

# Commonwealth of Massachusetts

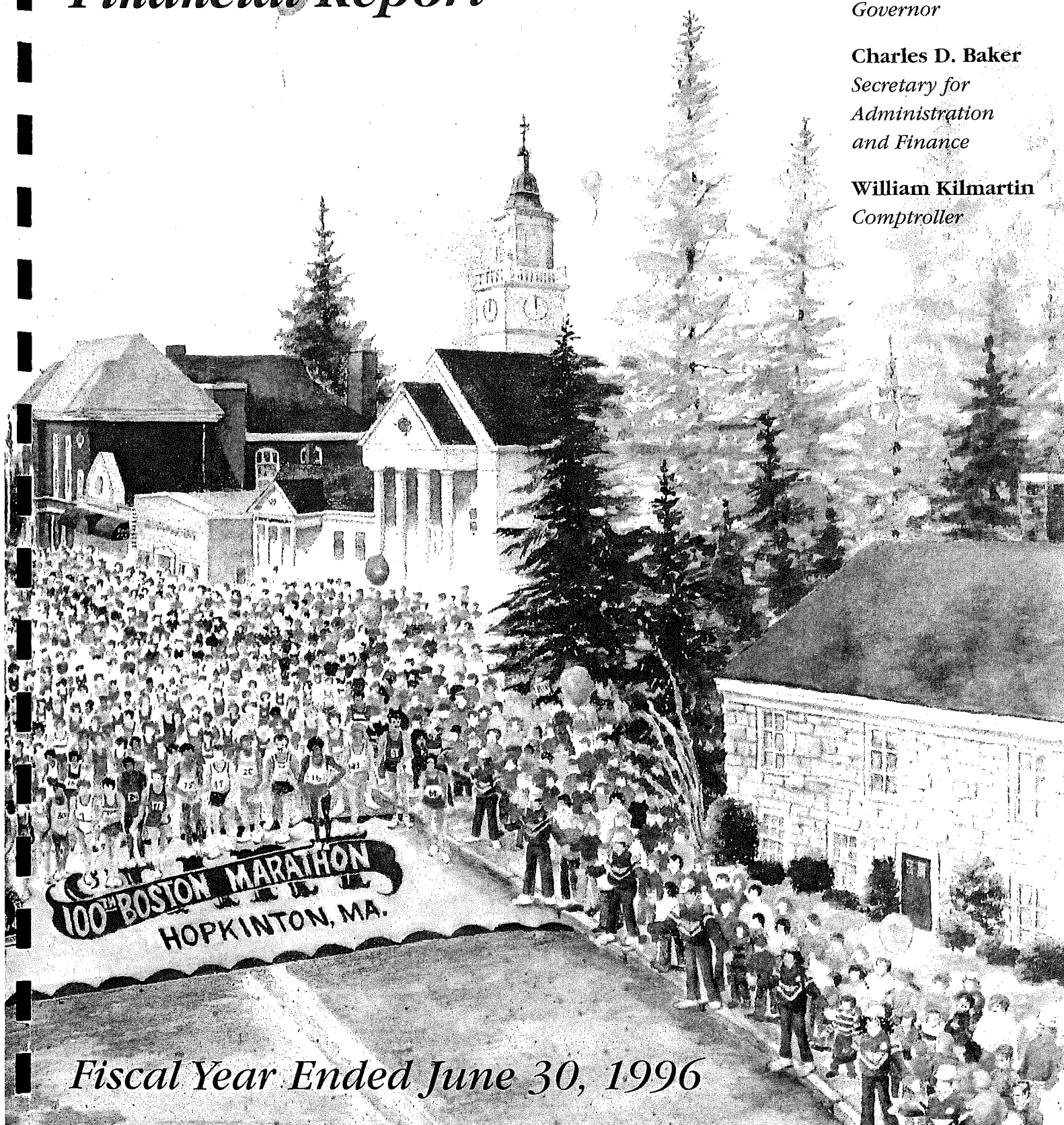
## *Comprehensive Annual Financial Report*

**William F. Weld**  
*Governor*

**Argeo Paul Cellucci**  
*Lieutenant  
Governor*

**Charles D. Baker**  
*Secretary for  
Administration  
and Finance*

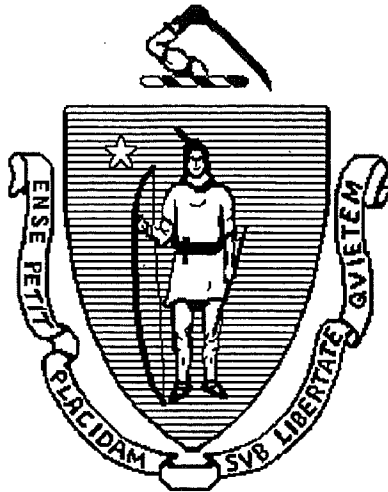
**William Kilmartin**  
*Comptroller*



*Fiscal Year Ended June 30, 1996*



# Commonwealth of Massachusetts



## Comprehensive Annual Financial Report

*For the Fiscal Year Ended June 30, 1996*

William Kilmartin, *CGFM*  
*State Comptroller*

Prepared by  
*The Financial Reporting and Analysis Bureau*  
*Office of the State Comptroller*

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<http://www.state.ma.us/osc/osc.htm>

Front and back cover artwork:  
*Starting line of the 100th running of the Boston marathon.*

Watercolor by:  
*Nancy C. Bailey*

Courtesy of:  
*The Hopkinton Athletic Association*

# Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 1996

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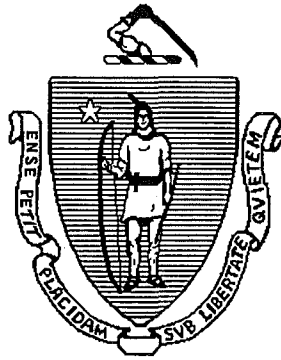
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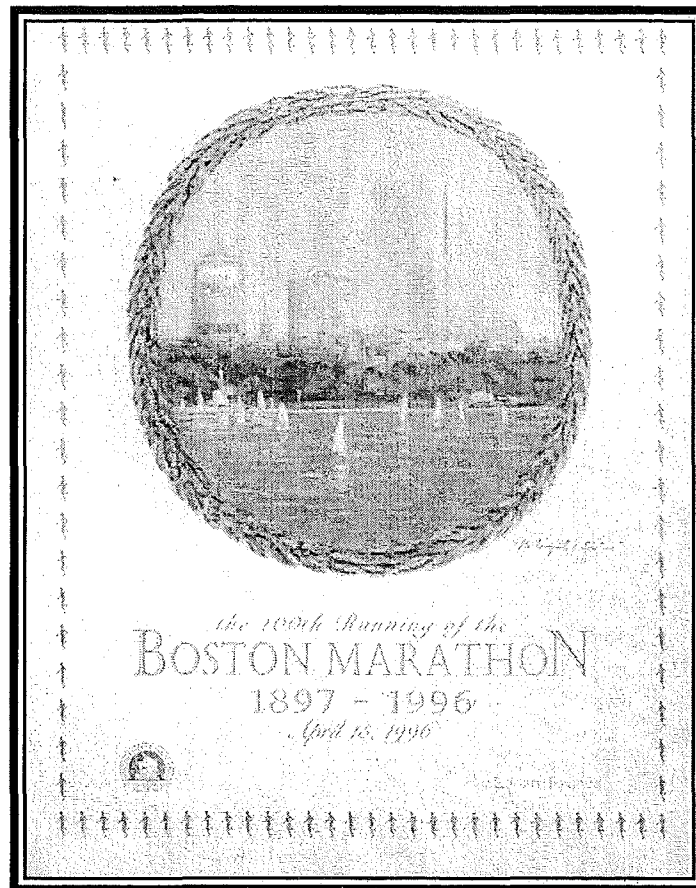
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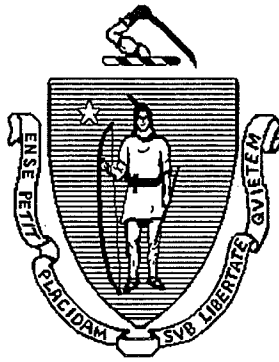
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# ***Introductory Section***



***Comptroller's Letter of Transmittal  
List of Principal State Officials  
Organization of State Government  
Acknowledgments  
Certificate of Achievement***



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December 20, 1996

***To the Citizens of the Commonwealth of Massachusetts,  
Governor William F. Weld, and Honorable Members of the General Court:***

It is with great pleasure that I transmit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1996 (FY96). The cover and artwork in this document celebrate the 100 year anniversary running of the Boston Marathon. While this is only the 11th time we have reported the Commonwealth's Financial results in accordance with generally accepted accounting principles (GAAP), I am pleased to report that the financial condition of the Commonwealth is excellent. For the sixth consecutive year revenues have exceeded expenditures by a significant amount. It was not long ago, in FY90, that the Commonwealth reported in the Budgeted Funds a historic GAAP deficit balance of \$1.9 billion. We now report a positive GAAP balance in these funds of \$709.2 million. Six years of prudent fiscal management, characterized by structurally balanced budgets, combined with a favorable economy, have caused this turnaround. The Commonwealth's strategic reserve, called the Stabilization Fund, is now funded to its statutory maximum of \$543.3 million. The additional amount of \$231.7 million has been reserved for income tax reduction in FY97 and the future. In FY90 and FY91, the Commonwealth resorted to over \$1.8 billion in deficit borrowing. In FY97 each individual taxpayer will receive a tax reduction of approximately \$43, and the deficit borrowing will be completely repaid in early FY98. The ongoing challenge to state policy makers is to sustain this excellent financial condition.

The Office of the Comptroller is responsible for the fair presentation of the financial statements of the Commonwealth and for the preparation of this Comprehensive Annual Financial Report which is presented in three sections: Introductory, Financial, and Statistical. The three sections of the CAFR, as detailed in the table of contents, include the information necessary for the reader to obtain a comprehensive understanding of the Commonwealth's financial position and the results of its operations for FY96.

The CAFR is prepared in accordance with GAAP as established by the Governmental Accounting Standards Board (GASB), the professional standards of the American Institute of Certified Public Accountants (AICPA), the recommendations of the Government Finance Officers Association (GFOA), and the requirements of state finance law.

In FY96 the Commonwealth implemented three new GASB statements. One of these statements, while effective for FY96, did not materially change the CAFR presentation. This statement is:

- Statement No. 24 Accounting and Reporting for Certain Grants and Other Financial Assistance.

However, two GASB statements engendered a material change on the FY96 CAFR as follows:

- Statement No. 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosure for Defined Contribution Plans; and
- Statement No. 27 Accounting for Pensions by State and Local Governmental Employers.

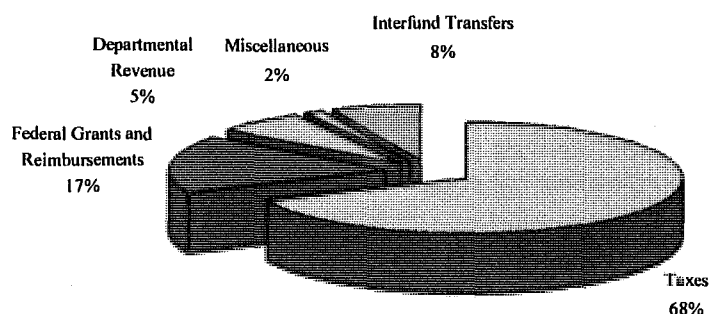
The financial statements and note disclosures which follow have been changed to conform to the new GAAP requirements. The measurement focus of the new GAAP is to determine if current contributions do or do not satisfy the requirements of a rational and systematic actuarial funding plan. As the reader will see, the Commonwealth met this test in FY96. Under the prior GAAP, the Commonwealth's actuarial funding plan which extends over 40 years, did not meet the standard which was 25 years, so that amounts were accrued and reported in the General Long-Term Debt Account Group and the Commonwealth reported an unfunded pension liability. Under the new GAAP these amounts are removed. The accounting change does not mean the Commonwealth can forego its pension funding plan which has been implemented since its creation in FY88. Simply stated, the accounting principles now focus on the faithful annual adherence to such plan.

## BUDGETED FUNDS OPERATIONS

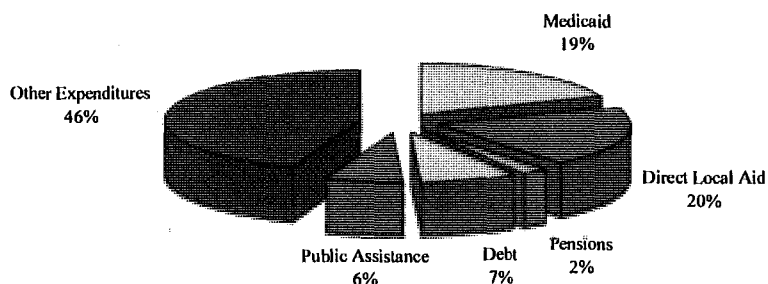
The portion of state finances that typically engenders the highest degree of interest is the Budgeted Funds. These include the General, Local Aid, Highway, and Other Special Revenue Funds which comprise the annual state budget.

In FY96, revenues and other financing sources totaled \$17,524.6 million. The chart below shows the percentage of revenue by type contributing to that total. Budgeted Funds expenditures and other financing uses totaled \$17,102.8 million in FY96. The chart below depicts the percentage of each major program in this total.

**BUDGETED FUNDS - GAAP BASIS**  
Revenue and Other Financing Sources



**BUDGETED FUNDS - GAAP BASIS**  
Expenditures and Other Financing Uses



**Budgeted Funds Operations - GAAP Basis**  
(Amounts in millions)

	FY92	FY93 <sup>(1)</sup>	FY94	FY95	FY96
Beginning fund balances (deficits).....	\$ (761.2)	\$ (317.4)	\$ (184.1)	\$ (72.0)	\$ 287.4
Equity transfer .....	-	-	-	91.0	-
Restated beginning balances (deficits).....	(761.2)	(317.4)	(184.1)	19.0	287.4
Revenues and other financing sources.....	14,129.7	15,181.0	15,804.9	16,517.5	17,524.6
Expenditures and other financing uses.....	13,765.9	15,047.7	15,692.8	16,249.1	17,102.8
Excess.....	363.8	133.3	112.1	268.4	421.8
Ending fund balances (deficits).....	<u>\$ (397.4)</u>	<u>\$ (184.1)</u>	<u>\$ (72.0)</u>	<u>\$ 287.4</u>	<u>\$ 709.2</u>

(1) As restated to reflect discrete presentation of the University and College Fund.

**Budgeted Funds Operations - Statutory Basis**  
(Amounts in millions)

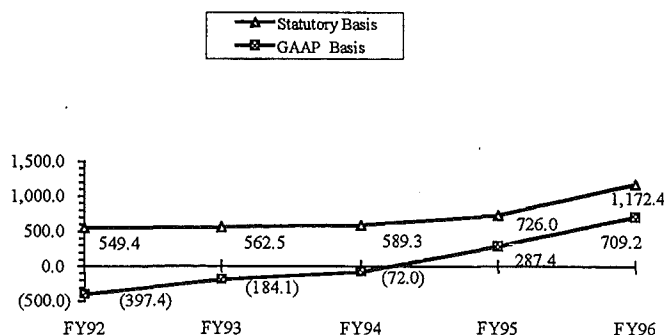
	FY92	FY93	FY94	FY95	FY96
Beginning fund balances.....	\$ 237.1	\$ 549.4	\$ 562.5	\$ 589.3	\$ 726.0
Revenues and other financing sources.....	14,226.1	15,205.7	15,979.2	16,930.8	18,371.3
Expenditures and other financing uses.....	13,913.8	15,192.6	15,952.4	16,794.1	17,924.9
Excess.....	312.3	13.1	26.8	136.7	446.4
Ending fund balances.....	<u>\$ 549.4</u>	<u>\$ 562.5</u>	<u>\$ 589.3</u>	<u>\$ 726.0</u>	<u>\$ 1,172.4</u>

The tables above set forth a multi-fiscal year view of financial performance for the Budgeted Funds under GAAP, and also provide a comparison to the same funds as accounted and reported under the statutory basis of accounting.

On the statutory basis of accounting, which is used to develop the Commonwealth's budget and control its daily activities, the Budgeted Funds have achieved positive ending fund balances for each of the years, increasing this fund balance from \$549.4 million to \$1,172.4 million for a cumulative improvement of \$623.0 million.

Over the same period on a GAAP basis, operating gains have improved fund balance from a deficit \$397.4 million to a positive \$709.2 million, with cumulative improvement of \$1,106.6 million. Simply stated, the widely acknowledged efforts to accomplish fiscal balance on a statutory basis are even more impressive when viewed on a GAAP basis.

**Trends in Fund Balance**  
(Amounts in millions)



The basic principle of GAAP is to match inflows pertaining to the fiscal year to outflows for the same period in order to demonstrate if the objective of interperiod equity has been accomplished. A modified accrual basis of accounting is employed to recognize certain assets and liabilities. Accomplishment of interperiod equity is denoted by an increase in fund balance, and the failure to accomplish that goal is denoted by a decrease in fund balance. The effect of fund deficits shifts the burden of funding expenditures incurred in prior years to taxpayers in future years. The Commonwealth has provided not only revenues to match expenditures in the current year, but also excess revenues to "catch up" on prior year deficits.

There are five major items that account for almost all the difference between the statutory basis reporting and GAAP: Medicaid, subsidies to authorities, compensated absences, claims and judgments, and tax revenues.

For the Medicaid program, expenditures under the statutory basis of accounting are equivalent to cash disbursements. Thus bills for services rendered in the fiscal year but not paid, or rate adjustments owed but not paid, are not measured in that year, but "pushed" into the next fiscal year. Under GAAP, such items are accrued, so that all expenditures are consistently correlated to the fiscal year to which they pertain. The Medicaid expenditures measured on a GAAP basis for FY96 were \$3,241.1 million, which is 0.3% lower than FY95. This very small decrease is noteworthy, since total budgeted expenditures increased 3.9% from FY95 to FY96. It is apparent that initiatives implemented by the Division of Medical Assistance are constraining Medicaid growth to amounts less than the total budget, thus helping to balance the overall budget.

A second item is the amount the Commonwealth will owe for subsidies to the Massachusetts Bay Transportation Authority (MBTA), the Regional Transit Authorities (RTAs), and the Massachusetts Convention Center Authority. Through various laws the Commonwealth has obligated itself to provide subsidies to these component units for operations and debt service.

However, the annual budget is appropriated on a basis which "lags" behind the total amount of the subsidy. Under GAAP, this amount is accrued, so that the total obligation is measured. For many years the amount for the "not yet appropriated" subsidy was growing at rates higher than the total budget. However, in recent years this trend has reversed, and in FY96 the amount accrued for MBTA subsidy obligations not yet appropriated decreased from FY95 by \$71.0 million. A special commission, chaired by the Secretary of Administration and Finance and with 12 entities represented, has been formed to study and make recommendations to the Legislature on matters relating to the MBTA subsidy.

The third item is compensated absences. Under GAAP, the amounts owed for vacation earned but not yet taken and certain amounts of sick leave are accrued and reported as expenditures of the fiscal year. The trend for compensated absences has been relatively consistent.

The fourth item is claims and judgments. Under the statutory basis, amounts owed in lawsuits for torts, tax disputes, eminent domain land taking, or other legal actions are not measured as expenditures until the lawsuit is decided and the settlement is actually paid. Under the GAAP basis, an analysis is performed on all litigation, and an amount is accrued for that portion of litigation where a settlement against the Commonwealth is considered probable. With efforts by the Office of the Attorney General to resolve litigation in a successful and timely manner, the amount of this accrual has been gradually decreasing.

The fifth item that explains the difference between statutory and GAAP relates to tax revenue. For several reasons, as an example the extension of an income tax return, a taxpayer's obligation incurred in a fiscal year might not be fully collected until the ensuing fiscal year. Under GAAP, a special analysis is conducted in conjunction with the Department of Revenue (DOR), and an accrual for revenue is computed. The value of accrued revenue was \$371.8 million in FY96.

## GOVERNMENTAL FUND OPERATIONS

The Government Fund Type includes all funds where the Commonwealth imposes its sovereign authority to create revenues and authorize expenditures. This includes all Budgeted Funds as previously described (General and several Special Revenue Funds), all other (non-budgeted) Special Revenue Funds, and the Capital Project Funds. When viewed as a whole, these funds portray the Commonwealth's comprehensive governmental financial

activity. The five year trend of operations, on a GAAP basis, is summarized in the following table.

Within the Capital Projects Funds component of the Governmental total, the Commonwealth issued approximately \$200 million more in project financing in early FY97 instead of late FY96. Had such capital project financing been issued in FY96, the Governmental Funds positive fund balance would have increased by an equivalent amount.

### Governmental Fund Operations (Amounts in millions)

	FY92	FY93 <sup>(1)</sup>	FY94	FY95	FY96
Beginning fund deficits.....	\$ (764.3)	\$ (416.8)	\$ (478.3)	\$ (273.7)	\$ (16.3)
Equity transfer .....	-	-	-	15.5	-
Restated beginning balance.....	(764.3)	(416.8)	(478.3)	(258.2)	(16.3)
Revenues and other financing sources.....	20,795.5	22,380.3	23,226.0	24,216.4	25,102.3
Expenditures and other financing uses.....	20,278.9	22,441.8	23,021.4	23,974.5	24,441.4
Excess (deficiency).....	516.6	(61.5)	204.6	241.9	660.9
Ending fund balances (deficits).....	<u>\$ (247.7)</u>	<u>\$ (478.3)</u>	<u>\$ (273.7)</u>	<u>\$ (16.3)</u>	<u>\$ 644.6</u>

(1) As restated to reflect discrete presentation of the University and College Fund.

## INTERNAL SERVICE FUNDS

In FY95, consistent with adoption of GASB statement No. 10 "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", the Commonwealth established for GAAP reporting purposes three Internal Service Funds. These funds account for the operations of the State Employees Workers' Compensation Program, a special workers compensation program for the Central Artery/Third Harbor Tunnel Project, and for the health insurance programs administered by the Group Insurance Commission. These funds have not been created and are not reported on the statutory basis of accounting. The adjusting accounting entities to report these "GAAP only" Funds represent another difference from the statutory basis.

The Commonwealth self-insures for the State Employees Workers' Compensation Program. This program was administered by the Public Employee Retirement Administration (PERA) through FY96. Inflows to the program are amounts charged to state departments;

outflows are expenses for claims and settlements, and accrued expenses for claims which will be paid in the future. The traditional policy has been to set chargebacks equivalent to claims paid, typically referred to as a "pay as you go" approach. As a result, an unfunded liability of \$249.7 million has accumulated. The Commonwealth should consider a plan to increase annual chargebacks, thus eventually funding such liability.

In regard to the Central Artery/Tunnel Project, the State Executive Office of Transportation and Construction, with the approval of the U.S. Department of Transportation, has created a special workers compensation program to cover all participants (including employees of contractors) on the project. In this arrangement, annual premiums and investment earnings are accumulated by the insurance carrier to fund current and future claims. This approach is expected to diminish this potentially expensive component of the large, multi-year construction project. With three years experience, it is evident that amounts contributed to the program significantly exceed the expectations of current and future benefits. With this situation (the opposite of

the State Employees Workers' Compensation Program), the Executive Office of Transportation and Construction should consider a plan to decrease annual premiums, and thus lower the accumulated balance, on a go-forward basis. The respective contributions of both state and federal governments must be considered in any change to this program.

The Group Insurance Commission manages the health insurance program for state employees, retirees, and their beneficiaries. Inflows to the program are amounts

contributed by individuals, participant organizations, or by the Commonwealth; and outflows are expenses for claims, plus an amount of accrued expenses for claims incurred but not reported. The accumulated balance, while a small deficit, is not material to the size of the program, suggesting that symmetry of inflows to outflows is reasonable and change is not warranted.

The operations of the Internal Service Funds is depicted on the following chart.

### Internal Service Fund Operations (Amounts in millions)

	Beginning Retained Earnings	Premiums Less Claims and Judgements	Other Revenues (Changes)	Ending Retained Earnings
Employees Workers Compensation.....	\$ (270.8)	\$ -	\$ 21.1	\$ (249.7)
Central Artery Workers Compensation.....	97.4	19.7	12.7	129.8
Employees Group Health Insurance.....	(50.0)	0.2	18.7	(31.1)
Total.....	<u>\$ (223.4)</u>	<u>\$ 19.9</u>	<u>\$ 52.5</u>	<u>\$ (151.0)</u>

## FIDUCIARY FUND OPERATIONS

The Fiduciary Fund Type reports funds where the Commonwealth is acting as an agent or steward for funds which relate to another party. The Fiduciary Fund Type includes the Expendable Trust, Nonexpendable Trust, Pension Trust, and Agency Funds.

The Nonexpendable Trusts account for assets held with restrictions and the Agency funds account for assets managed temporarily on behalf of other parties. The amount of such assets managed by the Commonwealth increased by \$674.3 million during FY96 to \$6.2 billion.

The Expendable Trusts ended FY96 with a fund balance of \$1.2 billion composed of a balance of \$112.7 million in Expendable Trusts and \$1,043.0 million in the Unemployment Compensation Trust Fund.

The Commonwealth is responsible for the payment of pension benefits to its employees and to the teachers of the cities, towns, and regional school districts. It

manages the operations of both the State Employees Retirement System (SERS) and Teachers Retirement System (TRS), and reports the results of operations and net assets available to fund pension benefit as Pension Trust funds. Pursuant to the pension reform law, effective in FY88, the Commonwealth is funding its pension liabilities on a 40-year schedule. It is the responsibility of the Public Employee Retirement Administration (PERA) to complete actuarial updates for the funding schedule. In FY97, PERA was reorganized in statute to the Public Employee Retirement Administration Commission (PERAC), but retains the responsibility for actuarial updates. Also in FY97, the investment vehicles for all pension funds (state employee and employer amounts, and teacher employee and employer amounts) were unified into a single investment entity, under the management of the Pension Reserve Investment Management Board (PRIM). The actuarial report for SERS, TRS, and for the State-Boston Retirement System was published by PERA as of January 1, 1996.



The Commonwealth adopted the provisions of GASB statement Nos. 25 and 27 in FY96 which changed the measurement focus of funding progress. The following table presents the funding progress (amounts in millions) applied under the prior standards while the funding progress under the new standards are disclosed in footnote 10.

	FY92	FY93	FY94	FY95	FY96
Unfunded Actuarial Liability.....	\$ 7,815	\$ 8,892	\$ 8,469	\$ 7,301	\$ 6,722
Funded Ratio.....	55.7%	54.3%	59.0%	62.8%	69.7%

The following table presents a five-year trend analysis of the Pension Trust Funds operations:

### Pension Trust Funds Operations

(Amounts in millions)

	FY92	FY93	FY94	FY95	FY96
Beginning fund balances.....	\$ 8,373.0	\$ 9,648.6	\$ 11,121.1	\$ 11,563.1	\$ 13,483.2
Revenues.....	2,104.1	2,374.2	1,376.3	2,902.1	3,560.6
Expenses.....	828.5	901.7	934.3	982.0	1,087.6
Excess.....	1,275.6	1,472.5	442.0	1,920.1	2,473.0
Ending fund balances.....	\$ 9,648.6	\$ 11,121.1	\$ 11,563.1	\$ 13,483.2	\$ 15,956.2

### UNIVERSITY AND COLLEGE FUND TYPE

Since FY93 the CAFR has presented the University and College system in accordance with the AICPA Industry Audit Guide, "Audits of Colleges and Universities." This presentation combines financial activity from all fund types for:

- the University of Massachusetts, including its campuses at Amherst, Boston, Dartmouth, Lowell, Worcester Medical School, and the Teaching Hospital, Group Practice and Building Authorities,

- the State College system of nine state colleges, which provide four-year post-secondary education, and the State College Building Authority, and
- the Community College system of fifteen community colleges which provide two-year post-secondary education programs.

The University and College Fund Type reports a positive GAAP fund balance. Approximately \$2.2 billion of this fund balance is restricted or designated in plant funds, endowment funds, or other purposes.

### University and College Fund Type Operations

(Amounts in millions)

	FY93	FY94	FY95	FY96
Beginning fund balances.....	\$ 1,991.6	\$ 2,010.4	\$ 2,034.9	\$ 2,091.2
Revenues and other additions.....	1,329.2	1,449.5	1,536.7	1,740.1
Expenditures and other deductions.....	1,881.3	2,006.4	2,082.0	2,187.2
Net transfers, including state appropriations.....	570.9	581.4	601.6	636.2
Net increase.....	18.8	24.5	56.3	189.1
Ending fund balances.....	\$ 2,010.4	\$ 2,034.9	\$ 2,091.2	\$ 2,280.3

In FY96, nine of these entities are commended for producing stand alone audited financial reports. This list includes Holyoke Community College, Massasoit Community College, Springfield Technical Community College, Bridgewater State College, the Massachusetts College of Art, Framingham State College, Worcester State College, the State College Building Authority, and all campuses and component units of the University of Massachusetts. Each of these schools has demonstrated accountability to its trustees, the Governor and Legislature, and to all concerned parties with audited financial statements prepared in accordance with GAAP. For several years both the Comptroller's Office and the Board of Education (previously the Higher Educational Coordinating Council) have encouraged all schools as a

matter of policy to commit the requisite resources and effort to produce stand alone audited financial statements. The University of Massachusetts is an excellent example of the successful implementation of this policy, as it reported very favorable financial performance in FY96. In the FY97 appropriation act the Legislature authorized the institutions of higher education to create component units, called Foundations, to assist in fund raising for public education. As part of this authorization, the legislation requires each foundation to produce audited financial statements. It would be reasonable to extend the statutory requirement for stand-alone financial statement audits in conformity with GAAP beyond the Foundations to the respective institutions.

## COMPONENT UNITS

The Commonwealth's relationship to the independent public authorities, reported as Component Units, is based on statute and contracts between the Commonwealth and these entities.

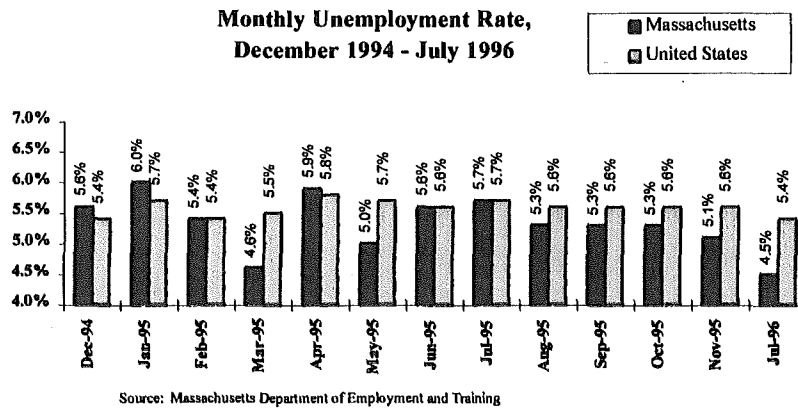
### Component Units Operations

(Amounts in millions)

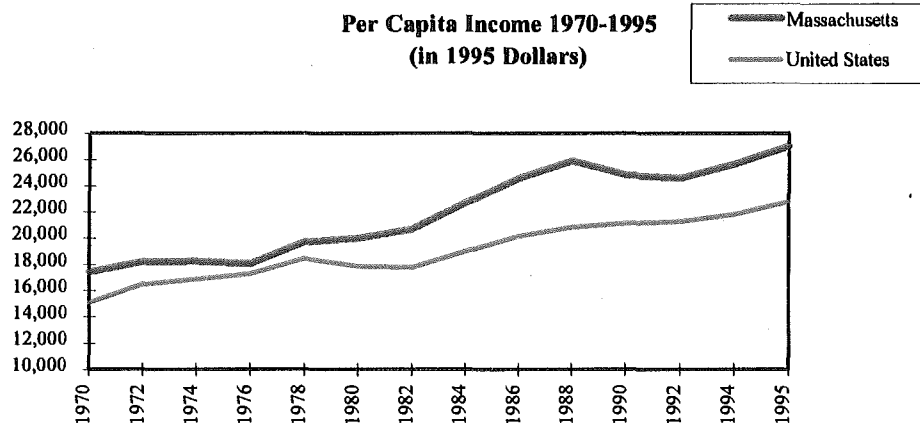
	Beginning Retained Earnings	Operating Gain/ (Loss)	Subsidy	Other Changes	Ending Retained Earnings
Massachusetts Bay Transportation Authority.....	\$ (212)	\$ (495)	\$ 564	\$ (61)	\$ (204)
Massachusetts Turnpike Authority.....	346	2	-	9	357
Regional Transit Authorities.....	2	(79)	57	22	2
Massachusetts Water Pollution Abatement Trust.....	17	(6)	3	16	30
Massachusetts Convention Center Authority.....	(2)	(12)	18	(4)	-
Bay State Skills Corporation.....	1	(12)	5	7	1
Government Land Bank.....	28	(7)	6	4	31
Massachusetts Community Development Finance Agency.....	1	-	1	-	2
Massachusetts Technology Park Corporation.....	20	(2)	1	-	19
Community Economic Development Assistance Corporation.....	35	2	-	2	39
Massachusetts Corporation for Educational Telecommunication.....	4	(8)	5	3	4
Massachusetts Industrial Service Program.....	20	(33)	1	19	7
Massachusetts Housing Partnership.....	15	2	1	(4)	14
Massachusetts Zoological Corporation.....	-	(3)	3	-	-
Massachusetts International Trade Council.....	-	(1)	1	-	-
Total.....	<u>\$ 275</u>	<u>\$ (652)</u>	<u>\$ 666</u>	<u>\$ 13</u>	<u>\$ 302</u>

## ECONOMIC AND FINANCIAL PROSPECTS

Massachusetts employment grew 2.2% in 1994 and 0.9% in 1995. The Massachusetts unemployment rate, currently at 4.5%, remains below the national rate of 5.4%.



Commonwealth per capita income continues to outpace the nation as shown below.



The Commonwealth of Massachusetts, with an international reputation for medical, cultural, historical, and educational institutions, is 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.

Massachusetts' infrastructure provides strong support for this knowledge-based economy. There are over 120 colleges and universities located in Massachusetts, and 27.2% of the residents over age 25 have earned bachelor's degrees, compared to 20.3% for the United States as a whole.

Our capital, Boston, has 25 hospitals and three medical schools. Tourism is a significant component of the economy. The Massachusetts Office of Travel and Tourism estimates that over 28.0 million visitors spent over \$9.2 billion in the Commonwealth in 1994. The Commonwealth ranked twelfth among states in exports with \$15.1 billion in 1995.

A continued low rate of inflation is expected to keep wage growth low and allow for slow-paced positive growth in the Massachusetts economy.

The Commonwealth's FY97 budget forecast is consistent with the economic trends presented above. Budgeted revenues and other sources, as estimated by the Executive Office for Administration and Finance, are currently projected at approximately \$17.2 billion. The estimate assumes tax revenues to be approximately \$12.1 billion, or 0.6% above FY96 actual collections.

The Commonwealth's total budgeted expenditures and other uses in FY97 are projected at \$17.7 billion. This estimate assumes the spending in the Commonwealth's seven major programs (Local Aid, Medicaid, Employee Health Insurance, Public Assistance, Debt Service, Pensions and Subsidies to Transit Authorities), which comprise over 88.4% of budgetary spending, will increase by 4.3% over FY96.

The FY97 opening fund balance on a statutory basis is \$1,172.4 million. If the FY97 forecast is realized, the ending fund balance will be approximately \$704.7 million. It is noteworthy that, of the \$704.7 million, approximately \$543.3 million is projected to be reserved in the Commonwealth's Stabilization Fund. In this forecast, the Commonwealth has continued a conservative approach. As in past years, ending fund balances may be higher due to this conservative approach to forecasting.

The Administration will soon be engaged in an extensive mid-year review of this estimate. The Governor will release his recommended budget for FY98 in late January, at which time the FY97 forecast may be revised.

## **SIGNIFICANT ACCOMPLISHMENTS**

In FY96, there were a number of significant public policy accomplishments and, on a more operational level, improvements that demonstrate accountability and financial management.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 1995. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This is the sixth consecutive year that the Commonwealth has received this award.

The non-tax revenue optimization campaign was very successful in FY96. With special authorization in the

budget, a task force was comprised of key persons from the Executive Office for Administration and Finance, the Budget Bureau, the Information Technology Division, and the Comptroller's Office. The task force provided leadership and sponsored projects by which outside experts were engaged on a contingent fee basis, and departments optimized various sources of non-tax revenue (such as federal reimbursement) by over \$50 million. After payments to the consultants, and with the participating departments retaining \$5 million in performance incentive funding, the net profit to the General Fund was \$42 million. The initiative is dedicated to optimizing all collection potential within the framework of existing fee structure and program authorizations. The non-tax revenue optimization campaign will continue in FY97.

A large number of projects to enhance or re-engineer business processes with new technology have been performed. Such projects relate to an array of Commonwealth activities, including automation of welfare eligibility determination, management of cases in the legal system, creating a new statewide client server infrastructure, and significant changes to the Commonwealth's administrative and fiscal systems.

