	57,812	68,412	68,412	77,642	77,642
Health and human services:					
Total Acreage	5,834	5,829	6,407	6,449	7,196
Number of Improvements	907	792	855	866	866
Gross square footage	10,995,096	9,759,611	10,923,090	10,834,266	10,809,259
Transportation and public works:					
Total Acreage	7,014	6,965	6,972	7,013	6,966
Number of Improvements	675	921	919	918	918
Gross square footage	1,989,583	4,876,689	4,876,689	4,873,783	4,876,689
Education:					
Total Acreage	208	208	208	233	233
Number of Improvements	40	43	43	43	43
Gross square footage	205,503	272,352	272,352	272,352	272,352
Public safety and homeland security:					
Total Acreage	19,166	19,169	19,172	19,158	18,693
Number of Improvements	1,083	997	990	991	1,029
Gross square footage	14,402,161	12,213,112	12,191,229	12,141,396	12,685,447
Higher Education:					
Total Acreage	7,128	7,473	7,254	7,178	7,169
Number of Improvements	873	1,009	1,007	987	975
Gross square footage	29,666,140	32,594,800	32,523,400	32,144,815	32,117,854
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage	**711,244**	**695,295**	**686,001**	**670,454**	**666,725**
Number of Improvements	**5,975**	**6,365**	**6,362**	**6,316**	**6,315**
Gross square footage	**80,050,186**	**80,850,407**	**80,530,519**	**79,634,288**	**79,723,948**
Percentage Change for Commonwealth:					
Acreage	**2.3%**	**1.4%**	**2.3%**	**0.6%**	**2.7%**
Improvements	**-6.1%**	**0.0%**	**0.7%**	**0.0%**	**0.1%**
Gross square footage	**-1.0%**	**0.4%**	**1.1%**	**-0.1%**	**1.0%**

Source: *Executive Office of Administration and Finance, Division of Capital Asset Management.*
See http://www.mass.gov/Eoaf/docs/dcam/dlforms/

See Independent Auditor's Report

Survey Year 2009	Survey Year 2008	Survey Year 2007	Survey Year 2006	Survey Year 2005
2,495	1,858	1,681	2,050	2,772
240	163	84	232	300
6,660,792	5,736,028	4,767,751	6,745,962	8,429,827
141	145	135	118	117
69	71	71	68	68
4,826,836	5,080,836	4,889,645	4,351,128	4,884,206
606,662	591,511	586,173	569,282	558,347
2,170	2,162	2,156	2,159	2,168
7,246,280	7,242,870	7,185,678	7,057,840	7,039,038
2	2	2	2	2
6	6	6	6	6
77,642	77,642	77,642	77,642	76,812
7,166	7,259	7,604	7,615	7,311
902	980	1,059	1,001	992
11,214,034	12,270,433	13,371,858	12,333,804	12,251,382
7,050	6,930	6,933	7,217	7,175
915	915	914	910	908
4,876,936	4,876,936	4,856,942	4,845,365	4,812,965
233	233	233	233	233
43	43	43	43	43
272,352	272,352	272,352	272,352	272,352
18,331	18,324	18,319	17,530	17,515
1,028	1,023	1,031	1,026	1,038
12,632,897	12,631,497	12,768,250	12,885,742	13,137,177
7,151	7,149	7,133	7,089	7,138
937	940	932	933	941
31,101,329	31,197,929	30,947,996	30,870,743	30,997,427
649,231	**633,412**	**628,212**	**611,136**	**600,609**
6,310	**6,303**	**6,296**	**6,378**	**6,464**
78,909,098	**79,386,523**	**79,138,114**	**79,440,578**	**81,901,186**
2.5%	**0.8%**	**2.8%**	**1.8%**	**0.9%**
0.1%	**0.1%**	**-1.3%**	**-1.3%**	**3.9%**
-0.6%	**0.3%**	**-0.4%**	**-3.0%**	**0.6%**

Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years

Academic Year	Fall 2013	Fall 2012	Fall 2011	Fall 2010	Fall 2009
ENROLLMENT					
University System					
Undergraduate (FTE)……	48,893	48,136	47,432	48,018	44,543
Graduate (FTE)……	12,442	12,202	12,048	11,734	10,177
System Enrollment……..…	**61,335**	**60,338**	**59,480**	**59,752**	**54,720**
State University System					
Undergraduate (FTE)……..…	35,429	34,773	35,639	36,721	34,129
Graduate (FTE)……..……	7,704	7,894	6,224	7,227	4,582
System Enrollment……..…	**43,133**	**42,667**	**41,863**	**43,948**	**38,711**
Community College System					
Undergraduate (FTE)……	64,584	62,445	64,586	64,971	60,602

	2014	2013	2012	2011	2010
DEGREES CONFERRED					
University System					
Certificates (MD's)……	376	426	348	246	329
Associate's……	96	121	97	100	111
Bachelors……	11,544	10,910	10,399	9,958	9,362
Masters……..…	3,559	3,442	3,360	3,242	3,029
Doctoral……	502	486	450	414	400
Cert. of Adv. Grad. Study……	77	62	89	87	79
Post-Bacc. Certificate……	691	664	659	550	509
First Professional……	79	103	43	47	-
Total Degrees……..……	**16,924**	**16,214**	**15,445**	**14,644**	**13,819**
State University System					
Certificates……..…	34	37	29	35	572
Bachelors……	8,184	8,024	7,722	7,190	6,886
Masters……..	2,478	2,327	2,404	2,376	2,467
Cert. of Adv. Grad. Study……	114	108	143	116	170
Post-Bacc. Certificate……	327	371	362	408	362
Total Degrees……..……	**11,137**	**10,867**	**10,660**	**10,125**	**10,457**
Community College System					
Certificates……..…	3,365	2,929	2,888	3,020	2,770
Associates……..……	11,341	10,772	10,404	9,693	9,257
Total Degrees……	**14,706**	**13,701**	**13,292**	**12,713**	**12,027**
Total All Systems - Degrees……	**42,767**	**40,782**	**39,397**	**37,482**	**36,303**

