

Commonwealth of Massachusetts



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 1999

Martin Benison, CGFM
State Comptroller

Prepared by The Financial Reporting and Analysis Bureau

*This document and related information are available via the Office of the Comptroller's home page:
www.state.ma.us/osc/osc.htm*

Turn of the Century March

THE BOSTON SUNDAY GLOBE—JANUARY 7, 1900.

THE NEW CENTURY MARCH

BY MAX BACHMAN



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As people all over the globe prepare to celebrate January 1st, 2000, the real story of 1999 has been the Y2K problem. The Department of Commerce recently estimated that businesses and governments in the United States alone have spent over \$100 billion dollars on Y2K fixes. John Koskinen, chairman of the President's Council on Year 2000 Conversion, recently spoke at the National Press Club and stated that the American information technology sector is properly girded for the New Year and dismissed doomsday scenarios.

Ironically, the City of Boston experienced it's own problems on January 1st, 1900 when the city was caught unprepared for a blizzard that arrived that morning because the weather bureau was closed for the holidays. Shipping was paralyzed, as the teamsters at the docks had not sharpened the horse's shoes to allow them better traction on the slippery piers. And although horse drawn transportation was severely impaired as the horses slipped and fell, the new state of the art technology — electric wagons — were able to navigate the snow-filled streets without significant problems.

Photograph of the Boston Globe courtesy of the Boston Public Library archives.

Front cover photography courtesy of the Print Department of Boston Public Library.

Back cover photography courtesy of Jim Guan and Wing Chan, Office of the Comptroller.

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Some Ways of Settling the Dispute as to When the N



Globe.

A Magazine
—OF—
Humor and Stories
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PRICE FIVE CENTS.

OUR.

ew Century Begins.



Introductory Section

*Comptroller's Letter of Transmittal
Acknowledgments*

Organization Chart of State Government

List of Principal State Officials

Advisory Board to the Comptroller

Certificate of Achievement

As you can see from this collage of cartoons from 1900, the controversy regarding when the turn of the century actually occurs is not new.

Throughout this report we have illustrated some of the changes that we have experienced in Massachusetts during the twentieth century as well as examples of some things that have remained unchanged.

Photograph of the Boston Globe courtesy of the Boston Public Library archives.

Statistics



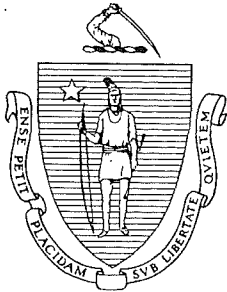
At The Turn of the Century

	1900	1998
World population	1.6 billion	5.9 billion
Top city population	London — 6.6 million	Tokyo — 27 million
Largest U.S. city	New York — 3.4 million	New York — 16 million
U.S. life expectancy	47 years	76 years
Marriages	709,000	2,336,000
Divorces	55,751	1,169,000
U.S. average weekly salary	\$9.70	\$435.00
U.S. unemployment	5%	4.6%
U.S. average hours worked weekly	52.0	37.9
U.S. number of farms	5.7 million	2 million
Cost of a dozen eggs	14 cents	\$1.12
Cost of a pound of butter	24 cents	\$2.35
Cost of a pound of sugar	4 cents	43 cents
Most popular play	You Can Never Tell By G. B. Shaw	The Lion King from Disney
Most popular song	A Bird in a Gilded Cage	My Heart Will Go On
On tour	Houdini	Riverdance

Statistics courtesy of *Time Magazine* www.pathfinder.com/time.

1900 photograph of children in the North End, courtesy of the Bostonian Society.

Contemporary photograph of children, courtesy of Lauren Benison.



Martin J. Benison, Comptroller
One Ashburton Place
Boston, MA 02108

December 16, 1999

*To the Citizens of the Commonwealth of Massachusetts,
Governor Argeo Paul Cellucci, 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, 1999 ("fiscal 1999"). This is the fourteenth time that the Commonwealth has reported its financial results in accordance with generally accepted accounting principles ("GAAP"). I am pleased to report that the financial condition of the Commonwealth is strong. Nearly \$1.4 billion, or approximately 7% of budgeted revenues is in the Commonwealth's Stabilization Fund, sometimes called the "rainy day" fund. With the fund nearly at the maximum, the Commonwealth is prepared for that inevitable rainy day.

For the ninth consecutive year, revenues have exceeded expenditures in the governmental funds. Many of us can remember in the not too distant past, that the Commonwealth reported a deficit fund balance in accordance with GAAP of \$1.9 billion. I am now pleased to report a *positive* GAAP governmental fund balance of \$2.7 billion. In fiscal years 1990 and 1991, the Commonwealth resorted to over \$1.8 billion in deficit borrowing to start down the road of putting its fiscal house in order. The deficit borrowing was completely repaid in fiscal 1998. What has caused this turnaround? Years of prudent fiscal management, characterized by structurally balanced budgets, combined with a favorable economy, has made the Commonwealth fiscally strong. The Commonwealth is taking steps to plan for the future. In September 1999, the Commonwealth set aside \$408.9 million to defease high interest debt that otherwise could not be refunded. Another \$229.0 million was used to fund new infrastructure and other capital projects, avoiding additional debt burden. It is the ongoing challenge to Commonwealth policy makers to ensure that the financial condition of the Commonwealth remains strong.

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 fiscal 1999.

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.

The Office of the Comptroller transmits the Comprehensive Annual Financial Report for fiscal 1999 in accordance with Section 12 of Chapter 7A of the General Laws.

BUDGETED FUNDS OPERATIONS

The portion of state finances that typically has the greatest degree of interest is the Budgeted Funds. These include the General, Local Aid, Highway, and certain Special Revenue Funds which comprise the annual state budget. These funds are also important to analyze as the bulk of their revenues are derived from taxation and federal grants. The expenditures in these funds are largely general governmental operations, Medicaid, Local Aid, debt service and public assistance.

Budgeted Funds Operations - GAAP Basis (Amounts in millions)

	FY95	FY96	FY97	FY98	FY99
Beginning fund balances (deficits).....	\$ (72.0)	\$ 287.4	\$ 709.2	\$ 1,096.3	\$ 1,841.4
Equity transfer	91.0	-	-	-	-
Restated beginning balances (deficits).	19.0	287.4	709.2	1,096.3	1,841.4
Revenues and other financing sources..	16,517.5	17,524.6	18,845.9	20,339.9	20,655.7
Expenditures and other financing uses..	16,249.1	17,102.8	18,458.8	19,594.8	20,792.2
Excess (deficiency).....	268.4	421.8	387.1	745.1	(136.5)
Ending fund balances (deficits).....	\$ 287.4	\$ 709.2	\$ 1,096.3	\$ 1,841.4	\$ 1,704.9

Budgeted Funds Operations - Statutory Basis (Amounts in millions)

	FY95	FY96	FY97	FY98	FY99
Beginning fund balances	\$ 589.3	\$ 726.5	\$ 1,173.0	\$ 1,394.0	\$ 2,192.1
Revenues and other financing sources.	16,931.3	18,371.4	19,223.3	21,404.6	21,566.9
Expenditures and other financing uses.	16,794.1	17,924.9	19,002.3	20,606.5	21,646.6
Excess (deficiency).....	137.2	446.5	221.0	798.1	(79.7)
Ending fund balances.....	\$ 726.5	\$ 1,173.0	\$ 1,394.0	\$ 2,192.1	\$ 2,112.4

In fiscal 1999, the revenues and other financing sources in the budgeted fund totaled \$20.6 billion. The Budgeted Funds - GAAP Basis chart shows the percentage of revenue by type contributing to that total. Budgeted Funds expenditures and other financing uses totaled \$20.8 billion in fiscal 1999. The chart depicts the percentage of each major program in this total.