Examples of projects from the domain of financial accounting include: major streamlining of the Commonwealth's cash deposit and non-tax revenue systems; automation of the previously manual functions to exchange cash with the federal government; re-engineering the Commonwealth disbursement practices to the model of electronic commerce, including electronic data interchange, electronic funds transfer, and electronic benefits transfer; and creating a data warehouse to make the wealth of data emanating from transaction processing systems accessible and available to knowledge workers via query systems controlled by desktop computers.

Under the leadership of the Information Technology Division, several departments across the branches of government are collaborating in joint ventures to leverage resources in these projects. This approach is yielding significant results both in terms of shared functionality and interoperable systems, and increased purchasing power through joint procurements. Exciting partnerships with internal Commonwealth departments and private sector business partners have developed. Several of these projects have received national recognition and awards.

In early FY97 the Governor and Legislature enacted a second Information Technology Capital Outlay. This

The Massachusetts Turnpike Authority (MTA) is included in the reporting entity and the above table for the first time in FY96, due to a change in the financial relationship. This changed status engendered significant work at the MTA to produce GAAP financial statements, and they are commended for this successful accomplishment. In contrast, the Massachusetts Zoological Corporation, while not material to the Commonwealth as a whole, is an area of concern since they failed to produce GAAP statements for the second consecutive year.

## **INDEPENDENT AUDIT**

The firm of Deloitte & Touche LLP, together with subcontractors Daniel Dennis & Company, Margaret Carr, CPA and Susan Perna-Damon, CPA, and assisted by the Office of the State Auditor, have performed an independent audit of the Commonwealth's general purpose financial statements for the fiscal year ended June 30, 1996. We express our thanks to the staff of the respective firms for their professionalism, advice and counsel. FY96 marks the eleventh consecutive year that the financial statements have been reported upon by independent auditors. Their report is presented in the Financial Section.

## **INTERNAL CONTROL ENVIRONMENT**

Massachusetts law, Chapter 647 of the Acts of 1989, places authority and responsibility for internal controls with the head of each executive department, constitutional office, and branch of government. The Office of the Comptroller issues internal control guidelines and the Office of the State Auditor may investigate departments with risk of internal control weaknesses. These two offices have continued to deliver joint training sessions for department managers regarding their responsibility for internal control in the Commonwealth's highly computerized environment.

Absolute internal control assurance is prohibitively expensive. Using risk assessment criteria set forth in the guidelines and stressed in the training, the objectives of the Commonwealth's internal control structure are to provide management and the public with reasonable assurance that internal control systems do not have material weaknesses. The reader is referred to the separately published Commonwealth Single Audit Reports for additional information on internal controls.

## **REPORTING ENTITY**

The financial statements incorporate the fiscal activities of 148 departments, agencies, boards, commissions, institutions of higher education, the judicial and legislative branches of government, and constitutional offices. These departments record their daily financial operations in the state accounting system called the Massachusetts Management Accounting and Reporting System (MMARS), operated by the Office of the Comptroller.

In addition, the financial statements include independent public authorities, and the State Employees' and Teachers' Retirement Systems. These component units meet the GAAP criteria for inclusion in the reporting entity, which are further described in Note 1 to the general purpose financial statements.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

MMARS is the computerized, statewide accounting system used by all departments to control and account for their financial activity under the statutory basis of accounting. The financial operations of the authorities and certain non-appropriated higher education funds are accounted for through their own independent accounting systems.

MMARS is designed to satisfy all requirements of the Commonwealth's statutory basis of accounting and financial reporting. Any additional information needed to prepare financial statements according to GAAP is provided through a combination of MMARS system-generated data, information compiled by departments, and the submission of audited financial statements from certain independent authorities.

Note 2 to the general purpose financial statements provides a reconciliation between the General and Budgeted Special Revenue Funds on a statutory basis and the GAAP basis presented in the general purpose financial statements.

## **CASH AND INVESTMENTS**

Cash and investments are controlled by the State Treasurer. Each department transmits all cash receipts to the Treasurer's Office. Weekly and daily warrants for disbursements are prepared by the Comptroller, and reviewed and approved by the Governor's Council;

disbursements are issued by the Treasurer. A major project is underway to streamline the banking and disbursement process, and maximize use of electronic funds transfer.

A system of bank depository and disbursement accounts and lockboxes is employed by the Treasurer's Office to maximize daily cash balances. The Treasurer manages these cash balances in pooled investment funds to optimize interest earnings. The Treasurer's Office invests cash from these general accounts in short-term securities and other investments. A discussion of cash and investments is presented in Note 3 to the general purpose financial statements.

The Treasurer is also responsible for quarterly cash flow plans, weekly variance reports, and, jointly with the Executive Office for Administration and Finance, annual and quarterly cash management plans. Taxes and non-tax inflows, warrants, other outflows, and short and long-term borrowings are monitored against these plans.

FY96 is the third year of the Commonwealth's implementation of the U.S. Cash Management Improvement Act (CMIA). The CMIA requires the states to measure interest income on federal funds drawn from the U.S. Treasury prior to disbursement, and for the U.S. Treasury to measure interest income on funds drawn down subsequent to disbursement. A settlement of interest due to or due from the state and federal government is computed. For FY96, the net settlement is in favor of the Commonwealth.

## DEBT

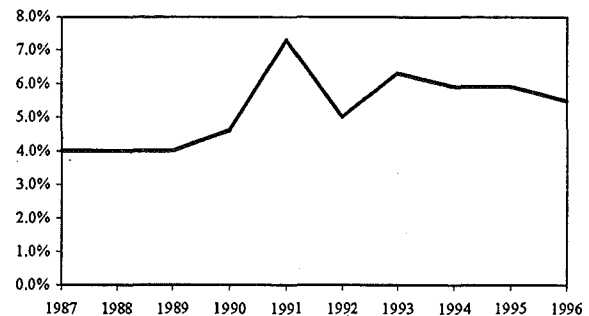
The Commonwealth funds its capital appropriations by authorizing the issuance of long-term bonds. The following table sets forth the trend of the Commonwealth's tax-supported long-term indebtedness for the last five years:

### Long-Term Debt (Amounts in billions)

Fiscal Year	Authorized - Unissued	Principal Amount of Outstanding Long-Term Debt
1996	\$ 8.2	\$ 10.1
1995	5.9	9.6
1994	4.5	9.4
1993	4.6	9.2
1992	4.9	8.6

To limit the Commonwealth debt burden, and control the degree to which debt service creates pressure on the operating budget, the Administration has implemented a five-year capital spending plan. This administrative policy has been in effect for several years, and the effect of debt service on the operating budget is depicted on the following table.

Annual Debt Service as a Percentage of  
Total Governmental Expenditures



As authorized by state finance law, the State Treasurer may utilize short-term borrowing to support governmental cash flow. All such borrowings were repaid before the end of the fiscal year.

Other debt consists of certificates of participation and capital lease agreements. Such financing arrangements are used to acquire capital assets, for example computer equipment and motor vehicles. The Commonwealth continued to utilize this form of financing in FY96.

Additional information on Commonwealth debt, including guaranteed debt of independent public authorities, is presented in Notes 7, 8, and 12 to the general purpose financial statements.

## RISK FINANCING

The Commonwealth assumes the risk of loss for property damage and personal injury, breach of contract, condemnation proceedings, and other alleged violations of law, and is defended by the Attorney General's Office in such cases. In FY96, approximately \$20.0 million was expended to resolve such claims in special and existing appropriations. Based on the Attorney General's evaluation of cases in which it is probable that a judgment will be rendered against the Commonwealth, and a loss incurred, an additional \$53.1 million has been accrued in the Governmental Funds at June 30, 1996.

provides the funding and management framework for another series of projects that will exploit new technologies to improve the way the Commonwealth conducts its business. With this innovative authorization technique and through its array of projects, the Commonwealth is again the focus of attention by other states, the U.S. government, and the private sector. The prospects for future success are outstanding.

## RECOMMENDATIONS AND CONCLUSIONS

The Office of the Comptroller has a unique perspective on state finance based on insights gained through control of day-to-day operations and experience with GAAP. With this background, we take this opportunity to make proposals intended to strengthen state finance.

The Commonwealth should enact a program to fund the liability for the State Employees Workers' Compensation Program as it is incurred and amortize the accumulated unfunded liability of \$249.7 million. This amount did not materialize in a single year and a multi-year funding schedule is recommended. Options to furnish the necessary funding include a "surcharge" to the current statutory chargeback to state agencies, special lump sum appropriations, a redirection of investment earnings, and other actions. Accumulating assets to satisfy the current unfunded liability will be another demonstration of interperiod equity and sound financial management. In contrast, for the special workers compensation program for the Central Artery/Tunnel Project, the Commonwealth should consider decreasing annual contributions. In this instance it appears the amount accumulated for current and future claims is more than adequate. Since both federal and state government contribute to the program, any change to annual contributions must be structured accordingly.

Regarding the institutions of higher education, the time has come for each school to produce audited stand-alone financial statements in conformity with generally accepted accounting principles. While many schools have moved into this practice of their own volition, and others are currently in the preparation process, it is

appropriate to make this a statutory requirement. The Comptroller's Office will continue to provide guidance and support to such an effort.

Consistent with the prior recommendations, the Office of the Comptroller believes the Commonwealth's current fund structure should be streamlined. The proliferation of budgeted Special Revenue Funds has fractured, not strengthened, the budget process. As special interest groups have enjoyed political success in carving out dedicated revenues and removing operations from the general budget, the capacity for centralized planning and control has diminished. The numerous non-budgeted Special Revenue Funds and Capital Projects Funds further complicate efforts to obtain a comprehensive view of state finance.

Legislation should be enacted to simplify the fund structure, reduce the number of funds to a more manageable number, and eliminate all fund deficits. The current practices of "fund splitting" appropriations and interfund transfers should be eliminated.

The definition of a balanced budget, and the terms and conditions for deposits into the Stabilization Fund, should be simplified. This would result in a more coherent and understandable picture of the Commonwealth's Governmental Funds financial activity.

The Commonwealth has a tremendous opportunity to employ new technologies to improve its programmatic, financial, and administrative operations. In FY93 the Governor proposed and the Legislature enacted the first Information Technology Capital Outlay. In FY97, the Governor and Legislature enacted a second Information Technology Capital Outlay. With this funding the opportunity exists to re-engineer old business practices and engage new technology. An unprecedented interdepartmental coalition under the leadership of the Commonwealth's Chief Information Technology Officer creates an exciting opportunity to make strategic investments that will position the Commonwealth successfully into the next century.

In conclusion, this report represents the continued commitment of the Office of the Comptroller to promote quality in the Commonwealth's financial management. I express my sincere appreciation to the dedicated professionals in the Comptroller's Office, BJ Trivedi and the staff of the Financial Reporting Bureau, Mr. James Powers, CPA, and other state departments and organizations whose efforts are reflected in this report.

In addition, the work of the several project teams to implement the Information Technology projects mentioned above is especially noteworthy. They are launched on projects that will create enduring value not only to Massachusetts, but to other states and governments throughout the nation. They exemplify the cutting edge of innovation, and the citizens of the Commonwealth are well served by professionals of their caliber.

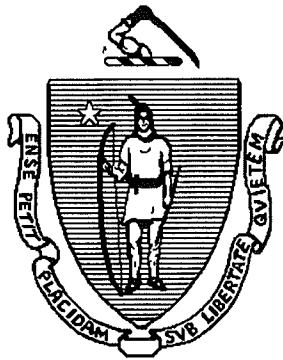
The Office of the Comptroller transmits the Comprehensive Annual Financial Report for FY96 in accordance with Section 12 of Chapter 7A of the General Laws.

Respectfully transmitted,

A handwritten signature in cursive script, reading "William Kilmartin".

William Kilmartin  
Comptroller





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## **Principal State Officials**

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### **CONSTITUTIONAL OFFICERS**

William F. Weld  
*Governor*

Argeo Paul Cellucci  
*Lieutenant Governor*

William F. Galvin  
*Secretary of State*

L. Scott Harshbarger  
*Attorney General*

Joseph D. Malone  
*Treasurer and Receiver-General*

A. Joseph DeNucci  
*Auditor*

### **LEGISLATIVE OFFICERS**

Thomas F. Birmingham  
*President of the Senate*

Thomas M. Finneran  
*Speaker of the House*

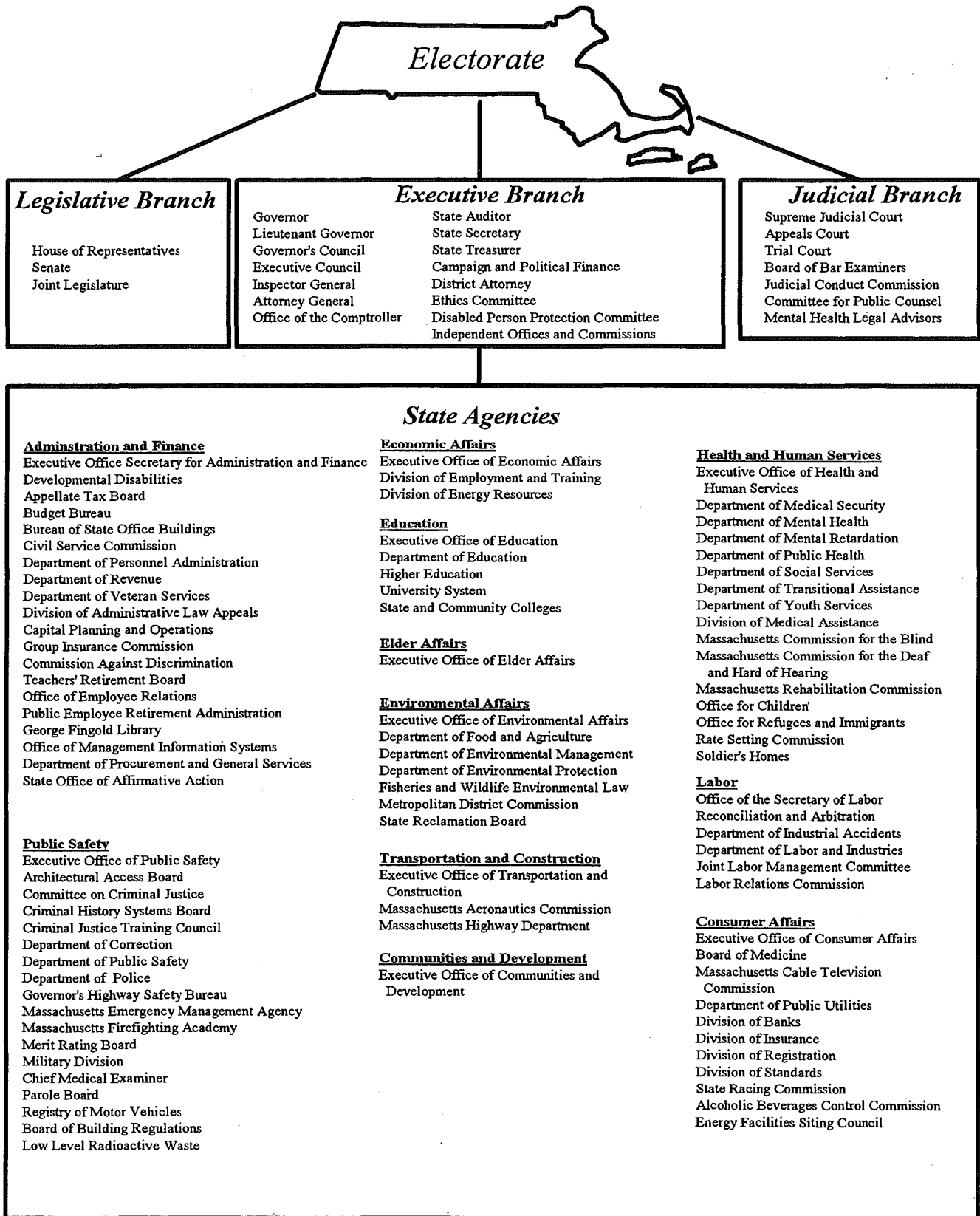
### **JUDICIAL OFFICERS**

Herbert P. Wilkins  
*Chief Justice, Supreme Judicial Court*

Joseph P. Warner  
*Chief Justice, Appeals Court*

John J. Irwin  
*Chief Justice for Administration and Management, Trial Court*

## Organization Chart



## Acknowledgements

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*Accountant*

Pauline Lieu, CPA, CGFM  
*Accountant*

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*Special Projects*

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Commonwealth of  
Massachusetts

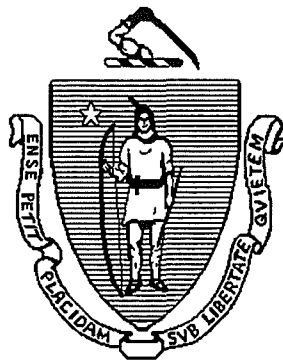
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1995

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Arthur R. Lynch*  
President

*Jeffrey L. Esser*  
Executive Director

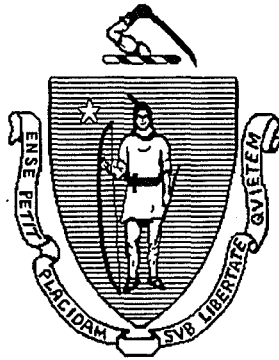


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# *Financial Section*



*Independent Auditors' Report*  
*General Purpose Financial Statements*  
*Notes to General Purpose Financial Statements*  
*Combining and Individual Fund Statements and Account Group*  
*Schedules*



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**Independent Auditors' Report**

Mr. William Kilmartin, Comptroller  
The Commonwealth of Massachusetts

We have audited the accompanying general purpose financial statements of the Commonwealth of Massachusetts as of June 30, 1996, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the Commonwealth of Massachusetts. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the institutions of higher education and their blended component units listed in Note 1 which reflect 81 percent of the total assets and 82 percent of the total revenues of the University and College Fund Type. We did not audit the financial statements of the Pension Reserves Investment Trust and Massachusetts State Teachers' and Employees' Retirement Systems Trust which are the investment vehicles of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements which reflect 71 percent of the total assets and 48 percent of the total revenues of the Fiduciary Fund Type. We did not audit the financial statements of the discretely presented component units listed in Note 1 which reflect 87 percent of the total assets and 87 percent of the total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts for the entities not audited by us included for the University and College Fund Type, Fiduciary Fund Type and the discretely presented component units column referred to above, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of the other auditors, such general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts as of June 30, 1996, and the results of its operations and the cash flows of its Internal Service Funds, Nonexpendable Trust Fund and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 16 to the financial statements, the Commonwealth of Massachusetts financial reporting entity has changed as a result of adding two component units to the reporting entity. In addition, the Commonwealth of Massachusetts adopted Governmental Accounting Standards Board (GASB) Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers."

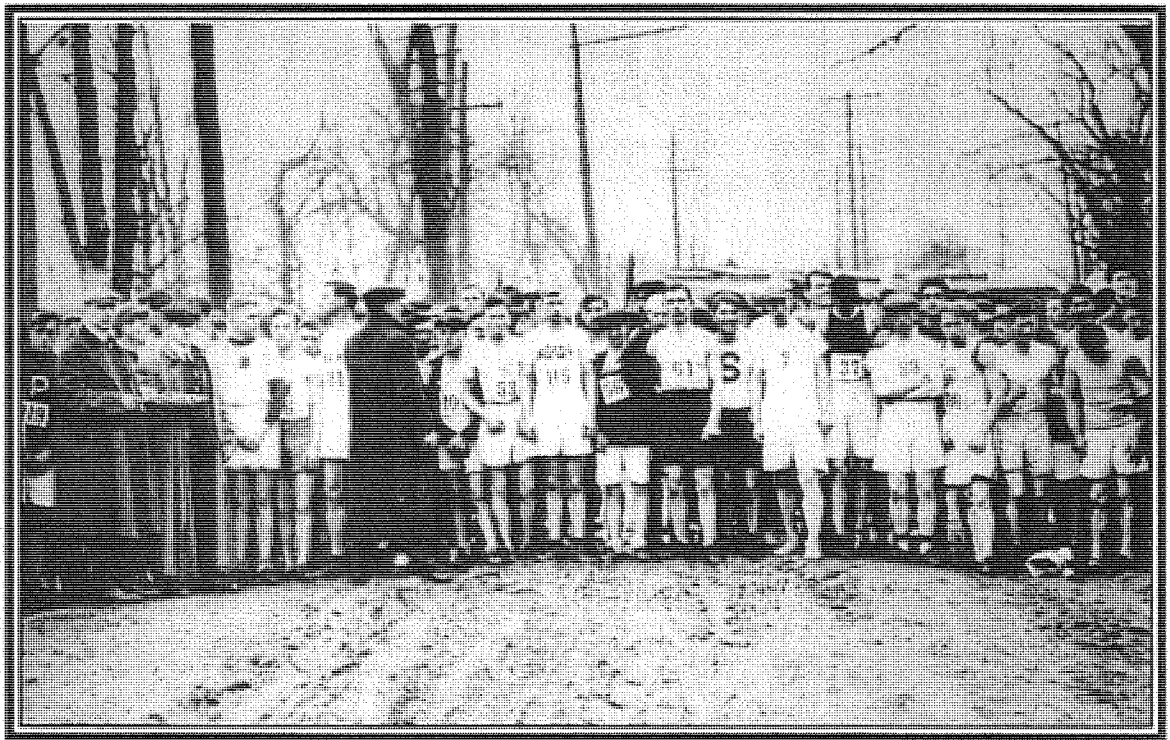
Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements and account group schedules, listed in the table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Commonwealth of Massachusetts. These statements and schedules are also the responsibility of the management of the Commonwealth of Massachusetts. Such additional information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, we express no opinion on such data.

*Deloitte & Touche LLP*

December 20, 1996

# *General Purpose Financial Statements*



# All Fund Types, Account Groups And Discretely Presented Component Units Combined Balance Sheet

June 30, 1996  
(Amounts in thousands)

	Primary			
	Governmental Fund Types			Proprietary Fund Types
	General	Special Revenue	Capital Projects	Internal Service
<b>ASSETS AND OTHER DEBITS</b>				
Cash and short-term investments.....	\$ 828,646	\$ 755,558	\$ -	\$ -
Cash with fiscal agent.....	657	21,914	-	-
Deposits.....	-	-	-	-
Investments.....	-	-	-	-
Restricted investments.....	-	-	-	187,929
Investments of deferred compensation plan.....	-	-	-	-
Annuity contracts.....	-	-	-	-
Assets held in trust.....	-	-	-	18,789
Receivables, net of allowance for uncollectibles:				
Taxes.....	688,376	486,905	-	-
Due from federal government.....	543,008	184,592	118,823	-
Loans.....	-	-	-	-
Other receivables.....	162,521	122,927	1,046	-
Due from cities and towns.....	222,214	627	-	-
Due from primary government.....	-	-	-	-
Due from other funds.....	621,517	-	27,059	33,255
Inventory.....	-	112,558	-	-
Fixed assets.....	-	-	-	-
Other assets.....	-	-	-	-
Amounts to be provided for retirement of general long-term obligations.....	-	-	-	-
Total assets and other debits.....	\$ 3,066,939	\$ 1,685,081	\$ 146,928	\$ 239,973
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
Liabilities:				
Accounts payable.....	\$ 994,290	\$ 452,442	\$ 293,082	\$ -
Accrued payroll.....	31,965	8,979	1,306	-
Compensated absences.....	96,124	57,163	4,376	-
Tax refunds and abatements payable.....	407,380	271,068	-	-
Due to cities and towns.....	-	-	-	-
Due to primary government.....	-	-	-	-
Due to other funds.....	-	563,095	69,068	-
Due to component units.....	57,767	237,518	637	-
Due to federal government.....	17,640	534	761	-
Deferred revenue.....	107,773	204,482	95	-
Prizes payable.....	-	-	-	-
Deferred compensation benefits payable.....	-	-	-	-
Agency liabilities.....	-	-	-	-
Claims and judgments.....	45,788	7,317	-	391,053
Deposits and unearned revenue.....	-	-	-	-
Other accrued liabilities.....	-	83,627	-	-
Capital leases.....	-	-	-	-
Bonds, notes payable and certificates of participation.....	240,000	-	-	-
School construction grants.....	-	-	-	-
Unfunded pension costs.....	-	-	-	-
Total liabilities.....	1,998,727	1,886,225	369,325	391,053
Fund equity and other credits:				
Investment in general fixed assets.....	-	-	-	-
Contributed capital.....	-	-	-	-
Retained earnings:				
Reserved for investment programs.....	-	-	-	-
Reserved for bond retirement.....	-	-	-	-
Reserved for central artery workers compensation.....	-	-	-	129,808
Unreserved.....	-	-	-	(280,888)
Fund balances (deficit):				
Reserved for continuing appropriations.....	169,822	70,951	-	-
Reserved for tax reduction.....	231,722	-	-	-
Reserved for Commonwealth stabilization.....	543,303	-	-	-
Reserved for employees' pension benefits.....	-	-	-	-
Reserved for unemployment benefits.....	-	-	-	-
Reserved for retirement of indebtedness.....	657	21,914	-	-
Restricted.....	-	-	-	-
Unexpended plant funds.....	-	-	-	-
Renewals and replacements.....	-	-	-	-
Net investment in plant.....	-	-	-	-
Reserved for nonexpendable trusts.....	-	-	-	-
Unreserved and undesignated.....	122,708	(294,009)	(222,397)	-
Total fund equity (deficit) and other credits.....	1,068,212	(201,144)	(222,397)	(151,080)
Total liabilities, fund equity and other credits.....	\$ 3,066,939	\$ 1,685,081	\$ 146,928	\$ 239,973

See notes to general purpose financial statements.

Government						
Fiduciary Fund Types	University and College Fund Type	Account Groups		Totals (Memorandum Only)		Component Units
Trust and Agency	University and Colleges	General Fixed Assets	General Long-term Obligations	1996	1995	
\$ 1,774,156	\$ 129,651	\$ -	\$ -	\$ 3,488,011	\$ 2,603,623	\$ 548,184
-	-	-	-	22,571	16,436	-
761,987	107,862	-	-	869,849	458,369	-
16,205,800	279,695	-	-	16,485,495	13,777,564	284,045
-	-	-	-	187,929	162,391	287,559
1,480,844	-	-	-	1,480,844	1,215,348	13,272
1,164,223	-	-	-	1,164,223	1,097,652	-
1,683,251	-	-	-	1,702,040	1,691,484	5,151
331,546	-	-	-	1,506,827	1,463,447	-
1,623	24,535	-	-	872,581	777,246	33,476
3,330	47,332	-	-	50,662	55,331	806,122
203,201	117,479	-	-	607,174	676,639	72,600
-	-	-	-	222,841	215,868	976
-	-	-	-	-	-	295,922
-	42,526	-	-	724,357	331,945	-
-	15,494	-	-	128,052	126,089	42,029
-	2,228,523	3,317,616	-	5,546,139	5,280,958	6,334,803
-	39,440	-	-	39,440	24,069	129,318
-	-	-	13,362,296	13,362,296	14,885,385	-
<u>\$ 23,609,961</u>	<u>\$ 3,032,537</u>	<u>\$ 3,317,616</u>	<u>\$ 13,362,296</u>	<u>\$ 48,461,331</u>	<u>\$ 44,859,844</u>	<u>\$ 8,853,457</u>
\$ 241,969	\$ 52,030	\$ -	\$ -	\$ 2,033,813	\$ 1,889,480	\$ 87,666
280	55,604	-	-	98,134	98,355	29,046
240	115,969	-	97,225	371,097	329,420	9,063
7,111	-	-	-	685,559	576,468	-
18,147	-	-	-	18,147	14,292	115
-	-	-	-	-	-	100,000
7,932	84,262	-	-	724,357	331,945	-
-	-	-	-	295,922	366,777	-
51	-	-	-	18,986	33,384	23
33,303	11,296	-	-	356,949	334,191	79,497
1,164,223	-	-	1,632	1,165,855	1,097,652	-
1,480,844	-	-	-	1,480,844	1,215,348	13,217
3,534,108	-	-	-	3,534,108	3,201,561	5,151
-	36,622	-	85,040	565,820	600,358	2,570
-	8,523	-	-	8,523	10,515	-
3,833	70,649	-	-	158,109	150,199	250,173
-	43,146	-	59,022	102,168	71,679	181,882
-	274,167	-	10,065,578	10,579,745	10,163,716	4,288,214
-	-	-	3,053,799	3,053,799	2,616,029	-
-	-	-	-	-	2,434,976	-
<u>6,492,041</u>	<u>752,268</u>	<u>-</u>	<u>13,362,296</u>	<u>25,251,935</u>	<u>25,536,345</u>	<u>5,046,617</u>
-	-	3,317,616	-	3,317,616	3,202,528	-
-	-	-	-	-	-	3,505,199
-	-	-	-	-	-	304,318
-	-	-	-	-	-	113
-	-	-	-	129,808	97,391	-
-	-	-	-	(280,888)	(320,810)	(2,790)
-	-	-	-	240,773	111,685	-
-	-	-	-	231,722	-	-
-	-	-	-	543,303	425,405	-
15,956,271	-	-	-	15,956,271	13,483,238	-
1,043,033	-	-	-	1,043,033	649,115	-
-	17,840	-	-	40,411	33,351	-
-	119,449	-	-	119,449	104,300	-
-	43,471	-	-	43,471	25,120	-
-	26,241	-	-	26,241	25,298	-
-	1,957,841	-	-	1,957,841	1,803,550	-
5,835	-	-	-	5,835	5,837	-
112,781	115,427	-	-	(165,490)	(322,509)	-
<u>17,117,920</u>	<u>2,280,269</u>	<u>3,317,616</u>	<u>-</u>	<u>23,209,396</u>	<u>19,323,499</u>	<u>3,806,840</u>
<u>\$ 23,609,961</u>	<u>\$ 3,032,537</u>	<u>\$ 3,317,616</u>	<u>\$ 13,362,296</u>	<u>\$ 48,461,331</u>	<u>\$ 44,859,844</u>	<u>\$ 8,853,457</u>

**All Governmental Fund Types And Expendable Trust Funds**  
**Combined Statement Of Revenues, Expenditures And Changes In Fund Balances**

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

	Primary		
	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>Revenues:</b>			
Taxes.....	\$ 7,321,284 ✓	\$ 4,604,454	\$ -
Assessments.....	212,138 ✓	382,800	-
Federal grants and reimbursements.....	2,938,367 ✓	1,516,586	888,352
Departmental.....	558,668 ✓	3,761,579	1,350
Miscellaneous.....	95,400 ✓	154,881	1,475
Total revenues.....	11,125,857 ✓	10,420,300	891,177
<b>Other financing sources:</b>			
Proceeds of general obligation bonds.....	-	-	939,658
Proceeds of special obligation bonds.....	-	-	147,457
Proceeds of refunding bonds.....	-	-	-
Proceeds of capital leases.....	26,365 ✓	-	-
Operating transfers in.....	484,882 ✓	934,179	132,423
Other.....	-	-	-
Total other financing sources.....	511,247 ✓	934,179	1,219,538
Total revenues and other financing sources.....	11,637,104 ✓	11,354,479	2,110,715
<b>Expenditures:</b>			
<b>Current:</b>			
Legislature.....	48,922 ✓	-	-
Judiciary.....	57,828 ✓	346,652	-
Inspector General.....	1,577 ✓	-	-
Governor and Lieutenant Governor.....	4,731 ✓	-	-
Secretary of the Commonwealth.....	9,611 ✓	5,318	-
Treasurer and Receiver-General.....	87,645 ✓	2,488,659	-
Auditor of the Commonwealth.....	12,261 ✓	722	-
Attorney General.....	25,036 ✓	3,805	-
Ethics Commission.....	572 ✓	575	-
District Attorney.....	123 ✓	54,891	-
Office of Campaign and Political Finance.....	327 ✓	329	-
Disabled Persons Protection Commission.....	1,350 ✓	44	-
Board of Library Commissioners.....	-	4,461	-
Comptroller.....	6,623 ✓	14	-
Administration and finance.....	726,928 ✓	215,893	-
Environmental affairs.....	47,460 ✓	157,930	-
Communities and development.....	107,098 ✓	240,280	-
Health and human services.....	3,397,145 ✓	1,208,403	-
Transportation and construction.....	18 ✓	154,621	-
Education.....	148,003 ✓	809,701	-
Educational affairs.....	2,296 ✓	11,368	-
Higher education.....	76,304 ✓	3,720	-
Public safety.....	363,009 ✓	477,630	-
Economic affairs.....	17,828 ✓	190,374	-
Elder affairs.....	121,590 ✓	33,598	-
Consumer affairs.....	29,392 ✓	6,004	-
Labor.....	21,383 ✓	3,062	-
Medicaid.....	3,172,219 ✓	68,931	-
Pension.....	69,974 ✓	312,536	-
Direct local aid.....	36,000 ✓	3,315,232	-
<b>Capital outlay:</b>			
Local aid.....	-	-	115,742
Capital acquisition and construction.....	-	-	1,672,544
<b>Debt service:</b>			
Principal retirement.....	517,107 ✓	167,159	-
Interest and fiscal charges.....	307,805 ✓	199,710	-
Total expenditures.....	9,418,165	10,481,622	1,788,286
<b>Other financing uses:</b>			
Payments to refunded bond escrow agent.....	-	-	-
Operating transfers out.....	57,713 ✓	1,203,816	108,315
Transfers of appropriations.....	686,502 ✓	2,012	-
Transfers of bond proceeds.....	-	-	28,888
Transfers to component units.....	381,259 ✓	281,774	3,038
Total other financing uses.....	1,125,474 ✓	1,487,602	140,241
Total expenditures and other financing uses.....	10,543,639	11,969,224	1,928,527
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,093,465	(614,745)	182,188
Fund balance (deficits) at beginning of year.....	(25,253)	413,601	(404,585)
Equity transfer.....	-	-	-
Fund balance (deficits) at end of year.....	\$ 1,068,212	\$ (201,144)	\$ (222,397)

See notes to general purpose financial statements.

Government		
Fiduciary Fund Type	Totals (Memorandum Only)	
Expendable Trust	1996	1995
\$ 1,149,531	\$ 13,075,269	\$ 12,408,908
1,194	596,132	574,762
21,098	5,364,403	5,389,479
8,502	4,330,099	4,279,449
194,723	446,479	296,582
1,375,048	23,812,382	22,949,180
-	939,658	809,862
-	147,457	-
-	-	513,622
-	26,365	17,869
2,934	1,554,418	1,539,259
36	36	50,565
2,970	2,667,934	2,931,177
1,378,018	26,480,316	25,880,357
-	48,922	46,550
139	404,619	355,965
-	1,577	1,643
-	4,731	4,747
86	15,015	13,997
926	2,577,230	2,355,878
237	13,220	11,658
1,596	30,437	23,183
-	1,147	1,090
3,173	58,187	53,955
-	656	945
-	1,394	1,330
-	4,461	4,753
-	6,637	6,136
1,827	944,648	878,113
6,552	211,942	179,302
754	348,132	342,908
18,761	4,624,309	4,828,863
1,066	155,705	112,157
1,406	959,110	866,309
-	13,664	6,432
44	80,068	74,943
3,593	844,232	735,338
808,246	1,016,448	1,030,888
50	155,238	161,502
6,459	41,855	41,103
44,247	68,692	56,821
-	3,241,150	3,252,220
-	382,510	414,305
-	3,351,232	3,073,239
-	115,742	94,301
-	1,672,544	1,697,781
-	684,266	695,341
-	507,515	538,363
899,162	22,587,235	21,962,059
-	-	513,622
103,410	1,473,254	1,465,543
-	688,514	652,326
-	28,888	22,938
-	666,071	663,770
103,410	2,856,727	3,318,199
1,002,572	25,443,962	25,280,258
375,446	1,036,354	600,099
780,368	764,131	148,316
-	-	15,716
\$ 1,155,814	\$ 1,800,485	\$ 764,131

**General And Budgeted Special Revenue Funds**  
**Combined Statement Of Revenues, Expenditures And Changes In Fund Balances -**  
**Statutory Basis - Budget And Actual**

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes.....	\$ 7,079,200	\$ 7,406,223 ✓	\$ 327,023
Assessments.....	-	208,858 ✓	208,858
Federal grants and reimbursements.....	3,013,700	3,031,921 ✓	18,221
Departmental.....	779,358	723,967 ✓	(55,391)
Miscellaneous.....	-	103,459 ✓	103,459
Total revenues.....	10,872,258	11,474,428 ✓	602,170
Other financing sources:			
Fringe benefit cost recovery.....	-	216,887 ✓	216,887
Operating transfers in.....	275,300	457,918 ✓	182,618
Stabilization transfer.....	-	177,405 ✓	177,405
Transfer for tax reduction.....	-	231,722 ✓	231,722
Total other financing sources.....	275,300	1,083,932 ✓	808,632
Total revenues and other financing sources.....	11,147,558	12,558,360 ✓	1,410,802
Expenditures:			
Legislature.....	68,878	48,726 ✓	20,152
Judiciary.....	58,290	57,414 ✓	876
Inspector General.....	1,577	1,567 ✓	10
Governor and Lieutenant Governor.....	6,076	4,682 ✓	1,394
Secretary of the Commonwealth.....	9,731	9,312 ✓	419
Treasurer and Receiver-General.....	96,220	93,654 ✓	2,566
Auditor of the Commonwealth.....	11,658	11,656 ✓	2
Attorney General.....	20,893	20,760 ✓	133
Ethics Commission.....	568	567 ✓	1
District Attorney.....	148	123 ✓	25
Office of Campaign and Political Finance.....	325	325 ✓	-
Disabled Persons Protection Commission.....	1,359	1,355 ✓	4
Board of Library Commissioners.....	-	-	-
Comptroller.....	6,401	6,390 ✓	11
Administration and finance.....	949,489	811,347 ✓	138,142
Environmental affairs.....	54,787	45,180 ✓	9,607
Communities and development.....	111,609	108,688 ✓	2,921
Health and human services.....	3,595,787	3,409,837 ✓	185,950
Transportation and construction.....	515,587	515,197 ✓	390
Education.....	-	-	-
Educational affairs.....	2,352	2,334 ✓	18
Higher education.....	760,403	741,207 ✓	19,196
Public safety.....	365,921	361,815 ✓	4,106
Economic affairs.....	13,741	11,122 ✓	2,619
Elder affairs.....	129,144	128,357 ✓	787
Consumer affairs.....	30,508	29,338 ✓	1,170
Labor.....	23,614	22,358 ✓	1,256
Medicaid.....	3,347,563	3,347,019 ✓	544
Pension.....	347,387	337,174 ✓	10,213
Direct local aid.....	-	-	-
Debt service:			
Principal retirement.....	525,361	517,107 ✓	8,254
Interest and fiscal charges.....	327,979	307,805 ✓	20,174
Total expenditures.....	11,383,356	10,952,416 ✓	430,940
Other financing uses:			
Fringe benefit cost assessment.....	-	592 ✓	(592)
Operating transfers out.....	160,061	162,159 ✓	(2,098)
Stabilization transfer.....	-	106,443 ✓	(106,443)
Transfer for tax reduction.....	150,000	231,722 ✓	(81,722)
Total other financing uses.....	310,061	500,916 ✓	(190,855)
Total expenditures and other financing uses.....	11,693,417	11,453,332 ✓	240,085
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(545,859)	1,105,028 ✓	1,650,887
Fund balances (deficits) at beginning of year.....	294,528	294,528 ✓	-
Fund balances (deficits) at end of year.....	\$ (251,331)	\$ 1,399,556 ✓	\$ 1,650,887

See notes to general purpose financial statements.