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

See Independent Auditor's Report

Fall 2008	Fall 2007	Fall 2006	Fall 2005	Fall 2004	Change - 2013 from 2004
42,768	40,806	39,283	38,286	37,598	30.0%
9,460	9,328	8,906	8,549	8,494	46.5%
52,228	**50,134**	**48,189**	**46,835**	**46,093**	33.1%
33,040	32,106	31,384	30,464	29,051	22.0%
4,495	4,428	4,352	4,258	8,658	-11.0%
37,535	**36,535**	**35,736**	**34,722**	**37,709**	14.4%
54,228	51,257	49,347	48,555	50,972	26.7%

2009	2008	2007	2006	2005	Change - 2014 from 2005
280	270	268	260	167	125.1%
103	96	117	99	95	1.1%
8,763	8,437	8,191	8,089	8,205	40.7%
2,882	2,808	2,503	2,484	2,588	37.5%
381	390	443	371	389	29.0%
70	86	77	97	88	-12.5%
173	133	146	115	63	996.8%
-	-	-	-	-	100.0%
12,652	**12,220**	**11,745**	**11,515**	**11,595**	46.0%
605	597	615	556	540	-93.7%
6,621	6,328	6,207	5,885	5,549	47.5%
2,343	2,318	2,201	2,190	2,048	21.0%
157	224	151	179	142	-19.7%
406	347	431	361	369	-11.4%
10,132	**9,814**	**9,605**	**9,171**	**8,648**	28.8%
2,587	2,495	2,297	2,422	2,278	47.7%
8,549	8,247	7,942	8,024	7,993	41.9%
11,136	**10,742**	**10,239**	**10,446**	**10,271**	43.2%
33,920	**31,986**	**31,589**	**31,132**	**30,514**	40.2%

Calculation of Transfers: Stabilization Fund

June 30, 2014
(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c, as amended by Section 155 of Chapter 139 of the Acts of 2012, and subsequent acts, which superseded certain parts of Section 5c . It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General	Children and Families Protection	Commonwealth Transportation	Massachusetts Tourism	Local Capital Projects	Manufacturing	Community College	Total
Budgeted Fund Undesignated Balances	$ 167,787	$ 1	$ (102,495)	$ 22,963	$ (20,425)	$ (12,608)	$ (32,444)	$ 22,779
Fund Balance Deficit Elimination Transfers Per Sec. 5c of Ch. 29	(148,018)	-	102,495	(19,954)	20,425	12,608	32,444	-
Fund Balances after Deficit Elimination Transfers (Consolidated Net Surplus)	19,769	1	-	3,009	-	-	-	22,779
Year-end Transfers to the General Fund to Fund Statutory Allocations	3,010	(1)	-	(3,009)	-	-	-	-
Disposition of Consolidated Net Surplus per Sec. 242(a) of Chapter 165 of the Acts of 2014, as Amended:								
To the Massachusetts Life Sciences Investment Fund	(11,390)	-	-	-	-	-	-	(11,390)
To the Massachusetts Community Preservation Trust Fund	(11,390)	-	-	-	-	-	-	(11,390)
Remaining Consolidated Net Surplus to be Deposited in Stabilization Fund per Sec. 242(a) of Ch. 165 of the Acts of 2014, as Amended	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Stabilization Balance Reconciliation:

Balance as of July 1, 2013		**1,556,657**
Capital Gains Tax Transfers to Stabilization Fund during FY 2014 per Chapter 29, Section 5G		45,457
Judgments and Settlements In Excess of $10 Million Transferred to Stabilization Fund per Ch. 29, Section 2H		414,310
Investment income, certain tax revenues and other recoveries		6,414
Change in Market Value from General Fund per Sec.172(b) of Ch. 38 of the Acts of 2013		1,712
Less Transfers from Stabilization Fund:		
Investment Income to General Fund per Sec.172(b) of Ch. 38 of the Acts of 2013	(7,259)	
5% Capital Gains Tax Transfer to the State Retiree Benefits Trust Fund per Chapter 29, Section 5G	(2,273)	
5% Capital Gains Tax Transfer to the State Pension Liability Fund per Chapter 29, Section 5G	(2,273)	
Judgments and Settlements In Excess of $10 million Transferred to the General Fund per Sec. 25 of Ch. 237 of the Acts of 2014	(414,310)	
To General Fund Per Sec. 172(a) of Ch. 38 of the Acts of 2013	(350,000)	
Total Transfers from Stabilization Fund during FY 2014		(776,115)
Remaining Consolidated Net Surplus Deposited in Stabilization Fund, per Calculation Above		-
Stabilization Fund Balance as of June 30, 2014		**$ 1,248,435**

See Independent Auditor's Report

Calculation Of Transfers: Tax Reduction Fund

June 30, 2014
(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund	$	1,248,435
Allowable Stabilization Fund balance		5,320,973
Stabilization Fund excess, if any, transferable to Tax Reduction Fund	$	-

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance	$	1,248,435
Transfer to Tax Reduction Fund		-
Stabilization Fund balance after transfer to Tax Reduction Fund	$	1,248,435

Part 3: Status of Tax Reduction Fund after transfers:

Tax Reduction Fund balance	$	-
Transfers from Stabilization Fund		-
Tax Reduction Fund balance after transfers	$	-

See Independent Auditor's Report

MASSACHUSETTS GENERAL INFORMATION

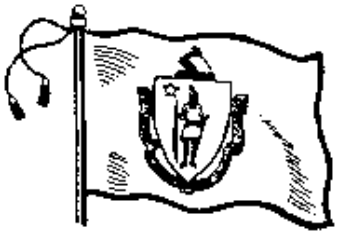
Admitted to Union (6th State): 1788
Population: 6,692,824

Capital: Boston
Nickname: Bay State

The State Seal

The State Seal, adopted by Governor John Hancock and the Council on December 13, 1780 and made official by the General Court on June 4, 1885, is circular and bears a representation of the arms of the Commonwealth encircled with the words "Sigillum Reipublicae Massachusettensis" (Seal of the Republic of Massachusetts). The arms, according to legislative enactment, consists of "a shield having a blue field or surface with an Indian thereon, dressed in a shirt and moccasins, holding in his right hand a bow, and in his left hand an arrow, point downward, all of gold; and in the upper corner of the field, above his right arm, bent at the elbow, clothed and ruffled, with the hand grasping a broadsword."