The table of Budgeted Funds Operations - GAAP Basis sets forth a multi-fiscal year view of financial performance for the Budgeted Funds under GAAP, and also provides 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 last five years. During this period, fund balance increased from \$726.5 million in fiscal year 1995 to \$2.1 billion in the current fiscal year, for a cumulative improvement of \$1.4 billion.

Over the same period on a GAAP basis, operating gains have improved the fund balance from \$287.4 million to \$1.7 billion, also a cumulative improvement of \$1.4 billion. The widely acknowledged efforts to accomplish fiscal balance on a statutory basis are matched when viewed on a GAAP basis.

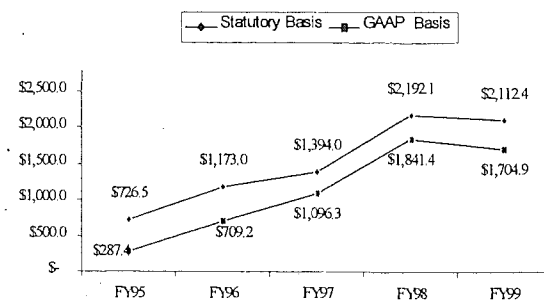
There are five major items that account for almost all the difference between the statutory basis reporting and GAAP: the Medicaid program, subsidies to authorities such as the Massachusetts Bay Transportation Authority ("MBTA"), compensated absences, claims and judgments, and tax revenues.

For the Medicaid program, expenditures under the statutory basis of accounting are equivalent to cash disbursements. Thus, bills for services rendered during the fiscal year but not paid, or rate adjustments owed but not paid, are not measured in that year. Rather, they are reported statutorily in the next fiscal year. Under GAAP however, 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 fiscal 1999 were \$3.8 billion, which is 5.25% higher than fiscal 1998. This increase is equivalent to the increase for the total of all budgeted expenditures from fiscal 1998 to fiscal 1999.

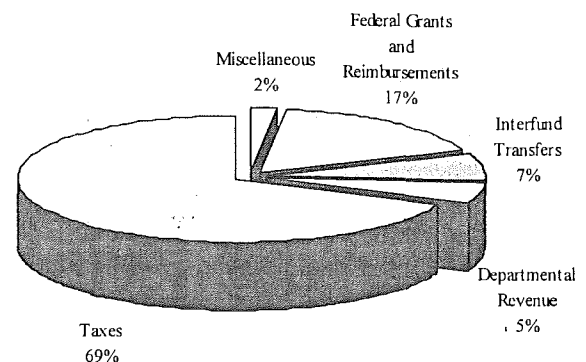
For several years the Commonwealth aggressively pursued a policy to constrain expenditure growth in Medicaid, thus helping to balance the overall budget. Beginning in fiscal 1998, the Commonwealth expanded eligibility for services with increased spending. It is important to assure Medicaid service expansion conforms to affordable growth in the overall budget.

The second difference is the subsidies the Commonwealth pays to the MBTA and the Regional Transit Authorities ("RTAs"). Through various laws the Commonwealth has obligated itself to provide subsidies to these component units for operations and debt service.

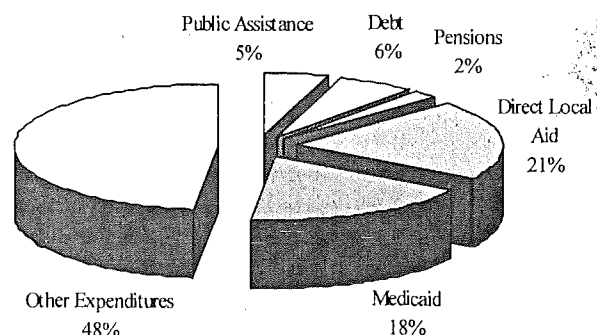
GAAP VS. STAT
Trends in Fund Balance
(Amounts in millions)



BUDGETED FUNDS - GAAP BASIS
Revenue and Other Financing Sources



BUDGETED FUNDS - GAAP BASIS
Expenditures and Other Financing Uses



However, the annual budget is appropriated on a basis which "lags" behind the total amount of the subsidy. Under GAAP, this amount obligated is accrued, to reflect the total cost of the subsidiary. For many years the amount for the "not yet appropriated" subsidy was growing at rates higher than the total budget.

The fiscal 2000 budget approved in November 1999 contained the long-awaited "forward funding" of the MBTA. The budget provisions also changed the MBTA's enabling act, which provides a new funding mechanism for the MBTA; the dedication of twenty percent of the existing sales tax. The Commonwealth will no longer be liable to pay the MBTA's net cost of service, nor will the Commonwealth be liable for debt service assistance for bonds issued after June 30, 2000. Further explanation of this event is available in the footnotes to the general-purpose financial statements.

The third difference is compensated absences. Under the statutory basis of accounting, the vacation and sick time taken by employees is expensed as it is *used*. 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 current fiscal year. The liability and usage trend for compensated absences has been relatively consistent.

The fourth difference is claims and judgments. Under the statutory basis, amounts owed as a result of lawsuits for torts, tax disputes, eminent domain land takings, or other legal actions are not measured as expenditures until the issue is adjudicated and the settlement is paid. Under GAAP, an analysis is performed on all pending litigation, and an amount is accrued for that portion of litigation where a settlement against the Commonwealth is considered *probable*.

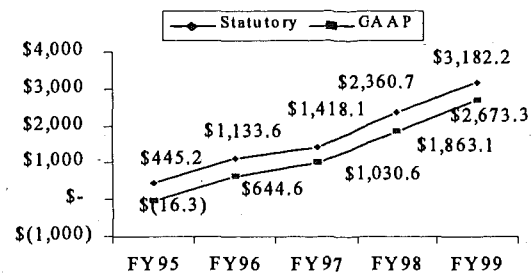
The fifth difference between statutory and GAAP relates to tax revenue. For example, a taxpayer's obligation incurred during a fiscal year usually is not fully collected until the ensuing fiscal year; under statutory accounting this revenue is not recognized. Under GAAP, an analysis is conducted in conjunction with the Department of Revenue (DOR), and an accrual for revenue is computed. In fiscal 1999 the value of accrued revenue was \$517.1 million.

GOVERNMENTAL FUND OPERATIONS

The Governmental 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.

The Commonwealth bonds for capital projects in arrears. These expenditures and financing sources are recorded in the Capital Projects Funds component of the Governmental Funds total. The practice of bonding in arrears allows for a high degree of certainty in project spending, mitigating a potential adverse tax consequence. As a result of this practice the Governmental Funds positive fund balance includes fiscal year 1999 expenditures that will not be funded by bonds until fiscal year 2000. Expenditures of \$500 million were subsequently financed with long term bonds issued on September 22, 1999.