Budgeted Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 4,575,300	\$ 4,642,960	\$ 67,660	\$ 11,654,500	\$ 12,049,183	\$ 394,683
-	29,582	29,582	-	238,440	238,440
9,200	7,170	(2,030)	3,022,900	3,039,091	16,191
393,442	353,929	(39,513)	1,172,800	1,077,896	(94,904)
-	27,295	27,295	-	130,754	130,754
4,977,942	5,060,936	82,994	15,850,200	16,535,364	685,164
-	-	-	-	216,887	216,887
676,600	752,021	75,421	951,900	1,209,939	258,039
-	-	-	-	177,405	177,405
-	-	-	-	231,722	231,722
676,600	752,021	75,421	951,900	1,835,953	884,053
5,654,542	5,812,957	158,415	16,802,100	18,371,317	1,569,217
30	2	28	68,908	48,728	20,180
351,971	344,407	7,564	410,261	401,821	8,440
-	-	-	-	1,567	10
-	-	-	-	4,682	1,394
5,315	4,947	368	15,046	14,259	787
10,586	9,715	871	106,806	103,369	3,437
722	722	-	12,380	12,378	2
1,524	1,522	2	22,417	22,282	135
572	572	-	1,140	1,139	1
54,596	54,305	291	54,744	54,428	316
327	327	-	652	652	-
-	-	-	1,359	1,355	4
2,385	2,383	2	2,385	2,383	2
-	-	-	6,401	6,390	11
163,512	147,369	16,143	1,113,001	958,716	154,285
151,875	139,434	12,441	206,662	184,614	22,048
29,004	28,286	718	140,613	136,974	3,639
135,599	116,683	18,916	3,731,386	3,526,520	204,866
329,589	302,237	27,352	845,176	817,434	27,742
154,479	149,033	5,446	154,479	149,033	5,446
3,100	3,011	89	5,452	5,345	107
2,791	2,695	96	763,194	743,902	19,292
458,162	438,822	19,340	824,083	800,637	23,446
27,983	24,550	3,433	41,724	35,672	6,052
8,756	8,696	60	137,900	137,053	847
5,101	4,536	565	35,609	33,874	1,735
-	-	-	23,614	22,358	1,256
69,000	68,930	70	3,416,563	3,415,949	614
685,488	667,377	18,111	1,032,875	1,004,551	28,324
3,250,761	3,246,232	4,529	3,250,761	3,246,232	4,529
163,996	159,580	4,416	689,357	676,687	12,670
203,943	199,072	4,871	531,922	506,877	25,045
6,271,167	6,125,445	145,722	17,654,523	17,077,861	576,662
-	65,589	(65,589)	-	66,181	(66,181)
185,261	209,598	(24,337)	345,322	371,757	(26,435)
-	70,962	(70,962)	-	177,405	(177,405)
-	-	-	150,000	231,722	(81,722)
185,261	346,149	(160,888)	495,322	847,065	(351,743)
6,456,428	6,471,594	(15,166)	18,149,845	17,924,926	224,919
(801,886)	(658,637)	143,249	(1,347,745)	446,391	1,794,136
431,494	431,494	-	726,022	726,022	-
\$ (370,392)	\$ (227,143)	\$ 143,249	\$ (621,723)	\$ 1,172,413	\$ 1,794,136

**Internal Service Funds, Nonexpendable Trust Funds  
And Discretely Presented Component Units**  
Combined Statement Of Revenues, Expenses And Changes In Fund Equity

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

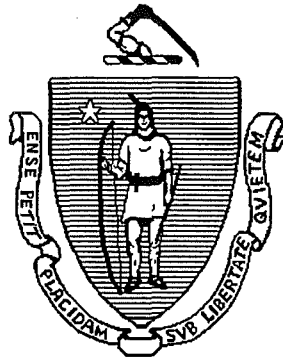
	Primary Government				
	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)		
	Internal Service Funds	Nonexpendable Trust Funds	1996	1995	Component Units
Operating revenues:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 445,816
Donations.....	-	-	-	-	814
Premiums.....	702,461	-	702,461	756,841	20,172
Total operating revenues.....	702,461	-	702,461	756,841	466,802
Operating expenses:					
Claims and judgments expense.....	633,797	-	633,797	628,909	-
Cost of services and administration.....	-	2	2	3	913,869
Depreciation.....	-	-	-	-	205,818
Total operating expenses.....	633,797	2	633,799	628,912	1,119,687
Operating income (loss).....	68,664	(2)	68,662	127,929	(652,885)
Nonoperating revenues (expenses):					
Operating grants.....	-	-	-	-	69,595
Interest income.....	3,675	-	3,675	5,985	57,507
Interest expense.....	-	-	-	-	(192,971)
Other income.....	-	-	-	-	18,043
Other expenses.....	-	-	-	-	(45,562)
Nonoperating revenues (expenses), net.....	3,675	-	3,675	5,985	(93,388)
Income (loss) before operating transfers.....	72,339	(2)	72,337	133,914	(746,273)
Transfers in (out):					
Transfers in from primary government.....	-	-	-	-	666,071
Total transfers.....	-	-	-	-	666,071
Net income (loss).....	72,339	(2)	72,337	133,914	(80,202)
Add: Depreciation of fixed assets acquired from contributed capital.....	-	-	-	-	106,769
Increase (decrease) in retained earnings/fund balances.....	72,339	(2)	72,337	133,914	26,567
Retained earnings/fund balances at beginning of year (as restated).....	(223,419)	5,837	(217,582)	5,840	275,074
Equity transfer.....	-	-	-	(15,716)	-
Balance from general long-term obligations account group.....	-	-	-	(341,620)	-
Retained earnings/fund balances at end of year.....	\$ (151,080)	\$ 5,835	\$ (145,245)	\$ (217,582)	\$ 301,641
Contributed capital at beginning of year.....					\$ 3,250,396
Add: Capital contributions.....					361,572
Less: Depreciation of fixed assets acquired from contributed capital.....					(106,769)
Contributed capital at end of year.....					\$ 3,505,199
See notes to general purpose financial statements.					

**Internal Service Funds, Nonexpendable Trust Funds And Discretely Presented Component Units**  
**Combined Statement Of Cash Flows**

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

	Primary Government				
	Proprietary Fund Type	Fiduciary Fund Type	Totals		Component Units
	Internal Service Fund	Nonexpendable Trust Funds	(Memorandum Only)		
			1996	1995	
Cash flows from operating activities:					
Operating income (loss).....	\$ 68,664	\$ (2)	\$ 68,662	127,929	\$ (652,885)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation.....	-	-	-	-	205,818
Gain on sale of equipment.....	-	-	-	-	(2,194)
Other nonoperating revenues.....	-	-	-	-	17,837
Other nonoperating expenses.....	-	-	-	-	(49,112)
Change in assets and liabilities:					
Assets held in trust.....	(169)	-	(169)	(4,469)	-
Due from federal government.....	-	-	-	-	34,897
Loans.....	-	-	-	-	(127,728)
Other receivables.....	-	-	-	-	(20,728)
Due from cities and towns.....	-	-	-	-	(554)
Due from primary government.....	-	-	-	-	64,571
Due from other funds.....	(4,888)	-	(4,888)	3,343	(3,598)
Inventory.....	-	-	-	-	3,892
Restricted and other assets.....	-	-	-	-	(13,626)
Accounts payable.....	-	-	-	-	11,198
Accrued payroll.....	-	-	-	-	(14,964)
Compensated absences.....	-	-	-	-	1,309
Deferred revenue.....	-	-	-	-	30,178
Claims and judgments, net.....	(41,744)	-	(41,744)	29,600	355
Other accrued liabilities.....	-	-	-	-	(35,792)
Due to cities and towns.....	-	-	-	-	(736)
Due to federal government.....	-	-	-	-	23
Total adjustments.....	(46,801)	-	(46,801)	28,474	101,046
Net cash provided by (used for) operating activities	21,863	(2)	21,861	156,403	(551,839)
Cash flows from noncapital financing activities:					
Operating grants.....	-	-	-	-	69,595
Operating transfers.....	-	-	-	-	666,071
Net cash provided by (used for) noncapital financing activities.....	-	-	-	-	735,666
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets.....	-	-	-	-	(717,104)
Proceeds from the issuance of bonds and notes.....	-	-	-	-	1,009,957
Interest on bonds and notes.....	-	-	-	-	(192,971)
Capital contributions.....	-	-	-	-	361,572
Principal payments on bonds and notes.....	-	-	-	-	(654,664)
Proceeds from sale of equipment.....	-	-	-	-	76,115
Net cash provided by (used for) capital and related financing activities.....	-	-	-	-	(117,095)
Cash flows from investing activities:					
Purchases of investments.....	-	-	-	-	(3,453,482)
Purchases of restricted investments.....	(25,538)	-	(25,538)	(162,391)	-
Sales and maturities of investments.....	-	-	-	-	3,512,888
Interest income.....	3,675	-	3,675	5,985	57,507
Net cash provided by (used for) investing activities.....	(21,863)	-	(21,863)	(156,406)	116,913
Net increase (decrease) in cash and cash equivalents.....	-	(2)	(2)	(3)	183,645
Cash and cash equivalents at beginning of year (as restated).....	-	5,837	5,837	5,840	364,539
Cash and cash equivalents at end of year.....	\$ -	\$ 5,835	\$ 5,835	\$ 5,837	\$ 548,184
Reconciliation to Combined Balance Sheet:					
Cash and cash equivalents at end of year.....	\$ -	\$ 5,835	\$ 5,835	\$ 5,837	\$ 548,184
Cash and cash equivalents at end of year, Pension Trust, Expendable Trust and Agency.....	-	1,768,321	1,768,321	1,627,541	-
Cash and cash equivalents per the Combined Balance Sheet.....	\$ -	\$ 1,774,156	\$ 1,774,156	\$ 1,633,378	\$ 548,184

See notes to general purpose financial statements.



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**Pension Trust Funds**  
Combining Statement Of Changes in Net Assets Available For Pension Benefits

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	State Employees' PERS	Teachers' PERS	Totals (Memorandum Only)	
			1996	1995
<b>Additions:</b>				
Commonwealth contributions.....	\$ 445,138	\$ 405,703	\$ 850,841	\$ 784,740
Employee contributions.....	229,199	191,881	421,080	401,492
Total contributions.....	674,337	597,584	1,271,921	1,186,232
<b>Net investment income:</b>				
Net appreciation in fair value of investments.....	891,081	895,859	1,786,940	1,302,664
Interest.....	178,044	185,601	363,645	301,191
Dividends.....	61,311	64,405	125,716	116,531
Real estate operating income, net.....	19,662	18,267	37,929	32,376
Alternative investments.....	7,809	7,134	14,943	5,878
Other.....	1,472	1,443	2,915	2,530
Total investment income.....	1,159,379	1,172,709	2,332,088	1,761,170
Less: investment expense.....	21,788	21,618	43,406	45,326
Net investment income.....	1,137,591	1,151,091	2,288,682	1,715,844
Total additions.....	1,811,928	1,748,675	3,560,603	2,902,076
<b>Deductions:</b>				
Administration.....	1,666	2,007	3,673	2,824
Retirement benefits and refunds.....	588,099	495,798	1,083,897	979,170
Total deductions.....	589,765	497,805	1,087,570	981,994
Net increase.....	1,222,163	1,250,870	2,473,033	1,920,082
Net assets available for pension benefits at beginning of year (fund balance reserved for employee's pension benefits).....	6,642,804	6,840,434	13,483,238	11,563,156
Net assets available for pension benefits at end of year (fund balance reserved for employee's pension benefits).....	\$ 7,864,967	\$ 8,091,304	\$ 15,956,271	\$ 13,483,238

See notes to general purpose financial statements.

# University And College Fund Type

## Combined Statement Of Changes In Fund Balances

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	Current Funds		Loan Fund
	Unrestricted	Restricted	
Revenues and other additions:			
Unrestricted current funds revenues.....	\$ 1,235,364	\$ -	\$ -
Federal appropriations.....	-	7,284	294
Federal grants and contracts.....	-	203,916	787
State grants and contracts.....	-	23,144	77
Local grants and contracts.....	-	6,985	-
Private gifts, grants and contracts.....	-	59,366	22
Investment income.....	-	507	15
Endowment income.....	-	2	-
Net realized gain on investments.....	-	-	21
Interest on loans receivable.....	-	-	993
Reimbursed loan cancellations.....	-	-	259
Other income.....	-	1,285	181
Expended for plant facilities.....	-	-	-
Retirement of indebtedness.....	-	-	-
Other additions.....	-	559	25
Total revenue and other additions.....	1,235,364	303,048	2,674
Expenditures and other deductions:			
Educational and general expenditures.....	1,186,351	311,796	-
Auxiliary enterprises expenditures.....	164,274	-	-
Indirect costs recovered.....	-	34,920	-
Clinical services costs.....	349,896	-	-
Refunded to grantors and donors.....	-	359	45
Loan cancellations and write-offs.....	-	-	1,186
Administrative and collection costs.....	-	-	1,190
Retirement of indebtedness.....	-	-	-
Interest on indebtedness.....	-	-	-
Expended for plant facilities.....	-	-	-
Depreciation and amortization.....	-	-	-
Disposal of plant facilities.....	-	-	-
Other deductions.....	-	-	-
Total expenditures and other deductions.....	1,700,521	347,075	2,421
Mandatory transfers:			
Principal and interest.....	(29,324)	-	-
Renewals and replacements.....	-	-	-
Student loan fund matching.....	(1,137)	1,001	136
Other mandatory transfers.....	(81,164)	-	-
Nonmandatory transfers:			
Transfers of appropriation.....	661,717	26,797	-
Transfers of bond proceeds.....	-	28,888	-
Unexpended plant funds.....	(39,647)	-	-
Renewals and replacements.....	(46,544)	(597)	-
Other nonmandatory transfers.....	(1,218)	271	57
Total transfers.....	462,683	56,360	193
Net increase (decrease) for the year.....	(2,474)	12,333	446
Fund balances at beginning of year.....	81,874	31,972	50,846
Fund balances at end of year.....	\$ 79,400	\$ 44,305	\$ 51,292

See notes to general purpose financial statements.

Endowment and Similar Funds	Plant Funds	Totals (Memorandum Only)	
		1996	1995
\$ -	\$ -	\$ 1,235,364	\$ 1,170,505
-	-	7,578	6,749
-	10,516	215,219	188,483
-	54,277	77,498	29,099
-	-	6,985	3,941
220	2,815	62,423	55,800
175	4,595	5,292	3,226
181	-	183	725
2,746	-	2,767	614
-	-	993	885
-	-	259	13
-	191	1,657	1,937
-	105,848	105,848	49,860
-	13,624	13,624	13,954
1,415	2,450	4,449	10,946
4,737	194,316	1,740,139	1,536,737
-	-	1,498,147	1,425,219
-	-	164,274	165,251
-	-	34,920	32,372
-	-	349,896	336,518
-	4	408	227
-	-	1,186	300
337	2,719	4,246	4,149
-	73,236	73,236	18,547
-	13,624	13,624	17,802
-	19,313	19,313	24,742
-	13,146	13,146	12,198
-	14,158	14,158	23,443
-	738	738	21,269
337	136,938	2,187,292	2,082,037
-	29,324	-	-
-	-	-	-
-	-	-	-
-	-	(81,164)	(73,716)
-	-	688,514	652,326
-	-	28,888	22,938
-	39,647	-	-
-	47,141	-	-
(130)	1,020	-	-
(130)	117,132	636,238	601,548
4,270	174,510	189,085	56,248
55,609	1,870,883	2,091,184	2,034,936
\$ 59,879	\$ 2,045,393	\$ 2,280,269	\$ 2,091,184

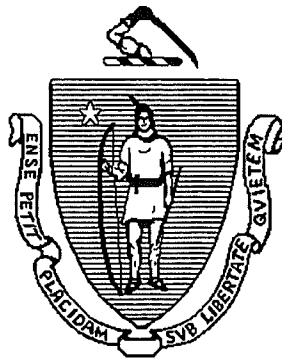
**University And College Fund Type**  
**Combined Statement Of Current Funds Revenues, Expenditures, And Other Changes**

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	Current Funds		Totals (Memorandum Only)	
	Unrestricted	Restricted	1996	1995
Revenues and other additions:				
Tuition and fees.....	\$ 546,291	\$ -	\$ 546,291	\$ 530,240
Federal appropriations.....	-	6,478	6,478	6,521
Federal grants and contracts.....	254	174,471	174,725	164,906
State grants and contracts.....	456	21,836	22,292	11,624
Local grants and contracts.....	163	9,787	9,950	3,440
Private gifts, grants and contracts.....	3,206	42,413	45,619	47,459
Endowment income.....	463	498	961	1,232
Sales and service, educational.....	11,812	-	11,812	12,261
Sales and service, auxiliary enterprises.....	201,302	-	201,302	194,495
Sales and service, clinical services.....	403,256	-	403,256	357,994
Recovery of indirect costs.....	34,920	-	34,920	32,372
Other investment income.....	18,535	8	18,543	21,673
Other.....	14,706	621	15,327	18,514
Total current funds revenues.....	1,235,364	256,112	1,491,476	1,402,731
Expenditures:				
Instruction.....	522,066	33,032	555,098	536,998
Research.....	33,301	99,263	132,564	129,594
Public service.....	15,143	34,288	49,431	47,491
Academic support.....	119,800	21,800	141,600	150,533
Student services.....	121,561	6,741	128,302	112,830
Institutional support.....	204,897	1,026	205,923	193,253
Operation and maintenance of plant.....	124,811	3,720	128,531	133,259
Scholarships and fellowships.....	44,772	111,926	156,698	121,261
Auxiliary enterprises.....	164,274	-	164,274	165,251
Clinical services costs.....	349,896	-	349,896	336,518
Total current funds expenditures.....	1,700,521	311,796	2,012,317	1,926,988
Transfers and other changes:				
Mandatory transfers:				
Principal and interest.....	(29,324)	-	(29,324)	(27,108)
Renewals and replacements.....	-	-	-	(439)
Student loan fund matching.....	(1,137)	1,001	(136)	(136)
Other.....	(81,164)	-	(81,164)	(73,716)
Transfers of appropriation.....	661,717	26,797	688,514	652,326
Transfers of bond proceeds.....	-	28,888	28,888	22,938
Unexpended plant funds.....	(39,647)	-	(39,647)	(6,538)
Renewals and replacements.....	(46,544)	(597)	(47,141)	(14,011)
Other nonmandatory transfers.....	(1,218)	271	(947)	(2,994)
Refunds to grantors and donors.....	-	(359)	(359)	(227)
Excess (deficiency) of restricted receipts over transfers to revenue.....	-	12,016	12,016	(1,134)
Total transfers and other changes.....	462,683	68,017	530,700	548,961
Total increase (decrease) in fund balances.....	\$ (2,474)	\$ 12,333	\$ 9,859	\$ 24,704

See notes to general purpose financial statements.





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# Discretely Presented Component Units

## Combining Balance Sheet

June 30, 1996  
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority (as restated)	Regional Transit Authorities
<b>ASSETS</b>			
Cash and short-term investments.....	\$ 259,641	\$ 13,781	\$ 12,412
Investments.....	-	-	60
Restricted investments.....	25,267	242,513	-
Investments of deferred compensation plan.....	-	12,683	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	-	-	7,970
Loans.....	-	-	-
Other receivables.....	38,240	4,419	8,005
Due from cities and towns.....	-	-	-
Due from primary government.....	218,133	-	57,419
Inventory.....	40,389	1,295	283
Fixed assets.....	5,297,617	649,579	136,542
Other assets.....	111,623	8,115	2,653
Total assets.....	<u>\$ 5,990,910</u>	<u>\$ 932,385</u>	<u>\$ 225,344</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable.....	\$ 42,972	\$ 15,763	\$ 9,543
Accrued payroll.....	24,714	3,756	48
Compensated absences.....	-	7,698	556
Due to cities and towns.....	-	-	115
Due to primary government.....	-	100,000	-
Due to federal government.....	-	-	-
Deferred revenue.....	46,423	6,407	336
Deferred compensation benefits payable.....	-	12,683	-
Agency liabilities.....	-	-	-
Claims and judgments.....	-	-	2,570
Other accrued liabilities.....	153,306	17,290	3,423
Capital leases.....	176,095	-	5,635
Bonds, notes payable and certificates of participation.....	3,049,691	410,885	77,716
Total liabilities.....	<u>3,493,201</u>	<u>574,482</u>	<u>99,942</u>
Fund equity:			
Contributed capital.....	2,701,579	-	123,096
Retained earnings (deficits):			
Reserved for investment programs.....	-	255,196	-
Reserved for bond retirement.....	-	-	-
Unreserved.....	(203,870)	102,707	2,306
Total fund equity.....	<u>2,497,709</u>	<u>357,903</u>	<u>125,402</u>
Total liabilities and fund equity.....	<u>\$ 5,990,910</u>	<u>\$ 932,385</u>	<u>\$ 225,344</u>

See notes to general purpose financial statements.

Massachusetts Water Pollution Abatement Trust	Massachusetts Convention Center Authority	Economic Development Authorities	Totals (Memorandum Only) 1996
\$ 199,519	\$ 11,091	\$ 51,740	\$ 548,184
233,045	-	50,940	284,045
-	8,782	10,997	287,559
-	-	589	13,272
-	728	4,423	5,151
3,055	-	22,451	33,476
663,745	-	142,377	806,122
12,753	729	8,454	72,600
-	-	976	976
611	17,115	2,644	295,922
-	-	62	42,029
124	210,931	40,010	6,334,803
78	1,822	5,027	129,318
<u>\$ 1,112,930</u>	<u>\$ 251,198</u>	<u>\$ 340,690</u>	<u>\$ 8,853,457</u>
\$ -	\$ 7,049	\$ 12,339	\$ 87,666
-	-	528	29,046
-	-	809	9,063
-	-	-	115
-	-	-	100,000
-	-	23	23
-	476	25,855	79,497
-	-	534	13,217
-	728	4,423	5,151
-	-	-	2,570
48,009	19,697	8,448	250,173
-	-	152	181,882
512,000	154,976	82,946	4,288,214
<u>560,009</u>	<u>182,926</u>	<u>136,057</u>	<u>5,046,617</u>
523,121	68,522	88,881	3,505,199
-	-	49,122	304,318
-	-	113	113
29,800	(250)	66,517	(2,790)
<u>552,921</u>	<u>68,272</u>	<u>204,633</u>	<u>3,806,840</u>
<u>\$ 1,112,930</u>	<u>\$ 251,198</u>	<u>\$ 340,690</u>	<u>\$ 8,853,457</u>

**Discretely Presented Component Units**  
Combining Statement Of Revenues, Expenses, And Changes In  
Retained Earnings And Changes In Contributed Capital

Fiscal Year Ended June 30, 1996

(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority (as restated)	Regional Transit Authorities
Operating revenues:			
Charges for services.....	\$ 218,119	\$ 153,426	\$ 47,256
Donations.....	-	-	-
Other.....	-	12,602	327
Total operating revenues.....	218,119	166,028	47,583
Operating expenses:			
Cost of services and administration.....	554,328	141,600	110,861
Depreciation.....	158,724	21,982	15,676
Total operating expenses.....	713,052	163,582	126,537
Operating income (loss).....	(494,933)	2,446	(78,954)
Nonoperating revenues (expenses):			
Operating grants.....	12,804	-	9,098
Interest income.....	1,038	10,735	1,376
Interest expense.....	(146,704)	(1,212)	(3,742)
Other income.....	13,334	-	1,298
Other expenses.....	(26,706)	(440)	(644)
Nonoperating revenues (expenses), net.....	(146,234)	9,083	7,386
Income (loss) before transfers.....	(641,167)	11,529	(71,568)
Transfers:			
Transfers in from primary government.....	564,410	-	56,604
Total transfers.....	564,410	-	56,604
Net income (loss).....	(76,757)	11,529	(14,964)
Add: Depreciation of fixed assets acquired from contributed capital.....	84,921	-	15,168
Increase (decrease) in retained earnings.....	8,164	11,529	204
Retained earnings (deficits) at beginning of year.....	(212,034)	346,374	2,102
Retained earnings (deficits) at end of year.....	\$ (203,870)	\$ 357,903	\$ 2,306
Contributed capital at beginning of year.....	\$ 2,552,988	\$ -	\$ 93,916
Add: Capital contributions, net.....	233,512	-	44,348
Less: Depreciation of fixed assets acquired from contributed capital.....	(84,921)	-	(15,168)
Contributed capital at end of year.....	\$ 2,701,579	\$ -	\$ 123,096

See notes to general purpose financial statements.

Massachusetts Water Pollution Abatement Trust	Massachusetts Convention Center Authority	Economic Development Authorities	Totals (Memorandum Only)  1996
\$ -	\$ 10,552	\$ 16,463	\$ 445,816
-	-	814	814
-	-	7,243	20,172
-	10,552	24,520	466,802
5,774	16,108	85,198	913,869
231	6,915	2,290	205,818
6,005	23,023	87,488	1,119,687
(6,005)	(12,471)	(62,968)	(652,885)
2,153	-	45,540	69,595
37,430	262	6,666	57,507
(25,406)	(10,222)	(5,685)	(192,971)
971	142	2,298	18,043
-	(202)	(17,570)	(45,562)
15,148	(10,020)	31,249	(93,388)
9,143	(22,491)	(31,719)	(746,273)
2,990	18,063	24,004	666,071
2,990	18,063	24,004	666,071
12,133	(4,428)	(7,715)	(80,202)
231	6,449	-	106,769
12,364	2,021	(7,715)	26,567
17,436	(2,271)	123,467	275,074
\$ 29,800	\$ (250)	\$ 115,752	\$ 301,641
\$ 455,777	\$ 56,445	\$ 91,270	\$ 3,250,396
67,575	18,526	(2,389)	361,572
(231)	(6,449)	-	(106,769)
\$ 523,121	\$ 68,522	\$ 88,881	\$ 3,505,199

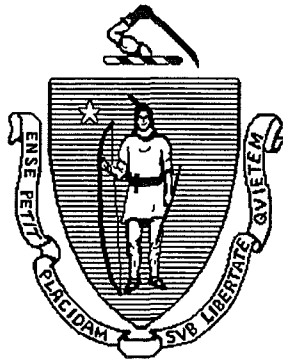
**Discretely Presented Component Units**  
**Combining Statement Of Cash Flows**

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority (as restated)	Regional Transit Authorities
Cash flows from operating activities:			
Operating income (loss).....	\$ (494,933)	\$ 2,446	\$ (78,954)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation.....	158,724	21,982	15,676
Gain on sale of equipment.....	(2,420)	-	226
Other nonoperating revenues.....	13,334	-	1,092
Other nonoperating expenses.....	(26,706)	-	(873)
Change in assets and liabilities:			
Due from federal government.....	6,600	-	(3,655)
Loans.....	-	-	-
Other receivables.....	(8,649)	(294)	(2,991)
Due from cities and towns.....	-	-	-
Due from primary government.....	71,018	-	(4,124)
Due from other funds.....	-	-	-
Inventory.....	(1,804)	(145)	(81)
Restricted and other assets.....	(20,882)	(3,067)	11,559
Accounts payable.....	2,856	6,025	3,740
Accrued payroll.....	(16,184)	1,062	(77)
Compensated absences.....	-	1,118	29
Deferred revenue.....	3,729	4,719	(10)
Claims and judgments, net.....	-	-	355
Other accrued liabilities.....	6,874	(1,319)	98
Due to cities and towns.....	-	-	115
Due to federal government.....	-	-	-
Total adjustments.....	186,490	30,081	21,079
Net cash provided by (used for) operating activities.....	(308,443)	32,527	(57,875)
Cash flows from noncapital financing activities:			
Operating grants.....	12,804	-	9,098
Transfers in from primary government.....	564,410	-	56,604
Net cash provided by noncapital financing activities.....	577,214	-	65,702
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets.....	(522,833)	(119,033)	(52,002)
Proceeds from the issuance of bonds and notes.....	802,284	-	63,856
Interest on bonds and notes.....	(146,704)	(1,212)	(3,742)
Capital contributions.....	233,512	-	44,348
Principal payments on bonds and notes.....	(528,129)	(8,901)	(63,573)
Proceeds from sale of equipment.....	76,019	-	33
Net cash provided by (used for) capital and related financing activities.....	(85,851)	(129,146)	(11,080)
Cash flows from investing activities:			
Purchases of investments.....	(2,059,406)	(1,191,706)	-
Sales and maturities of investments.....	2,051,063	1,279,794	5
Interest income.....	1,038	10,735	1,376
Net cash provided by (used for) investing activities.....	(7,305)	98,823	1,381
Net increase (decrease) in cash and cash equivalents.....	175,615	2,204	(1,872)
Cash and cash equivalents at beginning of year.....	84,026	11,577	14,284
Cash and cash equivalents at end of year.....	\$ 259,641	\$ 13,781	\$ 12,412

See notes to general purpose financial statements.

Massachusetts Water Pollution Abatement Trust	Massachusetts Convention Center Authority	Economic Development Authorities	Totals (Memorandum Only)
			1996
\$ (6,005)	\$ (12,471)	\$ (62,968)	\$ (652,885)
231	6,915	2,290	205,818
-	(78)	78	(2,194)
971	142	2,298	17,837
-	(202)	(21,331)	(49,112)
30,232	-	1,720	34,897
(89,885)	-	(37,843)	(127,728)
(2,911)	(312)	(5,571)	(20,728)
-	-	(554)	(554)
-	-	(2,323)	64,571
-	(3,598)	-	(3,598)
5,915	-	7	3,892
170	443	(1,849)	(13,626)
-	(2,441)	1,018	11,198
-	-	235	(14,964)
-	-	162	1,309
-	179	21,561	30,178
-	-	-	355
(47,939)	3,792	2,702	(35,792)
-	-	(851)	(736)
-	-	23	23
(103,216)	4,840	(38,228)	101,046
(109,221)	(7,631)	(101,196)	(551,839)
2,153	-	45,540	69,595
2,990	18,063	24,004	666,071
5,143	18,063	69,544	735,666
(3)	(2,097)	(21,136)	(717,104)
84,585	-	59,232	1,009,957
(25,406)	(10,222)	(5,685)	(192,971)
67,575	18,526	(2,389)	361,572
(16,920)	(18,066)	(19,075)	(654,664)
-	-	63	76,115
109,831	(11,859)	11,010	(117,095)
(123,434)	(76,828)	(2,108)	(3,453,482)
83,317	80,556	18,153	3,512,888
37,430	262	6,666	57,507
(2,687)	3,990	22,711	116,913
3,066	2,563	2,069	183,645
196,453	8,528	49,671	364,539
\$ 199,519	\$ 11,091	\$ 51,740	\$ 548,184



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Commonwealth of Massachusetts (the Commonwealth) have been prepared in accordance with generally accepted accounting principles (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.

### a. Reporting Entity –

The state government 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 56 independent authorities and agencies. Below the level of state government are 14 county governments and 351 cities and towns exercising the functions of local governments.

For financial reporting purposes, the Commonwealth of Massachusetts has included all funds, organizations, account groups, 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 are 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 37 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth.

**Blended Component Units** – Blended component units are entities which 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 following Component Units are blended within the Primary Government:

In the Pension Trust Funds:

- (1) The Pension Reserves Investment Trust Fund (PRIT) was created in 1984, through General Laws Chapter 661 of the Acts of 1983 as amended by the Acts of 1987. PRIT is the investment portfolio for the assets of member state and local retirement systems. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board.
  - (2) The Massachusetts State Teachers and Employees Retirement Systems Trust (MASTERS Trust) is a combined investment fund for the State Employees' Annuity Fund and the Teachers' Annuity Fund. The MASTERS Trust was established by the State Treasurer, as Trustee, under a Declaration of Trust dated January 1, 1989, pursuant to authority granted under MGL, Chapter 29, Section 38a.
- In addition, the following entities are blended into the discretely presented university and college and fund type:
- (3) The Massachusetts State College Building Authority provides dormitories, dining commons and other facilities primarily for use by students and staff of certain state colleges of the Commonwealth. The building authority is governed by a board comprised of members appointed by the Governor.
  - (4) The University of Massachusetts Building Authority provides dormitories, dining commons and other buildings and structures for the use of the University of Massachusetts and its students and staff; it is governed by a nine member board appointed by the Governor.
  - (5) The University of Massachusetts Medical School Teaching Hospital Trust Fund accumulates the results from operations of the Teaching Hospital. The Board of Trustees of the University of Massachusetts is the governing body of the Teaching Hospital.
  - (6) The University of Massachusetts Medical School Group Practice Plan is a trust fund that receives and distributes revenue from medical services to its members. Each member of the clinical faculty of the Medical School is required to be a member of the Group Practice Plan.

- (7) The University of Massachusetts Medical Center Self-Insurance Trust provides professional liability, hospital premises liability and physicians' and surgeons' liability coverage for the Medical Center, the Teaching Hospital and the Group Practice Plan. The Self-Insurance Trust is governed by a 24 member board of which 23 are appointed by the Governor.

**Discrete Component Units** – Discrete component units are entities which are legally separate from the Commonwealth, but are 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 combined financial statements include the financial data of the following entities:

- (1) The Massachusetts Bay Transportation Authority (MBTA) operates mass transit facilities within the Greater Boston metropolitan area, which consists of 78 cities and towns. The MBTA is overseen by a seven member board of directors appointed by the Governor. The Commonwealth guarantees the debt of the MBTA and funds deficiencies in the net cost of service.
- (2) The Massachusetts Turnpike Authority (MTA) operates two financially distinct facilities: the Massachusetts Turnpike and the Sumner - Callahan - Williams Tunnels. The MTA is governed by three members each appointed by the Governor. Beginning in fiscal year 1996, the Commonwealth guarantees debt of the MTA. The MTA is a component unit for the first time in fiscal 1996. The MTA is legally required to use the calendar year for their fiscal reporting cycle.
- (3) The Regional Transit Authorities (RTAs) provide railway transportation to areas not serviced by the MBTA. The RTAs are fiscally dependent on the Commonwealth as evidenced from the need for approval by the Secretary of the Executive Office of Transportation and Construction before an RTA can issue bonded debt. In addition, the Commonwealth subsidizes a minimum of 50% of the net cost of service for the RTAs. In fiscal year 1996, the Nantucket Regional Transit Authority was added. There are 15 RTAs as follows:
  - Berkshire Regional Transit Authority
  - Brockton Area Transit Authority

- Cape Ann Transportation Authority
- Cape Cod Regional Transit Authority
- Franklin Regional Transit Authority
- Greater Attleboro/Taunton Regional Authority
- Greenfield-Montague Transportation Area
- Lowell Regional Transit Authority
- Martha's Vineyard Transit Authority
- Merrimack Valley Regional Transit Authority
- Montachusett Regional Transit Authority
- Nantucket Regional Transit Authority
- Pioneer Valley Transit Authority
- Southeastern Regional Transit Authority
- Worcester Regional Transit Authority

- (4) The Massachusetts Water Pollution Abatement Trust (MWPAT) provides a combination of federal and Commonwealth funds for water pollution abatement projects. MWPAT is governed by a three member board of directors that includes the State Treasurer, Commissioner of the Department of Environmental Protection and the Secretary for Administration and Finance.
- (5) The Massachusetts Convention Center Authority (MCCA) manages the operation of the John B. Hynes Veterans Memorial Convention Center and the Boston Common Parking Garage. The MCCA is governed by a seven member board of directors which includes the State Treasurer and four appointments made by the Governor. The Commonwealth provides grants to fund annual debt service of the bonds issued and subsidies to fund annual operating deficits.