The State Flag



The State Flag is white, bearing on both sides a representation of the coat of arms. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower

The Mayflower

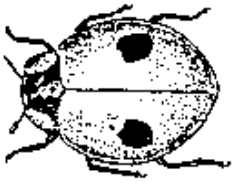
The State Fish

The Cod, a soft-finned fish, usually 10-20bs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

The State Bird

The Black Capped Chickadee

The State Insect



The Lady Bug

The State Tree

The American Elm was adopted as the official tree March 21, 1941 to commemorate the fact that General George Washington took command of the Continental Army beneath one on Cambridge Common in 1775.

The State Dog

The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

Beverage: Cranberry Juice
Dessert: Boston Cream Pie

Muffin: The Corn Muffin
Cookie: Chocolate Chip

Horse: The Morgan Horse
Bean: Navy Bean

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds described below, Bond Counsel proposes to deliver an opinion in substantially the following form:

MINTZ LEVIN

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

[Date of Closing]

Honorable Deborah B. Goldberg
Treasurer and Receiver-General
State House, Room 227
Boston, MA 02133

We have acted as bond counsel to The Commonwealth of Massachusetts (the "Commonwealth") in connection with the issuance by the Commonwealth of its $_____ General Obligation Bonds, Consolidated Loan of 2015, Series D and its $_____ General Obligation Bonds, Consolidated Loan of 2015, Series E, dated the date of delivery (the "Bonds"). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

(a) The Bonds are valid and binding general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Bonds. It should be noted, however, that Chapter 62F of the Massachusetts General Laws establishes a state tax revenue growth limit and does not exclude principal and interest payments on Commonwealth debt obligations from the scope of the limit.

(b) Interest on the Bonds, including any accrued original issue discount, will not be included in the gross income of the holders of the Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Commonwealth comply with certain requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be included in the gross income of holders of the Bonds retroactive to the date of issuance of the Bonds. While interest on the Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations, interest on the Bonds will be included in the "adjusted current earnings" of corporate holders of the Bonds and therefore will be taken into account in the computation of the alternative minimum tax applicable to certain corporations. We express no opinion as to other federal tax consequences resulting from holding the Bonds.

(c) Interest on the Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than Massachusetts.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

[THIS PAGE INTENTIONALLY LEFT BLANK]

The Commonwealth of Massachusetts

$_____
General Obligation Bonds
Consolidated Loan of 2015, Series D

$_____
General Obligation Bonds
Consolidated Loan of 2015, Series E

Continuing Disclosure Undertaking
[to be included in bond form]

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby undertakes for the benefit of the owners of the Bonds to provide the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system pursuant to the requirements of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), no later than 270 days after the end of each fiscal year of the Commonwealth, commencing with the fiscal year ending June 30, 2015, (i) the annual financial information described below relating to such fiscal year, together with audited financial statements of the Commonwealth for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements of the Commonwealth are not then available, such audited financial statements shall be delivered to EMMA when they become available (but in no event later than 350 days after the end of such fiscal year) or (ii) notice of the Commonwealth's failure, if any, to provide any such information. The annual financial information to be provided as aforesaid shall include financial information and operating data, in each case updated through the last day of such fiscal year unless otherwise noted, relating to the following information contained in the Commonwealth's Information Statement dated November 13, 2015 (the "Information Statement"), and substantially in the same level of detail as is found in the referenced section of the Information Statement. The Information Statement has been filed with EMMA.

	Financial Information and Operating Data Category	**Reference to Information Statement for Level of Detail**
1.	Summary presentation on statutory accounting and five-year comparative basis of selected budgeted operating funds operations, revenues and expenditures, concluding with prior fiscal year, plus estimates for current fiscal year	"COMMONWEALTH REVENUES AND EXPENDITURES – Statutory Basis Distribution of Budgetary Revenues and Expenditures"
2.	Summary presentation on GAAP and five-year comparative basis of governmental funds operations, concluding with prior fiscal year	"SELECTED FINANCIAL DATA – GAAP Basis"

	Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
3.	Summary presentation on a five-year comparative basis of lottery revenues and profits	"COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Lottery Revenues*"
4.	Summary presentation of payments received pursuant to the tobacco master settlement agreement	"COMMONWEALTH REVENUES AND EXPENDITURES – Federal and Other Non-Tax Revenues; *Tobacco Settlement*"
5.	So long as Commonwealth statutes impose limits on tax revenues, information as to compliance therewith in the prior fiscal year	"COMMONWEALTH REVENUES AND EXPENDITURES – Limitations on Tax Revenues"
6.	Summary description of the retirement systems for which the Commonwealth is responsible, including membership and contribution rates.	"PENSION AND OPEB FUNDING – Retirement Systems" and "PENSION AND OPEB FUNDING – Employee Contributions."
7.	Summary presentation of the then-current, statutorily imposed funding schedule for future Commonwealth pension liabilities, if any	"PENSION AND OPEB FUNDING – Funding Schedule."
8.	Summary presentation on a ten-year comparative basis of actuarial valuations of pension fund assets, liabilities and funding progress.	"PENSION AND OPEB FUNDING – Actuarial Valuations."
9.	Summary presentation on a five-year comparative basis of annual required pension contributions under GAAP and pension contributions made.	"PENSION AND OPEB FUNDING – Annual Required Contributions."
10.	Summary presentation on a five-year comparative basis of PRIT Fund asset allocation and investment returns.	"PENSION AND OPEB FUNDING – PRIT Fund Investments."
11.	Summary presentation of actuarial valuations of OPEB assets, liabilities and funding progress.	"PENSION AND OPEB FUNDING – Other Post-Retirement Benefit Obligations (OPEB)."
12.	If and to the extent otherwise updated in the prior fiscal year, summary presentation of the size of the state workforce	"STATE WORKFORCE"
13.	Five-year summary presentation of actual capital project expenditures	"COMMONWEALTH CAPITAL INVESTMENT PLAN"
14.	Statement of general and special obligation long-term debt issuance and repayment analysis on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – General and Special Obligation Long-Term Debt Issuance and Repayment Analysis"
15.	Statement of outstanding Commonwealth debt on a five-year comparative basis through the end of the prior fiscal year	"LONG-TERM LIABILITIES – Outstanding Long Term Commonwealth Debt"