**Governmental Fund Balance
Statutory vs. GAAP
(Amounts in millions)**



Governmental Fund Operations - GAAP Basis

(Amounts in millions)

	FY95	FY96	FY97	FY98	FY99
Beginning fund balances (deficits).....	\$ (273.7)	\$ (16.3)	\$ 644.6	\$ 1,030.6	\$ 1,863.1
Equity transfer	15.5	-	-	-	-
Restated beginning balances (deficits).....	(258.2)	(16.3)	644.6	1,030.6	1,863.1
Revenues and other financing sources	24,216.4	25,102.3	27,372.9	31,249.3	33,272.7
Expenditures and other financing uses	23,974.5	24,441.4	26,986.9	30,416.8	32,462.5
Excess	241.9	660.9	386.0	832.5	810.2
Ending fund balances (deficits).....	\$ (16.3)	\$ 644.6	\$ 1,030.6	\$ 1,863.1	\$ 2,673.3

INTERNAL SERVICE FUNDS

In fiscal 1995, 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/Tunnel Project, and for the health insurance programs administered by the Group Insurance Commission. On the statutory basis of accounting these funds have not been created and are not reported. The adjusting entries to report these "GAAP only" Funds represent another difference from the statutory basis.

The Human Resource Division of the Commonwealth administers the Commonwealth's self-insured State Employees Workers' Compensation Program. Revenues to the program represent amounts charged to the various Commonwealth departments. Expenses are for claims and settlements, and accrued expenses for incurred claims, which will be paid in the future. The traditional policy followed by the Commonwealth has been to set "chargebacks" to Commonwealth departments equivalent to claims actually paid, typically referred to as a "pay-as-you-go" approach.

As a result, an unfunded liability of \$257.9 million has accumulated, of which \$24.2 million is expected within one year. The Commonwealth should consider a plan to base annual chargebacks on an actuarial valuation, thus eventually funding such liability.

For the Central Artery/Tunnel Project, the 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 for the program. The purpose of which is to fund current and future claims. The approach is expected to reduce the financial impact to the federal government and the Commonwealth of potentially expensive component of the large, multi-year construction project.

The Group Insurance Commission manages the health insurance program for State employees, retirees, and their beneficiaries. Revenues to the program are amounts contributed by individuals, participant organizations, or by the Commonwealth. The expenses are claims and accruals for claims incurred but not reported. The accumulated balance, a small deficit, is not material to the size of the program, suggesting that symmetry of revenues to expenses is reasonable and change is not warranted.

Internal Service Fund Operations

(Amounts in millions)

	FY95	FY96	FY97	FY98	FY99
Beginning retained earnings (deficits).....	\$ -	\$ (223.4)	\$ (151.0)	\$ (140.3)	\$ (102.9)
Operating gain.....	127.9	68.7	3.2	26.6	1.0
Other revenues	6.0	3.7	7.5	10.8	14.9
Equity Transfer	(15.7)				
Balance from the General Long-Term Obligations	(341.6)				
Ending retained earnings (deficits).....	<u>\$ (223.4)</u>	<u>\$ (151.0)</u>	<u>\$ (140.3)</u>	<u>\$ (102.9)</u>	<u>\$ (87.0)</u>

FIDUCIARY FUND OPERATIONS

The Fiduciary type of funds consists of 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, Non-expendable Trust, Pension Trust, External Investment Trust and Agency Funds.

The Non-expendable Trusts account for assets held with restrictions and the Agency funds account for assets managed temporarily on behalf of other parties.

The Expendable Trusts ended fiscal year 1999 with a fund balance of \$4.8 billion. This balance is composed of \$256.2 million in various Commonwealth held Expendable Trusts, \$2.1 billion in the Unemployment Compensation Trust Fund and \$2.5 billion in the Deferred Compensation Trust.

The External Investment Trust is comprised of the portion of investments held by the State Treasurer on behalf of political sub-divisions in the Massachusetts Municipal Depository Trust ("MMDT"). The MMDT was established by the State Treasurer as a pooled investment trust.

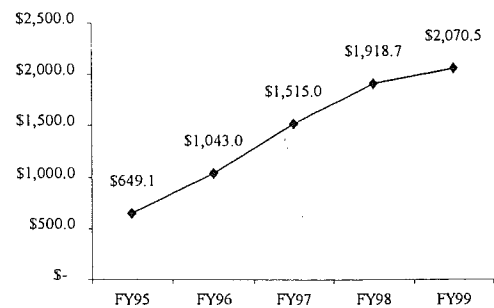
The Commonwealth is responsible for the payment of pension benefits to its employees and to the teachers of the cities, towns, and regional school districts. It manages the operations of both the State Employees' Retirement System ("SERS") and Teachers' Retirement System ("TRS") and reports the results of operations and net assets available to fund employee pension benefits as Pension Trust Funds. Pursuant to the pension reform laws, the Commonwealth funds its pension liabilities on a long-term schedule. It is the responsibility of the Public Employee Retirement Administration Commission ("PERAC") to complete actuarial updates for the funding schedule. The current funding schedule is designed to fully fund the systems by 2018.

On October 26, 1998, the Commonwealth updated its pension valuation and that valuation is the basis for the current funding schedule. On April 28, 1999, a pension valuation report prepared by independent consultants to the Pension Reserves Investment Management Board (PRIM) was released. Using the same data and assumptions employed by PERAC in its October 1998 valuation report, the independent report finds the unfunded actuarial liability to be \$7.8 billion, rather than \$5.8 billion. The new study did not reevaluate the early findings with respect to cost of living increases granted to local systems prior to July 1997. Neither PERAC, nor the independent consultants to the PRIM Board, have yet determined the source for the differences. PERAC expects to work with actuarial firms to determine the source of the differences and to conduct additional validation tests on its new actuarial software prior to issuing a new valuation.

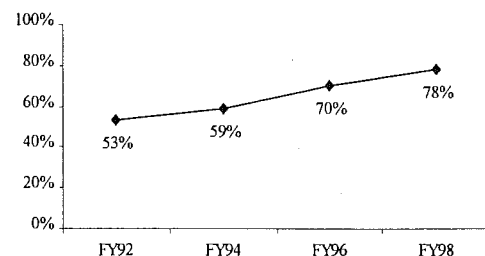
The Pension Funding Progress Graph presents the excellent results over the past six years of meeting the objective of having a fully funded plan. Footnote 10 details the progress in a schedule by system.

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

**Fund Balance
For Unemployment Compensation Fund
(amounts in Millions)**



**Pension Funding Progress
Funded Ratio**



**Pension Trust Funds
(Amounts in millions)**

	FY95	FY96	FY97	FY98 (as restated)	FY99
Beginning fund balances	\$ 11,563.1	\$ 13,483.2	\$ 15,956.2	\$ 19,560.0	\$ 23,960.0
Revenues.....	2,902.1	3,560.6	4,729.4	5,644.0	4,517.1
Expenses.....	982.0	1,087.6	1,125.6	1,244.0	1,364.8
Excess	1,920.1	2,473.0	3,603.8	4,400.0	3,152.3
Ending fund balances.....	\$ 13,483.2	\$ 15,956.2	\$ 19,560.0	\$ 23,960.0	\$ 27,112.3

Since fiscal 1993, 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 and Lowell.
- The State College system of nine state colleges, which provide four-year post-secondary education, and the State College Building Authority.
- 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 \$2.5 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)

	FY95	FY96 (1)	FY97	FY98	FY99
Beginning fund balances.....	\$ 2,034.9	\$ 2,164.9	\$ 2,363.3	\$ 2,512.2	\$ 2,621.0
Revenues and other additions.....	1,536.7	1,816.6	1,823.7	1,461.6	1,506.8
Expenditures and other deductions.....	2,082.0	2,254.4	2,381.8	2,053.9	2,218.1
Net transfers, including state appropriations.....	601.6	636.2	707.0	781.2	858.3
Net assets transferred to UMass Memorial Health Care, Inc.....	-	-	-	(70.5)	-
Loss from discontinued operations	-	-	-	(9.6)	-
Net Increase	56.3	198.4	148.9	108.8	147.0
Ending fund balances.....	\$ 2,091.2	\$ 2,363.3	\$ 2,512.2	\$ 2,621.0	\$ 2,768.0

(1) As restated for addition of component units

In fiscal 1999, the University and colleges are commended for producing stand alone audited financial statements in conformity with GAAP. Only one Community College, out of the 25 institutions, did not produce a "stand-alone" audited financial statement. These 24 schools have demonstrated accountability to their trustees, the Governor and Legislature, and to all concerned parties by preparing financial statements in accordance with GAAP.