**Economic Development –**

- (6) The Massachusetts Community Development Finance Corporation (MCDFC) provides community development in economically depressed areas in Massachusetts. The MCDFC is governed by a board of directors comprised of nine members including the Secretary of Manpower Affairs, Secretary of Communities and Development, the Secretary for Administration and Finance and six appointments made by the Governor.

- (7) The Bay State Skills Corporation (BSSC) identifies occupations that are in high demand, seeks out educational and training organizations and then funds creative skills training programs. BSSC is governed by a 19 member board of directors including the Secretary of Economic Affairs, Commissioner of Welfare, Chancellor of the Board of Regents, Commissioner for Department of Education, Commissioner for Department of Employment and Training and 14 appointments made by the Governor. The operations are almost entirely funded through Commonwealth grants.
- (8) The Massachusetts Industrial Service Program (ISP) provides high risk financing to troubled businesses, assists displaced workers and assists communities to foster economic vitality. ISP has a five member board of trustees including the Secretary of Economic Affairs and the Secretary of Labor and three appointments by the Governor. ISP relies on Commonwealth funding to operate.
- (9) The Massachusetts International Trade Council (MITC) stimulates export development through export assistance programs and promotion of foreign investment in Massachusetts industries. The entity is funded with Commonwealth grants. The governor appoints the 2 member board.
- (10) The Government Land Bank (GLB) aids public and private agencies in the conversion and redevelopment of surplus Commonwealth and federal property, and blighted, decadent or substandard property for the purpose of stimulating economic development and provide housing to low and moderate income persons. The GLB is governed by a board of directors comprised of 10 members including the Commissioner of Administration, the Secretary of Communities and Development and eight appointments made by the Governor. The GLB has access to \$40 million of general obligation bonds and the Commonwealth also provides subsidy assistance. The GLB also requires Commonwealth approval to issue bonded debt.
- (11) The Massachusetts Technology Park Corporation (MTPC) manages Massachusetts educational centers that foster economic development within the Commonwealth by providing Massachusetts colleges and universities with access to equipment, machinery and instructional assistance necessary to offer programs in certain emerging areas of science and technology. MTPC is governed by a board of directors comprised of 23 members including the Secretary of Economic Affairs, the Secretary for Administration and Finance, the Chancellor of the Board of Regents and 20 appointments made by the Governor. The Commonwealth provides grants to fund operations.
- (12) The Community Economic Development Assistance Corporation (CEDAC) provides development assistance to nonprofit corporations to expand the supply of affordable housing and to foster the revitalization of economically distressed areas. The Governor appoints the 9 member board of directors.
- (13) The Massachusetts Corporation for Education Telecommunications (MCET) operates a statewide telecommunication network for the Commonwealth public and private sector to improve the quality of education. MCET is governed by a board of directors comprised of 18 members of which 12 are appointed by the Governor. The Corporation receives grants from the Commonwealth to fund its programs.
- (14) The Massachusetts Housing Partnership (MHP) addresses local needs for affordable housing and neighborhood development through group effort of the public and private sectors and state and local government. The entity is governed by a seven member board of directors of which two members are appointed by the Governor, and one member is the Secretary for Administration and Finance and one is the Secretary of Communities and Development. The Commonwealth provides funding to MHP.
- (15) The Massachusetts Zoological Corporation manages Franklin Park Zoo and the Walter D. Stone Memorial Zoo. The Corporation's 11 member board is appointed by the Governor. The Commonwealth subsidizes a substantial portion of the operations of the zoos.

***Availability of Financial Information for Component Units and Individual Institutions of Higher Education -***  
Complete financial statements of the individual component units can be obtained directly from their respective administrative offices.

Discretely presented component units condensed financial statements are included in the component unit column of the general purpose financial statements.

The following discretely presented component unit was audited by Deloitte & Touche LLP:

Massachusetts Water Pollution Abatement  
Trust

Office of the State Treasurer  
One Ashburton Place, 12th Floor

Boston, MA 02108

The following discretely presented component units were audited by other auditors:

Bay State Skills Corporation	101 Summer Street	Boston, MA 02100
Berkshire Regional Transit Authority	67 Downing Parkway	Pittsfield, MA 01201
Brockton Area Transit Authority	70 School Street	Brockton, MA 02401
Cape Ann Transportation Authority	P.O. Box 511	Gloucester, MA 01931
Cape Cod Regional Transit Authority	585 Main Street, P.O. Box F	Dennis, MA 02638
Franklin Regional Transit Authority	474 Main Street	Greenfield, MA 01301
Government Land Bank	One Court Street, Suite 200	Boston, MA 02108
Greater Attleboro/Taunton Regional Authority	7 Mill Street	Attleboro, MA 02703
Greenfield-Montague Transportation	382 Deerfield Street	Greenfield, MA 01301
Lowell Regional Transit Authority	145 Thorndike Street	Lowell, MA 01852
Martha's Vineyard Transit Authority	P.O. Box 158	Edgartown, MA 02539
Massachusetts Bay Transportation Authority	Ten Park Plaza	Boston, MA 02116
Massachusetts Community Development Finance Corporation	10 Post Office Square, Suite 1090	Boston, MA 02109
Massachusetts Community Economic Development Assistance Corporation	19 Temple Street	Boston, MA 02111
Massachusetts Convention Center Authority	900 Boylston Street	Boston, MA 02115
Massachusetts Housing Partnership	2 Oliver Street	Boston, MA 02109
Massachusetts International Trade Council, Inc.	100 Cambridge Street, Room 1302	Boston, MA 02202
Massachusetts Technology Park Corporation	75 North Drive	Westborough, MA 01581
Massachusetts Turnpike Authority	Ten Park Plaza, Suite 5170	Boston, MA 02116
Merrimack Valley Regional Transit Authority	85 Railroad Avenue	Bradford, MA 01835
Montachusett Regional Transit Authority	Rear 1427 Water Street	Fitchburg, MA 01420
Nantucket Regional Transit Authority	16 Board Street	Nantucket, MA 02554
Pioneer Valley Transit Authority	2808 Main Street	Springfield, MA 01107
Southeastern Regional Transit Authority	25 North Sixth Street	New Bedford, MA 02740
Worcester Regional Transit Authority	287 Grove Street	Worcester, MA 01605

The following blended component units have been audited by other auditors:

Included in the University and College Fund Type:

Massachusetts State College Building Authority	75 Park Plaza, P.O. Box 5	Boston, MA 02116
University of Massachusetts:	100 Venture Way, 2nd Floor	Hadley, MA 01035
Building Authority		
Medical School Teaching Hospital Trust Fund		
Medical School Group Practice Plan		
Medical Center Self Insurance Trust		

## Included as investment vehicles of the Pension Trust Funds:

Massachusetts State Teachers and Employees Retirement Systems Trust	125 Summer Street, 10th Floor	Boston, MA 02110
Pension Reserve Investment Trust	125 Summer Street, 10th Floor	Boston, MA 02110

## Higher Education - The following institutions of higher education were audited by firms other than Deloitte &amp; Touche LLP:

Bridgewater State College	Boyden Hall	Bridgewater, MA 02324
Framingham State College	100 State Street	Framingham, MA 01701
Holyoke Community College	303 Homestead Ave.	Holyoke, MA 01040
Massachusetts College of Art	621 Huntington Ave.	Boston, MA 02115
Massasoit Community College	One Massasoit Blvd.	Brockton, MA 02402
Springfield Technical Community College	One Armory Square, P.O. Box 9000	Springfield, MA 01101
The University of Massachusetts	100 Venture Way, 2nd Floor	Hadley, MA 01035
Worcester State College	486 Chandler St.	Worcester, MA 01035

The following institutions of higher education did not have separate audits performed on their individual financial statements:

Berkshire Community College	Massachusetts Bay Community College	Northern Essex Community College
Bristol Community College	Massachusetts Maritime Academy	Quinsigamond Community College
Bunker Hill Community College	Middlesex Community College	Roxbury Community College
Cape Cod Community College	Mount Wachusett Community College	Salem State College
Fitchburg State College	North Adams State College	Westfield State College
Greenfield Community College	North Shore Community College	

The following organizations do not meet the criteria for inclusion in the reporting entity, and are excluded from the general purpose financial statements: Massachusetts Port Authority, Massachusetts Water Resources Authority, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority, Massachusetts Technology Development Corporation and Massachusetts Industrial Finance Agency.

**b. Fund Accounting –**

The Commonwealth reports its financial position and results of operations in funds and account groups, 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.

Account groups are accounting entities used to provide accountability for the Commonwealth's general fixed assets and general long-term obligations. They are not considered funds because they do not report expendable available financial resources and related liabilities.

The Commonwealth has established the following fund categories (further divided by fund types), and account groups:

**Governmental Funds** – account for the general governmental activities of the Commonwealth.

The General 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, other than expendable trusts or major capital financing, that have been segregated according to state finance law to support specific governmental activities.

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 primarily from proceeds of general and specific obligation bonds and federal reimbursements.

**Proprietary Funds** – included internal service funds which account for the financing of services provided by one department or agency to other departments or agencies, or to other governmental units.

**Fiduciary Funds** – account for assets held by the Commonwealth in a trustee capacity, or as an agent for individuals, private organizations, other governmental units, and/or other funds.

Expendable Trust Funds account for trusts whose principal and income may be expended for their designated purpose.

Nonexpendable Trust Funds account for trusts whose principal cannot be spent.

Pension Trust Funds account for net assets held in trust for the State Employees' and Teachers' Retirement Systems.

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.

**University and College Funds** – account for the activities specific to the operation of the Commonwealth's public institutions of higher education, including its medical school.

Current Funds are comprised of unrestricted funds which may be used at the discretion of the individual institution's governing bodies and restricted funds which must be utilized for specific purposes established by others.

Loan Funds account for resources available to make loans to students, faculty and staff.

Endowment and Similar Funds are comparable to trust funds, and they must be administered according to the terms of specific agreements.

Plant Funds account for resources that have been or will be invested to acquire or repair fixed assets or for the related debt service.

**Account Groups** – establish control and accountability over the Commonwealth's general fixed assets and general long-term obligations.

The General Fixed Assets Account Group accounts for general fixed assets of the Commonwealth, excluding the fixed assets of the Proprietary Funds, University and College Fund and the discretely presented Component Units.

The General Long-term Obligations Account Group accounts for long-term bonds and notes issued by the Commonwealth, capital leases, certificates of participation, compensated absences, and other long-term obligations, excluding the liabilities of the University and College Fund, the discretely presented Component Units and the Proprietary Service Funds.

**Component Units** - account for the activity of the entities that are separate from the primary government but are financially accountable to the Commonwealth. The Component Units are discretely presented in the general purpose financial statements.

**c. Measurement Focus and Basis of Accounting –**

Governmental and Expendable Trust Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means 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 grants, federal reimbursements and other reimbursements for use of materials and services. Revenues from other financing sources are recognized when received. 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.

Proprietary Funds, Nonexpendable Trust and Pension Trust Funds and discretely presented Component Units are reported using a flow of economic resources

measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of net income. For all proprietary funds and component units that use proprietary fund accounting, the Commonwealth applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Agency Fund assets and liabilities are reported using the modified accrual basis of accounting. They are custodial in nature and do not measure results of operations or have a measurement focus.

University and College Fund activities are reported using the accrual basis of accounting, except that depreciation is recorded only for those plant fund assets related to the hospital and group practice plan.

**Statutory (Budgetary) Accounting** – The Commonwealth's books and records and other official reports 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 the budgetary control of appropriations, and the Statutory Basis Financial Report is not intended to present the Commonwealth's financial condition and results of operations in conformity with GAAP.

Under the statutory basis, revenues are generally recognized when the cash deposit is received. However, revenues receivable for federal grants and reimbursements are recognized when related expenditures are incurred, and amounts due from certain political subdivisions of the Commonwealth are recognized when considered measurable and available at year end.

Statutory expenditures generally are 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. 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.

**d. Cash and Short-Term Investments and Investments -**

The Commonwealth follows the practice of pooling cash and cash equivalents for some of its Governmental and Fiduciary Funds. 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, Expendable Trust Funds and to certain Special Revenue Funds when so directed by law.

The Pension Trust Funds, with investments totaling \$15,671,490,000, at fair value, are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. For investments traded in an active market, the fair value of the investment will be its market price. The Pension Trust Funds include investments in real estate, venture capital funds, real estate funds, limited partnerships, futures pools, international hedge pools, commodities pools, balanced pools, leveraged buyouts, private placements and other alternative investments. The structure, risk profile, return potential and marketability differ from traditional equity and fixed income investments. Concentrations of credit risk exist if a number of companies in which the Fund has invested, are engaged in similar activities and have similar economic characteristics that could cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. To mitigate the exposure to concentrations of risk, the Pension Trust Funds invest in a variety of industries located in diverse geographic areas. As of June 30, 1996, the estimated fair values, determined by management with input from the investment managers, of these real estate and alternative investments were \$50,830,000 in the MASTERS Trust and \$1,731,122,000 in PRIT, representing .21% and 7%, respectively, of the total assets of the Fiduciary Fund Type.

Included in the discretely presented Component Units is \$10,387,000 in investments, whose valuation was determined by management. In making its valuations, management considered the cost of investments, current and past operating results, current economic conditions and their effect on the borrowers, estimated realizable values of collateral, and other factors pertinent to the valuation of investments. There is no public market for most of the investments. Management, in making its evaluation, has in many instances relied on financial data and on estimates by management of the companies they have invested in as to the effect of future developments.

Investments of the University of Massachusetts (UMass) are stated at the lower-of-cost or market (except for debt instruments to be held to maturity which are carried at amortized cost). Other investments are stated at cost or amortized cost.

Annuity contracts represent guaranteed investment contracts and are carried at present value.

*e. Securities Lending Program -*

The Pension Trust Funds participate in securities lending programs. Under these programs, the Trusts receive a fee for allowing brokerage firms to borrow certain securities for a predetermined period of time, securing such loans with cash or collateral typically equaling 102% to 105% of the market value of the security borrowed. At June 30, 1996, the market value of the securities on loan from PRIT and MASTERS was approximately \$737,000,000 and \$155,567,000, respectively. The value of the collateral held by PRIT amounted to \$779,000,000 at June 30, 1996. The MASTERS trust securities on loan were collateralized at all times by U.S. Treasury securities of at least 100% of the value.

*f. Receivables -*

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 "Due from federal government." The receivables in the University and College Fund and Component Units column are amounts that have arisen in the normal course of operations.

*g. Due From Cities and Towns -*

Represents reimbursement due to the Commonwealth for its expenditures on certain programs from cities and towns.

*h. Inventories and Other Assets -*

Inventories included in the Governmental Fund Types represent food stamps on hand and are stated at face value.

The costs of materials and supplies are recorded as expenditures in Governmental Funds when purchased. Such inventories are not material in total to the financial statements and therefore are not recorded.

Inventories included within the University and College Fund Type and the Component Unit column are stated at the lower of cost (using the first-in, first-out method), or market (on the purchase or consumption method).

*i. Fixed Assets -*

For Governmental Funds, general fixed asset acquisitions are recorded as expenditures in the acquiring fund and capitalized in the General Fixed Assets Account Group in the year purchased. General fixed assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at the estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized.

The Commonwealth capitalizes all land. It capitalizes buildings, equipment, and computer software, with costs in excess of \$15,000 at the date of acquisition and with expected useful lives of greater than one year. Interest incurred during construction is not material and it is not capitalized. Public domain general fixed assets and infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) are not capitalized. No depreciation is provided on general fixed assets.

Fixed assets of the University and College Fund are recorded at cost when purchased or constructed. Major construction projects financed through the issuance of Commonwealth bonds are not recognized as additions to investment in plant until completed. All land and library collections are capitalized. The University of Massachusetts and state colleges capitalize all other fixed assets with costs in excess of \$1,000. The community colleges capitalize all other fixed assets with costs in excess of \$15,000 consistent with the Commonwealth's fixed asset policy. No provision for depreciation is recognized except for depreciation recorded on the University of Massachusetts Medical School Teaching Hospital and Group Practice Plan fixed assets, which is recorded on a straight-line basis over the estimated useful lives of the assets.

Fixed assets of the Component Units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are as follows:



Structures and improvements.....3 - 100 years

Equipment, furniture,  
fixtures and vehicles.....3 - 25 years

**j. Interfund/Intrafund Transactions -**

During the course of its operations, the Commonwealth records transactions between funds and/or between departments. Transactions of a buyer/seller nature between departments within a fund are not eliminated from the individual fund statements. Receivables and payables resulting from transactions between funds are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

Receivables and payables resulting from transactions between Component Units and the primary government are classified as "Due to/from primary government" or "Due to/from Component Units."

**k. Fringe Benefit Cost Recovery -**

The Commonwealth appropriates and pays the fringe benefit costs of its 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 is accounted for through the Internal Service Fund.

**l. School Construction Grants -**

The Commonwealth through legislation is committed to reimburse certain cities, towns and regional school districts for a portion of their debt service costs for school construction and renovation. The amounts expected to be liquidated with available financial resources are reported as expenditures in fund liabilities. The long-term portion of this liability is recorded in the General Long-Term Obligations Account Group.

**m. Compensated Absences -**

For Governmental Funds and Expendable Trust Funds, vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures and fund

liabilities. Amounts that are not expected to be so liquidated are reported in the General Long-Term Obligations Account Group.

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 then-current rate of pay.

In the University and College Funds and the discretely presented Component Units, employees' accumulated vacation and sick leave are recorded as an expense and liability as the benefits accrue.

**n. 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 in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the Agency Funds. The Commonwealth retains the risk related to such annuities.

**o. Risk Financing -**

The Commonwealth does not insure 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 Public Employee Retirement Administration and another program for individuals working on the Central Artery/Third Harbor Tunnel Project managed by the Massachusetts Highway Department. 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.

The Commonwealth accounts for workers' compensation and group insurance risk financing activities in the Internal Service Funds. Revenues are charged to other funds as reimbursement for expenditures related to claims and judgments. Other risk financing activities are accounted for in the General Fund.

**p. Fund Balances –**

The Commonwealth reports fund balances as reserved where legally restricted for a specific future use. Otherwise, these balances are considered unreserved.

Fund balances have been reserved as follows:

“Reserved for continuing appropriations” – identifies unexpended amounts in appropriations which the Legislature has specifically authorized to be carried into the next fiscal year.

“Reserved for tax reduction - current and future” - identifies the amount set aside according to Section 6 of Chapter 29B of the Massachusetts General Laws. The amount can only be used to reduce personal income taxes as provided in the Chapter.

“Reserved for Commonwealth stabilization” – identifies amounts set aside according to Section 5C of Chapter 29 of the Massachusetts General Laws, which limits to 0.5% of tax collections the amount of undesignated fund balance in the General, Highway and Local Aid Funds that can be carried forward to the next fiscal year. Any amount in excess of that limit is transferred to the Commonwealth Stabilization Fund, from which appropriations may be made for purposes specified in Section 2H of Chapter 29B.

“Reserved for employees’ pension benefits” – identifies the net assets of the Commonwealth’s public employee retirement systems which cannot be used for any other purpose.

“Reserved for unemployment benefits” – identifies amounts reserved for payment of unemployment compensation.

“Reserved for retirement of indebtedness” – identifies amounts held by fiscal agents to fund future debt service obligations pertaining to the Commonwealth Fiscal Recovery Loan Act of 1990, and to Special Obligation Revenue Bonds authorized under Section 20 of Chapter 29 of the Massachusetts General Laws and Chapter 33, Acts of 1991.

**q. Total Columns – Memorandum Only –**

Total columns on the combined financial statements 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 cash flows. Interfund

eliminations have not been made in the aggregation of this data.

**r. Reclassifications –**

For the fiscal year ended June 30, 1996, certain reclassifications have been made to the 1995 balances to conform to the presentation used in 1996. Certain amounts in the separately issued Component Units financial statements has been reclassified to conform to the accounting classifications used by the Commonwealth.

**s. Future Adoption of Accounting Pronouncements –**

The GASB has issued two statements which the Commonwealth has not yet adopted and which require adoption in fiscal year 1997 as follows: Statement No. 28, “Accounting and Financial Reporting of Securities Lending Transactions” and Statement No. 30, “Risk Financing Omnibus - An Amendment of GASB Statement No. 10.”

The implication of these statements to the Commonwealth’s fiscal practices and financial reports is being evaluated.

**2. 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 appropriation act, the Governor may veto or reduce any specific item, subject to legislative override. Further changes to the budget established in the annual appropriations may be made via supplemental appropriations acts or other legislative acts. These must also be signed by the Governor and are subject to line item veto.

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 fiscal 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 account.

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. In addition, certain interfund assessments to allocate fringe benefits and other costs which are mandated by state finance law are not itemized in the appropriation process or separately budgeted. In addition, Massachusetts General Laws authorizes the Secretary of Administration and Finance, with the approval of the Governor, to withhold allotment of appropriated funds, effectively reducing the account's expenditure budget, upon determination that available revenues will be insufficient to meet authorized expenditures.

The original fiscal year 1996 appropriation act authorized approximately \$16,082,868,000 in direct appropriations and \$766,764,000 in authorizations to retain and expend certain non-tax revenues plus \$97,162,000 of interagency chargebacks. The act also included estimates of \$11,654,500,000 in tax revenues and approximately \$5,147,600,000 in non-tax revenues. With these revenues (exclusive of chargebacks) projected to total approximately \$16,802,100,000, and with unreserved balances on a statutory basis of approximately \$172,496,000 carried forward from fiscal year 1995, the budget as presented in this original appropriation act was considered to be in balance.

During fiscal year 1996, the Legislature also passed and the Governor signed, with some modification through veto, several supplemental budgetary appropriations. These supplements added approximately \$93,237,000 in direct appropriations, \$2,783,000 in additional retained revenue authorizations, and \$6,360,000 of inter-agency chargebacks.

Subsequent to June 30, 1996, the Legislature passed and the Governor signed, with modification through veto, approximately \$388,465,000 in additional supplemental appropriations and \$1,765,000 in additional interagency chargebacks. The cumulative fiscal year 1996 appropriations, retained revenue and interagency chargebacks totaled \$17,439,404,000. Appropriations

continued from fiscal year 1995 totaled approximately \$111,685,000, and certain intrafund and interfund transfers, directed by statute, totaled approximately \$598,756,000.

Because revenue budgets are not updated subsequent to the original appropriations act, the comparisons of the initial budgeted revenue to the subsequent, and often modified, expenditure budget can be misleading. Also, the financial statements portray fund accounting with gross inflows and outflows, thus creating a second variance, to separately published budget documents, portraying net inflows and outflows.

Line item appropriations are enacted for the General Fund and certain Special Revenue Fund activities. For these funds, a Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual – General and Budgeted Special Revenue Funds is included. The Budgeted Special Revenue Funds itemized in the CAFR are the Highway, Local Aid, Environmental, and under the label of Other, all remaining budgeted funds. In fiscal year 1995, the statutory basis of accounting included the Commonwealth Stabilization Fund and Administrative Control Funds with the Budgeted Special Revenue Fund Type. In fiscal year 1996, these funds are included with the General Fund. This presentation coincides with the reporting structure of the Comprehensive Annual Financial Report.

The Office of the Comptroller has the responsibility to ensure that budgetary control is maintained on an individual line item appropriation account basis. Budgetary control is exercised through the State Accounting System, Massachusetts Management Accounting and Reporting System (MMARS). Encumbrances and expenditures are not allowed to exceed the appropriation account total available spending authorization.

A MMARS report, internally identified as RPT226, is used by management and the Office of the Comptroller to monitor spending against budget. This report provides information at the individual line item appropriation account level, which is the legal level of budgetary control. For financial reporting, the Commonwealth groups these appropriation accounts by character and secretariat to conform to its organizational structure.

A reconciliation of the statutory basis budgeted funds to the GAAP basis General and all Special Revenue funds presented in the financial statements is as follows (amounts in thousands):

	General and Special Revenue Funds
Excess of revenues and other financing sources over expenditures and other financing uses (statutory basis).....	\$ 446,391 ✓
Entity differences:	
Excess of revenues and other financing sources over expenditures and other financing uses for Non-budgeted Special Revenue Funds.....	56,944
Basis of Accounting differences:	
Net increase in taxes receivable.....	25,405
Net decrease in due from federal government.....	(7,861)
Net decrease in other receivables and other assets.....	(84,215)
Net increase in tax refunds and abatements payable.....	(108,371)
Net decrease in accounts payable and other liabilities.....	150,427
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis).....	\$ 478,720 ✓
Comprised of:	
General Fund.....	\$ 1,093,465 ✓
Special Revenue Fund.....	(614,745) ✓
	\$ 478,720

### 3. DEPOSITS AND INVESTMENTS

**Cash and Short-Term Investments** –The Commonwealth maintains a cash and short-term investment pool which is utilized by the Governmental and Fiduciary Fund types.

#### *Primary Government -*

As of June 30, 1996, the carrying amount of the Primary Government's total cash and cash equivalents was \$114,405,000 and the corresponding bank balances were \$55,036,000. Bank deposits in the amount of \$8,763,000 were insured by the Federal Deposit Insurance Corporation, and \$46,273,000 were uninsured and uncollateralized.

#### *Component Units -*

As of June 30, 1996, the carrying amount of the discretely presented Component Unit's total cash and cash equivalents was \$211,804,000, and the corresponding bank balances were \$221,070,000. Bank deposits of \$90,412,000 were insured by the Federal Deposit Insurance Corporation and \$130,658,000 were uninsured and uncollateralized.

**Investments** – The Commonwealth maintains an investment pool, the Massachusetts Municipal Depository Trust (MMDT), that is available for use by all funds. The deposits and investments of the Component Units and the University and College Funds and the investments of the Pension Trust Funds are held separately from those of other Commonwealth funds, with the exception of their investments in MMDT.

Statutes authorize the Primary Government to invest in obligations of the U.S. Treasury, authorized bonds of all states, banker's acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poors Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure. Investments in the MMDT are carried at cost, which approximates market. The Pension Trust Funds are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. In the following table, these alternative

investments, venture capital and futures pools are classified as other investments. The investment policies of the Component Units are the same as the Primary Government's, except that they permit investment in equity securities.

Short-term investments and investments are classified as to collateral risk into the following three categories:

Category 1: Insured or registered, or securities held by the Commonwealth or its agent in the Commonwealth's name.

Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Commonwealth's name.

Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Commonwealth's name.

**Primary Government** – Investments of the Primary Government at June 30, 1996, are as follows (amounts in thousands):

	Carrying Amount			Total	Market Value
	Category 1	Category 2	Category 3		
<b>Investment</b>					
Repurchase agreements....	\$ 860,801	\$ -	\$ 5,389	\$ 866,190	\$ 866,191
U.S. Treasury obligations.	893,709	12,973	135,675	1,042,357	1,042,389
Commercial paper.....	1,004,633	-	-	1,004,633	1,004,633
Government obligations...	2,800,493	113,436	44,276	2,958,205	2,959,026
Equity securities.....	8,702,682	21,712	1,519	8,725,913	8,726,198
Fixed income securities....	2,776,503	106,894	12,879	2,896,276	2,898,827
Asset backed investments.	-	7,387	-	7,387	7,166
Notes.....	186,373	-	-	186,373	186,373
Certificate of deposits.....	-	-	157,633	157,633	157,633
Other.....	199,954	25,386	236	225,576	224,856
	<u>\$17,425,148</u>	<u>\$287,788</u>	<u>\$357,607</u>	18,070,543	18,073,292
Money market investments				743,374	743,374
Mutual fund investments				139,572	139,572
Deferred compensation plan mutual funds				1,480,844	1,480,844
Annuity contracts				1,164,223	1,164,223
Real estate				543,575	543,575
Assets held in trust				1,702,040	1,702,040
Deposits with U.S. Treasury				761,987	761,987
Other				680,399	680,399
Total				<u>\$25,286,557</u>	<u>\$25,289,306</u>

Following is a reconciliation of investments as summarized above to the balance as recorded in the combined balance sheet (amounts in thousands):

Investments as summarized above.....	\$ 25,286,557
Less:	
Short-term investments reported in the combined balance sheet as cash and short-term investments.....	3,396,177
Restrictive investments reported separately in the combined balance sheet.....	187,929
Deferred compensation plan mutual funds reported separately in the combined balance sheet.....	1,480,844
Assets held in trust reported separately in the combined balance sheet.....	1,702,040
Annuity contracts reported separately in the combined balance sheet.....	1,164,223
Deposits reported separately in the combined balance sheet.....	869,849
Investments as reported on the combined balance sheet.....	<u>\$ 16,485,495</u>

Following is a reconciliation of the balance of cash and short-term investments at June 30, 1996 (amounts in thousands):

Carrying amount of cash and cash equivalents.....	\$ 114,405
Cash with fiscal agent reported separately in the combined balance sheet.....	(22,571)
Short-term investments reported as investments for GASB 3 disclosure purposes but reported in the combined balance sheet as Cash and short-term investments.....	<u>3,396,177</u>
Cash and short-term investments as reported on the combined balance sheet.....	<u>\$ 3,488,011</u>

**Financial Investments with Off-Balance Sheet Risk** – Certain investments of the Commonwealth may involve a degree of risk not accounted for on the respective financial statements. A description of such “off-balance sheet risks” is as follows.

**Forward Currency Contracts** – The Pension Trust Funds enter into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates

on foreign portfolio holdings. The market value of the contract will fluctuate with changes in currency exchange rates. Risks may arise upon entering these contracts 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.

When the contract is closed, the Pension Trust Funds record 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. Fluctuations in the value of forward currency contracts are recorded as unrealized gains or losses by the Pension Trust Funds.

**Future Contracts** – The Pension Trust Funds may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owes 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 primarily corresponds with 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 or MASTERS may not be able to close out its futures positions due to an a non-liquid secondary market. Risks may 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. The Pension Trust Funds may also invest in financial futures contracts for non-hedging purposes.

Payments are made or received by the Pension Trust Funds 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 Pension Trust Funds recognize a realized gain or loss. The notional value of the futures contracts at June 30, 1996 for the Pension Trust Funds amount to approximately \$111,582,000 with unrealized gains of approximately \$2,124,000.

**Options** – PRIT and MASTERS are also engaged in selling or “writing” options. The Pension Trust Funds, as writers of options, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bears the market risk of an unfavorable change in the price of the security underlying the written option. As of June 30, 1996, there were no material options outstanding.

**Component Units** – Investments of the discretely presented Component Units at June 30, 1996, are as follows (amounts in thousands):

	Carrying Amount			Total	Market Value
	Category 1	Category 2	Category 3		
<b>Investment</b>					
Repurchase agreements.....	\$ 12,976	\$ -	\$ 80,575	\$ 93,551	\$ 93,659
U.S. Treasury obligations...	2,433	8,157	73,655	84,245	84,196
Commercial paper.....	114,545	37,500	-	152,045	152,045
Government obligations.....	50,511	-	41,015	91,526	92,301
Equity securities.....	-	-	984	984	984
Fixed income securities.....	-	-	95,659	95,659	95,659
Notes.....	28,385	-	7,642	36,027	36,038
Certificate of deposits.....	-	-	100	100	100
Other.....	13,558	252	3,775	17,585	17,585
	<u>\$222,408</u>	<u>\$45,909</u>	<u>\$ 303,405</u>	571,722	572,567
Money market investments				57,578	57,578
Mutual fund investments				88	88
Deferred compensation plan mutual funds				13,272	13,272
Assets held in trust				5,151	5,151
Guaranteed investment contracts				278,596	278,596
Total				<u>\$ 926,407</u>	<u>\$ 927,252</u>

Following is a reconciliation of investments summarized above to the balance as recorded in the combined balance sheet (amounts in thousands):

Investments as summarized above.....	\$ 926,407
Less:	
Short-term investments reported in the combined balance sheet as cash and short-term investments.....	336,380
Restricted investments reported separately in the combined balance sheet.....	287,559
Deferred compensation plan mutual funds reported separately in the combined balance sheet.....	13,272
Assets held in trust reported separately on the combined balance sheet.....	5,151
Investments as reported on the combined balance sheet.....	<u>\$ 284,045</u>

Following is a reconciliation of the balance of cash and short-term investments at June 30, 1996 (amounts in thousands):

Carrying amount of cash and cash equivalents.....	\$ 211,804
Short-term investments reported as investments for GASB 3 disclosure purposes but reported in the combined balance sheet as Cash and short-term investments.....	336,380
Cash and short-term investments as reported on the combined balance sheet.....	<u>\$ 548,184</u>

**4. RECEIVABLES**

Taxes, federal reimbursements, loans and other receivables are presented in the various funds as follows (amounts in thousands):

*Primary Government –*

	<u>Taxes</u>	<u>Due from Federal Government</u>	<u>Loans</u>	<u>Other</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
General Fund.....	\$ 962,283	\$ 551,117	\$ -	\$ 697,334	\$ (816,829)	\$1,393,905
Special Revenue Funds.....	669,510	184,592	-	147,892	(207,570)	794,424
Capital Projects Funds.....	-	118,823	-	1,055	(9)	119,869
Trust and Agency.....	389,297	4,646	3,330	555,911	(413,484)	539,700
University and College Fund.....	-	24,535	55,554	132,841	(23,584)	189,346
Subtotal.....	2,021,090	883,713	58,884	1,535,033	<u>\$ (1,461,476)</u>	3,037,244
Less: Allowance for uncollectibles .....	<u>(514,263)</u>	<u>(11,132)</u>	<u>(8,222)</u>	<u>(927,859)</u>		-
Net receivable.....	<u>\$1,506,827</u>	<u>\$ 872,581</u>	<u>\$50,662</u>	<u>\$ 607,174</u>		<u>\$3,037,244</u>

*Component Units –*

	<u>Due from Federal Government</u>	<u>Loans</u>	<u>Other</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivable</u>
MBTA.....	\$ -	\$ -	\$38,240	\$ -	\$ 38,240
MTA.....	-	-	4,419	-	4,419
Regional Transit Authorities.....	7,970	-	8,041	(36)	15,975
MWPAT.....	3,055	663,745	12,753	-	679,553
MCCA.....	-	-	792	(63)	729
Economic Development Authorities.....	22,451	146,865	8,454	(4,488)	173,282
Subtotal.....	33,476	810,610	72,699	<u>\$ (4,587)</u>	912,198
Less: Allowance for uncollectibles .....	-	(4,488)	(99)		-
Net receivable.....	<u>\$ 33,476</u>	<u>\$806,122</u>	<u>\$72,600</u>		<u>\$912,198</u>



**5. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS**

Receivables and payables between funds and component units at June 30, 1996 are summarized as follows (amounts in thousands):

*Primary Government:*

	<u>Due from</u>	<u>Due to</u>
General Fund:		
Special Revenue Funds:		
Federal Grants.....	\$ 32,145	\$ -
Local Aid.....	530,950	-
Capital Projects Funds:		
General.....	16,822	-
Highway.....	23,217	-
Local Aid.....	1,920	-
Other.....	50	-
Trust and Agency Funds:		
Pension Trust.....	7,932	-
University and College Fund:		
Current - Unrestricted.....	8,481	-
Subtotal.....	621,517	-
Special Revenue Funds:		
General Fund.....	-	563,095
Subtotal.....	-	563,095
Capital Projects Funds:		
General Fund.....	-	42,009
Capital Projects Funds:		
Highway.....	27,059	-
Federal Highway Construction.....	-	27,059
Subtotal.....	27,059	69,068
Internal Service Funds:		
University and College Funds:		
Current and Unrestricted.....	33,255	-
Subtotal.....	33,255	-
Fiduciary Funds:		
General Funds.....	-	7,932
Subtotal.....	-	7,932
University and College Fund:		
General Fund.....	-	8,481
Internal Services Funds:		
Employees Workers' Compensation....	-	33,255
University and College Fund:		
Current - Unrestricted.....	-	42,019
Current - Restricted.....	41,528	-
Loan.....	565	1
Endowment.....	-	-
Plant.....	433	506
Subtotal.....	42,526	84,262
Total Primary Government.....	\$ 724,357	\$ 724,357

*Component Units:*

	<u>Due from</u>	<u>Due to</u>
General Fund:		
MBTA.....	\$ -	\$ 6,507 (1)
RTAs.....	-	32,127 (2)
MCCA.....	-	17,115 (3)
Economic Development Authorities.....	-	2,018 (4)
Subtotal.....	-	57,767
Special Revenue Funds:		
MBTA.....	-	211,626
RTAs.....	-	25,292
Economic Development Authorities.....	-	600
Subtotal.....	-	237,518
Capital Projects Funds:		
Economic Development Authorities.....	-	26
MWPAT.....	-	611
Subtotal.....	-	637
MBTA:		
General Fund.....	6,507 (1)	-
Special Revenue Funds:		
Highway.....	70,541	-
Local Aid.....	141,085	-
Subtotal.....	218,133	-
RTAs:		
General Fund.....	32,127 (2)	-
Special Revenue Funds:		
Highway.....	8,431	-
Local Aid.....	16,861	-
Subtotal.....	57,419	-
MWPAT:		
Capital Projects Funds:		
Other.....	611	-
Subtotal.....	611	-
MCCA:		
General Fund.....	17,115 (3)	-
Subtotal.....	17,115	-
Economic Development Authorities:		
General Fund.....	2,018 (4)	-
Special Revenue Funds:		
Other.....	600	-
Capital Projects Funds:		
General.....	26	-
Subtotal.....	2,644	-
Total Component Units.....	\$ 295,922	\$ 295,922

## MTA:

Special Revenue Funds:	
Other (1).....	100,000
	<u>\$ 395,922</u>

(1) Difference of \$100 million between Primary Government and Component Units, is due to MTA fiscal year ending December 31, 1995. The \$100 million was received by the Commonwealth after the MTA's year end.