	Financial Information and Operating Data Category	Reference to Information Statement for Level of Detail
16.	Annual fiscal year debt service requirements for Commonwealth general obligation and special obligation bonds, beginning with the current fiscal year	"LONG-TERM LIABILITIES – Debt Service Requirements"
17.	Annual fiscal year contract assistance requirements for Commonwealth general obligation contract assistance, beginning with the current fiscal year	"LONG-TERM LIABILITIES – General Obligation Contract Assistance Liabilities"
18.	Annual fiscal year budgetary contractual assistance liabilities for Commonwealth, beginning with the current fiscal year	"LONG-TERM LIABILITIES – Budgetary Contract Assistance Liabilities"
19.	Five-year summary presentation of authorized but unissued general obligation debt	"LONG-TERM LIABILITIES – Authorized And Unissued Debt"
20.	So long as Commonwealth statutes impose a limit on the amount of outstanding "direct" bonds, information as to compliance therewith as of the end of the prior fiscal year	"LONG-TERM LIABILITIES – General Authority to Borrow; *Statutory Limit on Direct Debt*"
21.	Summary presentation of the then-current, Commonwealth interest rate swap agreements	"LONG-TERM LIABILITIES – Interest Rate Swaps"
22.	Summary presentation of the then-current, Commonwealth liquidity facilities	"LONG-TERM LIABILITIES – Liquidity Facilities"

Any or all of the items listed above may be included by reference to other documents, including official statements pertaining to debt issued by the Commonwealth, which have been submitted to EMMA. The Commonwealth's annual financial statements for each fiscal year shall consist of (i) combined financial statements prepared in accordance with a basis of accounting that demonstrates compliance with the Massachusetts General Laws and other applicable state finance laws, if any, in effect from time to time and (ii) general purpose financial statements prepared in accordance with generally accepted accounting principles in effect from time to time and shall be audited by a firm of certified public accountants appointed by the Commonwealth.

On behalf of the Commonwealth, the Treasurer and Receiver-General of the Commonwealth hereby further undertakes for the benefit of the owners of the Bonds to provide in a timely manner, not in excess of ten business days after occurrence of the event, to EMMA notice of any of the following events with respect to the Bonds (numbered in accordance with the provisions of the Rule):

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;[(1)]

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

[(1)] Not applicable to the Bonds, since there is no debt service reserve fund securing the Bonds.

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to the rights of security holders, if material;

(viii) bond calls, if material;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material; [(2)]

(xi) rating changes;

(xii) tender offers;

(xiii) bankruptcy, insolvency, receivership or similar event of the Commonwealth; [(3)]

(xiv) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Commonwealth, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xv) appointment of a successor or additional trustee or the change of name of a trustee, if material. [(4)]

Nothing herein shall preclude the Commonwealth from disseminating any information in addition to that required hereunder. If the Commonwealth disseminates any such additional information, nothing herein shall obligate the Commonwealth to update such information or include it in any future materials disseminated.

To the extent permitted by law, the foregoing provisions of this Bond related to the above-described undertakings to provide information shall be enforceable against the Commonwealth in accordance with the terms thereof by any owner of a Bond, including any beneficial owner acting as a third-party beneficiary (upon proof of its status as a beneficial owner reasonably satisfactory to the Treasurer and Receiver-General). To the extent permitted by law, any such owner shall have the right, for the equal benefit and protection of all owners of Bonds, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Commonwealth and to compel the Commonwealth and any of its officers, agents or employees to perform and carry out their duties under the foregoing provisions as aforesaid, provided; however, that the sole remedy in connection with such undertakings shall be limited to an action to compel specific performance of the obligations of the Commonwealth in connection with such undertakings and shall not include any rights to monetary damages. The Commonwealth's obligations in respect of such undertakings shall terminate if no Bonds remain outstanding (without regard to an economic defeasance) or if the provisions of the Rule concerning continuing disclosure are no longer effective, whichever occurs first. The provisions of this Bond relating to such undertakings may be

---

[(2)] Not applicable to the Bonds, since there is no property securing repayment of the Bonds that could be released, substituted or sold.

[(3)] As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Commonwealth in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Commonwealth, or if such jurisdiction has been assumed by leaving the existing governing body and officials in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Commonwealth.

[(4)] Not applicable to the Bonds.

amended by the Treasurer and Receiver-General of the Commonwealth, without the consent of, or notice to, any owners of the Bonds, (a) to comply with or conform to the provisions of the Rule or any amendments thereto or authoritative interpretations thereof by the Securities and Exchange Commission or its staff (whether required or optional), (b) to add a dissemination agent for the information required to be provided by such undertakings and to make any necessary or desirable provisions with respect thereto, (c) to add to the covenants of the Commonwealth for the benefit of the owners of Bonds, (d) to modify the contents, presentation and format of the annual financial information from time to time as a result of a change in circumstances that arises from a change in legal requirements, or (e) to otherwise modify the undertakings in a manner consistent with the provisions of state legislation establishing a state information depository or otherwise responding to the requirements of the Rule concerning continuing disclosure; provided, however, that in the case of any amendment pursuant to clause (d) or (e), (i) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of the Rule, as well as any change in circumstances, and (ii) the amendment does not materially impair the interests of the owners of the Bonds, as determined either by a party unaffiliated with the Commonwealth (such as Commonwealth disclosure counsel or Commonwealth bond counsel) or by the vote or consent of owners of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment.