For several years both the Comptroller's Office and the Board of Higher Education have encouraged all schools as a matter of policy to commit the requisite resources and effort to produce stand alone audited financial statements. The role of publicly subsidized higher education is important to the continued enhancement of the Commonwealth's economy and quality of life. Accordingly, the financial health of the universities and colleges is an important public policy concern.

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 Fund Balance/ Retained Earnings	Operating Gain/ (Loss)	Subsidy	Other Changes	Ending Fund Balance/ Retained Earnings
Massachusetts Bay Transportation Authority.....	\$ (157)	\$ (664)	\$ 716	\$ (58)	\$ (163)
Massachusetts Turnpike Authority.....	368	40	-	(32)	376
Regional Transit Authorities.....	4	(82)	60	23	5
Massachusetts Water Pollution Abatement Trust.....	72	(14)	10	31	99
Massachusetts Development Finance Agency.....	31	(12)	6	11	36
Massachusetts Convention Center Authority.....	6	(14)	15	2	9
Massachusetts Technology Park Corporation (as restated).....	17	-	(1)	1	17
Corporation for Business Work and Learning.....	10	(77)	10	67	10
Massachusetts Community Development Finance Corporation.....	2	-	1	-	3
Community Economic Development Assistance Corporation.....	51	9	-	2	62
Massachusetts Corporation for Educational Telecommunications..	3	(7)	4	3	3
Massachusetts Housing Partnership.....	14	4	3	(7)	14
Commonwealth Zoological Corporation.....	3	(4)	6	(2)	3
Massachusetts International Trade Council.....	1	(1)	1	-	1
Total.....	\$ 425	\$ (822)	\$ 831	\$ 41	\$ 475

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 ("OSA"), have performed an independent audit of the Commonwealth's general purpose financial statements for the fiscal year ended June 30, 1999. OSA also plays a large role in the simultaneous audit of the Schedule of Federal Financial Assistance to the Commonwealth, as prescribed in the Federal Office of Management and Budget's circular A-133.

An integral part of any audit of financial statements is a plan that the audit obtains reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. When performing an audit in accordance with applicable standards, the auditors obtain a sufficient understanding of the Commonwealth's internal controls to enable them to properly plan the audit and to determine the nature, timing and extent of the audit procedures to be performed. However, because of the characteristics of fraud, a properly planned and performed audit may not detect such illegal acts.

The OSA is statutorily mandated to perform audits of the accounts, programs, activities and functions of all departments, offices, commissions, institutions and activities of the Commonwealth. OSA provides its knowledge, expertise, experience and resources as a participant in the single audit of the Commonwealth, which encompasses all of the Commonwealth's financial operations. A more complete discussion of this work can be found in the State Auditor semi-annual report available on their web site: <http://www.state.ma.us/sao>.

We express our thanks to the staff of the respective firms and the Office of the State Auditor for their professionalism, advice and counsel. The independent auditor's report is presented in the Financial Section.

INTERNAL CONTROL ENVIRONMENT

Massachusetts General 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 automated environment.

Absolute assurance with respect to internal control 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 Office of the State Comptroller has been working to further strengthen the guidance for Internal Controls for the Commonwealth through a statewide Internal Control Campaign. Using the Committee of Sponsoring Organizations ("COSO") Report of the Treadway Commission as a basis, the office has issued an expanded and updated internal control guide for Departments of the Commonwealth. The goal of this effort is to present a sound set of practices that enhance financial credibility throughout the Commonwealth.

REPORTING ENTITY

The financial statements incorporate the 153 departments, agencies, boards, commissions, institutions of higher education, the judicial and legislative branches of government, and constitutional offices.

The departments record their daily financial operations in the state accounting system 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 criteria for inclusion in the reporting entity in accordance with GAAP, 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

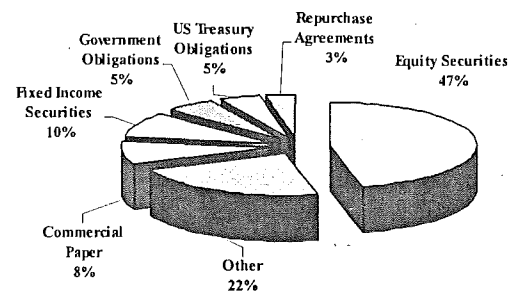
The State Treasurer controls cash and investments. Each department deposits cash receipts daily into a Treasury controlled bank account. Weekly and daily warrants for disbursements are prepared by the Comptroller, and reviewed and approved by the Governor's Council; the Treasurer issues disbursements. The banking and disbursement process has been recently streamlined to optimize the use of electronic funds transfer and electronics benefits transfer.

A system of bank depository and disbursement accounts and "lockboxes" are employed by the Treasurer's Office to maximize daily cash balances. The Treasurer manages these cash balances in MMDT and other 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 reporting 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.

Fiscal 1999 is the sixth 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.

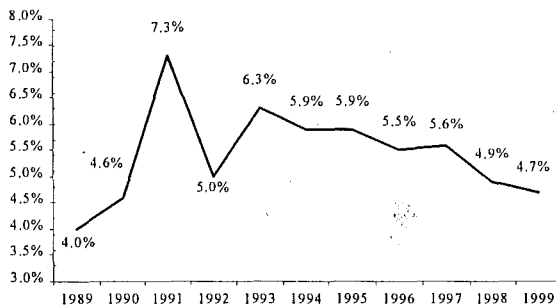
Cash and Investments -
Primary Government
at June 30, 1999



Long-Term Debt
(Amounts in billions)

Fiscal Year	Authorized - Unissued	Principal Outstanding
1999	\$12.0	\$11.8
1998	12.3	11.0
1997	12.0	10.3
1996	8.2	10.1
1995	5.9	9.6

Debt Service as a Percent of Governmental Expenditures



DEBT

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

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 existed for several years, and the effect of debt service on the operating budget is depicted on the following graph of Debt Service as a % of Governmental Expenditures.

In fiscal year 1997, Standard and Poor's upgraded the rating for Commonwealth's General Obligation Debt from "A+" to "AA-". The effect of the capital spending plan policy, the acceleration of funding of the Commonwealth's pension liability and the string of operating surpluses were cited as reasons for the upgrade. The current credit ratings from Moody's is Aa3 and Fitch Investor Services is AA-.

As authorized by state finance law, the State Treasurer may utilize short-term borrowing to support governmental cash flow. No such borrowings have occurred during the last three fiscal years

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 fiscal 1999.

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.