**6. FIXED ASSETS***Primary Government-*

*General Fixed Asset Account Group* – Changes in general fixed assets by category at June 30, 1996 are as follows (amounts in thousands):

	Balance at June 30, 1995	Additions and Adjustments	Retirements and Adjustments	Balance at June 30, 1996
Land.....	\$ 476,367	\$ 13,331	\$ 5	\$ 489,693
Buildings.....	2,281,432	111,287	40,523	2,352,196
Machinery and equipment...	426,502	73,176	58,560	441,118
Construction in progress.....	18,227	23,329	6,947	34,609
Total.....	<u>\$ 3,202,528</u>	<u>\$ 221,123</u>	<u>\$ 106,035</u>	<u>\$ 3,317,616</u>

*College and University Fund Type* – Fixed assets consist of the following at June 30, 1996 (amounts in thousands):

	Amount
Land.....	\$ 44,468
Buildings.....	1,775,402
Machinery and equipment.....	537,102
Construction in progress.....	8,725
	<u>2,365,697</u>
Less: accumulated depreciation (hospital and group practice plan).....	<u>(137,174)</u>
Total.....	<u>\$ 2,228,523</u>

*Component Units* – Fixed assets consist of the following at June 30, 1996 (amounts in thousands):

	Amount
Land and improvements.....	\$ 329,800
Infrastructure.....	893,810
Structures and improvements.....	4,725,013
Equipment, furniture, fixtures and vehicles..	1,708,638
Total.....	<u>7,657,261</u>
Less accumulated depreciation.....	<u>(2,023,346)</u>
Net fixed assets.....	5,633,915
Property held for expansion.....	7,439
Construction in progress.....	693,449
Total.....	<u>\$6,334,803</u>

**7. SHORT-TERM FINANCING AND CREDIT AGREEMENTS***Primary Government -*

The Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term refinancing criteria, it is classified among fund liabilities.

*General Fund* – As authorized the Massachusetts General Laws, the Commonwealth issues short-term notes to finance working capital advances to the MBTA. The Commonwealth retires these notes through subsequent appropriations and assessments to cities and towns. The notes outstanding at June 30, 1996 totaled \$240,000,000 with an interest rate of 4.25%, a yield of 3.70% and mature in June 1997.

The balance of revenue anticipation notes (RANs) fluctuates during the fiscal year but must be reduced to zero at June 30. During fiscal year 1996, the maximum amount of RANs outstanding was \$250,000,000.

*Capital Projects Funds* – The Commonwealth may issue bond anticipation notes (BANs) to temporarily finance its capital projects, but it must reduce the balance to \$200,000,000 at June 30. There were no such notes outstanding at June 30, 1996, however during fiscal year 1996, \$190,000,000 of BANs were issued.

*Letter-of-Credit Agreements* – During fiscal year 1996, the Commonwealth maintained letter-of-credit agreements with several banks in order to provide credit

and liquidity support for its commercial paper program. The letters of credit were available to secure up to \$400,000,000 of Commonwealth commercial paper plus interest thereon. Advances were available, subject to certain limitations and bearing interest at the bank rate as defined, in anticipation of revenue or bond proceeds and repayable by the following June 30, subject to extension in certain circumstances, at the Commonwealth's option. No such advances were drawn during the fiscal year ended June 30, 1996, or subsequent thereto. These agreements expire October 31, 1997 through September 1, 1998. The average costs are approximately 0.07 % on unutilized amounts and approximately 0.10% on utilized amounts.

*Line-of-Credit Agreement* – During fiscal year 1996, the Commonwealth maintained a line of credit with a bank to provide liquidity support for up to \$200,000,000 of commercial paper notes, which line of credit expires September 30, 1999. The average costs of all lines of credit are approximately 0.6% on unutilized amounts and approximately 0.08% on utilized amounts.

#### *Component Units -*

MBTA short-term notes payable outstanding at June 30, 1996 totaled \$325,000,000. Of this amount, \$160,000,000 are due September 6, 1996 with an interest rate of 4.75% and \$165,000,000 mature March 1, 1997 with an interest rate of 3.75%.

The MBTA also issued commercial paper to act as financing for capital expenditures. At June 30, 1996, \$90,100,000 of this commercial paper was outstanding.

Subsequent to June 30, 1996, The Massachusetts Bay Transportation Authority issued \$160,000,000 of notes carrying an interest rate of 4.75%. The notes mature on September 5, 1997.

The RTAs had \$69,051,000 of short-term notes payable outstanding at June 30, 1996. All notes mature during fiscal year 1997 and have interest rates ranging from 3.80% to 7.50%.

Subsequent to June 30, 1996, the RTAs rolled over \$32,134,000 of revenue anticipation notes carrying an interest rates of 4.10% to 4.63% due in 1997.

## **8. LONG-TERM DEBT**

Under the Constitution of the Commonwealth of Massachusetts, the Commonwealth may borrow money (a) for defense, (b) in anticipation of receipts from taxes or other financing sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (c) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. 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 constitution further provides that borrowed money shall not be expended for other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan.

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 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 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.

As of June 30, 1996, the Commonwealth had four types of bonds outstanding: general obligation, dedicated income tax, college opportunity and special obligation. The general obligation bonds are authorized and issued primarily to provide funds for Commonwealth-owned capital projects and local government improvements. They are backed by the full faith and credit of the Commonwealth and paid from the Governmental Funds, in which debt service principal and interest payments are appropriated. Massachusetts General Laws provide for the allocation of bond proceeds to these authorizations in arrears, as expenditures are made, unless the proceeds are allocated at the time of issuance.

The dedicated income tax bonds relate entirely to the deficit financing authorization of fiscal year 1990. As a remedy to that financial situation, the Legislature authorized bonds, to be repaid from tax revenues within seven years.

The Commonwealth issues college opportunity bonds as authorized by the Massachusetts General Laws. These bonds are backed by the full faith and credit of the Commonwealth. At June 30, 1996, the Commonwealth has outstanding \$46,378,000 of such college opportunity bonds. Included in this amount is approximately \$20,253,000 of accredited interest.

The Commonwealth also issues special obligation revenue bonds as authorized under Massachusetts General Laws. Such bonds may be secured by all or a portion of revenues credited to the Highway Fund and are not general obligations of the Commonwealth. At June 30, 1996, the Commonwealth had outstanding \$535,240,000 of such bonds, secured by a pledge of 6.86 cents of the 21 cent per gallon motor fuel excise tax collected on gasoline.

For financial reporting purposes, long-term bonds are carried at their face amount, which includes discount and any issuance costs financed. The outstanding amount represents the total principal to be repaid. For capital appreciation bonds, the outstanding amount represents total principal and interest to be repaid. When short-term debt has been refinanced on a long-term basis, it is reported as outstanding at its face amount.

The amount of bonds authorized but unissued is measured in accordance with Commonwealth statutes. Only the net proceeds of bonds (exclusive of discount and costs of issuance) are deducted from the total authorized by the Legislature.

General obligation, dedicated income tax, college opportunity, and special obligation long-term bonds outstanding (including discount and issuance costs) and bonds authorized-unissued at June 30, 1996, are as follows (amounts in thousands):

Purpose	Outstanding Amount	Maturities	Authorized - Unissued
Deficit reduction:			
Fiscal recovery.....	\$ 382,965	1996-1998	\$ 57,274
Capital projects:			
General .....	6,230,869	1996-2025	4,514,415
Highway.....	2,408,342	1996-2016	2,758,428
Local aid.....	972,974	1996-2015	832,645
Other.....	70,428	1996-2025	20,081
Capital projects debt.	9,682,613		8,125,569
Total.....	\$10,065,578		\$8,182,843

Interest rates on the Commonwealth's bonded debt outstanding at June 30, 1996 ranged from 0.10% to 14.13%.

Changes in long-term bonds outstanding (including discount and issuance costs) and bonds authorized - unissued for the year ended June 30, 1996, are as follows (amounts in thousands):

	Bonds Outstanding	Authorized - Unissued
Balance, July 1, 1995.....	\$ 9,628,466	\$5,942,807
Principal less discount and issuance costs.....	1,087,115	(1,087,115)
Discount and issuance costs....	34,263	-
Bonds retired.....	(659,270)	-
Discount on retired bonds.....	(24,996)	-
Increase in bonds authorized...	-	3,594,006
Expiration of authorizations...	-	(266,855)
Balance, June 30, 1996.....	\$10,065,578	\$8,182,843

At June 30, 1996, debt service requirements to maturity for principal (including discount, capital appreciation and issuance costs) and interest are as follows (amounts in thousands):

Year Ending June 30	Principal	Interest	Total
1997.....	\$ 752,670	\$ 516,426	\$ 1,269,096
1998.....	676,436	466,833	1,143,269
1999.....	606,162	430,366	1,036,528
2000.....	626,429	395,271	1,021,700
2001.....	623,978	364,147	988,125
2002 and thereafter...	6,779,903	2,241,522	9,021,425
Total.....	\$10,065,578	\$4,414,565	\$14,480,143

Subsequent to June 30, 1996, the Commonwealth issued \$18,780,000 in college opportunity bonds, with variable interest rates, \$200,000,000 in general obligation bonds, with interest rates ranging from 4.75% to 5.70%, and \$200,000,000 in general obligation bonds with interest rates ranging from 4.5% to 5.25%, and \$722,620,000 of general obligation refunding bonds with interest rates ranging from 4.60% to 6.50%.

**Statutory Debt Limit** – The Massachusetts General Laws establish 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 fiscal year 1996 was \$8,678,715,000. The limit increases 5% per year.

For purposes of determining compliance with the limit, direct debt is defined to include general obligation bonds and minibonds at the amount of their original net proceeds. It excludes bond anticipation notes and discount and issuance costs, if any, financed by these bonds. It also excludes dedicated income tax bonds, special obligation bonds, refunded bonds, and certain refunding bonds. Outstanding direct debt, as defined, totaled approximately \$8,140,106,000 at June 30, 1996.

**Variable Rate Bonds** – In 1990, the Commonwealth issued \$1,339,100,000 in debt to finance the state's

accumulated operating deficits. Some \$380,100,000 of that debt was issued as variable rate debt, of which none was outstanding on June 30, 1996.

**Defeased Debt** – In prior years, the Commonwealth also defeased certain general obligation and other bonds by placing the proceeds of bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the financial statements. At June 30, 1996, approximately \$2,414,360,000 of bonds outstanding from advance refundings in prior fiscal years are considered defeased.

**Changes in General Long-term Obligations** – The Commonwealth records its liability for long-term bonds in the General Long-term Obligations Account Group. Other general long-term obligations recognized by the Commonwealth are its obligations under capital lease agreements (Note 12), school construction grants to partially reimburse cities and towns for their debt service payments on bonds issued to finance construction of local or regional schools, compensated absences, claims judgements and lottery prizes payable (Note 1). These liabilities will be liquidated in the future from governmental funds.

**General Long Term Debt Obligations Account Group** – During the year ended June 30, 1996, the following changes occurred in liabilities reported in the General Long-term Obligations Account Group (amounts in thousands):

	Long-term Bonds	Capital Leases	School Construction Grants	Compensated Absences	Unfunded Pension Costs	Claims Judgments, and Other	Lottery Prizes Payable	Total
Balance, July 1, 1995.....	\$ 9,628,466	\$ 52,257	\$ 2,616,029	\$ 91,311	\$ 2,434,249	\$ 62,346	\$ -	\$14,884,658
Bond issuances.....	1,087,115	-	-	-	-	-	-	1,087,115
Bond discount.....	34,263	-	-	-	-	-	-	34,263
Bond principal payments.....	(684,266)	-	-	-	-	-	-	(684,266)
Change due to implementation of new accounting standard....	-	-	-	-	(2,434,249)	-	-	(2,434,249)
Net increase.....	-	6,765	437,770	5,914	-	22,694	1,632	474,775
Balance, June 30, 1996.....	\$ 10,065,578	\$ 59,022	\$ 3,053,799	\$ 97,225	\$ -	\$ 85,040	\$ 1,632	\$13,362,296

**University and College Fund** – Building authorities related to the University of Massachusetts and the state colleges 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 \$182,000,000. 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 has also entered into various loan agreements as a participant in the Massachusetts Health and Educational Facilities Authority's ongoing capital asset program to finance construction projects and equipment.

University and College Fund long-term debt outstanding at June 30, 1996 was as follows (amounts in thousands):

Purpose	Interest Rates	Amount	Maturity Dates
MHEFA capital asset program.	Variable	\$ 28,763	1996-2023
Building authorities.....	3.0% - 9.0%	245,404	1996-2018
		<u>\$274,167</u>	

Maturities of principal are as follows (amounts in thousands):

Years Ending June 30,	Amount
1997.....	\$ 9,285
1998.....	10,270
1999.....	11,315
2000.....	12,040
2001.....	13,050
2002 and thereafter.....	218,207
Total.....	<u>\$ 274,167</u>

Changes in bonds outstanding reported in the University and College Fund Type are as follows (amounts in thousands):

	Amount
Balance, July 1, 1995.....	\$284,315
Principal less issuance and discount cost.....	28,765
Bonds retired, net of amortization of discount.....	(38,913)
Balance, June 30, 1996.....	<u>\$274,167</u>

At June 30, 1996, approximately \$209,676,000 outstanding of bonds from prior advance refunding of the University and College Fund building authorities are considered defeased.

On December 27, 1995, the University of Massachusetts entered into a master lease agreement of \$14,875,000 with an interest rate of 4.98% to refund, Certificates of Participation issued pursuant to a Trust Indenture dated as of September 1, 1988, with an outstanding balance of approximately \$10,253,000 and an average interest rate of 7.38%. The University placed \$7,925,000 of the lease proceeds and \$2,500,000 of existing funds in an irrevocable trust to refund the COPs. As a result the early extinguishment of the 1988 COPs, the university recognized a loss of approximately \$172,000. The University will use the remaining proceeds from the lease to purchase new equipment. The lease requires semi-annual installments through November 1, 2003.

#### Component Units -

Bonds and notes outstanding at June 30, 1996 (December 31, 1995 for Massachusetts Turnpike Authority) net of unamortized discount of \$51,792,000 and unamortized deferred loss on refunding of \$124,009,000 are as follows (amounts in thousands):

Purpose	Interest Rates	Amount	Maturity Dates
MBTA:			
General transportation system....	3.84% - 7.48%	\$2,569,370	2005 - 2026
Boston Metropolitan District.....	4.56 - 7.08	44,706	2002 - 2025
MTA:			
Revenue serial bonds.....	4.00 - 5.125	367,604	1998 - 2023
Notes payable.....	9.00	43,281	2020
RTAs:			
Transportation bonds.....		15	1997
MCCA:			
Current interest serial bonds.....	3.65 - 6.00	96,810	1997 - 2008
Compound interest serial bonds	5.375 - 6.80	58,166	2000 - 2013
MWPAT:			
Serial bonds.....	2.00 - 6.25	401,275	1997 - 2015
Term bonds.....	5.25 - 6.375	110,725	2013 - 2015
Economic Development:			
Notes payable.....	2.8 - 11.00	82,946	1997 - 2016
Total.....		<u>\$3,774,898</u>	

The amounts below represent the face amount of bonds and notes outstanding and may differ from the amounts included in the combined balance sheet due to treatment of original issue discount in the general purpose financial statements.

Maturities of principal are as follows (amounts in thousands):

Years Ending June 30,	<u>MBTA</u>	<u>MTA</u>	<u>RTAs</u>	<u>MWPAT</u>	<u>MCCA</u>	<u>Economic Development</u>	<u>Total</u>
1997.....	\$ 83,534	\$ 17,683	\$ 15	\$ 20,085	\$ 19,105	\$ 14,901	\$ 155,323
1998.....	87,352	-	-	20,680	20,195	9,145	137,372
1999.....	90,834	7,400	-	21,080	21,375	9,502	150,191
2000.....	94,452	7,695	-	22,050	22,670	9,488	156,355
2001.....	98,036	8,020	-	23,010	14,233	20,295	163,594
2002 and thereafter.....	<u>2,317,833</u>	<u>387,340</u>	<u>-</u>	<u>405,095</u>	<u>57,981</u>	<u>19,615</u>	<u>3,187,864</u>
Total.....	<u>\$2,772,041</u>	<u>\$ 428,138</u>	<u>\$ 15</u>	<u>\$512,000</u>	<u>\$155,559</u>	<u>\$ 82,946</u>	<u>\$3,950,699</u>

In January 1996, the Massachusetts Turnpike Authority advance refunded a \$44,900,000 note payable to the Massachusetts Industrial Finance Agency (MIFA). On January 15, 1996, the Authority issued \$259,315,000 of Guaranteed Bond Anticipation Notes to finance the \$100,000,000 payment for the acquisition of the Ted Williams Tunnel, as well as to advance refund these outstanding MIFA Tunnel Reserve Bonds in order to finance a portion of the cost of certain repairs and

improvements to the Sumner and Callahan Tunnels and to fund certain start up costs associated with opening and operating the Ted Williams Tunnel. The notes are unconditionally guaranteed by the Commonwealth. The notes mature on June 1, 1999, and are anticipated to be repaid by the Authority with the proceeds from bonds secured by the revenues of the Sumner-Callahan-Williams Tunnel to be issued in the future.

During the fiscal year ended June 30, 1996 (December 31, 1995 for Massachusetts Turnpike Authority) the following changes occurred in bonds and notes payable reported in the Component Units (amounts in thousands):

	<u>MBTA</u>	<u>MTA</u>	<u>RTAs</u>	<u>MWPAT</u>	<u>MCCA</u>	<u>Economic Development</u>	<u>Total</u>
Balance, July 1, 1995.....	\$2,300,248	\$ -	\$30	\$444,335	\$173,042	\$ 41,428	\$2,959,083
Principal less discount issuance costs.....	387,184	419,786	-	84,585	-	60,518	952,073
Debt retired, net of amortization of discount.....	(68,370)	(8,901)	(15)	(16,920)	(18,066)	(19,000)	(131,272)
Deferred loss on refunding.....	<u>(4,986)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,986)</u>
Balance, June 30, 1996.....	<u>\$2,614,076</u>	<u>\$ 410,885</u>	<u>\$15</u>	<u>\$512,000</u>	<u>\$154,976</u>	<u>\$ 82,946</u>	<u>\$3,774,898</u>

The MBTA issued certificates of participation in the amounts of \$28,565,000 on December 15, 1988 and \$85,795,000 on August 30, 1990 to finance the purchase of commuter rail coaches. Under the terms of the applicable agreement, the MBTA's obligation to make the annual payments on the certificates is subject to the Commonwealth's appropriation of necessary funds in its annual budget. The certificates bear interest at rates ranging from 6.3% to 7.8% and mature as follows (amounts in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
1997.....	\$ 1,150
1998.....	1,150
1999.....	1,150
2000.....	1,150
2001.....	1,150
2002 and thereafter.....	14,765
Total.....	<u>\$ 20,515</u>

In prior years, the Massachusetts Bay Transportation Authority defeased in-substance several General Transportation System Bonds by placing the proceeds of new bonds in an irrevocable trust fund to provide for future debt service payments on the old debt. These payments began in 1995. Accordingly, the trust account asset and the liability for the defeased bonds are not included in the accompanying financial statements. On June 30, 1996, \$1,169,430,000 of these bonds outstanding are considered defeased.

The legislation under which the MBTA was established provides that if, at any time, the MBTA is unable to meet any interest or principal payments due on its debt, sufficient funds will be remitted by the Commonwealth to meet such obligations.

On February 22, 1995, Pioneer Valley Transit Authority (PVTa) issued certification of participation of \$9,930,000 to finance the purchase of buses. Under the terms of the agreement, PVTa is obligated to make annual payments on the certificates subject to the Commonwealth's appropriating the necessary funds in the Authority's annual budget.

The certificates bear the interest rate at rates ranging from 5% to 5.7% and mature as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
1997.....	\$ 1,245
1998.....	1,240
1999.....	1,240
2000.....	1,240
2001.....	1,240
2002 and thereafter.....	2,480
Total.....	<u>\$ 8,685</u>

The amounts in the table above differ from the amounts included in the balance sheet due to treatment on unamortized discounts of \$35,000.

The legislation which authorizes the issuance of Massachusetts Convention Center Authority debt provides for participation by the Commonwealth in the full payment of the annual debt service costs.

## 9. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type and Proprietary Fund Type have fund deficits at June 30, 1996, as follows (amounts in thousands):

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Local Aid.....	\$790,912 ✓
Lotteries.....	14,139 ✓
Capital Projects:	
General.....	79,772
Highway.....	106,310
Local Aid.....	35,810
Other.....	692
Internal Service Funds:	
Employees Workers' Compensation.....	249,745
Employees Group Health Insurance .....	31,143

The Local Aid Fund has incurred a deficit primarily due to increased state funding for support of local communities for education and transportation. The revenues allocated to this fund have not been sufficient to support the increased spending. The Commonwealth will budget in future years the allocation of revenue to support the increased spending authority.



The deficit in the Internal Service Fund reflects the accruals for workers' compensation and group insurance claims of \$332,932,000. Funding of these deficits is dependent upon legislation actions to develop an actuarial funding plan.

The deficits in the Lottery Fund reflect the impact of accruals, created essentially by timing differences, which reverse in the next fiscal year.

In the Capital Projects Funds, deficits reflect the time lag between capital expenditures and the receipt or allocation of proceeds from the sale of related bonds. Subsequently, on August 1, 1996 and September 18, 1996, the Commonwealth issued \$18,780,000 in college opportunity bonds and \$200,000,000, in general obligation bonds related to the capital projects funds.

## 10. RETIREMENT SYSTEMS

### *Primary Government –*

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, except for 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 systems do not participate in the Social Security System. The Commonwealth has also assumed responsibility for payment of cost-of-living adjustments (COLA) for the separate (non-teacher) retirement systems of its cities, towns and counties.

Certain Commonwealth employees and current retirees employed prior to the establishment of the State Employees' Retirement System are covered on a "pay-as-you-go" basis.

### *Plan Descriptions –*

*State Employees' Retirement System (SERS)* is a single employer defined benefit public employee retirement

system (PERS), 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 and the Massachusetts Turnpike Authority. The SERS is administered by the Commonwealth and is part of the reporting entity and no stand alone financial report is issued.

*Teachers' Retirement System (TRS)* is an agent multiple employer defined benefit PERS with 104 participating employers. The Commonwealth is a non-employer contributor and is responsible for all contributions and future benefit requirements of the TRS. The TRS covers certified teachers in cities (except the City of Boston), towns, regional school districts and Quincy College. The TRS is administered by the Commonwealth and is part of the reporting entity and does not issue a stand alone financial report.

*State – Boston Retirement System (SBRS)* is hybrid multiple employer defined benefit PERS. SBRS provides provision benefits to all full-time employees upon commencement of employment with any of the various government agencies covered by SBRS. The Commonwealth is a non-employer contributor and is only responsible for the actual cost of pension benefits for SBRS participants who serve in the City of Boston's School Department in a teaching capacity. The cost of pension benefits of the other participants is the responsibility of the City of Boston. SBRS is not administered by the Commonwealth, and it is not part of the reporting entity and a stand alone financial report is not available.

The Commonwealth has assumed financial responsibility for the COLA granted to participants in the 104 retirement systems of cities, towns and counties. Any future COLA granted by the Legislature to employees of these plans will also be the responsibility of the Commonwealth. The individual employer governments are responsible for the basic pension benefits. The retirement systems are not administered by the Commonwealth and are not part of the reporting entity.

The policy for postretirement benefit increases for all retirees of the SERS, TRS, SBRS and COLA are subject to legislative approval.

**Membership** – Membership in SERS, TRS and SBRS as of January 1, 1996 is as follows:

	<u>SERS</u>	<u>TRS</u>	<u>SBRS</u>
Retirees and beneficiaries currently receiving benefits.	42,443	28,831	2,257
Terminated employees entitled to benefits but not yet receiving them.....	1,706	1,607	602
Subtotal.....	<u>44,149</u>	<u>30,438</u>	<u>2,859</u>
Current employees:			
Vested.....	43,679	46,432	3,897
Non-vested.....	39,519	22,432	2,416
Subtotal.....	<u>83,198</u>	<u>68,864</u>	<u>6,313</u>
Total.....	<u>127,347</u>	<u>99,302</u>	<u>9,172</u>

**Benefit Provisions** – Massachusetts General Laws establish uniform benefit and contribution requirements for all contributory PERS. These requirements provide for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, and group classification. The authority for amending these provisions is with the legislature.

Retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. Average retirement benefit is approximately 80-85% pension and 15-20% annuity.

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.

**Funding Progress** - The SERS, TRS and SBRS actuarial determined contributions were computed as part of the actuarial valuation as of January 1, 1996. Significant actuarial assumptions used in the calculation of contribution requirements and net pension obligation, when required, include (a) rates of return on investments of present and future assets of 8.5% per year, (b) projected salary increases of 6% per year, (c) cost of living increases of 3% per year on the first \$9,000 of the retirees total allowance, (d) interest rate credited to the annuity savings fund of 5.5% per year and (e) the use of the level dollar amortization method over 40 years closed period.

The following table presents the required six year-year schedule of funding progress (amounts in thousands):

Actuarial Valuation as of January 1,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Net Pension (Obligation) Asset (NPO)	Funded Ratio %	Annual Covered Payroll *	NPO as a % of Covered Payroll
State Employers Retirement System						
1996	\$ 7,366,000	\$ 6,595,676	\$ 770,324	112%	\$ 2,989,000	25.8%
1995	5,879,000	5,327,027	551,973	110	2,992,000	18.4
1994	5,802,000	5,429,773	372,227	107	3,094,000	12.0
1993	5,071,000	4,840,405	230,595	105	2,919,000	7.9
1992	4,699,000	4,629,763	69,237	101	2,638,000	2.6
1991	4,052,000	4,053,705	(1,705)	100	2,300,000	(0.1)
Teachers Retirement System						
1996	7,553,000	7,025,561	527,439	108	2,810,000	18.8
1995	6,014,000	5,657,399	356,601	106	2,667,000	13.4
1994	5,956,000	5,673,619	282,381	105	2,573,000	11.0
1993	5,142,000	4,942,309	199,691	104	2,428,000	8.2
1992	4,784,000	4,659,680	124,320	103	2,032,000	6.1
1991	4,086,000	4,023,551	62,449	102	2,065,000	3.0
State-Boston Retirement System						
1996	549,000	524,510	24,490	105	274,000	8.9
1995	438,000	416,113	21,887	105	232,000	9.4
1994	443,000	421,635	21,365	105	218,000	9.8
1993	370,000	354,800	15,200	104	206,000	7.4
1992	342,000	333,871	8,129	102	184,000	4.4
1991	301,000	293,072	7,928	103	203,000	3.9

\* - The covered payroll amounts approximate the employer payroll.

**Contributions Required and Contributions Made** – The retirement systems' funding policies have been established by Chapter 32 of the Massachusetts General Laws. The legislature has the authority to amend these policies. The annuity portion of the SERS, TRS and SBRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation – 5% for those hired before January 1, 1975, 7% for those hired from January 1, 1975, through December 31, 1983, and 8% for those hired on or after January 1, 1984, plus an additional 2% of compensation above \$30,000 per year for those hired on or after January 1, 1979. Regular employees and state police hired after June 30, 1996 will be required to contribute 9% and 12%, respectively, of their compensation plus an additional 2% of compensation above \$30,000 per year. Costs of administering the plan are funded out of plan assets.

The Commonwealth's contribution for the pension benefit portion of the retirement allowance of SERS and TRS and required payments to cover SBRS and COLA contributions were originally established on a "pay-as-you-go" basis. As a result, amounts were appropriated each year to pay current benefits, without a systematic provision to fully fund future liabilities already incurred. Beginning in fiscal year 1988, the Commonwealth enacted the Pension Reform Act of 1987 and addressed the unfunded liability of SERS, TRS and its participation in SBRS and its COLA obligation. This legislation requires funding on a current basis, including amortizing the unfunded liabilities and liabilities for future COLA payments to local systems, over 40 years.

This legislation also directs the Secretary for Administration and Finance to prepare a funding schedule to meet these 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. This legislation further provides that if, during the first ten years of scheduled payments, the pension benefits paid exceed the scheduled contribution, the Commonwealth's contribution shall equal these benefit payments.

The current legislatively approved funding schedule, based on the January 1, 1993 valuation, was filed with the Legislature on October 26, 1994. It required contributions by the Commonwealth of \$927,508,000 during the fiscal year ended June 30, 1996. Because total benefit payments out of the governmental funds exceeded

this amount, no additional Commonwealth contribution is required.

GAAP requires that pension expenditures (costs) be based on an acceptable actuarial cost method and that they be not less than:

- Normal cost and amortization cost
- Interest and amortization on any unfunded prior service costs

The funding schedule discussed above follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

The following table presents the schedule of employer contributions (amounts in thousands):

Actuarial Valuation as of January 1,	Annual Required Contribution (ARC)	Interest on NPO	Amortization of NPO	Pension Cost	Actual Contribution made	Net Pension (Obligation) Asset (NPO)	% of ARC Contributed	% of Pension Cost Contributed
State Employees Retirement System								
1996	\$ 232,158	\$ (46,918)	\$ 29,523	\$214,763	\$ 433,114	\$ 770,324	187%	202%
1995	249,640	(31,639)	19,614	237,615	417,361	551,973	167	176
1994	266,564	(18,448)	9,152	257,268	398,900	372,227	150	155
1993	243,587	(5,539)	2,694	240,742	402,100	230,595	165	167
1992	252,687	136	(65)	252,758	323,700	69,237	128	128
1991	282,682	2,335	(1,094)	283,923	311,400	(1,705)	110	110
1990	259,102	4,569	(2,103)	261,568	289,500	(29,182)	112	111
1989	298,800	2,160	(977)	299,983	269,866	(57,114)	90	90
1988	279,582	-	-	279,582	252,585	(26,997)	90	90
Teachers Retirement System								
1996	232,403	(30,311)	19,073	221,165	392,003	527,439	169	177
1995	277,343	(24,002)	14,880	268,221	342,441	356,601	123	128
1994	247,460	(15,975)	7,925	239,410	322,100	282,381	130	135
1993	225,838	(9,946)	4,837	220,729	296,100	199,691	131	134
1992	223,041	(4,996)	2,384	220,429	282,300	124,320	127	128
1991	249,436	(3,452)	1,617	247,601	266,900	62,449	107	108
1990	227,270	(1,459)	671	226,482	251,400	43,150	111	111
1989	249,108	(1,595)	722	248,235	246,531	18,232	99	99
1988	232,661	-	-	232,661	252,597	19,936	109	109
State-Boston Retirement System								
1996	32,908	(1,860)	1,171	32,219	34,822	24,490	106	108
1995	28,168	(1,816)	1,126	27,478	28,000	21,887	99	102
1994	22,448	(1,216)	603	21,835	28,000	21,365	125	128
1993	20,463	(650)	316	20,129	27,200	15,200	133	135
1992	26,530	(634)	303	26,199	26,400	8,129	100	101
1991	23,149	(413)	193	22,929	25,700	7,928	111	112
1990	21,118	(251)	116	20,983	23,000	5,157	109	110
1989	21,744	(127)	58	21,675	23,225	3,140	107	107
1988	20,315	-	-	20,315	21,905	1,590	108	108

The total contributions required for SERS, TRS and SBRS are based on the entry age normal cost method using the same actuarial assumptions used to compute the net pension obligation.

During the year ended June 30, 1996, the Commonwealth's pension expenditure also included payments totaling \$20,733,000 to current retirees employed prior to the establishment of the current plans and to non-contributory plans.

**Post-retirement Health Care and Life Insurance Benefits** – 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 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. The Commonwealth recognizes its share of the costs of providing these benefits when paid. These payments totaled approximately \$148,402,000 for the fiscal year ended June 30, 1996. There are approximately 43,000 participants eligible to receive benefits at June 30, 1996.

## 11. DEFERRED COMPENSATION PLAN

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees of the Commonwealth and its political subdivisions, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commonwealth (without being restricted to the provision of benefits under the plan), subject only to the claims of

the Commonwealth's general creditors and its political subdivisions participating in the plan. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. All plan assets are stated at market value. It is the opinion of the Commonwealth that it has no liability for losses under the plan, but it does have the duty of due care which would be required of an ordinary prudent investor. The plan assets are subject to the claims of the Commonwealth's general creditors; however, plan assets have not been used in the past to satisfy such claims.

Of the \$1,480,844,000 in the plan at June 30, 1996, \$996,608,000 was applicable to the Commonwealth; the remaining \$484,236,000 represents the assets of cities and towns participating in the plan. The assets and liabilities of the deferred compensation plan are included in Agency Funds at June 30, 1996.

## 12. 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. These agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature. For fiscal year ended June 30, 1996, lease purchase expenditures under these agreements totaled approximately \$31,953,000.

At June 30, 1996, the Commonwealth's aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totals \$59,022,000. This liability is reported in the General Long-term Obligations Accounts Group. Equipment acquired under capital leases and included in the General Fixed Assets Account Group totals approximately \$91,841,000.

The Commonwealth leases real property and equipment under numerous operating lease agreements with varying terms. These agreements contain provisions indicating that their continuation is subject to appropriation by the Legislature. Rental expenditures for the fiscal year ended June 30, 1996 was approximately \$115,488,000.

The following is a schedule of future minimum payments under non-cancelable leases for the Commonwealth as of June 30, 1996 (amounts in thousands):

<u>Years Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
1997.....	\$22,432	\$ 58,202
1998.....	17,143	44,476
1999.....	13,720	31,892
2000.....	7,871	25,904
2001.....	3,642	5,931
2002 and thereafter.....	2,472	213
Total payments.....	67,280	<u>\$166,618</u>
Less: amount representing interest.....	(8,258)	
Present value of minimum lease payments.....	<u>\$59,022</u>	

**University and College Fund** – At June 30, 1996, aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totaled \$43,146,000. Equipment acquired under capital leases and included in University and College Fund fixed assets totaled approximately \$56,807,000.

The University and College Fund Type leases real property and equipment under numerous operating lease agreements for varying terms. Rental expenditure for the fiscal year ended June 30, 1996 was approximately \$10,906,000.

The following schedule summarizes future minimum payments under non-cancelable leases for the University and College Fund Type (amounts in thousands):

<u>Years Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
1997.....	\$11,035	\$ 7,413
1998.....	9,615	5,192
1999.....	8,526	4,528
2000.....	7,117	3,808
2001.....	4,207	3,687
2002 and thereafter.....	11,160	425
Total payments.....	51,660	<u>\$ 25,053</u>
Less: amount representing interest.....	(8,514)	
Present value of minimum lease payments.....	<u>\$43,146</u>	

### *Component Units –*

In fiscal 1996, the MBTA entered into several capital leases agreements on heavy rail cars, commuter cars and buses with various companies for varying terms. These leases provided for the Authority to sell and lease back these cars for a period ranging from 8 years to 18 years.

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 1996 (amounts in thousands):

<u>Years Ending June 30,</u>	<u>MBTA</u>	<u>RTAs</u>	<u>Economic Development Authorities</u>
1997.....	\$ 19,628	\$ 734	\$ 85
1998.....	18,449	731	62
1999.....	18,449	731	35
2000.....	18,449	731	-
2001.....	18,449	731	-
2002 and thereafter.....	281,382	4,386	-
Total payments.....	374,806	8,044	182
Less amount representing interest.....	(198,711)	(2,409)	(30)
Present value of net minimum lease payments.....	<u>\$176,095</u>	<u>\$5,635</u>	<u>\$ 152</u>

The MBTA has entered into several sale-leaseback agreements with major financial institutions, covering equipment and rolling stock, which have been accounted for as operating leases. The leases expire through 2013. Upon termination, the MBTA may purchase the equipment and rolling stock at prices equal to the lesser of a stated percentage (40%-70%) of the lessor's original purchase price or residual fair market value, as defined.