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL NOTICE OF SALE

THE COMMONWEALTH OF MASSACHUSETTS

**$150,000,000*
General Obligation Bonds
Consolidated Loan of 2015, Series D**

November 19, 2015

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of General Obligation Bonds, Consolidated Loan of 2015, Series D (the "Series D Bonds"), of The Commonwealth of Massachusetts (the "Commonwealth") to be sold in an aggregate principal amount of $150,000,000*. Bids for the purchase of the Series D Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Series D Bonds will constitute general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Series D Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 10:00 a.m. (Boston, Massachusetts time) on December 1, 2015 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Change of Bid Date or Time." If no legal bid or bids are received for the Series D Bonds on December 1, 2015, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series D Bonds. The Series D Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on September 1 and March 1 in each year and at maturity, beginning September 1, 2016. The Series D Bonds shall mature or come due through mandatory sinking fund redemptions on the dates shown below, subject to change as set forth in this Notice of Sale, in the principal amounts specified by the successful bidder:

Maturity Date*	Principal Amounts	Maturity Date*	Principal Amounts
September 1, 2026	$15,000,000	September 1, 2031	$15,000,000
September 1, 2027	15,000,000	September 1, 2032	15,000,000
September 1, 2028	15,000,000	September 1, 2033	15,000,000
September 1, 2029	15,000,000	September 1, 2034	15,000,000
September 1, 2030	15,000,000	September 1, 2035	15,000,000

The Series D Bonds will be issued as serial bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see "Bidding Parameters" below).

The Series D Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of $5,000 or integral multiples thereof, and transfer thereof on the

* Preliminary, subject to change.

records of The Depository Trust Company ("DTC") and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.

Optional Redemption.

The Series D Bonds will be subject to redemption prior to their stated maturity dates on and after September 1, 2025* at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series D Bonds and the preliminary annual principal amounts as set forth in this Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amounts," respectively; collectively, the "Preliminary Amounts") may be revised before the receipt of electronic bids for the purchase of the Series D Bonds. Any such revisions (the "Revised Aggregate Principal Amount" and the "Revised Annual Principal Amounts," respectively; collectively, the "Revised Amounts") will be ANNOUNCED on TM3 not later than 8:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series D Bonds and each final annual principal amount (the "Final Aggregate Principal Amount" and the "Final Annual Principal Amounts," respectively; collectively, the "Final Amounts"). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series D Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of the Series D Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:00 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series D Bonds offered and must offer to pay an aggregate price for all maturities of not less than 100% of the aggregate principal amount of the Series D Bonds.

Bids may provide for all the Series D Bonds to be issued as serial bonds only, or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds. The Series D Bonds will be issued as serial bonds or as serial bonds and term bonds in accordance with the bid submitted by the successful bidder. Series D Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year in which maturities have been combined to form such term bond and continuing on September 1 in each year thereafter until the stated maturity date of such term bond.

Bids must state a single fixed interest rate for the Series D Bonds of each maturity. The rate of interest stated for any given maturity shall be in a multiple of one-twentieth or one-eighth of one percent per annum. No maturity

* Preliminary, subject to change. Any change will be announced on TM3 not later than 8:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS.

may have an interest rate of more than 5.00%. The highest such interest rate specified for a maturity and the lowest interest rate specified for any other maturity may not differ by more than two percentage points.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series D Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series D Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder's bid for the purchase of the Series D Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series D Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Series D Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series D Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's financial advisor, Public Resources Advisory Group by facsimile at (212) 566-7816.

Electronic bids must be submitted for the purchase of the Series D Bonds (all or none) via Parity by 10:00 a.m. (Boston, Massachusetts time) on December 1, 2015. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 10:00 a.m. (Boston, Massachusetts time), on December 1, 2015. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series D Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series D Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Good Faith Deposit. Upon notification from the Commonwealth, the successful bidder shall wire transfer to the State Treasurer an amount equal to 1% of the aggregate principal amount of the Series D Bonds (the "Good Faith Deposit"), in immediately available funds, no later than 2:00 p.m. (Boston, Massachusetts time) on the bid date. The Commonwealth will provide wiring instructions for the Good Faith Deposit to the successful bidder upon verification and award. In the event that the State Treasurer has not received such funds by the time stated, the State Treasurer may revoke acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Series D Bonds. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Commonwealth.

Basis of Award. The Series D Bonds will be awarded to the bidder offering to purchase all of the Series D Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series D Bonds, will cause the sum

of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series D Bonds (December 7, 2015).

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated November 19, 2015 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder or bidders) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Series D Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. On or prior to the date of delivery of the Series D Bonds, the successful bidder shall furnish to the Commonwealth a certificate acceptable to Bond Counsel to the Commonwealth generally to the effect that (i) as of December 1, 2015 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Series D Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Series D Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Series D Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Series D Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Series D Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Series D Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Series D Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Series D Bonds resulting from payment of insurance premiums or other credit enhancement fees**.**

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series D Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix C of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth's issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Series D Bonds.

Settlement. The Series D Bonds will be delivered on December 7, 2015, in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the Series D Bonds by 10:00 a.m. (Boston, Massachusetts time) on December 7, 2015 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened

seeking to restrain or enjoin the issuance or delivery of the Series D Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series D Bonds are issued, or affecting the validity of the Series D Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series D Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Series D Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Series D Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading "Book-Entry-Only System" and in any Appendix other than Appendices A and B, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series D Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series D Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series D Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "The Bonds," "Security for the Bonds" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series D Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the Series D Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series D Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Bonds on the inside cover page of the Final Official Statement, any other information concerning the reoffering of the Series D Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings "Book-Entry-Only System," "Ratings" and "Competitive Sale of Bonds" and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series D Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of November 13, 2015, or, as it may have been supplemented as of the date of sale of the Series D Bonds, as of said date of sale or as of the date of settlement of the Series D Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by the successful bidder with respect to the Series D Bonds, and the Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series D Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series D Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series D Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series D Bonds shall be the responsibility of and shall be paid for by the successful bidder.

Right to Modify or Amend Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Series D Bonds will be communicated by posting on TM3 not later than 8:30 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series D Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 8:30 a.m. (Boston, Massachusetts time) on the announced bid date. If any date and/or time fixed for the receipt of bids and the sale of the Series D Bonds is changed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series D Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series D Bonds is contained in the Preliminary Official Statement dated November 19, 2015, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Assistant Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg
Treasurer and Receiver-General

OFFICIAL NOTICE OF SALE

THE COMMONWEALTH OF MASSACHUSETTS

**$400,000,000*
General Obligation Bonds
Consolidated Loan of 2015, Series E**

November 19, 2015

NOTICE IS HEREBY GIVEN that electronic bids will be received by Deborah B. Goldberg, Treasurer and Receiver-General of The Commonwealth of Massachusetts (the "State Treasurer"), for the purchase of General Obligation Bonds, Consolidated Loan of 2015, Series E (the "Series E Bonds"), of The Commonwealth of Massachusetts (the "Commonwealth") to be sold in an aggregate principal amount of $400,000,000*. Bids for the purchase of the Series E Bonds will be submitted via Parity. No other method of submitting bids will be accepted. The bids will be received via Parity up to the time described below under the captions "Time" and "Procedures for Electronic Bidding."