On October 13, 1999, the Commonwealth defeased outstanding debt with a value of maturity of \$512.6 million. The Commonwealth deposited approximately \$400 million of year-end surpluses from this fiscal year into an irrevocable trust to provide all future debt service payments on high interest bonds, that could not be refunded with tax exempt debt. Additionally, on December 1st the Governor signed legislation to repeal \$1.9 billion of authorized but unissued debt.

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 fiscal 1999, approximately \$19.5 million was expended to settle 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 \$32.7 million has been accrued in the Governmental Funds at June 30, 1999.

ECONOMIC AND FINANCIAL PROSPECTS

Massachusetts's employment has been growing steadily since 1992. The Massachusetts seasonally adjusted unemployment rate, currently at 3.1%, remains below the national seasonally adjusted rate of 4.2% (August 1999). Commonwealth per capita income continues to outpace the nation as shown in the Per Capita Income Graph.

The Commonwealth, 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 over 20 hospitals and three medical schools. Tourism is a significant component of the economy. For 1997, the latest data available, Massachusetts' Office of Travel and Tourism estimates that over 28.2 million visitors spent over \$10.8 billion in the Commonwealth in 1996. The Commonwealth ranked eleventh among states in exports with \$17.2 billion in 1998.

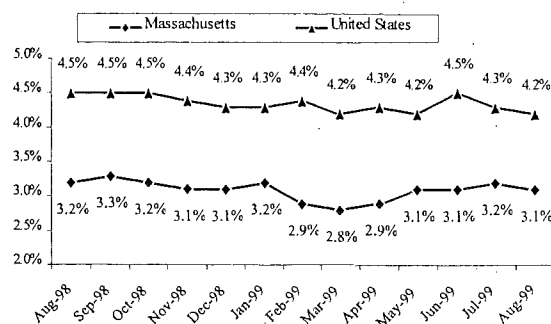
A continued low rate of inflation is expected to keep wage growth low and allow for slow-paced positive growth in the Massachusetts economy.

The Commonwealth's fiscal 2000 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 \$14.7 billion, not including transfers and other receipts. The estimate assumes tax revenues will be 2.9% higher than the fiscal 1999 actual collections of \$14.3 billion.

After accounting for the value of vetoes and overrides in the budget as passed, the Executive Office for Administration and Finance projects the Commonwealth's total budgeted expenditures and other uses in fiscal 2000 at \$21.1 billion. This estimate assumes the spending in the Commonwealth will increase by 4.3% over fiscal 1999.

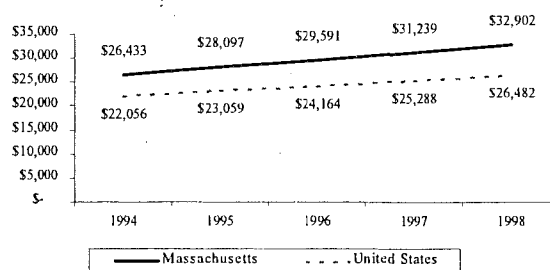
The Administration is engaged in an extensive mid-year review of this estimate. The Governor will release his recommended budget for fiscal 2001 in late January, at which time the fiscal 2000 forecast may be revised.

**Monthly Unemployment Rate
June 1998 - August 1999**



Source: Massachusetts Department of Employment and Training

**Per Capita Income 1994 - 1998
(in 1998 dollars)**



Source: United States Department of Commerce, Bureau of Economic Analysis

SIGNIFICANT ACCOMPLISHMENTS

In fiscal 1999, there were a number of significant public policy accomplishments 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, 1998. 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 ninth consecutive year that the Commonwealth has received this award.

On both a statutory and GAAP basis, the Commonwealth has accomplished a positive fund balance for the ninth consecutive year. The Commonwealth Stabilization fund balance has grown to \$1.4 billion. This fund, sometimes called the "rainy day" fund, represents the Commonwealth's reserves for future purposes.

Fiscal 1999 saw significant changes in income tax rates in the Commonwealth. For the general income tax, a rate of 5.95% applies to income from employment, professions, trades, businesses, etc. Effective on January 1, 1999, the rate applied to interest income, other than interest income from Massachusetts's banks and dividends (part "A" income), was reduced from its current rate of 12% to the rate of 5.95%. The cost of this change is estimated to be \$117 million, while the fully annualized cost is estimated to be \$239 million. Fiscal 1999 also saw a conforming of state tax law to federal law with respect to Roth and educational IRA's, deferred compensation, capital gains on sale of a personal residence, travel and entertainment deductions and the definition of short-term gains. These changes are estimated to cost less than \$5 million per year on a go-forward basis. The full impact of the Roth IRA change though will only be felt as those now contributing to Roth IRA's withdraw their investments over a period starting 20 years from now.

The fiscal year 2000 budget contains several tax law changes, three of which reduce tax revenues in fiscal 2000. The budget reduces the income tax rate from 5.95% to 5.75% over three years, with a 5.85% rate effective January 1, 2000, a 5.80% rate effective January 1, 2001 and a 5.75% rate effective January 1, 2002. The Department of Revenue estimates that the budgetary cost of these provisions will be approximately \$65 million in fiscal year 2000, \$166 million in fiscal year 2001, \$244 million in fiscal year 2002 and \$293 million in fiscal year 2003 and annually thereafter.

A second set of provisions that is expected to effect revenue collections in fiscal 2000 allows taxpayers, retroactively to 1996, to use capital losses more comprehensively to offset capital gains and interest and dividend income. The Department of Revenue has indicated that they could result in total reduced tax liabilities in a range of \$73 million to \$103 million for tax years 1996, 1997 and 1998.

The fiscal 2000 budget also provides for the elimination of the "pay-to-play" provisions of Massachusetts tax law, whereby a taxpayer is required to pay a state tax assessment before appealing the ruling to the Appellate Tax Board or the courts. The Department of Revenue estimates the revenue reduction at \$31 million in fiscal 2000, \$18 million in fiscal 2001 and \$3 million in fiscal 2002, with revenue increases of \$8 million to \$10 million projected for succeeding years, subject to the length of time required to settle or adjudicate appeals cases.

The non-tax revenue optimization campaign was very successful in fiscal 1999. 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 \$49.7 million during fiscal 1999. This compares to the fiscal year 1998 amount of \$30.9 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 continues in fiscal year 2000.

The fiscal year 2000 budget also enacts a fiscally prudent structure for managing revenues the Commonwealth will receive under the multi-state settlement with the tobacco industry. The structure allows up to 30% of annual receipts to be spent on new programs with the remaining 70% set aside in an endowment from which investment proceeds will be spent. Recently the Commonwealth received its first payment of \$99.7 million. It is estimated that over the initial 25 year period the Commonwealth could receive \$7.59 billion.

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 administrative or fiscal systems include: re-engineering the Commonwealth disbursement practices to the model of electronic commerce; exploiting the internet with web-enabling procurement and other applications; replacing the existing array of payroll and human resource systems with a state-of-the-art Human Resource Compensation Management System.

The Commonwealth is finalizing its effort to remediate the "Year 2000 problem" in its mechanical and data processing systems. The Year 2000 problem is the result of shortcomings in many electronic data processing systems and other equipment that make operations beyond the year 1999 troublesome. For many years, computer programmers eliminated the first two digits from the year when writing programs. Accordingly, many programs, if not corrected, will not be able to distinguish between the year 2000 and the year 1900. These problems have the potential for causing a disruption of governmental services.