MTA has operating leases for administrative office space and automatic toll collection equipment. These operating leases expire on various dates through June 2000. Lease expense charged to the Massachusetts Turnpike and Sumner-Callahan-Williams Tunnels was \$1,012,638 of which \$440,921 was paid to the Commonwealth for office space in a state owned building.

The MTA leases property and air rights to others. The MTA earned \$6,949,372 in rental income. Rental income for the next five years is expected to approximate \$4,000,000 per year based on leases currently in effect.

The Economic Development Authorities and the RTA's have operating leases for office space.

The future minimum rental payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year are as follows (amounts in thousands):

Years Ending June 3	MBTA	MTA	RTAs	Economic Development Authorities
1997.....	\$ 12,068	\$ 806	\$ 6	\$ 1,582
1998.....	13,669	569	-	1,646
1999.....	12,523	512	-	800
2000.....	12,909	528	-	211
2001.....	13,221	243	-	123
2002 and thereafter...	150,086	-	-	307
Total payments.....	<u>\$214,476</u>	<u>\$ 2,658</u>	<u>\$ 6</u>	<u>\$ 4,669</u>

### 13. COMMITMENTS

#### *Primary Government -*

**Governmental Funds** - The Commonwealth is obligated to provide annual subsidies to the MBTA and certain regional transit authorities for contract assistance, debt service assistance and their net cost of service deficiencies. For fiscal year 1996, these subsidies totaled \$564,410,000 for the MBTA and \$56,604,000 for the RTAs. The net cost of service subsidy is recognized as a current liability of the Commonwealth, but is funded in arrears. At June 30, 1996, the Commonwealth has recorded the unpaid portion as a liability due to the MBTA of \$218,133,000 and due to RTA's of \$57,419,000. The cities and towns served by the MBTA and RTAs will be assessed their proportionate shares of the net cost of service. A receivable from cities and towns of \$218,334,000 is recorded at June 30, 1996, to account for these future reimbursements. The MBTA has also recorded net deferred charges of \$64,155,000 at June 30, 1996, which will be included in the Commonwealth's net cost of service subsidy in future periods. The Commonwealth has recognized its liability for these future costs in the General Long-term Obligations Account Group.

The Commonwealth is also statutorily obligated to provide contract assistance for debt service obligations to the MCCA and the Government Land Bank. Such assistance totaled \$30,616,000 in fiscal year 1996. For fiscal 1997, appropriations for this purpose totaled \$30,648,000.

At June 30, 1996, the aggregate outstanding debt for which the Commonwealth is obligated to provide contract assistance support totaled approximately \$2,982,534,000 long-term and \$393,819,000 short-term. In addition, the Commonwealth guarantees the debt of certain local governments and of the building authorities included in the University and College Fund Type. The guaranteed debt outstanding at June 30, 1996, was approximately \$505,233,000.

At June 30, 1996, the Commonwealth had commitments approaching \$1,508,602,000 for various construction projects. The majority relate to new construction funding for a major infrastructure program known as the Central Artery Project, in which federal participation is anticipated. The remainder relates to a wide range of building construction projects.

**Pension Trust Funds** - At June 30, 1996, PRIT had outstanding commitments to invest \$316,000,000 in real estate, \$71,000,000 in venture capital and \$248,000,000 in special equity investments.

**University and College Fund Type** - The UMass hospital has agreements with Blue Cross of Massachusetts, Inc., the Social Security Administration under the Medicare program and the Commonwealth of Massachusetts under the Medicaid program that govern payments to the hospital for services rendered to patients covered by these programs and require the hospital to prepare and file settlement reports annually. Provisions have been made in the financial statements for the estimated final settlements.

#### *Component Units -*

As of June 30, 1996, the MWPAT has agreed to provide loans of \$23,000,000 to various local government units to be funded with grant awards received through June 30, 1996.

Government Land Bank was committed to issuing \$12,298,000 of mortgages at June 30, 1996. The Bank, through the Emerging Technology Fund (ETF), was committed to issuing approximately \$9,500,000 of loan guarantees at June 30, 1996.

Massachusetts Housing Partnership Fund (MHP) has executed seventeen loan agreements with thirteen banks for an amount of \$276,551,000 pursuant to the Massachusetts Nationwide Interstate Banking and

Community Reinvestment Act (Chapter 102 of the Acts of 1990). These bank loan agreements are the source of funding to borrowers through MHP. MHP also has loan and funding commitments outstanding for funds not yet advanced of \$26,089,000 at June 30, 1996.

#### 14. CONTINGENCIES

##### *Primary Government -*

**Governmental Fund** - The General Fund services claims for all risks of loss for which the Commonwealth is exposed, other than workers' compensation and employee group health and life insurance which are managed in its Internal Service Funds. A number of lawsuits are pending or threatened against the Commonwealth which arose 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. 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, the Attorney General estimates the liability to be approximately \$73,990,000. Of this amount, approximately \$53,105,000, which is expected to be paid during fiscal year 1997, is recorded in General Fund and Special Revenue Fund liabilities included in this amount, the Department of Revenue estimates the liabilities for tax refunds and rebates of approximately \$18,300,000. Approximately \$20,885,000 is expected to be paid thereafter, and is recorded as a liability in the General Long-Term Obligations Account Group. The General Fund allocates the cost of providing claims servicing and claims payment by charging a premium to each fund based on claims paid during the year.

The Commonwealth receives significant financial assistance from the federal government. Entitlement to these resources is generally conditional 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. Any disallowances become liabilities of the fund which received the assistance. As of June 30, 1996, the Commonwealth estimates that liabilities, if any, which may result from such audits are not material.

The Commonwealth's abandoned property law requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets less, \$3,833,000 which is expected to be reclaimed and paid in fiscal year 1997, are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during fiscal year 1996 totaled approximately \$63,506,000. Since inception, approximately \$616,166,000 has been remitted. This represents a contingency, because claims for refunds can be made by the owners of the property.

**Internal Service Fund** - It is the policy of the Commonwealth of Massachusetts to manage its risks internally and self-insure for claim settlements for risk of loss relating to workers' compensation and group health insurance in its Internal Service Fund. The Internal Service Fund allocates the cost of providing claims servicing and claims payment by charging a premium to each fund based on actual claims paid during the year. All risk financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include amounts for claims that have been incurred but not reported. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Workers' compensation and group health insurance costs for Commonwealth employees are recognized when losses are incurred. The Commonwealth's outstanding liability for such losses at June 30, 1995, including claims incurred but not reported, is estimated to be \$332,932,000.

The Commonwealth has assumed responsibility for worker's compensation claims for all contractors and subcontractors working on the Central Artery project. The Commonwealth's liability as of June 30, 1996 for such claims including incurred but not reported claims is estimated to be \$58,121,000. The Commonwealth has established reserves through a combination of bond proceeds and federal funds in its capital project funds to pay these liabilities.



Changes in the balance of claims and judgments liabilities during fiscal 1996 were as follows (amounts in thousands):

	1996 <u>Amount</u>	1995 <u>Amount</u>
Liability at beginning of year..	\$ 600,358	\$668,109
Current year claims and changes in estimates.....	700,186	696,363
Claims payments.....	<u>(734,724)</u>	<u>(764,114)</u>
Liability at end of year.....	<u>\$ 565,820</u>	<u>\$600,358</u>

**University and College Fund Type** – The University of Massachusetts is contingently liable for \$19,700,000 of Massachusetts Health and Educational Facilities Authority revenue bonds, issued by the University of Massachusetts Foundation, Inc. In the event the Foundation fails to make any payment, the University will transfer any amounts unpaid and due to the Foundation.

#### **Component Units -**

The Massachusetts Convention Center Authority was involved in six lawsuits arising primarily as a result of the Phase II expansion and renovation of the Hynes Convention Center since January 1989. Three cases have been dismissed pursuant to a settlement of July 28, 1994 for an amount of \$15,500,000. The authority had retained security deposits of \$12,900,000 plus interest of \$2,600,000 against the cost of the settlement. An initial payment of \$12,500,000 was made in July 1994. An additional \$1,500,000 was paid on September 30, 1995. The remaining balance of \$1,500,000 is payable on or before September 30, 1996.

The Massachusetts Turnpike Authority has obtained health coverage for most employees through various commercial health maintenance organizations. The health coverage for certain other employees as well as coverage for job related injuries to all employees is self-insured by the Authority, with risks managed internally, at December 31, 1995, the accrual for outstanding claims under these programs, including claims incurred but not reported, was approximately \$16,600,000.

## **15. SUBSEQUENT EVENTS**

#### **Primarily Government -**

On August 9, 1996, the Governor signed into law Chapter 315 of the Acts of 1996. This law, effective November 7, 1996, merged the two state pension funds Massachusetts State Teachers' and Employees' Retirement Systems Trust (MASTERS) and Pension Reserves Investment Trust Fund (PRIT). The transfer of assets from MASTERS and PRIT will be as of January 1, 1997. Under the legislation, both funds will be managed by the Pension Reserves Investment Management (PRIM) Board.

#### **Component Units -**

The MWPAT received notification in 1996 of the approval of the second and third installment of the Federal fiscal year 1996 U. S. EPA grant award for a total award amount of \$62,300,000. This amount includes the 20% required state matching amount of \$10,400,000. Per the grant award conditions, award of the Federal fund is contingent on the passage of the state legislation in accordance with Federal regulations.

Subsequent to June 30, 1996, the MWPAT raised \$150,810,000 through the issuance of tax-exempt Water Pollution Revenue Bonds of which a portion was used to refinance interim loans issued to the City of New Bedford during fiscal year 1996. The transaction closed on July 10, 1996.

On July 24, 1996 the Massachusetts Housing Partnership executed an agreement with the Bank of Boston Corporation (BKB) and its subsidiary, the First National Bank of Boston (Bank of Boston), by which Bank of Boston agreed to make a \$5,000,000 grant and a \$44,959,915 loan obligation to the MHP Fund. The agreement provides that the unused portion of the loan be converted into an additional grant of up to \$5,000,000 in 1999. This voluntary agreement by BKB and Bank of Boston was made in lieu of the \$89,919,831 loan obligation that would otherwise have been required in conjunction with BKB's acquisition of BayBank, Inc.. The grant and loan are restricted to support affordable housing and neighborhood development programs of the MHP as authorized by Chapter 102.

On August 9, 1996, the Pioneer Valley Transit Authority refinanced \$15,000,000 of revenue anticipation notes due August 9, 1996, with First Albany Corporation. The notes were refinanced with a \$15,000,000 revenue anticipation note due August 8, 1997, at a 4.63% interest rate.

Effective July 1, 1996, Bay State Skills Corporation has agreed to a merger with Industrial Services Program, a quasi-public agency whose purpose is to administer programs and services to aid businesses and employees in declining industries in Massachusetts. The merger of the two component units was approved by the Legislature and Governor of the Commonwealth of Massachusetts.

## 16. ACCOUNTING CHANGES

The Commonwealth adopted Governmental Accounting Standards Board Statement No. 14 (GASB 14), "The Financial Reporting Entity" in fiscal year 1994. The Massachusetts Turnpike Authority, which under the guidelines of GASB 14 had been previously excluded from the reporting entity, and the Nantucket Regional Transit Authority have been added in the current fiscal year. See Note 1 for a description of the component units included in the reporting entity.

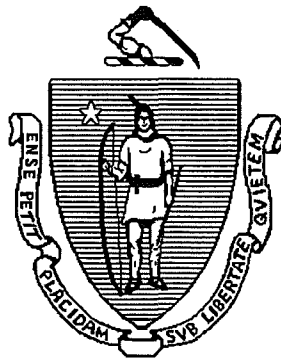
For the fiscal year ended June 30, 1996, the Commonwealth adopted Governmental Accounting Standard Board Statement Nos. 25 (GASB 25) and 27 (GASB 27) "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and Accounting for Pensions by State and "Local Governmental Employers," respectively.

As a result of adopting GASB 25 and GASB 27, the net pension obligation reported in the General Long Term Debt Account Group decreased \$2,434,976,000. GASB 27 requires a recalculation of net pension obligation for all fiscal years since 1988.

During fiscal 1996, the Commonwealth adopted the provision of GASB No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance." This statement requires food stamp inventories on hand at the balance sheet to be recorded as an asset "inventory" and "deferred revenue" in the federal grant fund. The effect of implementing GASB 24 did not have a material effect on the Commonwealth's general purpose financial statements.

# *Combining and Individual Fund Statements and Account Group Schedules*



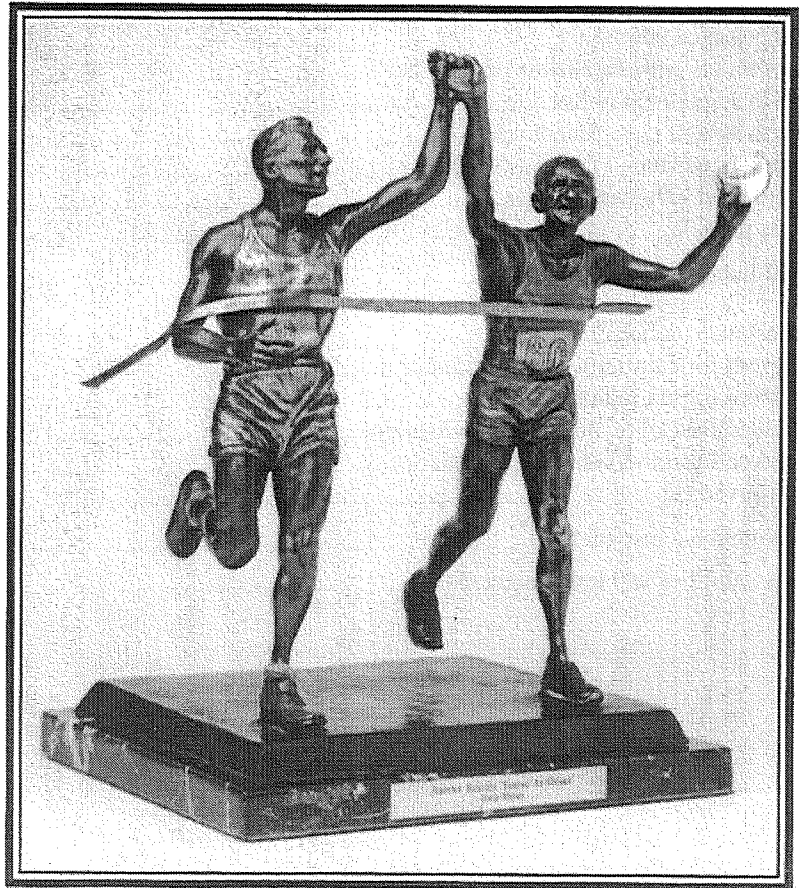


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# *General Fund*

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 operating expenditures of the Executive Secretariats, the Legislature, Constitutional Offices, and independent commissions and a portion of expenditures for the judicial system 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.

Revenues and expenditures associated with federal reimbursement-based programs are accounted for in the General Fund. These programs have various reimbursement formulas. The Commonwealth provides grants and contract assistance to several of the authorities it reports as component units. Most of these grant and contract assistance activities are recorded in the General Fund.



# General Fund Balance Sheet

June 30, 1996  
(Amounts in thousands)

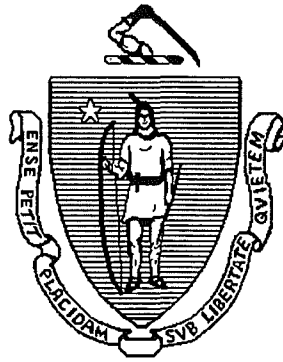
	1996	1995
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 828,646	\$ 158,495
Cash with fiscal agent.....	657	714
Receivables, net of allowance for uncollectibles:		
Taxes.....	688,376	672,993
Due from federal government.....	543,008	494,433
Other receivables.....	162,521	187,624
Due from cities and towns.....	222,214	215,242
Due from other funds.....	621,517	246,202
Total assets.....	<u>\$ 3,066,939</u>	<u>\$ 1,975,703</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable.....	\$ 994,290	\$ 1,012,372
Accrued payroll.....	31,965	34,260
Compensated absences.....	96,124	92,587
Tax refunds and abatements payable.....	407,380	342,310
Due to component units.....	57,767	81,835
Due to federal government.....	17,640	32,778
Deferred revenue.....	107,773	100,414
Claims and judgments.....	45,788	64,400
Notes payable.....	240,000	240,000
Total liabilities.....	<u>1,998,727</u>	<u>2,000,956</u>
Fund balance (deficit):		
Reserved for continuing appropriations.....	169,822	96,065
Reserved for tax reduction.....	231,722	-
Reserved for Commonwealth stabilization.....	543,303	425,405
Reserved for retirement of indebtedness.....	657	714
Unreserved.....	122,708	(547,437)
Total fund balance (deficit).....	<u>1,068,212</u>	<u>(25,253)</u>
Total liabilities and fund balances.....	<u>\$ 3,066,939</u>	<u>\$ 1,975,703</u>

# General Fund

## Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	1996	1995
Revenues:		
Taxes.....	\$ 7,321,284	\$ 6,923,009
Assessments.....	212,138	202,831
Federal grants and reimbursements.....	2,938,367	2,841,932
Departmental.....	558,668	586,838
Miscellaneous.....	95,400	101,154
Total revenues.....	11,125,857	10,655,764
Other financing sources:		
Proceeds of capital leases.....	26,365	17,869
Operating transfers in.....	484,882	407,861
Total other financing sources.....	511,247	425,730
Total revenues and other financing sources.....	11,637,104	11,081,494
Expenditures:		
Current:		
Legislature.....	48,922	46,550
Judiciary.....	57,828	35,550
Inspector General.....	1,577	1,434
Governor and Lieutenant Governor.....	4,731	4,747
Secretary of the Commonwealth.....	9,611	9,479
Treasurer and Receiver-General.....	87,645	91,589
Auditor of the Commonwealth.....	12,261	10,453
Attorney General.....	25,036	19,339
Ethics Commission.....	572	540
District Attorney.....	123	-
Office of Campaign and Political Finance.....	327	319
Disabled Persons Protection Commission.....	1,350	1,330
Comptroller.....	6,623	6,121
Administration and finance.....	726,928	712,896
Environmental affairs.....	47,460	23,594
Communities and development.....	107,098	99,656
Health and human services.....	3,397,145	3,426,485
Transportation and construction.....	18	17,114
Education.....	148,003	129,527
Educational affairs.....	2,296	2,058
Higher education.....	76,304	70,697
Public safety.....	363,009	337,628
Economic affairs.....	17,828	12,524
Elder affairs.....	121,590	126,483
Consumer affairs.....	29,392	28,421
Labor.....	21,383	21,102
Medicaid.....	3,172,219	3,212,620
Pension.....	69,974	85,140
Direct local aid.....	36,000	33,000
Debt service:		
Principal retirement.....	517,107	543,957
Interest and fiscal charges.....	307,805	338,478
Total expenditures.....	9,418,165	9,448,831
Other financing uses:		
Operating transfers out.....	57,713	7,518
Transfers of appropriations.....	686,502	650,151
Transfers to component units.....	381,259	155,002
Total other financing uses.....	1,125,474	812,671
Total expenditures and other financing uses.....	10,543,639	10,261,502
Excess of revenues and other financing sources over expenditures and other financing uses.....	1,093,465	819,992
Fund balance (deficit) at beginning of year.....	(25,253)	(923,682)
Equity transfer.....	-	78,437
Fund balance (deficit) at end of year.....	\$ 1,068,212	\$ (25,253)



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# Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to finance specific functions or activities carried out by the Commonwealth.

*Federal Grants* - accounts for federal grant monies that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Capital Projects Fund, and federal reimbursement programs such as Medicaid, and AFDC which are accounted for in the General Fund.

*Highway* - accounts for highway user taxes including the gas tax and fees; used to finance highway maintenance and safety services, and provide matching funds for federally sponsored highway projects as required.

*Local Aid* - accounts for lottery operating surpluses and forty percent of sales, income, corporate and a portion of other taxes which have been earmarked for distribution to cities and towns or are used to finance programs that benefit local communities, and a major portion of the court systems.

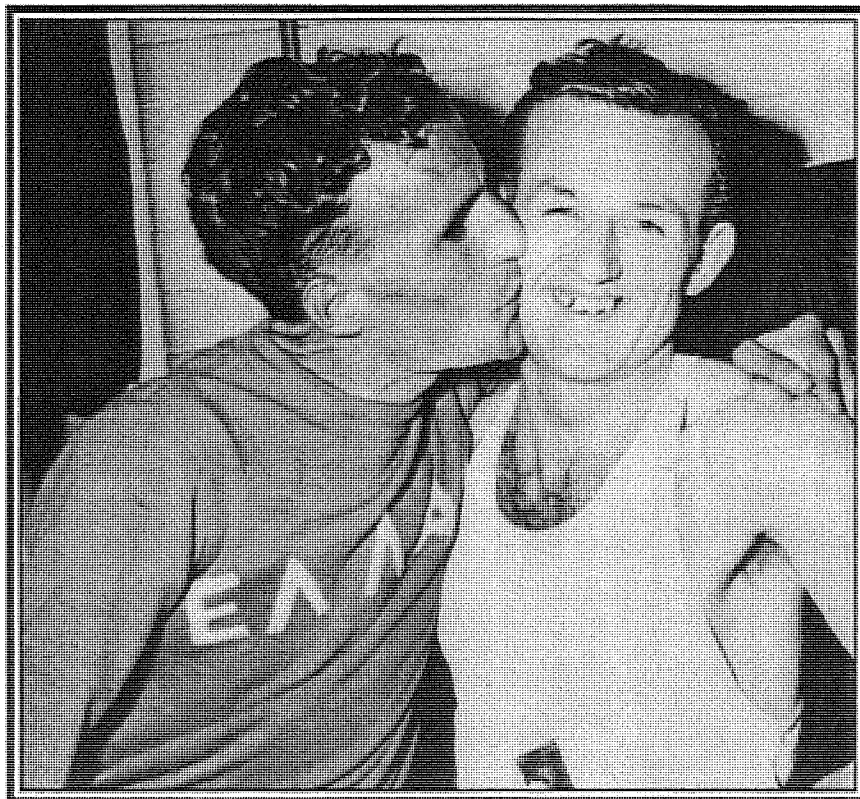
*Environmental* - accounts for a variety of fees, fines, and other revenues which finance programs to preserve, protect and enhance the environment.

*Lotteries* - account for the operations of the State and Arts Lotteries, which have been established primarily to finance the Local Aid Fund.

*Universal Health Care* - accounts for assessments and other revenues that are dedicated to making health care and health insurance accessible and affordable to all citizens of the Commonwealth.

*Oil Overcharge* - accounts for the fines and penalties collected under federal regulation from certain oil companies doing business in the Commonwealth, and interest thereon, being accumulated to provide fuel assistance and weatherization for low income residents.

*Other* - accounts for a variety of miscellaneous taxes, assessments, fees, fines, and other revenues restricted to the financing of specific Commonwealth programs.



# **Special Revenue Funds** **Combining Balance Sheet**

June 30, 1996

(Amounts in thousands)

	<u>Federal Grants</u>	<u>Highway</u>	<u>Local Aid</u>	<u>Environmental</u>
<b>ASSETS</b>				
Cash and short-term investments.....	\$ -	\$ 408,443	\$ -	\$ 41,204
Cash with fiscal agent.....	-	21,914	-	-
Receivables, net of allowance for uncollectibles:				
Taxes.....	-	42,855	434,391 ✓	640
Due from federal government.....	164,685	55	-	214
Other receivables.....	-	1,435	-	35,326
Due from cities and towns.....	-	-	627 ✓	-
Inventory.....	112,558	-	-	-
<b>Total assets.....</b>	<b>\$ 277,243</b>	<b>\$ 474,702</b>	<b>\$ 435,018 ✓</b>	<b>\$ 77,384</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable.....	\$ 104,823	\$ 39,114	\$ 194,491 ✓	\$ 38,675
Accrued payroll.....	2,776	3,944	987 ✓	862
Compensated absences.....	10,920	17,293	22,969 ✓	3,122
Tax refunds and abatements payable.....	-	1,012	270,056 ✓	-
Due to other funds.....	32,145	-	530,950 ✓	-
Due to component units.....	-	78,972	157,946 ✓	-
Due to federal government.....	-	-	-	-
Deferred revenue.....	112,558	239	48,531 ✓	21,455
Claims and judgments.....	-	-	-	7,317
Other accrued liabilities.....	7	-	-	-
<b>Total liabilities.....</b>	<b>263,229</b>	<b>140,574</b>	<b>1,225,930 ✓</b>	<b>71,431</b>
<b>Fund balances (deficits):</b>				
Reserved for continuing appropriations.....	-	42,713	12,103	12,562
Reserved for retirement of indebtedness.....	-	21,914	-	-
Unreserved.....	14,014	269,501	(803,015) ✓	(6,609)
<b>Fund balances (deficits).....</b>	<b>14,014</b>	<b>334,128</b>	<b>(790,912) ✓</b>	<b>5,953</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 277,243</b>	<b>\$ 474,702</b>	<b>\$ 435,018 ✓</b>	<b>\$ 77,384</b>

Lotteries	Universal Health Care	Oil Overcharge	Other	Totals	
				1996	1995
\$ 28,370 ✓	\$ 85,650	\$ 15,968	\$ 175,923	\$ 755,558	\$ 680,427
-	-	-	-	21,914	15,722
-	-	-	9,019	486,905	478,497
-	-	-	19,638	184,592	149,944
12,316 ✓	68,344	1	5,505	122,927	104,271
-	-	-	-	627	626
-	-	-	-	112,558	111,051
<u>\$ 40,686 ✓</u>	<u>\$ 153,994</u>	<u>\$ 15,969</u>	<u>\$ 210,085</u>	<u>\$ 1,685,081</u>	<u>\$ 1,540,538</u>
\$ 45,850 ✓	\$ 7,593	\$ 629	\$ 21,267	\$ 452,442	\$ 285,755
-	23	15	372	8,979	9,094
1,811 ✓	2	25	1,021	57,163	56,213
-	-	-	-	271,068	227,767
-	-	-	-	563,095	14,468
-	-	-	600	237,518	278,384
-	-	-	534	534	373
7,164 ✓	14,535	-	-	204,482	194,688
-	-	-	-	7,317	-
-	83,620	-	-	83,627	60,195
<u>54,825 ✓</u>	<u>105,773</u>	<u>669</u>	<u>23,794</u>	<u>1,886,225</u>	<u>1,126,937</u>
-	-	-	3,573	70,951	15,620
-	-	-	-	21,914	15,722
(14,139) ✓	48,221	15,300	182,718	(294,009)	382,259
(14,139) ✓	48,221	15,300	186,291	(201,144)	413,601
<u>\$ 40,686 ✓</u>	<u>\$ 153,994</u>	<u>\$ 15,969</u>	<u>\$ 210,085</u>	<u>\$ 1,685,081</u>	<u>\$ 1,540,538</u>

**Special Revenue Funds**  
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	Federal Grants	Highway	Local Aid	Environmental
<b>Revenues:</b>				
Taxes.....	\$ -	\$ 509,830	\$ 3,925,439 ✓	\$ 7,476
Assessments.....	-	13,237	-	17,128
Federal grants and reimbursements.....	1,482,417	3,517	-	3,286
Departmental.....	-	285,021	918 ✓	45,208
Miscellaneous.....	745	2,275	273 ✓	24,377
<b>Total revenues.....</b>	<b>1,483,162</b>	<b>813,880</b>	<b>3,926,630 ✓</b>	<b>97,475</b>
<b>Other financing sources:</b>				
Operating transfers in.....	-	-	651,146 ✓	-
Total other financing sources.....	-	-	651,146	-
<b>Total revenues and other financing sources.....</b>	<b>1,483,162</b>	<b>813,880</b>	<b>4,577,776 ✓</b>	<b>97,475</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Judiciary.....	217	-	344,580 ✓	-
Inspector General.....	-	-	-	-
Secretary of the Commonwealth.....	367	-	4,951 ✓	-
Treasurer and Receiver-General.....	1,544	678	8,242 ✓	-
Auditor of the Commonwealth.....	-	-	722 ✓	-
Attorney General.....	2,286	6	655 ✓	-
Ethics Commission.....	-	-	575 ✓	-
District Attorney.....	671	-	47,938 ✓	-
Office of Campaign and Political Finance.....	-	-	329 ✓	-
Disabled Persons Protection Commission.....	44	-	-	-
Board of Library Commissioners.....	2,076	-	2,385 ✓	-
Comptroller.....	14	-	-	-
Administration and finance.....	1,749	5,192	118,992 ✓	7,445
Environmental affairs.....	16,733	28,601	38,254 ✓	68,624
Communities and development.....	211,826	-	27,286 ✓	-
Health and human services.....	563,025	-	3,239 ✓	-
Transportation and construction.....	6,573	147,829	159 ✓	60
Education.....	374,632	30,000	374,075 ✓	-
Educational affairs.....	8,356	-	1,630 ✓	-
Higher education.....	2,966	62	691 ✓	1
Public safety.....	34,143	183,517	205,102 ✓	43,874
Economic affairs.....	167,552	-	43 ✓	-
Elder affairs.....	24,890	-	8,598 ✓	-
Consumer affairs.....	176	1,994	2 ✓	-
Labor.....	1,081	-	-	-
Medicaid.....	-	-	68,931 ✓	-
Pension.....	-	32,794	278,798 ✓	944
Direct local aid.....	-	50,472	3,264,760 ✓	-
<b>Debt service:</b>				
Principal retirement.....	-	122,769	36,811 ✓	-
Interest and fiscal charges.....	-	139,117	59,952 ✓	-
<b>Total expenditures.....</b>	<b>1,420,921</b>	<b>743,031</b>	<b>4,897,700</b>	<b>120,948</b>
<b>Other financing uses:</b>				
Operating transfers out.....	68,232	3,046	144,942 ✓	14,281
Transfers of appropriations.....	-	-	-	1,827
Transfers to component units.....	-	90,219	184,769 ✓	-
<b>Total other financing uses.....</b>	<b>68,232</b>	<b>93,265</b>	<b>329,711</b>	<b>16,108</b>
<b>Total expenditures and other financing uses.....</b>	<b>1,489,153</b>	<b>836,296</b>	<b>5,227,411</b>	<b>137,056</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....</b>	<b>(5,991)</b>	<b>(22,416)</b>	<b>(649,635) ✓</b>	<b>(39,581)</b>
<b>Fund balances (deficits) at beginning of year.....</b>	<b>20,005</b>	<b>356,544</b>	<b>(141,277) ✓</b>	<b>45,534</b>
<b>Equity transfer.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances (deficits) at end of year.....</b>	<b>\$ 14,014</b>	<b>\$ 334,128</b>	<b>\$ (790,912)</b>	<b>\$ 5,953</b>

Lotteries	Universal Health Care	Oil Overcharge	Other	Totals	
				1996	1995
\$ 2,609 ✓	\$ -	\$ -	\$ 159,100	\$ 4,604,454	\$ 4,338,977
-	334,865	-	17,570	382,800	369,577
-	15,000	-	12,366	1,516,586	1,567,932
3,189,011 ✓	204,618	-	36,803	3,761,579	3,686,918
12,237 ✓	1,694	4,874	108,406	154,881	44,561
3,203,857 ✓	556,177	4,874	334,245	10,420,300	10,007,965
-	148,891	-	134,142	934,179	965,211
-	148,891	-	134,142	934,179	965,211
3,203,857 ✓	705,068	4,874	468,387	11,354,479	10,973,176
-	-	-	1,855	346,652	320,120
-	-	-	-	-	209
2,477,379 ✓	-	-	-	5,318	4,400
-	-	-	816	2,488,659	2,261,757
-	-	-	-	722	754
-	-	-	858	3,805	3,036
-	-	-	-	575	550
-	-	-	6,282	54,891	51,030
-	-	-	-	329	372
-	-	-	-	44	-
-	-	-	-	4,461	4,752
-	-	-	-	14	15
-	81	-	82,434	215,893	162,635
-	-	16	5,702	157,930	150,666
-	-	1,168	-	240,280	240,578
-	526,601	-	115,538	1,208,403	1,385,657
-	-	-	-	154,621	94,417
-	-	-	30,994	809,701	735,359
-	-	-	1,382	11,368	4,374
-	-	-	-	3,720	4,087
-	-	-	10,994	477,630	394,545
-	2,142	2,154	18,483	190,374	186,932
-	-	-	110	33,598	34,960
-	-	-	3,832	6,004	6,015
-	-	-	1,981	3,062	2,646
-	-	-	-	68,931	39,600
-	-	-	-	312,536	329,165
-	-	-	-	3,315,232	3,040,239
-	-	-	7,579	167,159	151,384
-	-	-	641	199,710	199,885
2,477,379 ✓	528,824	3,338	289,481	10,481,622	9,810,139
731,970 ✓	149,264	139	91,942	1,203,816	1,205,220
-	71	-	114	2,012	2,175
-	-	-	6,786	281,774	499,719
731,970 ✓	149,335	139	98,842	1,487,602	1,707,114
3,209,349 ✓	678,159	3,477	388,323	11,969,224	11,517,253
(5,492) ✓	26,909	1,397	80,064	(614,745)	(544,077)
(8,647) ✓	21,312	13,903	106,227	413,601	940,961
-	-	-	-	-	16,717
\$ (14,139) ✓	\$ 48,221	\$ 15,300	\$ 186,291	\$ (201,144)	\$ 413,601

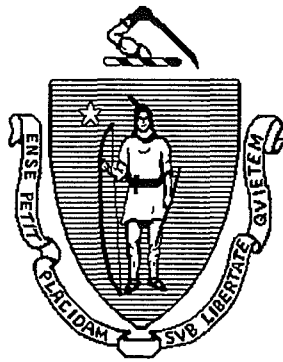
## Budgeted Special Revenue Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances -  
Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

	Highway			Local Aid		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes.....	\$ 486,400	\$ 510,954	\$ 24,554	\$3,926,400	\$3,969,871 ✓	\$ 43,471
Assessments.....	-	13,237	13,237	-	-	-
Federal grants and reimbursements.....	5,800	3,516	(2,284)	200	-	(200)
Departmental.....	300,400	284,556	(15,844)	3,200	918 ✓	(2,282)
Miscellaneous.....	-	2,275	2,275	-	273 ✓	273
Total revenues.....	792,600	814,538	21,938	3,929,800	3,971,062 ✓	41,262
<b>Other financing sources:</b>						
Operating transfers in.....	-	-	-	644,500	651,146 ✓	6,646
Total other financing sources.....	-	-	-	644,500	651,146 ✓	6,646
Total revenues and other financing sources.....	792,600	814,538	21,938	4,574,300	4,622,208 ✓	47,908
<b>Expenditures:</b>						
Legislature.....	-	-	-	-	-	-
Judiciary.....	-	-	-	351,971	344,407 ✓	7,564
Inspector General.....	-	-	-	-	-	-
Governor and Lieutenant Governor.....	-	-	-	-	-	-
Secretary of the Commonwealth.....	-	-	-	5,315	4,947 ✓	368
Treasurer and Receiver-General.....	791	659	132	8,981	8,242 ✓	739
Auditor of the Commonwealth.....	-	-	-	722	722	-
Attorney General.....	6	6	-	642	642 ✓	-
Ethics Commission.....	-	-	-	572	572 ✓	-
District Attorney.....	-	-	-	48,667	48,423 ✓	244
Office of Campaign & Political Finance.....	-	-	-	327	327 ✓	-
Disabled Persons Protection Commission.....	-	-	-	-	-	-
Board of Library Commissioners.....	-	-	-	2,385	2,383 ✓	2
Comptroller.....	-	-	-	-	-	-
Administration and finance.....	5,335	5,110	225	126,222	118,961 ✓	7,261
Environmental affairs.....	36,601	28,651	7,950	41,604	41,145 ✓	459
Communities and development.....	-	-	-	29,004	28,286 ✓	718
Health and human services.....	-	-	-	13,566	3,238 ✓	10,328
Transportation and construction.....	226,221	199,251	26,970	103,307	102,926 ✓	381
Education.....	-	-	-	123,115	118,039 ✓	5,076
Educational affairs.....	-	-	-	1,700	1,630 ✓	70
Higher education.....	75	63	12	707	692 ✓	15
Public safety.....	196,327	183,447	12,880	205,847	205,051 ✓	796
Economic affairs.....	-	-	-	43	43 ✓	-
Elder affairs.....	1	-	1	8,606	8,598 ✓	8
Consumer affairs.....	2,028	1,988	40	4	2 ✓	2
Labor.....	-	-	-	-	-	-
Medicaid.....	-	-	-	69,000	68,930 ✓	70
Pension.....	71,915	69,794	2,121	612,602	596,639 ✓	15,963
Direct local aid.....	43,472	43,472	-	3,207,289	3,202,760 ✓	4,529
<b>Debt service:</b>						
Principal retirement.....	126,274	122,769	3,505	37,722	36,811 ✓	911
Interest and fiscal charges.....	142,393	139,117	3,276	61,547	59,952 ✓	1,595
Total expenditures.....	851,439	794,327	57,112	5,061,467	5,004,368 ✓	57,099
<b>Other financing uses:</b>						
Fringe benefit cost assessment.....	-	-	-	-	48,075 ✓	(48,075)
Operating transfers out.....	55,553	55,553	-	129,523	130,921 ✓	(1,398)
Stabilization transfer.....	-	-	-	-	70,962 ✓	(70,962)
Total other financing uses.....	55,553	55,553	-	129,523	249,958 ✓	(120,435)
Total expenditures and other financing sources.....	906,992	849,880	57,112	5,190,990	5,254,326 ✓	(63,336)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(114,392)	(35,342)	79,050	(616,690)	(632,118) ✓	(15,428)
Fund balances (deficits) at beginning of year (as restated).....	424,691	424,691	-	(76,760)	(76,760) ✓	-
Fund balances (deficits) at end of year.....	\$ 310,299	\$ 389,349	\$ 79,050	\$ (693,450)	\$ (708,878) ✓	\$ (15,428)

Environmental			Other			Totals		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 8,100	\$ 7,461	\$ (639)	\$ 154,400	\$ 154,674	\$ 274	\$ 4,575,300	\$ 4,642,960	\$ 67,660
-	16,345	16,345	-	-	-	-	29,582	29,582
3,200	3,654	454	-	-	-	9,200	7,170	(2,030)
69,039	43,627	(25,412)	20,803	24,828	4,025	393,442	353,929	(39,513)
-	24,441	24,441	-	306	306	-	27,295	27,295
80,339	95,528	15,189	175,203	179,808	4,605	4,977,942	5,060,936	82,994
100	75	(25)	32,000	100,800	68,800	676,600	752,021	75,421
100	75	(25)	32,000	100,800	68,800	676,600	752,021	75,421
80,439	95,603	15,164	207,203	280,608	73,405	5,654,542	5,812,957	158,415
-	-	-	30	2	28	30	2	28
-	-	-	-	-	-	351,971	344,407	7,564
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	5,315	4,947	368
-	-	-	814	814	-	10,586	9,715	871
-	-	-	-	-	-	722	722	-
-	-	-	876	874	2	1,524	1,522	2
-	-	-	-	-	-	572	572	-
-	-	-	5,929	5,882	47	54,596	54,305	291
-	-	-	-	-	-	327	327	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,385	2,383	2
-	-	-	-	-	-	-	-	-
7,380	128	7,252	24,575	23,170	1,405	163,512	147,369	16,143
72,882	68,899	3,983	788	739	49	151,875	139,434	12,441
-	-	-	-	-	-	29,004	28,286	718
-	-	-	122,033	113,445	8,588	135,599	116,683	18,916
61	60	1	-	-	-	329,589	302,237	27,352
-	-	-	31,364	30,994	370	154,479	149,033	5,446
-	-	-	1,400	1,381	19	3,100	3,011	89
1,887	1,825	62	122	115	7	2,791	2,695	96
49,466	43,869	5,597	6,522	6,455	67	458,162	438,822	19,340
-	-	-	27,940	24,507	3,433	27,983	24,550	3,433
-	-	-	149	98	51	8,756	8,696	60
-	-	-	3,069	2,546	523	5,101	4,536	565
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	69,000	68,930	70
971	944	27	-	-	-	685,488	667,377	18,111
-	-	-	-	-	-	3,250,761	3,246,232	4,529
-	-	-	-	-	-	163,996	159,580	4,416
-	-	-	3	3	-	203,943	199,072	4,871
132,647	115,725	16,922	225,614	211,025	14,589	6,271,167	6,125,445	145,722
-	14,105	(14,105)	-	3,409	(3,409)	-	65,589	(65,589)
177	178	(1)	8	22,946	(22,938)	185,261	209,598	(24,337)
-	-	-	-	-	-	-	70,962	(70,962)
177	14,283	(14,106)	8	26,355	(26,347)	185,261	346,149	(160,888)
132,824	130,008	2,816	225,622	237,380	(11,758)	6,456,428	6,471,594	(15,166)
(52,385)	(34,405)	17,980	(18,419)	43,228	61,647	(801,886)	(658,637)	143,249
42,169	42,169	-	41,394	41,394	-	431,494	431,494	-
\$ (10,216)	\$ 7,764	\$ 17,980	\$ 22,975	\$ 84,622	\$ 61,647	\$ (370,392)	\$ (227,143)	\$ 143,249



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# Capital Projects Fund

Capital Projects Funds are used to account for the financial resources used to acquire or construct major capital assets and to finance local capital projects.