The Series E Bonds will constitute general obligations of the Commonwealth, and the full faith and credit of the Commonwealth are pledged to the payment of the principal of and interest on the Series E Bonds. The Preliminary Official Statement referred to below contains certain information regarding statutory limits on state tax revenue growth and should be read in conjunction herewith.

Time. Bids will be received by the Commonwealth via Parity at 10:30 a.m. (Boston, Massachusetts time) on December 1, 2015 (subject to the provisions described below under the caption "Procedures for Electronic Bidding") or at such later date and/or other time as shall be established by the State Treasurer and communicated on Thomson Municipal Market Monitor News (www.tm3.com) ("TM3"), as described herein under the caption "Change of Bid Date or Time." If no legal bid or bids are received for the Series E Bonds on December 1, 2015, an alternative date and time may be designated by the State Treasurer and communicated on TM3.

Details of the Series E Bonds. The Series E Bonds will be dated and bear interest, calculated on the basis of 30-day months and a 360-day year, from the date of delivery, at the rate per annum per maturity specified by the successful bidder, payable semiannually on September 1 and March 1 in each year and at maturity, beginning September 1, 2016. The Series E Bonds shall mature or come due through mandatory sinking fund redemptions on the dates shown below, subject to change as set forth in this Notice of Sale, in the principal amounts specified by the successful bidder:

Maturity Date*	Principal Amounts	Maturity Date*	Principal Amounts
September 1, 2036	$40,000,000	September 1, 2041	$40,000,000
September 1, 2037	40,000,000	September 1, 2042	40,000,000
September 1, 2038	40,000,000	September 1, 2043	40,000,000
September 1, 2039	40,000,000	September 1, 2044	40,000,000
September 1, 2040	40,000,000	September 1, 2045	40,000,000

The Series E Bonds will be issued as serial bonds or as a combination of serial bonds and term bonds in accordance with the bid submitted by the successful bidder (see "Bidding Parameters" below).

The Series E Bonds will be delivered as registered bonds and issued by means of a book-entry-only system evidencing ownership therein, in principal amounts of $5,000 or integral multiples thereof, and transfer thereof on the

* Preliminary, subject to change.

records of The Depository Trust Company ("DTC") and its participants. The book-entry-only system is more fully described in the Preliminary Official Statement.

Redemption.

Optional Redemption.

The Series E Bonds will be subject to redemption prior to their stated maturity dates on and after September 1, 2025* at the option of the Commonwealth from any monies legally available therefor, in whole or in part at any time, by lot, at 100% of the principal amount thereof, plus accrued interest to the redemption date.

Adjustments to Principal Amount.

Changes Prior to Bidding. The preliminary aggregate principal amount of the Series E Bonds and the preliminary annual principal amounts as set forth in this Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Annual Principal Amounts," respectively; collectively, the "Preliminary Amounts") may be revised before the receipt of electronic bids for the purchase of the Series E Bonds. Any such revisions (the "Revised Aggregate Principal Amount" and the "Revised Annual Principal Amounts," respectively; collectively, the "Revised Amounts") will be ANNOUNCED on TM3 not later than 8:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids BASED ON THE REVISED AMOUNTS.

Changes to the Winning Bid. After selecting the winning bid, the Commonwealth will determine the final aggregate principal amount of the Series E Bonds and each final annual principal amount (the "Final Aggregate Principal Amount" and the "Final Annual Principal Amounts," respectively; collectively, the "Final Amounts"). In determining the Final Amounts, the Commonwealth will not reduce or increase the Revised Aggregate Principal Amount by more than 10% of such amount. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES (AS HEREIN DEFINED) AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS.

The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the aggregate principal amount of the Series E Bonds. Such adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original issue discount/premium, if any, but will not change the selling compensation per $1,000 of par amount of the Series E Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering prices. The interest rate specified by the successful bidder for each maturity as the initial reoffering prices will not change. The Final Amounts and the adjusted bid price will be communicated to the successful bidder by 10:30 a.m. (Boston, Massachusetts time) on the business day following the sale.

Bidding Parameters. Bids must be for all of the Series E Bonds offered and must offer to pay an aggregate price for all maturities of not less than 100% of the aggregate principal amount of the Series E Bonds.

Bids may provide for all the Series E Bonds to be issued as serial bonds only, or may designate consecutive annual principal amounts (bearing interest at the same rate) to be combined into no more than two term bonds. The Series E Bonds will be issued as serial bonds or as serial bonds and term bonds in accordance with the bid submitted by the successful bidder. Series E Bonds issued as term bonds shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year in which maturities have been combined to form such term bond and continuing on September 1 in each year thereafter until the stated maturity date of such term bond.

Bids must state a single fixed interest rate for the Series E Bonds of each maturity. The rate of interest stated for any given maturity shall be in a multiple of one-twentieth or one-eighth of one percent per annum. No maturity

* Preliminary, subject to change. Any change will be announced on TM3 not later than 8:30 a.m. (Boston, Massachusetts time) on ANY ANNOUNCED DATE FOR RECEIPT OF BIDS.

may have an interest rate of more than 5.00%. The highest such interest rate specified for a maturity and the lowest interest rate specified for any other maturity may not differ by more than two percentage points.

Bids may not include any conditions not otherwise expressly provided for herein.

Procedures for Electronic Bidding. A prospective electronic bidder must register electronically to bid for the Series E Bonds via Parity pursuant to this Official Notice of Sale. By submitting its bid for the Series E Bonds, a prospective bidder represents and warrants to the Commonwealth that such bidder's bid for the purchase of the Series E Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Series E Bonds.