In June 1997, the Executive Office for Administration and Finance established a Year 2000 Program Management Office within the Information Technology Division. The purpose of this office is to ensure accurate monitoring of the Commonwealth's progress in achieving "Year 2000 compliance".

In addition, the Office of the State Auditor has conducted extensive examinations of the Commonwealth systems for "Year 2000" compliance.

Those seeking more detailed information on the Commonwealth year 2000 efforts should visit the Information Technology Division year 2000 web page: <http://www.state.ma.us/y2k>, or the Office of the State Auditor's web page: <http://www.state.ma.us/sao>.

Under the leadership of the Information Technology Division, several departments across the branches of government continue to collaborate 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.

THE FUTURE OF THE CAFR— NEW REPORTING PRINCIPLES TO BE IMPLEMENTED

I would be remiss if I did not report to you that the financial statements contained herein are about to change. By fiscal year 2002, large governments like the Commonwealth will need to change the way their financial statements look. There will be changes that will bring more of a divergence between the Statutory Basis Financial Report. This divergence though, is meant to enhance readability for the casual reader. The Commonwealth will present entity-wide financial statements that are prepared using the "full accrual" basis of accounting. The next significant change is the elimination of the General Fixed Asset and General Long Term Obligation Account Groups. These long-term assets and liabilities will be reported on the face of the balance sheet in the governmental funds. In addition, this "net book value" of its roads and bridges will now be valued increasing net assets. The Commonwealth's actuarially determined pension liability, bonded debt and liabilities for compensated absences, claims and judgements will now decrease net assets. The Commonwealth's expenses and a direct correlation as to how they were paid for, will now be more readily determined, by Secretariat—essentially by governmental function. This will be achieved by a new "Statement of Activities" for governmental—type funds. There will be many other changes to this report. Every government, large and small will be making this change during the first decade of the new millennium. We are looking forward to presenting a "pro-forma" version of the new reporting standards format in the fiscal year 2001 CAFR.

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 continue to align its statutory basis of accounting with GAAP. The new funding structure for the MBTA is a significant step forward. The next logical step would be to adopt a schedule to fund the liability for employees workers compensation.

The Commonwealth must constantly monitor and update its systems and controls. To this end, the Office of the Comptroller has begun a multi-pronged effort to improve controls throughout the Commonwealth, as detailed earlier in this letter. This effort must continue.

The Commonwealth must continue its investment in information technology as a source of solutions to its business problems. Significant opportunities exist to improve the productivity of the administration of government, and technology projects will yield a substantial and favorable return on investment.

The Commonwealth must adopt a more straightforward definition of fiscal balance that includes all budgeted funds. The existence of numerous budgeted funds tends to fragment the budget process and introduces unwarranted complexities into the policy debate.

The Commonwealth must eliminate funds that have chronic deficits. Currently, nine special revenue funds have deficits totaling over \$2.6 billion, the largest being the Local Aid Fund. Currently, there is no plan to bring these funds into balance. The structure of these funds must be changed to balance revenues with expenditures or the funds must be eliminated and their activity consolidated into the General Fund.

The management of spending to the administratively capped debt limit must continue. The Commonwealth has committed to an extensive capital project agenda and great discipline will be needed to assure spending on these projects is matched with financing from bonds, federal reimbursement, transfer of budgetary surplus and financial participation from component units. Assuring proper balance between outflows and inflows, and limiting the segment funded by bonds to the administratively imposed limit, will be a major challenge.

The Commonwealth must continue to emphasize the optimization of both tax and non-tax revenues. This statewide campaign has generated nearly \$180 million in revenues since fiscal 1996. The revenue optimization progress must continue.

I express my thanks and appreciation to the many dedicated people in the Office of the Comptroller who have supported me so strongly for the past eleven months. You have made fiscal 1999 a successful year. I am grateful to Governor Cellucci and Lieutenant Governor Swift for the trust they have placed in me. We will continue to put forward our best efforts so that this trust is well founded.

Respectfully transmitted,

A handwritten signature in cursive script that reads "Martin J. Benison". The signature is written in dark ink and is positioned above the printed name and title.

Martin J. Benison
Comptroller

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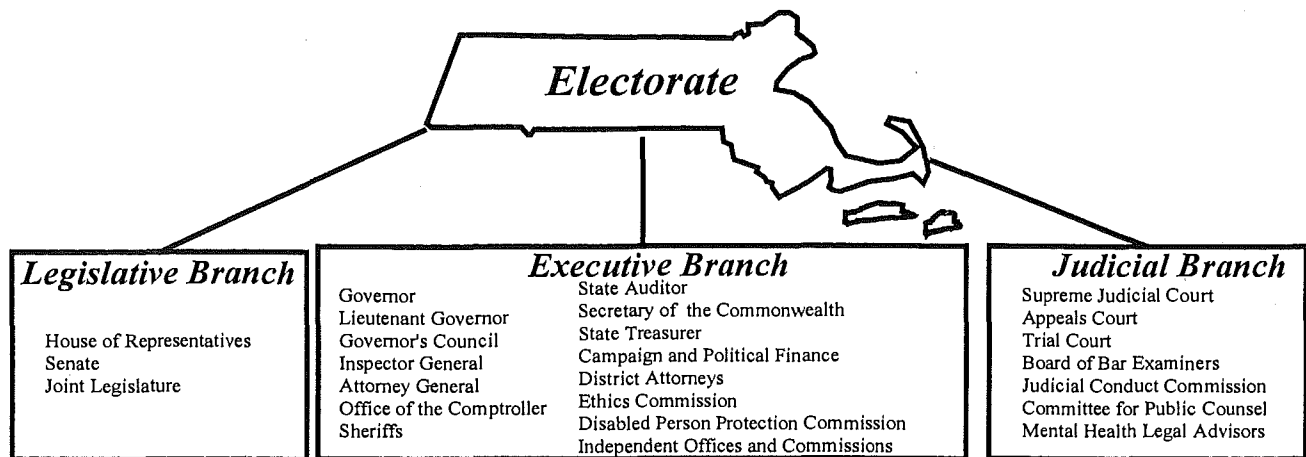
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Director Resource Management

Jobie Nastanski
Analyst



State Agencies

Administration and Finance

Executive Office Secretary of Administration and Finance
 Developmental Disabilities
 Appellate Tax Board
 Fiscal Affairs Division
 Division of Operational Services
 Civil Service Commission
 Department of Revenue
 Department of Veteran Services
 Division of Administrative Law Appeals
 Division of Capital Asset Management and Maintenance
 Group Insurance Commission
 Commission Against Discrimination
 Teachers' Retirement Board
 Public Employee Retirement Administration Commission
 Human Resource Division
 Information Technology Division
 Massachusetts Office on Disability
 Bureau of State Buildings
 George Fingold Library

Public Safety

Executive Office of Public Safety
 Architectural Access Board
 Committee on Criminal Justice
 Criminal History Systems Board
 Criminal Justice Training Council
 Department of Correction
 Department of Public Safety
 Department of Police
 Governor's Highway Safety Bureau
 Massachusetts Emergency Management Agency
 Merit Rating Board
 Military Division
 Chief Medical Examiner
 Parole Board
 Registry of Motor Vehicles
 Board of Building Regulations
 Department of Fire Services

Economic Development

Department of Economic Development
 Division of Housing & Community Development

Education

Department of Education
 Higher Education
 University System
 State and Community Colleges