*General* - accounts 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.

*Highway* - accounts 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* - accounts for federal highway construction projects which, with the Commonwealth's required share of matching funds, finance interstate highways and similar projects within Massachusetts to promote a nationwide highway system.

*Local Aid* - accounts 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.

*Other* - accounts for the proceeds of bonds sold to finance land acquisition for economic development, preservation and recreational purposes, and other capital projects.



# Capital Projects Funds

## Combining Balance Sheet

June 30, 1996  
(Amounts in thousands)

	General	Highway	Federal Highway Construction
<b>ASSETS</b>			
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	\$ 2,666	\$ -	\$ 116,157
Other receivables.....	-	-	1,046
Due from other funds.....	-	-	27,059
Total assets.....	<u>\$ 2,666</u>	<u>\$ -</u>	<u>\$ 144,262</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable.....	\$ 64,699	\$ 51,540	\$ 142,961
Accrued payroll.....	305	711	254
Compensated absences.....	586	3,783	4
Due to other funds.....	16,822	50,276	-
Due to component unit.....	26	-	-
Due to federal government.....	-	-	761
Deferred revenue.....	-	-	95
Total liabilities.....	<u>82,438</u>	<u>106,310</u>	<u>144,075</u>
Fund balances (deficits):			
Unreserved.....	<u>(79,772)</u>	<u>(106,310)</u>	<u>187</u>
Fund balances (deficits).....	<u>(79,772)</u>	<u>(106,310)</u>	<u>187</u>
Total liabilities and fund balances.....	<u>\$ 2,666</u>	<u>\$ -</u>	<u>\$ 144,262</u>

Local Aid	Other	Totals	
		1996	1995
\$ -	\$ -	\$ 118,823	\$ 121,584
-	-	1,046	871
-	-	27,059	22,975
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,928</u>	<u>\$ 145,430</u>
\$ 33,241	\$ 641	\$ 293,082	\$ 291,873
35	1	1,306	1,271
3	-	4,376	4,047
1,920	50	69,068	245,437
611	-	637	6,558
-	-	761	233
-	-	95	596
<u>35,810</u>	<u>692</u>	<u>369,325</u>	<u>550,015</u>
<u>(35,810)</u>	<u>(692)</u>	<u>(222,397)</u>	<u>(404,585)</u>
<u>(35,810)</u>	<u>(692)</u>	<u>(222,397)</u>	<u>(404,585)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 146,928</u>	<u>\$ 145,430</u>

**Capital Projects Funds**  
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	General	Highway	Federal Highway Construction
Revenues:			
Federal grants and reimbursements.....	\$ 13,269	\$ -	\$ 875,083
Departmental.....	-	-	1,350
Miscellaneous.....	-	-	1,475
Total revenues.....	13,269	-	877,908
Other financing sources:			
Proceeds of general obligation bonds.....	287,510	502,514	-
Proceeds of special obligation bonds.....	-	147,457	-
Proceeds of refunding bonds.....	-	-	-
Operating transfers in.....	-	-	132,423
Other .....	-	-	-
Total other financing sources.....	287,510	649,971	132,423
Total revenues and other financing sources.....	300,779	649,971	1,010,331
Expenditures:			
Capital outlay:			
Local aid.....	-	-	-
Capital acquisition and construction.....	247,075	416,466	1,005,179
Total expenditures.....	247,075	416,466	1,005,179
Other financing uses:			
Payments to refunded bond escrow agent.....	-	-	-
Operating transfers out.....	3,249	99,888	5,112
Transfers of bond proceeds.....	28,888	-	-
Transfers to component units.....	48	-	-
Total other financing uses.....	32,185	99,888	5,112
Total expenditures and other financing uses.....	279,260	516,354	1,010,291
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	21,519	133,617	40
Fund balances (deficits) at beginning of year.....	(101,291)	(239,927)	147
Equity transfer.....	-	-	-
Fund balances (deficits) at end of year.....	\$ (79,772)	\$ (106,310)	\$ 187

		Totals	
Local Aid	Other	1996	1995
\$ -	\$ -	\$ 888,352	\$ 950,287
-	-	1,350	-
-	-	1,475	76
-	-	891,177	950,363
145,378	4,256	939,658	809,862
-	-	147,457	-
-	-	-	513,622
-	-	132,423	160,442
-	-	-	49,062
145,378	4,256	1,219,538	1,532,988
145,378	4,256	2,110,715	2,483,351
115,742	-	115,742	94,301
-	3,824	1,672,544	1,697,781
115,742	3,824	1,788,286	1,792,082
-	-	-	513,622
64	2	108,315	179,677
-	-	28,888	22,938
2,990	-	3,038	9,049
3,054	2	140,241	725,286
118,796	3,826	1,928,527	2,517,368
26,582	430	182,188	(34,017)
(62,392)	(1,122)	(404,585)	(290,963)
-	-	-	(79,605)
\$ (35,810)	\$ (692)	\$ (222,397)	\$ (404,585)



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# *Internal Service Funds*

Internal Service Funds are used to account for the risk financing and insurance related activities of the Commonwealth.

*Employees Workers' Compensation* - accounts for the activities of the Commonwealth's Self Insurance Program for state employees Workers Compensation.

*Central Artery Workers' Compensation* - accounts for the Commonwealth Insurance Program for all contractors and sub contractors on the Commonwealth's Central Artery/ Third Harbor Tunnel Project.

*Employees Group Health Insurance* - accounts for the Commonwealth Group Health and Life Insurance programs for Commonwealth employees and retirees.



# Internal Service Funds Combining Balance Sheet

June 30, 1996  
(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Totals	
				1996	1995
ASSETS					
Restricted investments.....	\$ -	\$ 187,929	\$ -	\$ 187,929	\$ 162,391
Assets held in trust.....	-	-	18,789	18,789	18,620
Due from other funds.....	33,255	-	-	33,255	28,367
Total assets.....	<u>\$ 33,255</u>	<u>\$ 187,929</u>	<u>\$ 18,789</u>	<u>\$ 239,973</u>	<u>\$ 209,378</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Claims and judgments.....	<u>\$ 283,000</u>	<u>\$ 58,121</u>	<u>\$ 49,932</u>	<u>\$ 391,053</u>	<u>\$ 432,797</u>
Total liabilities.....	<u>283,000</u>	<u>58,121</u>	<u>49,932</u>	<u>391,053</u>	<u>432,797</u>
Fund equity (deficit):					
Retained earnings:					
Reserved for central artery workers' compensation.....	-	129,808	-	129,808	97,391
Unreserved.....	(249,745)	-	(31,143)	(280,888)	(320,810)
Total fund equity (deficit).....	<u>(249,745)</u>	<u>129,808</u>	<u>(31,143)</u>	<u>(151,080)</u>	<u>(223,419)</u>
Total liabilities and fund equity.....	<u>\$ 33,255</u>	<u>\$ 187,929</u>	<u>\$ 18,789</u>	<u>\$ 239,973</u>	<u>\$ 209,378</u>



**Internal Service Funds**  
**Combining Statement Of Revenues, Expenses And Changes In Retained Earnings**

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Totals	
				1996	1995
Operating revenues:					
Premiums.....	\$ 45,816	\$ 28,147	\$ 628,498	\$ 702,461	\$ 756,841
Total operating revenues.....	45,816	28,147	628,498	702,461	756,841
Operating expenses:					
Claims and judgments.....	45,816	8,416	628,329	682,561	675,942
Change in incurred but not reported claims.....	(21,055)	(9,011)	(18,698)	(48,764)	(47,033)
Net claims and judgments.....	24,761	(595)	609,631	633,797	628,909
Operating income.....	21,055	28,742	18,867	68,664	127,932
Non-operating revenues:					
Interest income.....	-	3,675	-	3,675	5,985
Total non-operating revenues.....	-	3,675	-	3,675	5,985
Net income.....	21,055	32,417	18,867	72,339	133,917
Retained earnings (deficit) at beginning of year.	(270,800)	97,391	(50,010)	(223,419)	-
Equity transfer.....	-	-	-	-	(15,716)
Balance from general long-term obligations....	-	-	-	-	(341,620)
Retained earnings at end of year.....	\$ (249,745)	\$ 129,808	\$ (31,143)	\$ (151,080)	\$ (223,419)

# Internal Service Funds

## Combining Statement Of Cash Flows

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Totals	
				1996	1995
Cash flows from operating activities:					
Operating income.....	\$ 21,055	\$ 28,742	\$ 18,867	\$ 68,664	\$ 127,932
Adjustments to reconcile operating income to net cash provided by operating activities:					
Change in assets and liabilities:					
Assets held in trust.....	-	-	(169)	(169)	(4,469)
Due from other funds.....	(4,888)	-	-	(4,888)	3,343
Claims and judgments, net.....	(16,167)	(6,879)	(18,698)	(41,744)	29,600
Total adjustments.....	(21,055)	(6,879)	(18,867)	(46,801)	28,474
Net cash provided by operating activities	-	21,863	-	21,863	156,406
Cash flows from investing activities:					
Purchases of restricted investments.....	-	(25,538)	-	(25,538)	(162,391)
Interest income.....	-	3,675	-	3,675	5,985
Net cash used for investing activities.....	-	(21,863)	-	(21,863)	(156,406)
Net increase in cash and cash equivalents.....	-	-	-	-	-
Cash and cash equivalents at beginning of year.....	-	-	-	-	-
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -	\$ -	\$ -
Noncash investing, capital and noncapital, and financing activities:					
Beginning of year liability and equity transfer from the governmental funds and the expendable trust fund.....					\$ (15,716)
Transfer of beginning of year liability from the general long-term obligations account group.....					\$ (341,620)

# Fiduciary Funds

Fiduciary Funds are used to account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations or other governments.

## EXPENDABLE TRUST FUNDS:

*Expendable Trust* - accounts for various gifts, bequests or contributions held by the Commonwealth of which both principal and interest may be expended for purposes designated by the donor.

*Unemployment Compensation* - accounts for unemployment 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.

## NONEXPENDABLE TRUST FUNDS:

*Nonexpendable Trust* - accounts for various gifts and bequests held by the Commonwealth, of which only the income may be expended for purposes specified by the donor.

## PENSION TRUST FUNDS:

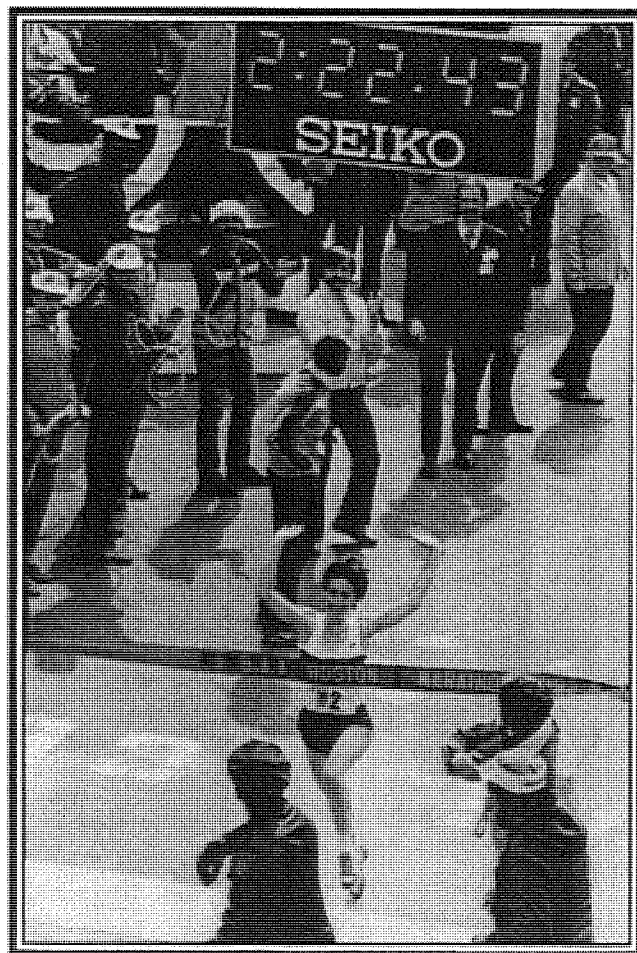
*Public Employee Retirement Systems* - account for the assets, liabilities and fund balances held in trust by the State Employees' and Teachers' Retirement Systems for the payment of retirement, disability and death benefits to members of these retirement systems.

## AGENCY FUNDS:

*Central Agency Funds* - account for cash and investments held or managed by the Commonwealth on behalf of others, including the investments made by cities, towns and local authorities in the Massachusetts Municipal Depository Trust and Pension Reserves Investment Trust, employees' contributions to the deferred compensation plan, annuity contracts held for lottery prize winners, and local option taxes collected but not yet remitted.

*Court Escrow and Client Accounts* - account for assets held in escrow accounts by the Commonwealth's court system pending settlement of outstanding litigation and by the human service departments on behalf of patients, clients and inmates, and for child support payments collected or receivable and not yet remitted to custodial parents.

*Statutory Bonds and Deposits* - account for deposits required from insurance companies and similar organizations doing business within the Commonwealth, to protect citizens against the risk of loss due to business failure.



# Fiduciary Fund Types

## Combining Balance Sheet

June 30, 1996  
(Amounts in thousands)

	Expendable Trust Funds	Non- expendable Trust Funds	Pension Trust Funds
<b>ASSETS</b>			
Cash and short-term investments.....	\$ 113,275	\$ 5,835	\$ 342,009
Deposits.....	761,987	-	-
Investments.....	-	-	15,671,490
Investments of deferred compensation plan.....	-	-	-
Annuity contracts.....	-	-	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Taxes.....	331,546	-	-
Due from federal government.....	1,623	-	-
Loans.....	3,330	-	-
Other receivables.....	27,897	-	142,404
Total assets.....	<u>\$ 1,239,658</u>	<u>\$ 5,835</u>	<u>\$ 16,155,903</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable.....	\$ 39,077	\$ -	\$ 191,700
Accrued payroll.....	280	-	-
Compensated absences.....	240	-	-
Tax refunds and abatements payable.....	7,111	-	-
Due to cities and towns.....	-	-	-
Due to other funds.....	-	-	7,932
Due to federal government.....	-	-	-
Deferred revenue.....	33,303	-	-
Prizes payable.....	-	-	-
Deferred compensation benefits payable.....	-	-	-
Agency liabilities.....	-	-	-
Other accrued liabilities.....	3,833	-	-
Total liabilities.....	<u>83,844</u>	<u>-</u>	<u>199,632</u>
<b>Fund balances:</b>			
Reserved for employee's pension benefits.....	-	-	15,956,271
Reserved for unemployment benefits.....	1,043,033	-	-
Reserved for nonexpendable trusts.....	-	5,835	-
Unreserved.....	112,781	-	-
Total fund balances.....	<u>1,155,814</u>	<u>5,835</u>	<u>15,956,271</u>
Total liabilities and fund balances.....	<u>\$ 1,239,658</u>	<u>\$ 5,835</u>	<u>\$ 16,155,903</u>

Agency Funds	Totals	
	1996	1995
\$ 1,313,037	\$ 1,774,156	\$ 1,633,378
-	761,987	385,605
534,310	16,205,800	13,506,730
1,480,844	1,480,844	1,215,348
1,164,223	1,164,223	1,097,652
1,683,251	1,683,251	1,672,864
-	331,546	311,957
-	1,623	2,261
-	3,330	7,794
32,900	203,201	267,825
<u>\$ 6,208,565</u>	<u>\$ 23,609,961</u>	<u>\$ 20,101,414</u>

\$ 11,192	\$ 241,969	\$ 244,115
-	280	220
-	240	225
-	7,111	6,391
18,147	18,147	14,292
-	7,932	2,830
51	51	-
-	33,303	30,958
1,164,223	1,164,223	1,097,652
1,480,844	1,480,844	1,215,348
3,534,108	3,534,108	3,201,561
-	3,833	18,379
<u>6,208,565</u>	<u>6,492,041</u>	<u>5,831,971</u>

-	15,956,271	13,483,238
-	1,043,033	649,115
-	5,835	5,837
-	112,781	131,253
-	17,117,920	14,269,443
<u>\$ 6,208,565</u>	<u>\$ 23,609,961</u>	<u>\$ 20,101,414</u>

# Expendable Trust Funds

## Combining Balance Sheet

June 30, 1996

(Amounts in thousands)

ASSETS	Expendable Trust	Unemployment Compensation	Totals	
			1996	1995
Cash and short-term investments.....	\$ 113,275	\$ -	\$ 113,275	\$ 129,066
Deposits.....	-	761,987	761,987	385,605
Receivables, net of allowance for uncollectibles:				
Taxes.....	987	330,559	331,546	311,957
Due from federal government.....	1,623	-	1,623	2,261
Loans.....	3,330	-	3,330	7,794
Other receivables.....	12,531	15,366	27,897	21,684
Total assets.....	<u>\$ 131,746</u>	<u>\$ 1,107,912</u>	<u>\$ 1,239,658</u>	<u>\$ 858,367</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable.....	\$ 12,049	\$ 27,028	\$ 39,077	\$ 37,202
Accrued payroll.....	280	-	280	220
Compensated absences.....	240	-	240	225
Tax refunds payable.....	-	7,111	7,111	6,391
Deferred revenue.....	2,563	30,740	33,303	30,958
Other accrued liabilities.....	3,833	-	3,833	3,003
Total liabilities.....	<u>18,965</u>	<u>64,879</u>	<u>83,844</u>	<u>77,999</u>
Fund balances:				
Reserved for unemployment benefits.....	-	1,043,033	1,043,033	649,115
Unreserved.....	112,781	-	112,781	131,253
Total fund balances.....	<u>112,781</u>	<u>1,043,033</u>	<u>1,155,814</u>	<u>780,368</u>
Total liabilities and fund balances.....	<u>\$ 131,746</u>	<u>\$ 1,107,912</u>	<u>\$ 1,239,658</u>	<u>\$ 858,367</u>

# Expendable Trust Funds

## Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 1996

(Amounts In Thousands)

	Expendable Trust	Unemployment Compensation	Totals	
			1996	1995
Revenues:				
Taxes.....	\$ -	\$ 1,149,531	\$ 1,149,531	\$ 1,146,922
Assessments.....	1,194	-	1,194	2,354
Federal grants and reimbursements.....	8,855	12,243	21,098	29,328
Departmental.....	8,502	-	8,502	5,693
Miscellaneous.....	157,169	37,554	194,723	150,791
Total revenues.....	175,720	1,199,328	1,375,048	1,335,088
Other financing sources:				
Operating transfers in.....	2,934	-	2,934	5,745
Other sources.....	36	-	36	1,503
Total other financing sources.....	2,970	-	2,970	7,248
Total revenues and other financing sources.....	178,690	1,199,328	1,378,018	1,342,336
Expenditures:				
Current:				
Judiciary.....	139	-	139	295
Secretary of the Commonwealth.....	86	-	86	118
Treasurer and Receiver-General.....	926	-	926	2,532
Auditor of the Commonwealth.....	237	-	237	451
Attorney General.....	1,596	-	1,596	808
District Attorney.....	3,173	-	3,173	2,925
Office of Campaign and Political Finance.....	-	-	-	254
Board of Library Commissioners.....	-	-	-	1
Administration and finance.....	1,827	-	1,827	2,582
Environmental affairs.....	6,552	-	6,552	5,042
Communities and development.....	754	-	754	2,674
Health and human services.....	18,761	-	18,761	16,721
Transportation and construction.....	1,066	-	1,066	626
Education.....	1,406	-	1,406	1,423
Higher education.....	44	-	44	159
Public safety.....	3,593	-	3,593	3,165
Economic affairs.....	2,836	805,410	808,246	831,432
Elder affairs.....	50	-	50	59
Consumer affairs.....	6,459	-	6,459	6,667
Labor.....	44,247	-	44,247	33,073
Total expenditures.....	93,752	805,410	899,162	911,007
Other financing uses:				
Operating transfers out.....	103,410	-	103,410	73,128
Total expenditures and other financing uses.....	197,162	805,410	1,002,572	984,135
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(18,472)	393,918	375,446	358,201
Fund balances at beginning of year.....	131,253	649,115	780,368	422,000
Equity transfer.....	-	-	-	167
Fund balances at end of year.....	\$ 112,781	\$ 1,043,033	\$ 1,155,814	\$ 780,368

**Pension Trust Funds**  
Combining Statement of Net Assets Available for Pension Benefits

June 30, 1996  
(Amounts in thousands)

ASSETS	State Employees' PERS	Teachers' PERS	Totals	
			1996	1995
Cash and short-term investments.....	\$ 178,438	\$ 163,571	\$ 342,009	\$ 429,475
Investments.....	7,727,457	7,944,033	15,671,490	13,054,318
Other receivables, net of allowance for uncollectibles.....	63,863	78,541	142,404	219,141
Total assets.....	<u>7,969,758</u>	<u>8,186,145</u>	<u>16,155,903</u>	<u>13,702,934</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable.....	100,999	90,701	191,700	201,490
Due to other funds.....	3,792	4,140	7,932	2,830
Other accrued liabilities.....	-	-	-	15,376
Total liabilities.....	<u>104,791</u>	<u>94,841</u>	<u>199,632</u>	<u>219,696</u>
Net assets available for pension benefits (Fund balances reserved for employee's pension benefits) (A schedule of funding progress for each plan is presented in Note 10.).....	<u>\$ 7,864,967</u>	<u>\$ 8,091,304</u>	<u>\$ 15,956,271</u>	<u>\$ 13,483,238</u>



**Pension Trust Funds**  
Combining Statement Of Changes in Net Assets Available For Pension Benefits

Fiscal Year Ended June 30, 1996  
(Amounts In Thousands)

	State Employees' PERS	Teachers' PERS	Totals (Memorandum Only)	
			1996	1995
Additions:				
Commonwealth contributions.....	\$ 445,138	\$ 405,703	\$ 850,841	\$ 784,740
Employee contributions.....	229,199	191,881	421,080	401,492
Total contributions.....	674,337	597,584	1,271,921	1,186,232
Net investment income:				
Net appreciation in				
fair value of investments.....	891,081	895,859	1,786,940	1,302,664
Interest.....	178,044	185,601	363,645	301,191
Dividends.....	61,311	64,405	125,716	116,531
Real estate operating income, net.....	19,662	18,267	37,929	32,376
Alternative investments.....	7,809	7,134	14,943	5,878
Other.....	1,472	1,443	2,915	2,530
Total investment income.....	1,159,379	1,172,709	2,332,088	1,761,170
Less: investment expense.....	21,788	21,618	43,406	45,326
Net investment income.....	1,137,591	1,151,091	2,288,682	1,715,844
Total additions.....	1,811,928	1,748,675	3,560,603	2,902,076
Deductions:				
Administration.....	1,666	2,007	3,673	2,824
Retirement benefits and refunds.....	588,099	495,798	1,083,897	979,170
Total deductions.....	589,765	497,805	1,087,570	981,994
Net increase.....	1,222,163	1,250,870	2,473,033	1,920,082
Net assets available for pension benefits at beginning of year (Fund balance reserved for pension benefits).....	6,642,804	6,840,434	13,483,238	11,563,156
Net assets available for pension benefits at end of year (Fund balance reserved for pension benefits).....	\$ 7,864,967	\$ 8,091,304	\$ 15,956,271	\$ 13,483,238

**Agency Funds**  
Combining Statement of Changes in Assets and Liabilities

June 30, 1996  
(Amounts in thousands)

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
<b>Central Agency Funds</b>				
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 996,711	\$ 2,678,841	\$ 2,444,515	\$ 1,231,037
Investments.....	452,412	81,898	-	534,310
Investments of deferred compensation plan.....	1,215,348	330,147	64,651	1,480,844
Annuity contracts.....	1,097,652	111,720	45,149	1,164,223
Total assets.....	<u>\$ 3,762,123</u>	<u>\$ 3,202,606</u>	<u>\$ 2,554,315</u>	<u>\$ 4,410,414</u>
<b>LIABILITIES</b>				
Accounts payable.....	\$ 5,423	\$ 1,135,012	\$ 1,129,243	\$ 11,192
Due to cities and towns.....	14,292	199,964	196,109	18,147
Due to federal government.....	-	73	22	51
Prizes payable.....	1,097,652	111,720	45,149	1,164,223
Deferred compensation benefits payable.....	1,215,348	330,147	64,651	1,480,844
Agency liabilities.....	1,429,408	1,602,767	1,296,218	1,735,957
Total liabilities.....	<u>\$ 3,762,123</u>	<u>\$ 3,379,683</u>	<u>\$ 2,731,392</u>	<u>\$ 4,410,414</u>
<b>Court Escrow and Client Accounts</b>				
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 71,316	\$ 470,864	\$ 460,266	\$ 81,914
Assets held in trust.....	42,656	31,546	39,287	34,915
Other receivables.....	27,000	32,900	27,000	32,900
Total assets.....	<u>\$ 140,972</u>	<u>\$ 535,310</u>	<u>\$ 526,553</u>	<u>\$ 149,729</u>
<b>LIABILITIES</b>				
Agency liabilities.....	\$ 140,972	\$ 344,814	\$ 336,057	\$ 149,729
Total liabilities.....	<u>\$ 140,972</u>	<u>\$ 344,814</u>	<u>\$ 336,057</u>	<u>\$ 149,729</u>
<b>Statutory Bonds and Deposits</b>				
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 973	\$ 115	\$ 1,002	\$ 86
Assets held in trust.....	1,630,208	99,136	81,008	1,648,336
Total assets.....	<u>\$ 1,631,181</u>	<u>\$ 99,251</u>	<u>\$ 82,010</u>	<u>\$ 1,648,422</u>
<b>LIABILITIES</b>				
Agency liabilities.....	\$ 1,631,181	\$ 99,251	\$ 82,010	\$ 1,648,422
Total liabilities.....	<u>\$ 1,631,181</u>	<u>\$ 99,251</u>	<u>\$ 82,010</u>	<u>\$ 1,648,422</u>

	Balance July 1, 1995	Additions	Deductions	Balance June 30, 1996
<b><u>Total Agency Funds</u></b>				
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 1,069,000	\$ 3,149,820	\$ 2,905,783	\$ 1,313,037
Investments.....	452,412	81,898	-	534,310
Investments of deferred compensation.....	1,215,348	330,147	64,651	1,480,844
Annuity contracts.....	1,097,652	111,720	45,149	1,164,223
Assets held in trust.....	1,672,864	130,682	120,295	1,683,251
Other receivables.....	27,000	32,900	27,000	32,900
Total assets.....	<u>\$ 5,534,276</u>	<u>\$ 3,837,167</u>	<u>\$ 3,162,878</u>	<u>\$ 6,208,565</u>
<b>LIABILITIES</b>				
Accounts payable.....	\$ 5,423	\$ 1,135,012	\$ 1,129,243	\$ 11,192
Due to cities and towns.....	14,292	199,964	196,109	18,147
Due to federal government.....	-	73	22	51
Prizes payable.....	1,097,652	111,720	45,149	1,164,223
Deferred compensation benefits payable.....	1,215,348	330,147	64,651	1,480,844
Agency liabilities.....	3,201,561	2,046,832	1,714,285	3,534,108
Total liabilities.....	<u>\$ 5,534,276</u>	<u>\$ 3,823,748</u>	<u>\$ 3,149,459</u>	<u>\$ 6,208,565</u>



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# University and College Fund Type

This fund type combines, in accordance with the AICPA Audit Guide for College and Universities, the financial activity from all fund types for: the University of Massachusetts System, The State College System and the Community College System.

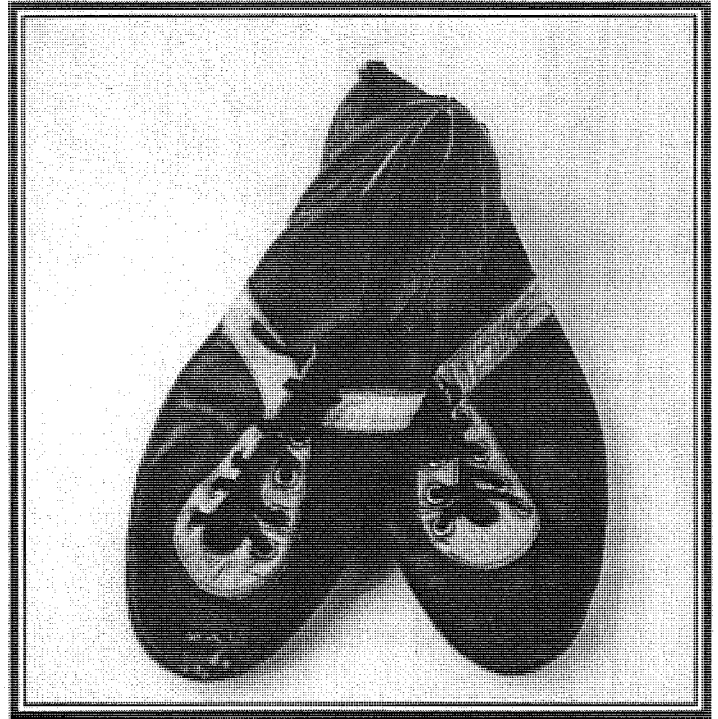
**University of Massachusetts System** includes the campuses at Amherst, Worcester, Boston, Lowell, Dartmouth and certain Institutes and programs operated by the Office of the University President.

**State College System** includes the nine state colleges which provide four-year post-secondary education programs.

Bridgewater State College  
Framingham State College  
Fitchburg State College  
Massachusetts College of Art  
Massachusetts Maritime Academy  
North Adams State College  
Salem State College  
Westfield State College  
Worcester State College

**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

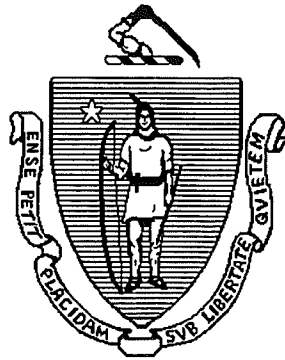


# University And College Fund Type Combining Balance Sheet

June 30, 1996  
(Amounts in thousands)

ASSETS	Current Funds		Loan Funds
	Unrestricted	Restricted	
Cash and short-term investments.....	\$ 86,752	\$ 15,149	\$ 1,100
Deposits.....	51,623	-	-
Investments.....	145,801	39,139	3,463
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	-	24,535	-
Loans.....	-	-	47,329
Other receivables.....	90,666	25,822	69
Due from other funds.....	42,019	-	1
Inventory.....	15,494	-	-
Fixed assets.....	-	-	-
Other assets.....	14,515	126	-
Total assets.....	\$ 446,870	\$ 104,771	\$ 51,962
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable.....	\$ 41,602	\$ 6,649	\$ 105
Accrued payroll.....	52,957	2,629	-
Compensated absences.....	114,546	1,423	-
Due to other funds.....	42,137	41,127	565
Deferred revenue.....	8,856	2,440	-
Claims and judgments.....	36,622	-	-
Deposits and unearned revenue.....	2,379	6,144	-
Other accrued liabilities.....	68,371	54	-
Capital leases.....	-	-	-
Bonds, notes payable and certificates of participation.....	-	-	-
Total liabilities.....	367,470	60,466	670
Fund balances:			
Unrestricted.....	79,400	-	-
Restricted.....	-	44,305	51,292
Unexpended plant funds.....	-	-	-
Renewals and replacements.....	-	-	-
Retirement of indebtedness.....	-	-	-
Net investment in plant.....	-	-	-
Total fund balances.....	79,400	44,305	51,292
Total liabilities and fund balances.....	\$ 446,870	\$ 104,771	\$ 51,962

Endowment and Similar Funds	Plant Funds	Totals	
		1996	1995
\$ 5,076	\$ 21,574	\$ 129,651	\$ 131,323
-	56,239	107,862	72,764
54,791	36,501	279,695	270,834
-	-	24,535	9,024
3	-	47,332	47,537
9	913	117,479	116,048
-	506	42,526	34,401
-	-	15,494	15,038
-	2,228,523	2,228,523	2,078,430
-	24,799	39,440	24,069
<u>\$ 59,879</u>	<u>\$ 2,369,055</u>	<u>\$ 3,032,537</u>	<u>\$ 2,799,468</u>
\$ -	\$ 3,674	\$ 52,030	\$ 55,365
-	18	55,604	53,510
-	-	115,969	85,037
-	433	84,262	69,210
-	-	11,296	7,535
-	-	36,622	40,815
-	-	8,523	10,515
-	2,224	70,649	71,625
-	43,146	43,146	19,422
-	274,167	274,167	295,250
-	323,662	752,268	708,284
36,027	-	115,427	116,001
23,852	-	119,449	104,300
-	43,471	43,471	25,120
-	26,241	26,241	25,298
-	17,840	17,840	16,915
-	1,957,841	1,957,841	1,803,550
<u>59,879</u>	<u>2,045,393</u>	<u>2,280,269</u>	<u>2,091,184</u>
<u>\$ 59,879</u>	<u>\$ 2,369,055</u>	<u>\$ 3,032,537</u>	<u>\$ 2,799,468</u>



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# *General Fixed Assets Account*

The General Fixed Assets Account Group accounts for the land, buildings, improvements, equipment and construction in progress of the government funds.