Each prospective electronic bidder shall be solely responsible to register to bid via Parity. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access Parity for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. Neither the Commonwealth nor Parity shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the Commonwealth nor Parity shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by Parity. The Commonwealth is using Parity as a communication mechanism, and not as the Commonwealth's agent, to conduct the electronic bidding for the Series E Bonds. The Commonwealth is not bound by any advice and determination of Parity to the effect that any particular bid complies with the terms of this Official Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via Parity are the sole responsibility of the bidders, and the Commonwealth is not responsible, directly or indirectly, for any such costs or expenses. To the extent that any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Series E Bonds, such bidder should telephone Parity's new issues desk at (212) 849-5021 and notify the Commonwealth's financial advisor, Public Resources Advisory Group by facsimile at (212) 566-7816.

Electronic bids must be submitted for the purchase of the Series E Bonds (all or none) via Parity by 10:30 a.m. (Boston, Massachusetts time) on December 1, 2015. Bids submitted after such time will not be deemed received via Parity for the purposes of this bidding process. Bids will be communicated electronically to the Commonwealth at 10:30 a.m. (Boston, Massachusetts time), on December 1, 2015. Prior to that time, an eligible prospective bidder may (i) input the proposed terms of its bid via Parity, (ii) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Series E Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via Parity to the Commonwealth, each bid will constitute an irrevocable offer to purchase the Series E Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on Parity shall constitute the official time. For information purposes only, bidders are requested to state in their bids the true interest cost to the Commonwealth, as described under "Basis of Award" set forth below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Good Faith Deposit. Upon notification from the Commonwealth, the successful bidder shall wire transfer to the State Treasurer an amount equal to 1% of the aggregate principal amount of the Series E Bonds (the "Good Faith Deposit"), in immediately available funds, no later than 2:00 p.m. (Boston, Massachusetts time) on the bid date. The Commonwealth will provide wiring instructions for the Good Faith Deposit to the successful bidder upon verification and award. In the event that the State Treasurer has not received such funds by the time stated, the State Treasurer may revoke acceptance of the bid. No interest on the Good Faith Deposit will accrue to the successful bidder. The Good Faith Deposit will be applied to the purchase price of the Series E Bonds. If the successful bidder fails to honor its accepted bid, the Good Faith Deposit will be retained by the Commonwealth.

Basis of Award. The Series E Bonds will be awarded to the bidder offering to purchase all of the Series E Bonds at the lowest true interest cost (TIC) to the Commonwealth. The TIC (expressed as an annual interest rate) will be determined as being twice that factor or discount rate, compounded semiannually, which, when applied against each semiannual debt service payment (interest, or principal and interest, as due) for the Series E Bonds, will cause the sum

of such discounted semiannual payments to be equal to the total purchase price. The TIC shall be calculated from the expected settlement date of the Series E Bonds (December 7, 2015).

The Commonwealth reserves the right to reject any or all proposals and to waive any irregularity or informality with respect to any proposal. Any award by the State Treasurer to a successful bidder is subject to the approval of the Governor.

Official Statement. The Preliminary Official Statement dated November 19, 2015 and the information contained therein have been deemed final by the Commonwealth as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but are subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement"). The Preliminary Official Statement may be viewed and downloaded from the Commonwealth's website: www.massbondholder.com. In addition, the Preliminary Official Statement will be available via the Electronic Municipal Market Access (EMMA) system established by the Municipal Securities Rulemaking Board at www.emma.msrb.org.

The Commonwealth will make available to the successful bidder, within seven (7) business days of the date of sale but no later than two (2) business days prior to settlement, a reasonable number of copies of the Final Official Statement for delivery (at the expense of the successful bidder or bidders) to each potential investor requesting a copy of the Final Official Statement and to each person to whom such bidder and members of its bidding group initially sell the Series E Bonds, provided that the successful bidder cooperates in providing the information required to complete the Final Official Statement. The successful bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Reoffering Price Certification. On or prior to the date of delivery of the Series E Bonds, the successful bidder shall furnish to the Commonwealth a certificate acceptable to Bond Counsel to the Commonwealth generally to the effect that (i) as of December 1, 2015 (the "Sale Date"), the successful bidder had offered or reasonably expected to offer all of the Series E Bonds to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide public offering at the prices set forth in such certificate, plus accrued interest, if any, (ii) such prices represent fair market prices of the Series E Bonds as of the Sale Date, and (iii) as of the date of such certificate, all of the Series E Bonds have been offered to the general public in a bona fide offering at the prices set forth in such certificate, and at least 10% of each maturity of the Series E Bonds actually has been sold to the general public at such prices. To the extent the certifications described in the preceding sentence are not factually accurate with respect to the reoffering of the Series E Bonds, Bond Counsel should be consulted by the bidder as to alternative certifications that will be suitable to establish the "issue price" of the Series E Bonds for federal tax law purposes. If a municipal bond insurance policy or similar credit enhancement is obtained with respect to the Series E Bonds by the successful bidder, such bidder will also be required to certify as to the net present value savings on the Series E Bonds resulting from payment of insurance premiums or other credit enhancement fees**.**

Continuing Disclosure. To assist bidders in complying with paragraph (b)(5) of Rule 15c2-12, the Commonwealth will undertake in the Series E Bonds to provide annual reports and notices of certain events. A description of this undertaking is set forth in Appendix C of the Preliminary Official Statement and will also be set forth in the Final Official Statement.

Expenses. Each bid will be deemed to be an all-in bid. The successful bidder will be under no obligation to pay the Commonwealth's issuance costs. The Commonwealth will not pay any expenses of the successful bidder in connection with the purchase of the Series E Bonds.

Settlement. The Series E Bonds will be delivered on December 7, 2015, in New York, New York, at DTC against payment of the purchase price therefor (less the amount of the Good Faith Deposit). The successful bidder must make payment of the purchase price of the Series E Bonds by 10:30 a.m. (Boston, Massachusetts time) on December 7, 2015 in immediately available funds in Boston, Massachusetts.