Elder Affairs

Executive Office of Elder Affairs

Environmental Affairs

Executive Office of Environmental Affairs
 Department of Food and Agriculture
 Department of Environmental Management
 Department of Environmental Protection
 Fisheries and Wildlife Environmental Law Enforcement
 Metropolitan District Commission
 State Reclamation Board
 Low Level Radioactive Waste

Transportation and Construction

Executive Office of Transportation and Construction
 Massachusetts Aeronautics Commission
 Massachusetts Highway Department

Health and Human Services

Executive Office of Health and Human Services
 Department of Mental Health
 Department of Mental Retardation
 Department of Public Health
 Department of Social Services
 Department of Transitional Assistance
 Department of Youth Services
 Division of Medical Assistance
 Massachusetts Commission for the Blind
 Massachusetts Commission for the Deaf and Hard of Hearing
 Massachusetts Rehabilitation Commission
 Office for Child Care Services
 Office for Refugees and Immigrants
 Soldier's Home Chelsea, Holyoke
 Division of Health Care Finance & Policy

Labor

Department of Labor & Work Force Development
 Conciliation and Arbitration
 Division of Industrial Accidents
 Joint Labor Management Commission
 Labor Relations Commission
 Division of Employment and Training

Consumer Affairs

Office of Consumer Affairs & Business Regulations
 Board of Medicine
 Department of Telecommunications and Energy
 Division of Banks
 Division of Insurance
 Division of Registration
 Division of Standards
 State Racing Commission
 Alcoholic Beverages Control Commission
 Division of Energy Resources

CONSTITUTIONAL OFFICERS

Argeo Paul Cellucci
Governor

Jane Swift
Lieutenant Governor

William F. Galvin
Secretary of State

Thomas F. Reilly
Attorney General

Shannon P. O'Brien
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

Margaret H. Marshall
Chief Justice, Supreme Judicial Court

Joseph P. Warner
Chief Justice, Appeals Court

Barbara A. Dortch-Okara
Chief Justice for Administration and Management, Trial Court

ADVISORY BOARD TO THE COMPTROLLER

Andrew S. Natsios (Chair)
Secretary for Administration and Finance

A. Joseph DeNucci
Auditor

Shannon P. O'Brien
Treasurer and Receiver-General

Barbara A. Dortch-Okara
Chief Justice for Administration and Management, Trial Court

Thomas F. Reilly
Attorney General

Certificate of Achievement for Excellence in Financial Reporting

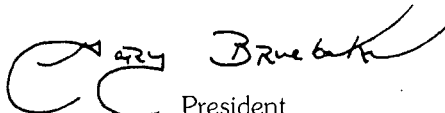
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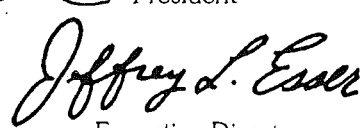
Commonwealth of Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

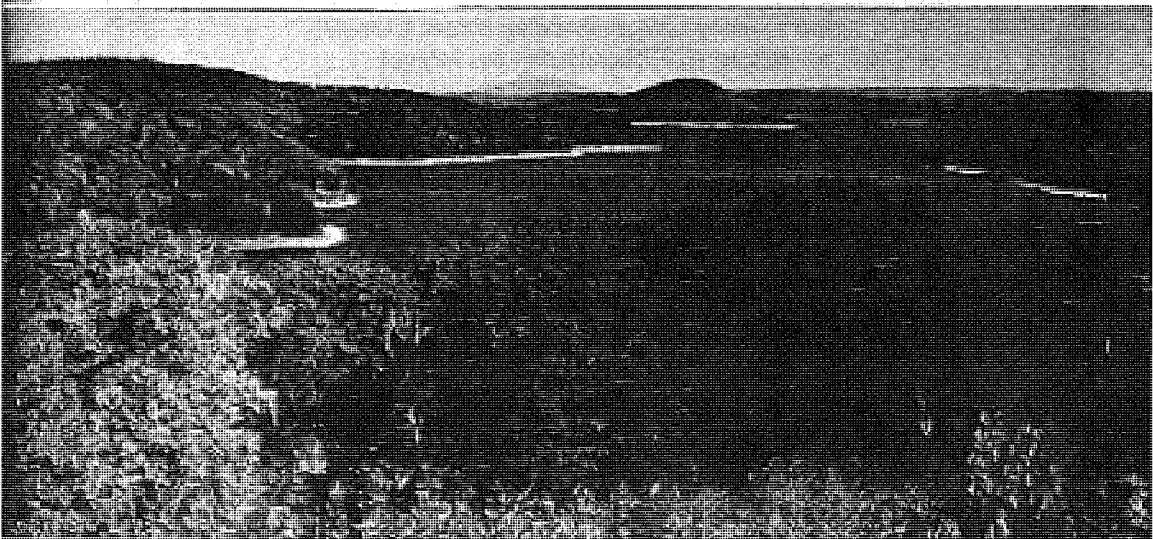
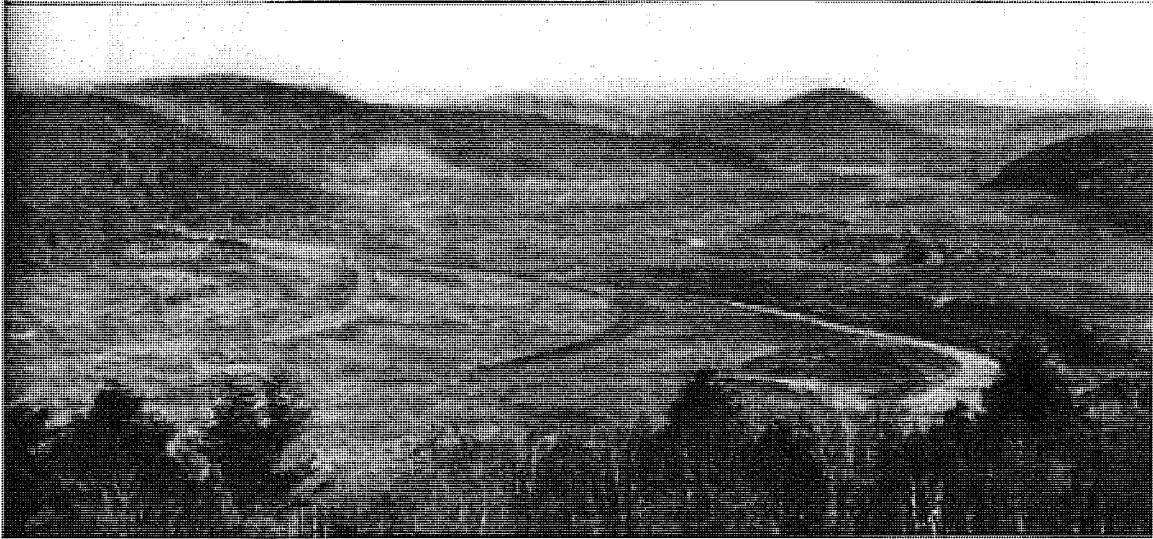
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