## Schedule Of General Fixed Assets By Source

June 30, 1996  
(Amounts in thousands)

<u>GENERAL FIXED ASSETS:</u>	<u>1996</u>
Land.....	\$ 489,693
Buildings.....	2,352,196
Machinery and equipment.....	441,117
Construction in progress.....	34,610
Total general fixed assets.....	<u>\$ 3,317,616</u>

### INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:

Acquired on or before June 30, 1990.....	\$ 1,859,565
Acquired subsequent to June 30, 1990 from:	
General Fund.....	268,608
Special Revenue Funds.....	32,497
Capital Projects Funds.....	1,152,577
Expendable Trust Funds.....	4,369
Total investment in general fixed assets.....	<u>\$ 3,317,616</u>

Sources of general fixed assets acquired on or before June 30, 1990 are not available.

## Schedule Of General Fixed Assets By Function

June 30, 1996  
(Amounts in thousands)

Function	Land	Buildings	Machinery and Equipment	Total
Judiciary.....	\$ 490	\$ 256,913	\$ 4,045	\$ 261,448
Inspector General.....	-	-	117	117
Governor and Lieutenant Governor.....	-	-	146	146
Secretary of the Commonwealth.....	5	18,035	1,643	19,683
Treasurer and Receiver - General.....	-	-	16,576	16,576
Auditor of the Commonwealth.....	-	-	345	345
Attorney General.....	-	-	653	653
Ethics Commission.....	-	-	20	20
District Attorney.....	-	-	2,383	2,383
Office of Campaign and Political Finance.....	-	-	47	47
Comptroller.....	-	-	359	359
Administration and finance.....	8,681	383,651	139,953	532,285
Environmental affairs.....	387,179	112,195	53,222	552,596
Communities and development.....	-	-	322	322
Health and human services.....	38,724	981,816	41,560	1,062,100
Transportation and construction.....	32,307	11,266	66,832	110,405
Education.....	-	-	1,686	1,686
Educational Affairs.....	-	-	17	17
Higher education.....	-	-	958	958
Public safety.....	22,124	587,872	83,556	693,552
Economic affairs.....	183	448	24,006	24,637
Elder affairs.....	-	-	286	286
Consumer affairs.....	-	-	783	783
Labor.....	-	-	1,602	1,602
Total by function.....	<u>\$ 489,693</u>	<u>\$ 2,352,196</u>	<u>\$ 441,117</u>	<u>3,283,006</u>
Construction in progress.....				<u>34,610</u>
Total general fixed assets.....				<u>\$ 3,317,616</u>

## Schedule Of Changes In General Fixed Assets By Function

Fiscal Year Ended June 30, 1996  
(Amounts in thousands)

Function and activity	General Fixed Assets July 1, 1995	Additions and adjustments	Retirements and adjustments	General Fixed Assets June 30, 1996
Judiciary.....	\$ 240,777	\$ 20,774	\$ 103	\$ 261,448
Inspector General.....	117	-	-	117
Governor and Lieutenant Governor.....	146	335	335	146
Secretary of the Commonwealth.....	19,643	377	337	19,683
Treasurer and Receiver - General.....	18,116	85	1,625	16,576
Auditor of the Commonwealth.....	233	112	-	345
Attorney General.....	696	49	92	653
Ethics Commission.....	20	29	29	20
District Attorney.....	2,751	133	501	2,383
Office of Campaign and Political Finance.....	47	-	-	47
Board of Library Commissioners.....	85	-	85	-
Comptroller.....	159	200	-	359
Administration and finance.....	535,003	40,974	43,692	532,285
Environmental affairs.....	532,473	25,052	4,929	552,596
Communities and development.....	827	27	532	322
Health and human services.....	1,051,808	21,819	11,527	1,062,100
Transportation and construction.....	117,684	3,809	11,088	110,405
Education.....	1,717	468	499	1,686
Educational Affairs.....	82	-	65	17
Higher education.....	958	-	-	958
Public safety.....	633,623	76,519	16,590	693,552
Economic affairs.....	24,595	5,822	5,780	24,637
Elder affairs.....	286	-	-	286
Consumer affairs.....	800	23	40	783
Labor.....	1,655	1,188	1,241	1,602
Total by function.....	3,184,301	197,794	99,089	3,283,006
Construction in progress.....	18,227	23,329	6,946	34,610
Total general fixed assets.....	<u>\$ 3,202,528</u>	<u>\$ 221,123</u>	<u>\$ 106,035</u>	<u>\$ 3,317,616</u>

# *Statistical Section*



# Ten-Year Schedule Of Revenues And Other Financing Sources All Governmental Fund Types

June 30, 1996  
(Amounts in millions)

	1996	% Total	1995	% Total	1994	% Total	1993	% Total
Taxes.....	\$ 11,926	47.5	\$ 11,262	45.9	\$ 10,611	45.7	\$ 10,021	44.9
Federal reimbursements.....	3,861	15.4	4,174	17.0	3,904	16.8	3,376	15.1
Federal grants.....	1,482	5.9	1,187	4.8	1,205	5.2	1,118	5.0
Lotteries.....	3,201	12.8	2,957	12.0	2,600	11.2	2,148	9.6
Assessments.....	595	2.4	572	2.3	544	2.3	597	2.7
Motor vehicle licenses and registrations.....	263	1.0	307	1.3	284	1.2	331	1.5
Fees, investment earnings, etc.....	1,110	4.4	1,154	4.7	1,113	4.8	1,215	5.4
Proceeds of dedicated income tax bonds.....	-	-	-	-	-	-	-	-
Proceeds of general obligation bonds.....	940	3.7	810	3.3	392	1.7	368	1.7
Proceeds of special obligation bonds.....	147	0.6	-	-	298	1.3	-	-
Proceeds of refunding bonds.....	-	-	514	2.1	836	3.6	1,891	8.5
Proceeds of capital lease.....	26	0.1	18	0.1	34	0.1	13	0.1
Operating transfers.....	1,551	6.2	1,534	6.3	1,367	5.9	1,177	5.3
Other financing sources.....	-	-	49	0.2	35	0.2	46	0.2
Total revenues and other financing sources.....	<u>\$ 25,102</u>	<u>100.0</u>	<u>\$ 24,538</u>	<u>100.0</u>	<u>\$ 23,223</u>	<u>100.0</u>	<u>\$ 22,301</u>	<u>100.0</u>

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		%		%		%		%		%		%
	1992	Total	1991	Total	1990	Total	1989	Total	1988	Total	1987	Total
\$	9,479	45.6	\$ 9,143	41.1	\$ 9,007	49.8	\$ 8,695	50.9	\$ 8,033	54.1	\$ 7,970	53.8
	3,021	14.5	3,075	13.8	2,092	11.4	1,942	11.4	1,830	12.3	1,546	10.4
	1,199	5.8	1,088	4.9	1,042	5.8	1,045	6.1	803	5.4	812	5.5
	1,831	8.8	1,692	7.8	1,657	9.2	1,447	8.5	1,390	9.3	1,276	8.6
	787	3.8	1,542	6.9	277	1.5	243	1.4	160	1.1	199	1.3
	300	1.4	290	1.3	306	1.7	237	1.4	167	1.1	175	1.2
	1,710	8.2	1,455	6.5	1,188	6.6	1,038	6.1	993	6.7	829	5.6
	-	-	1,363	6.1	-	-	-	-	-	-	-	-
	721	3.4	1,030	4.7	1,430	7.9	1,374	8.0	543	3.7	315	2.2
	100	0.5	-	-	-	-	-	-	-	-	-	-
	574	2.8	-	-	-	-	226	1.3	-	-	526	3.6
	17	0.1	28	0.1	7	-	35	0.2	-	-	-	-
	1,021	4.9	1,477	6.6	1,068	5.9	805	4.7	870	5.9	1,159	7.8
	47	0.2	36	0.2	30	0.2	5	-	52	0.4	7	-
\$	20,807	100.0	\$ 22,219	100.0	\$18,104	100.0	\$ 17,092	100.0	\$14,841	100.0	\$14,814	100.0

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# Ten-Year Schedule Of Expenditures And Other Financing Uses By Secretariat All Governmental Fund Types

June 30, 1996  
(Amounts in millions)

	1996	% Total	1995	% Total	1994	% Total	1993	% Total
Legislature.....	\$ 49	0.2	\$ 47	0.2	\$ 43	0.2	\$ 41	0.2
Judiciary.....	404	1.7	356	1.5	338	1.5	306	1.4
Inspector General.....	2	-	2	-	1	-	1	-
Governor and Lieutenant Governor.....	5	-	5	-	4	-	4	-
Secretary of the Commonwealth.....	15	0.1	14	0.1	12	0.1	14	0.1
Treasurer and Receiver-General.....	2,576	10.5	2,353	9.7	2,052	8.9	1,659	7.4
Auditor of the Commonwealth.....	13	-	11	-	11	-	10	-
Attorney General.....	29	0.1	22	0.1	38	0.2	36	0.2
Ethics Commission.....	1	-	1	-	1	-	1	-
District Attorney.....	55	0.2	51	0.2	47	0.2	44	0.2
Office of Campaign and Political Finance.....	1	-	1	-	1	-	-	-
Disabled Persons Protection Commission.....	1	-	1	-	2	-	-	-
Board of Library Commissioners.....	4	-	5	-	5	-	5	-
Comptroller.....	7	-	6	-	6	-	6	-
Administration and finance.....	943	3.9	876	3.6	863	3.7	682	3.0
Environmental affairs.....	205	0.8	174	0.7	169	0.7	162	0.7
Communities and development.....	347	1.4	340	1.4	358	1.6	364	1.6
Health and human services.....	4,606	18.8	4,813	19.8	4,327	18.8	4,034	18.3
Transportation and construction.....	155	0.6	112	0.5	120	0.5	273	1.2
Education.....	958	3.9	865	3.6	458	2.0	469	2.1
Educational affairs.....	14	0.1	6	-	3	-	10	-
Higher education.....	80	0.3	75	0.3	67	0.3	69	0.3
Public safety.....	841	3.4	732	3.0	693	3.0	611	2.7
Economic affairs.....	208	0.9	199	0.8	214	0.9	210	0.9
Elder affairs.....	155	0.6	161	0.7	155	0.7	150	0.7
Consumer affairs.....	35	0.1	34	0.1	33	0.1	30	0.1
Labor.....	24	0.1	24	0.1	24	0.1	24	0.1
Independent commissions.....	-	0.0	-	-	-	-	-	-
Medicaid.....	3,241	13.3	3,252	13.4	3,216	14.0	3,151	14.0
Pension.....	382	1.6	414	1.7	830	3.6	893	4.0
Direct local aid.....	3,351	13.7	3,073	12.6	2,727	11.8	2,547	11.3
Capital outlay:								
Local aid.....	116	0.5	94	0.4	100	0.4	105	0.5
Capital acquisition and construction.....	1,673	6.8	1,698	7.0	1,464	6.4	1,133	5.0
Debt service.....	1,192	4.9	1,234	5.1	1,152	5.0	1,143	5.1
Other financing uses:								
Payments to refunded bond escrow agent.....	-	-	514	2.1	836	3.6	1,891	8.4
Fund deficit support.....	-	-	-	-	-	-	-	-
Transfers.....	2,753	11.3	2,732	11.2	2,651	11.5	2,364	10.5
Other.....	-	-	-	-	-	-	-	-
Total expenditures and other financing uses.....	\$ 24,441	100.0	\$ 24,297	100.0	\$ 23,021	100.0	\$ 22,442	100.0



1992	% Total	1991	% Total	1990	% Total	1989	% Total	1988	% Total	1987	% Total
\$ 44	0.2	\$ 40	0.2	\$ 44	0.2	\$ 49	0.3	\$ 48	0.3	\$ 45	0.3
315	1.6	298	1.4	305	1.7	280	1.6	271	1.7	250	1.7
1	-	1	-	1	-	1	-	1	-	3	-
4	-	4	-	5	-	6	-	6	-	4	-
12	0.1	13	0.1	11	0.1	14	0.1	13	0.1	15	0.1
1,379	6.8	1,290	6.0	1,193	6.5	1,022	5.8	1,079	6.9	700	4.7
10	-	11	0.1	11	0.1	13	0.1	13	0.1	11	0.1
18	0.1	89	0.4	29	0.2	43	0.2	92	0.6	28	0.2
1	-	1	-	1	-	1	-	1	-	1	-
39	0.2	42	0.2	47	0.3	81	0.5	80	0.5	41	0.3
1	-	1	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
4	-	21	0.1	20	0.1	-	-	-	-	-	-
5	-	5	-	6	-	5	-	5	-	6	-
833	4.1	878	4.1	874	4.7	485	2.7	737	4.7	999	6.6
141	0.7	172	0.8	171	0.9	185	1.0	198	1.3	180	1.2
397	2.0	410	1.9	403	2.2	390	2.2	349	2.2	293	1.9
4,007	19.7	5,011	23.4	4,118	22.3	3,532	19.9	2,957	18.8	2,885	19.2
92	0.5	176	0.8	162	0.9	60	0.3	94	0.6	157	1.0
392	1.9	339	1.6	332	1.8	329	1.9	311	2.0	263	1.7
17	-	-	-	-	-	-	-	-	-	-	-
1,288	6.3	1,211	5.7	1,155	6.3	1,164	6.7	1,058	6.7	1,126	7.5
658	3.2	148	0.7	154	0.8	164	0.9	162	1.0	129	0.9
194	1.0	169	0.8	159	0.9	202	1.1	176	1.1	178	1.2
137	0.7	143	0.7	150	0.8	175	1.0	145	0.9	165	1.1
27	0.1	32	0.1	34	0.2	50	0.3	46	0.3	30	0.2
19	0.1	21	0.1	23	0.1	24	0.1	19	0.1	19	0.1
-	-	-	-	-	0.0	28	0.2	35	0.2	32	0.2
2,853	14.3	2,872	13.4	1,929	10.4	2,336	13.2	1,707	10.8	1,380	9.2
751	3.7	706	3.3	672	3.6	663	3.7	600	3.8	622	4.1
2,278	11.2	2,608	12.2	2,937	15.9	2,961	16.7	2,769	17.8	2,601	17.3
87	0.4	226	1.1	208	1.1	112	0.6	27	0.2	10	0.1
1,157	5.7	945	4.4	929	5.0	1,125	6.3	842	5.3	764	5.1
901	4.4	1,407	6.6	775	4.2	654	3.7	568	3.6	530	3.5
574	2.8	-	-	-	-	226	1.3	-	-	526	3.5
-	-	-	-	-	-	-	-	231	1.5	361	2.4
1,654	8.2	2,098	9.8	1,613	8.7	1,348	7.6	1,088	6.9	642	4.3
-	-	-	-	-	-	-	-	18	0.1	33	0.2
<u>\$ 20,290</u>	<u>100.0</u>	<u>\$ 21,388</u>	<u>100.0</u>	<u>\$ 18,471</u>	<u>100.0</u>	<u>\$ 17,728</u>	<u>100.0</u>	<u>\$ 15,746</u>	<u>100.0</u>	<u>\$ 15,029</u>	<u>100.0</u>

**Ten-Year Schedule Of Percentage Of Annual Debt Service Expenditures  
For General Bonded Debt To Total Expenditures  
All Governmental Fund Types**

(Amounts in millions)

<u>Fiscal year ended</u> <u>June 30</u>	<u>Debt</u> <u>service <sup>(1)</sup></u>	<u>Total</u> <u>expenditures <sup>(2)</sup></u>	<u>Ratio</u>
1996	\$ 1,192	\$ 21,688	5.5
1995	1,234	20,729	6.0
1994	1,151	19,534	5.9
1993	1,143	18,187	6.3
1992	901	18,061	5.0
1991	1,407	19,290	7.3
1990	775	16,861	4.6
1989	654	16,154	4.0
1988	568	14,199	4.0
1987	530	13,257	4.0

(1) Debt service includes principal and interest payments related to general obligation long-term bonds and minibonds. Minibonds are general bonded debt instruments reported as fund liabilities because of their demand provisions.

(2) Expenditures related to Higher Education in fiscal years subsequent to 1992 are presented in the University and College Fund Type. Prior years expenditures have not been restated to conform to this presentation.

## Ten-Year Schedule Of Per Capita General Long-Term Bonded Debt

(Amounts in thousands)

<u>Fiscal year ended June 30</u>	<u>Massachusetts resident population</u>	<u>Total long- term bonds and notes payable</u>	<u>Per capita long-term debt</u>
1996	6,101	\$ 10,065,578	\$ 1.650
1995	6,203	9,628,466	1.552
1994	6,089	9,427,745	1.548
1993	5,998	9,231,458	1.539
1992	5,998	9,264,430	1.545
1991	5,996	8,580,339	1.431
1990	6,020	6,605,039	1.097
1989	6,016	5,370,627	0.893
1988	5,981	4,272,384	0.714
1987	5,936	4,001,918	0.674

Source: United States Department of Commerce, Bureau of the Census

## Component Units Revenue Bond Coverage For The Last Ten Fiscal Years

(Amounts in thousands)

Fiscal year ended June 30	Net revenues <sup>(1)</sup>	Debt service requirements <sup>(2)</sup>	Coverage
1996	\$ 288,599	\$ 275,068	1.05
1995	272,308	232,473	1.17
1994 <sup>(3)</sup>	220,185	192,975	1.14
1993	332,195	305,156	1.09
1992	310,372	295,389	1.05
1991	278,822	260,982	1.07
1990	226,444	260,362	0.87
1989	219,764	49,120	4.47
1988	146,001	45,748	3.19
1987	129,577	57,877	2.24

(1) Net revenues represent the regular recurring operating income (loss) plus operating grants, transfers and depreciation of only those Authorities with revenue bonds outstanding.

(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.

(3) Amounts are reflective of the implementation of the Governmental Accounting Standards Board Statement No. 14, "The Reporting Entity." Prior years have not been restated for incorporation of the new list of component units.

Source: Office of the Comptroller

## Ten-Year Schedule Of Massachusetts And United States Resident Population

(Amounts in thousands)

Year	United States	% Change	Massachusetts	% Change	Massachusetts as % of U.S.
1996	265,253	0.7%	6,101	(1.6%)	2.3%
1995	263,434	0.9	6,203	1.9	2.4
1994	260,967	1.3	6,089	1.5	2.3
1993	257,592	1.0	5,998	0.0	2.3
1992	255,020	1.1	5,998	0.0	2.4
1991	252,177	1.1	5,996	(0.4 )	2.4
1990	249,466	1.1	6,020	0.1	2.4
1989	246,820	0.9	6,016	0.6	2.4
1988	244,534	0.9	5,981	0.8	2.4
1987	242,321	0.9	5,936	0.6	2.4

Source: United States Department of Commerce, Bureau of the Census

# **Nonagricultural Employment By Industry In Massachusetts and the United States for 1996 <sup>(1)</sup>**

(Amounts in thousands)

Type of industry	MA	% of MA Total	U.S.	% of U.S. Total	MA % vs. U.S. %
Total manufacturing:	441	14.6	18,238	15.2	96.1
Total durable goods	275	9.1	10,674	8.9	102.2
Nondurable goods	166	5.5	7,564	6.3	87.3
Total nonmanufacturing:	2,588	85.4	101,979	84.8	100.7
Construction and mining	94	3.1	6,024	5.0	62.0
Transportation and public utilities	128	4.2	6,337	5.3	79.2
Wholesale and retail	700	23.1	28,383	23.6	97.9
Finance, insurance and real estate	205	6.8	7,029	5.8	117.2
Other services	1,064	35.1	34,707	28.9	121.5
Federal, state and local government	397	13.1	19,499	16.2	80.9
Total	<u>3,029</u>		<u>120,217</u>		

(1) Preliminary seasonally adjusted data as of October, 1996

Sources: Massachusetts Department of Employment and Training  
United States Department of Commerce

# **Ten Largest Industries** **By Number Of Employees As Of October, 1996**

(Amounts in thousands)

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<u>Industry</u>	<u>Employees</u>
Services	1,064
Wholesale and retail trade	700
Manufacturing - durable goods	275
Local government	236
Finance, insurance and real estate	205
Manufacturing - nondurable goods	166
Transportation and public utilities	128
State government	100
Construction and mining	94
Federal government	61

Source: Massachusetts Department of Employment and Training

**Ten-Year Schedule Of Annual Average Civilian Labor Force,  
Unemployment And Unemployment Rates  
For Massachusetts And The United States**

(Amounts in thousands)

Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
1996	3,176	129	4.1	134,574	6,948	5.2	78.8
1995	3,161	162	5.1	132,440	7,476	5.6	91.1
1994	3,183	205	6.4	131,836	7,600	5.8	110.3
1993	3,158	207	6.6	128,633	8,252	6.4	103.1
1992	3,126	265	8.5	126,983	9,384	7.4	114.9
1991	3,127	280	9.0	125,303	8,426	6.7	134.3
1990	3,166	189	6.0	124,787	6,874	5.5	109.1
1989	3,180	127	4.0	123,869	6,528	5.3	75.5
1988	3,155	103	3.3	121,669	6,701	5.5	60.0
1987	3,086	99	3.2	119,865	7,425	6.2	51.6

Sources: Massachusetts Department of Employment and Training  
United States Department of Labor, Bureau of Labor Statistics



## Twenty-Five Largest Private Sector Massachusetts Employers

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Bank of Boston  
Big Y Foods  
Blue Cross of Massachusetts, Inc.  
Boston University  
Brigham & Women's Hospital Inc.  
Digital Equipment Corporation  
FMR Equipment  
Friendly Ice Cream Corporation  
General Electric Company  
Harvard Community Health Plan, Inc.  
Harvard University  
Lucent Technologies  
Massachusetts General Hospital  
Massachusetts Institute of Technology  
May Department Stores Company  
NYNEX  
Polaroid Corporation  
Raytheon Company  
S&S Credit Company  
Sears Roebuck and Company  
Shaw's Supermarkets, Inc.  
Star Markets Company, Inc.  
State Street Bank and Trust Company  
United Parcel Service, Inc.  
Wal-Mart

Source: Massachusetts Department of Employment and Training as of June, 1996

## Calculation Of Transfers Stabilization Fund

June 30, 1996  
(Amounts in thousands)

This statement is prepared on the statutory basis of accounting pursuant to Massachusetts General Laws Chapter 29, Sections 1 and 5. 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.

Part 1: Status of Consolidated Net Surplus in the Operating Funds before Stabilization Fund transfers, after authorization to retain 0.5% of net revenue from taxes.

Undesignated Fund Balance (Deficit) in the Operating Funds prior to stabilization transfer:

General Fund.....	\$ 557,032
Highway Fund.....	324,722
Local Aid Fund.....	(650,019)
Consolidated Net Surplus.....	<u>231,735</u>
Allowable consolidated net surplus .....	<u>54,330</u>
Available for Stabilization Fund.....	<u>\$ 177,405</u>

Part 2: Calculation of transfers to Stabilization Fund:

From the General Fund, @ 60%.....	\$ 106,443
From the Local Aid Fund, @ 40%.....	<u>70,962</u>
Total Transfers.....	<u>\$ 177,405</u>

Part 3: Status of Consolidated Net Surplus after Stabilization Fund transfers

Undesignated Fund Balance (Deficit) in the Operating Funds:

General Fund.....	\$ 450,589
Highway Fund.....	324,722
Local Aid Fund.....	(720,981)
Consolidated Net Surplus.....	<u>\$ 54,330</u>

Part 4: Status of Stabilization Fund after stabilization transfers

Reserved for Stabilization - Accumulated Balances.....	\$ 447,620
FY96 Transfers to Stabilization Fund.....	<u>177,405</u>
Reserved for Stabilization.....	<u>\$ 625,025</u>

## Calculation Of Transfers Tax Reduction Fund

June 30, 1996  
(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 and 29B of the Massachusetts General Laws. 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. There are two computations of potential transfers to the Tax Reduction Fund.

The first computation is as follows:

**Part 1: Comparison of Stabilization Fund, after current fiscal year stabilization transfers, to 5% of State Tax Revenues**

Undesignated Fund Balance in the Stabilization Fund.....	\$ 625,025
Allowable Stabilization Balance.....	\$ 543,303
Stabilization Fund Excess, if any, transferable to Tax Reduction Fund.....	\$ 81,722

**Part 2: Status of Stabilization Fund after stabilization and tax reduction transfers**

Stabilization Fund Balance.....	\$ 625,025
Transfer to Tax Reduction Fund.....	81,722
Stabilization Fund Balance after transfer to Tax Reduction Fund.....	\$ 543,303

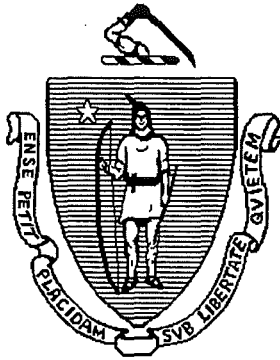
**Part 3: Status of Tax Reduction Fund after stabilization and tax reduction transfers**

Tax Reduction Fund Balance.....	\$ 150,000
Transfers from Stabilization Fund.....	81,722
Tax Reduction Fund Balance after transfers.....	\$ 231,722

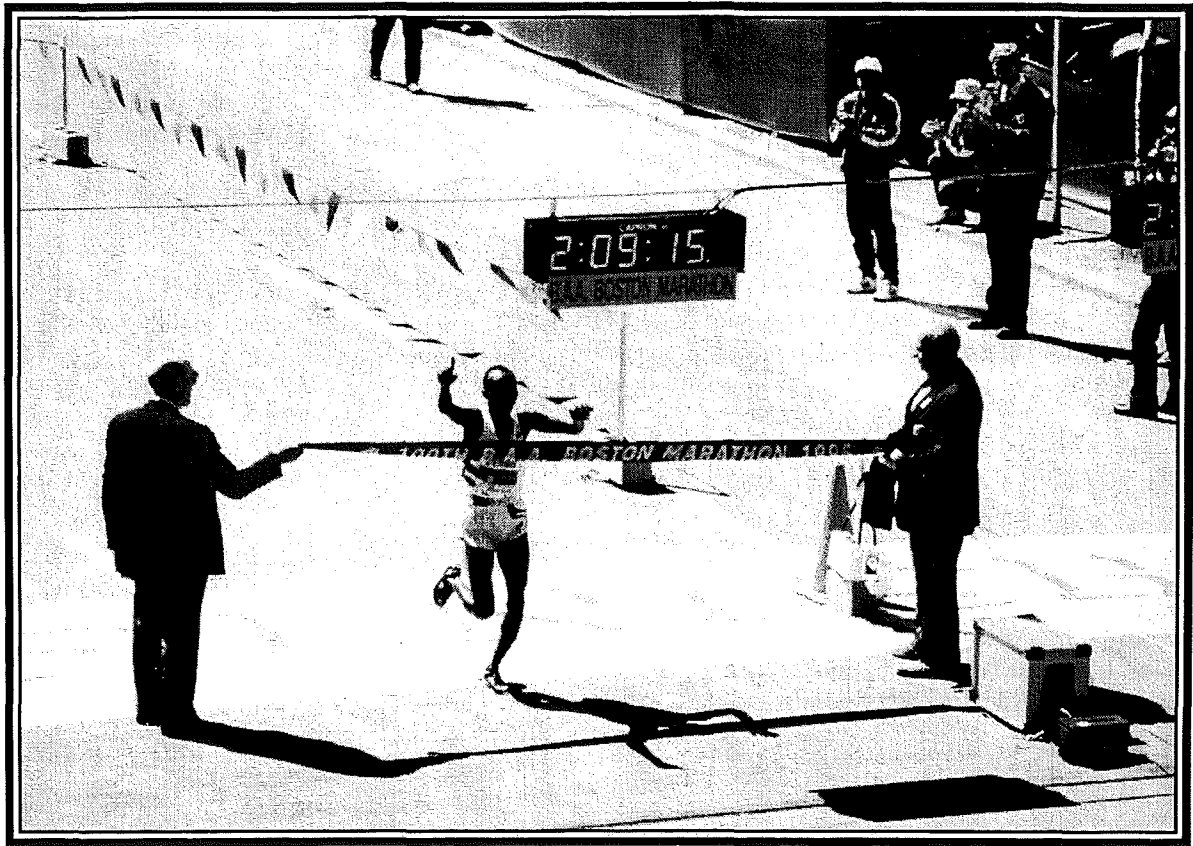
The second computation is as follows:

**Part 1: Comparison of State Tax Revenues to Allowable Tax Revenues**

FY95 Allowable State Tax Revenues.....	\$ 12,451,578
Multiplied by Growth Factor.....	1.0520
Computed FY96 State Tax Revenue Base.....	13,099,060
Plus: Local Aid Adjustment.....	115,802
FY96 Computed Maximum and Allowable State Tax Revenues.....	\$ 13,214,862
FY96 State Tax Revenues.....	\$ 10,866,067
State Tax Revenue Excess, if any, transferrable to Tax Reduction Fund.....	\$ -



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All photography (unless otherwise noted) and information courtesy of the Boston Athletic Association (B.A.A.), organizers of the Boston Marathon. We wish in particular to thank Guy Morse, B.A.A. Race Director and Lars Dietrich, Special Project Manager.

Established in 1887, the Boston Athletic Association is a non-profit organization committed to encouraging and promoting fitness through athletics. Its primary endeavor is in the staging of the Boston Marathon. Since 1897, the B.A.A. has been the sole caretaker of this true sporting event. In addition to this monumental undertaking, the B.A.A. also supports several charities, a competitive running club and is involved with the organization of several far reaching community-wide efforts.

We also wish to thank Sinclair Hitchins, keeper of the prints at the Boston Public Library and Jeff Johnson, photographer.

### *Official Poster of the 100th running of the Boston Marathon*

On Patriots' Day, 1996, over 37,500 runners ran in this prestigious race, nearly four times the typical running field. In 1897, 15 runners ran in the first race. The economic impact of the Marathon in terms of hotels, media, transportation and employees was over \$139 million dollars. The poster features a view of the Charles River and is framed with a laurel wreath. The winners of the Boston Marathon are crowned by laurel wreaths sent by the Greek government and which are made of olive branches cut from groves in Marathon, Greece.

### *Bronze of George V. Brown*

The Brown family has had a long history with the B.A.A.. Since 1905 (with the exception of one year), a member of the Brown family has fired the gun that signals the start of the Marathon. The family's involvement with the Marathon was life long and it's support and backing was instrumental in the growth and development of the B.A.A.. George V. Brown served a variety of positions in the world of sports from athletic director for Boston University to the general manager of the Boston Garden.

### *Start of the 1912 Marathon (photograph courtesy of the Boston Public Library)*

In the early years, the Marathon route started at Metcalf's Mill in Ashland and ran 24.5 miles to the finish at the Irvington Oval in Boston, site of the B.A.A. Games. John McDermott of New York won the first Marathon in 2:55:10. In 1924, the starting line moved from Ashland to Hopkinton. In 1927, the Boston Marathon was lengthened to it's current distance of 26 miles, 385 yards. This was a result of the lengthening of the 1908 Olympic Games Marathon which were held in London to accommodate the royal family by beginning the race at Windsor Castle and the addition of 385 yards so that the runners could finish in front of the King and Queen's royal box.

### *Clarence DeMar*

Clarence DeMar of Melrose, Massachusetts is known as the King of the Boston Marathon because he won a record 7 times. He was known then as Clarence DeMar(velous) and Mr. DeMar(athon). He represented the United States on three Olympic teams; won his last Boston Marathon at the age of 41 and ran in nearly 1000 races in his career.

### *Statue of Kelley on Heartbreak Hill*

Johnny Kelley completed the Boston Marathon a record 58 times out of 61 starts. He attended his first Boston Marathon in 1921 at the age of 13 and completed the 1992 marathon at the age of 84. He served as the Grand Marshal of the 100th. In 1936, Kelley who was defending his title, caught up with Ellison Meyers "Tarzan" Brown at the last Newton Hill near Boston College. When he gave a friendly tap to Brown's shoulder, Brown quickly picked up the pace, and Kelley faded to 5th place. A reporter riding in the Boston Globe press car saw what happened and, noting the gaze in Kelley's eyes, promptly recoined that hill "Heartbreak Hill".

***Sytlianos Kyriakides and Johnny Kelley in 1946.***

In 1946, Johnny Kelley came in second to Sytlianos Kyriakides a Greek patriot.. He was only the second Greek to ever win the Boston Marathon. He came to Boston in hopes of raising money for his war-ravaged countrymen. He upset Kelley, won the Marathon and brought a world of attention to his plight. He went back to Greece a hero for his athletic and humanitarian feats. Greece received an enormous amount of food aid as a result.

***Bill Rodgers***

Hometown hero, "Boston Billy" is perhaps the most famous professional runner in the world. The four-time Boston Marathon champion became the people's choice as the symbol of distance running in the U.S. after his 1975 victory when he wore a hand-painted shirt with "Boston" on its front. In 1980 he completed the Boston Marathon in 2:09:55, setting a course record and an American record in the process. Rodgers also won the New York City marathon four times. From Fall of 1977 through the Spring of 1978 he won Boston, New York and Fukuoka, Japan marathons. He operates a successful retail business "Bill Rodgers Running Center," currently located at Faneuil Hall Marketplace in Boston.

***Bob Hall and his sister***

In 1975, Bob Hall of Massachusetts, became the first athlete to officially complete the Boston course in a wheelchair. With a time of two hours, 58 minutes, he collected on a promise by then Race Director Will Cloney that if he finished in less than three hours he would receive an official B.A.A. Finisher's Certificate. Thus, Boston became the world's first major marathon to allow wheelchair racers to compete. Mr. Hall has continued to race and has formed a Cambridge, Massachusetts based company that manufactures high speed, light weight racing wheelchairs.

***Joan Benoit Samuelson (photograph courtesy of Jeff Johnson)***

In 1979 Joan Benoit, a student from Bowdoin College in Maine, burst upon the racing scene with a surprise win of 2:35:15, a course and United States record. In the 1983 marathon she broke the world record with her 2:22:43 Boston win and in 1984 won the gold medal in the first women's Olympic Marathon. She also set the still-standing United States record of 2:21:21 in Chicago in 1985. In 1979 while running what was to be her first Boston win, she asked another runner when they would hit Heartbreak Hill. She was told, "Lady, you just passed it!"

***Running shoes 1954 and the adidas shoe produced for the 100th Boston Marathon***

In 1926 Johnny Miles ran and won the marathon in 2:25:40, wearing a pair of canvas sneakers that weighed 11.75 oz.. In 1953, Pedro Peralta Jiminez of Mexico removed his new running shoes and continued to run 12 miles in his stocking feet until he was forced to drop out. In 1963, John Slattery ran in a pair of sandals that he finally had to abandon in Newton Lower Falls. He ran the remainder of the race barefoot finishing in 3:50. Today running shoes run as high as \$160 and can weigh in at under 4 oz.. Marathon sponsor Adidas produced a special commemorative running shoe to celebrate the running of the 100th Boston Marathon. Runners in the 100th Boston Marathon were timed electronically by a computer chip that tied to the lace of their sneakers. A mat at the start and finish lines triggered the chip and recorded the runner's time.

***Jean Driscoll***

Jean Driscoll from Champaign, Illinois was disabled as a child with spinal bifida. She has raced and won seven times, including the 100th Boston Marathon. Five of her races were in world record times. In 1994, two days before the race she came down with a severe case of food poisoning. On the day of the race, she was still ill but competed anyway, setting a personal best (1:34:22) and breaking another world record. In the summer of 1995, she broke her leg while in a tube being pulled by a motorboat. She went through rigorous rehabilitation, training and in 1996 she won her 7th consecutive race tying the legendary Clarence DeMar for the most victories.

*B.A.A. Medals*

In 1897 the winner of the Boston Marathon won the admiration of his peers and an oakwood plaque valued at \$35. In 1957 the winner received a bowl of beef stew, a laurel wreath and international recognition. In the late 1970's long distance running had become a professional sport and new races with cash prizes of \$25,000 or more attracted the elite runners and many turned away from competing in Boston. In 1986 John Hancock Financial Services signed a 10 year contract with the B.A.A. (later extended to 2003) whose funding guarantees \$1.2 million per year in sponsorship funds, goods and services and supplies 1,000 employee volunteers. Through this financial security the Boston Marathon is once again attracting the top runners, including several Olympian champions. The total prize purse for the 100th running was \$600,000. Equal prizes were given to the men's and women's open masters' (forty and older) and the wheelchair divisions.

*Cosmas Ndeti*

Winner of the 1996 100th running of the Boston Marathon, Ndeti, from Kenya, won the 1993 Boston Marathon and christened his newborn son Gideon Boston Ndeti. He won in 1994, setting a world record. In 1995, the 99th running of the Boston Marathon, both returning champions (Ndeti and Uta Pippig) repeated their victories, first in the Marathon's history.