There will also be furnished the usual closing papers, including (a) a certificate signed by the Attorney General of the Commonwealth stating that no litigation of any kind is now pending or, to her knowledge, threatened

seeking to restrain or enjoin the issuance or delivery of the Series E Bonds or the levy or collection of a material portion of the taxes or other revenues of the Commonwealth, or in any manner questioning the proceedings or authority under which the Series E Bonds are issued, or affecting the validity of the Series E Bonds, or contesting in any way the completeness, accuracy or fairness of the Preliminary Official Statement or Final Official Statement or contesting the title to the office of any official signing the Series E Bonds or the Final Official Statement; and (b) a certificate signed by the State Treasurer and the Secretary of Administration and Finance to the effect that, except for the initial offering prices or yields of the Series E Bonds on the inside cover page of the Final Official Statement and any other information concerning the reoffering of the Series E Bonds included therein at the request of the successful bidder and the information in the Preliminary Official Statement and Final Official Statement under the heading "Book-Entry-Only System" and in any Appendix other than Appendices A and B, to the best of their respective knowledge and belief, the Preliminary Official Statement, as of the date of sale of the Series E Bonds, and the Final Official Statement, both as of the date of sale and the date of settlement of the Series E Bonds, did not contain any untrue statement of a material fact and did not omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Legal Opinions. The approving opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, in substantially the form set forth in the Preliminary Official Statement with respect to the Series E Bonds, will be furnished to the successful bidder. The Preliminary Official Statement contains a discussion of the effect of the Internal Revenue Code of 1986, as amended, on the exclusion from gross income of interest on the bonds and a discussion of Bond Counsel's opinion insofar as it concerns such exclusion. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, will also be furnished to the successful bidder to the effect that (i) the information contained in the Preliminary Official Statement and the Final Official Statement under the headings "The Bonds," "Security for the Bonds" and in Appendix B, insofar as such information constitutes summaries of certain provisions of the Series E Bonds and applicable Massachusetts law, presents a fair summary of such provisions and that the statements in the Preliminary Official Statement and the Final Official Statement under the caption "Tax Exemption" and in the summary tax opinion contained on the cover of the Preliminary Official Statement and the Final Official Statement, insofar as such statements purport to summarize certain provisions of the Internal Revenue Code of 1986 or purport to summarize such counsel's opinion regarding the Series E Bonds, are correct in all material respects, and (ii) in the course of such counsel's participation in the preparation of the Preliminary Official Statement and the Final Official Statement, no facts came to such counsel's attention that have caused it to conclude that the Preliminary Official Statement, as of its date, or the Final Official Statement, as of the date of sale or the date of settlement of the Series E Bonds (except for the financial and statistical data included therein, the initial offering prices or yields of the Bonds on the inside cover page of the Final Official Statement, any other information concerning the reoffering of the Series E Bonds included therein at the request of the successful bidder and the stabilization clause, if any, and the information in the Preliminary Official Statement and the Final Official Statement under the headings "Book-Entry-Only System," "Ratings" and "Competitive Sale of Bonds" and in any other document specifically referenced therein, including any Appendix other than Appendix B, as to which no opinion need be expressed) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. An opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Disclosure Counsel, will also be furnished to the successful bidder to the effect that in the course of such counsel's participation in the preparation of the Commonwealth Information Statement (as defined in the Preliminary Official Statement), and as it may have been further supplemented as of the date of sale of the Series E Bonds, no facts came to such counsel's attention that have caused it to conclude that the Commonwealth Information Statement as of November 13, 2015, or, as it may have been supplemented as of the date of sale of the Series E Bonds, as of said date of sale or as of the date of settlement of the Series E Bonds (except for the financial and statistical data included therein and the information contained in the Exhibits thereto, as to which no opinion need be expressed), contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

CUSIP Numbers. CUSIP numbers will be applied for by the successful bidder with respect to the Series E Bonds, and the Commonwealth will assume no obligation for the assignment or printing of such numbers on the Series E Bonds or for the correctness of such numbers. Neither failure to print such numbers on any Series E Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and make payment for the Series E Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP numbers on the Series E Bonds shall be the responsibility of and shall be paid for by the successful bidder.

Right to Modify or Amend Notice of Sale. The Commonwealth reserves the right to modify or amend this Official Notice of Sale prior to the bid date. If any modifications occur, supplemental information with respect to the Series E Bonds will be communicated by posting on TM3 not later than 8:30 a.m. (Boston, Massachusetts time) on any announced date for receipt of bids, and bidders shall bid upon the Series E Bonds based upon the terms thereof set forth in this Official Notice of Sale, as so modified by such supplemental information.

Change of Bid Date or Time. The Commonwealth reserves the right to change the date and/or time established for the receipt of bids. Any such change will be announced by posting on TM3 no later than 8:30 a.m. (Boston, Massachusetts time) on the announced bid date. If any date and/or time fixed for the receipt of bids and the sale of the Series E Bonds is changed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the Series E Bonds in conformity in all respects with the provision of this Official Notice of Sale, except for the date and/or time of sale and except for any changes announced by posting on TM3 at the time the sale date and/or time are announced.

Minority/Women Business Enterprises. It is the policy of the Commonwealth that appropriate consideration be given to firms who (a) are minority business enterprises and women's business enterprises and (b) have significant local ownership or presence. The State Treasurer requests and strongly urges bidders to make a good-faith effort to meet this goal by including such firms in their management group or syndicate and/or in the provision of legal services or other advisory services.

Additional Information. Further information concerning the Commonwealth and the Series E Bonds is contained in the Preliminary Official Statement dated November 19, 2015, to which prospective bidders are directed, and to which this Official Notice of Sale is attached. The Preliminary Official Statement is provided for informational purposes only and is not a part of this Official Notice of Sale. Copies of the Preliminary Official Statement and this Official Notice of Sale may be viewed and downloaded at the Commonwealth's website: www.massbondholder.com and at the EMMA website, www.emma.msrb.org. Additional information may be obtained from Susan E. Perez, Assistant Treasurer, Office of the Treasurer and Receiver-General (617-367-3900, ext. 816).

The Commonwealth of Massachusetts

/s/ Deborah B. Goldberg
Treasurer and Receiver-General