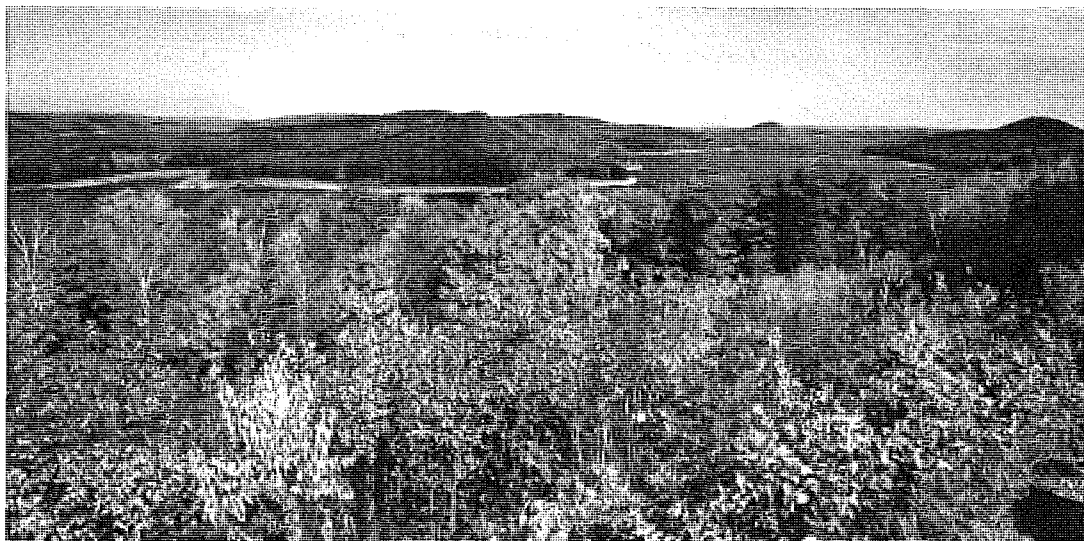

President


Executive Director

Quabbin Reservoir



Financial Section



The views shown here dramatize what once was and what now is. The Quabbin was created in the 1930s by the construction of two huge earth dams — Winsor Dam and Goodnough Dike. Together these two dams impound the waters of the Swift River creating a lake that covers an area of 39 square miles. The construction of Quabbin Reservoir required relocating seven town boundaries, discontinuing public use of 250 miles of road, and eliminated from corporate existence the Towns of Greenwich, Enfield, Prescott and Dana. Twenty-five hundred people were displaced, 1,100 buildings including 650 homes were razed or removed and 7,500 graves were disinterred — most were reentered in Quabbin Park Cemetery. As an extension of the Metropolitan Boston water supply, the reservoir now supplies water to 2.4 million people in 46 cities and towns

100 years separate these photographs. The view taken from Mt. Pomeroy looking southerly toward the Greenwich Plains area captures and personifies the charm and incomparable beauty of the New England village that was to become the floor of Quabbin Reservoir. Quabbin today is a wonderful sanctuary for wildlife and passionately treasured by multitudes for its scenic beauty and its wilderness-type character. Because its primary purpose is providing safe drinking water for millions of people, recreation at Quabbin of necessity is low-key and restrictive which makes it such a unique and special place.

Photography and information courtesy of Les Campbell of Sky Meadow Studio in Belchertown, MA and Gene McSweeney.

Independent Auditors' Report

General Purpose Financial Statements

Notes to General Purpose Financial Statements

Combining and Individual Fund Statements and Account Group Schedules

Salem Witch House



The Salem witch trials of 1692 were a source of guilt and shame for generations of local citizens. Nathaniel Hawthorne, a student of colonial history and a descendant of one of the witch trial judges, made frequent use of the witch trials in his writings. At the turn of the century, only a small plaque on the home of one of the witch trial judges noted this event. The front of the building actually housed a working pharmacy. In the 1930s, the Works Progress Administration (WPA) funded the research, compilation, and publication of all known legal documents pertaining to the witch trials. In 1948, the city restored the "Witch House," the former residence of witch trial judge Jonathan Corwin, as an "everlasting monument to courageous men who broke the shackles of theocratic authority and paved the way for that freedom of thought which has made this country great."

In 1986, a Witch Trials Tercentenary Committee was formed and charged to develop a program of activities for 1992 that would help "lift the shroud of misunderstanding, remorse, and shame that for three centuries had been associated with the trials." The first annual "Salem Award" was given to Gregory Allen Williams for his historic rescue of a truck driver who was being savagely beaten by a mob during the Los Angeles riots related to the trial of police officers accused of beating Rodney King. A memorial to the victims of the Salem witch trials was erected next to the seventeenth-century Burying Point. Twenty inscribed benches memorialized the victims of the hysteria, and six locust trees (the last to bloom and the first to lose their leaves) were planted to represent the stark injustice of the witch trials. Noted Holocaust survivor and peace advocate Elie Wiesel served as keynote speaker at the August 1992 dedication.

Photography and text courtesy of Jim McAllister, one of the authors of "Salem — Cornerstones of a Historic City." Early postcard courtesy of the City of Salem.

**Independent Auditors' Report**

Mr. Martin Benison, Comptroller
The Commonwealth of Massachusetts

We have audited the accompanying general purpose financial statements of the Commonwealth of Massachusetts ("Commonwealth") as of June 30, 1999, 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 98.4 percent of the total assets and 99.8 percent of the total revenues of the University and College Fund Type. We did not audit either the financial statements of the Massachusetts Municipal Depository Trust, as they relate to the External Investment Trust which is an investment pool for political subdivisions of the Commonwealth, or the financial statements of the Pension Reserves Investment Trust, which is the investment vehicle of the Commonwealth of Massachusetts' Pension Trust Funds, these financial statements reflect 77.7 percent and 81.7 percent, respectively, of the total assets and total additions of the Fiduciary Fund Type. We did not audit the financial statements of the discretely presented component units listed in Note 1 which reflect 99.4 percent of the total assets and 95.6 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 included for the entities not audited by us included for the University and College Fund Type, Fiduciary Fund Type and the discretely presented component units 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 statements 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 as of June 30, 1999, 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 1 to the general purpose financial statements, the Commonwealth has changed the reporting for funds held on behalf of local governmental units and other political subdivisions of the Commonwealth to more clearly reflect the fiduciary nature of that relationship. Also as discussed in Note 1 the Massachusetts Technology Park Corporation adopted a new fund structure.

The year 2000 supplementary information on page 88 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Commonwealth is or will become year 2000 compliant, that the Commonwealth's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Commonwealth does business are or will become year 2000 compliant.

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. 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.

The data included in the introductory and statistical sections of this report is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of the Commonwealth of Massachusetts. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

Deloitte & Touche LLP

December 16, 1999

General Purpose Financial Statements

University of Massachusetts



The Massachusetts Agricultural College in Amherst was established in 1863 under the original Morrill Land Grant act of 1862. Four faculty members and four wooden buildings awaited the first entering class of 56 in 1867. "Mass Aggie" became Massachusetts State College in 1931, and the University of Massachusetts (UMass) in 1947. After World War II, Amherst experienced rapid growth in its physical facilities, enrollment, and programs. A temporary campus opened at Ft. Devens (1946-49) to accommodate the influx of returning veterans. The University's second campus was opened in Boston in 1965, and expanded into the Harbor campus in 1974. A third campus, the UMass Medical Center at Worcester, was founded in 1962, and enrolled its first class in 1970. In 1991, legislation consolidated five public university campuses, (the three UMass campuses and the University of Lowell and Southeastern Massachusetts University) into a single university system with an autonomous governing board. The University is one of the founding members of the original Four College Cooperation (1956) and of the Five College Cooperative program established in 1965, offering reciprocal student access among UMass and Amherst, Hampshire, Mount Holyoke and Smith colleges.

Circa 1900 photograph courtesy of the Special Collection and Archives, W.E.B. Du Bois Library, UMass Amherst.
Aerial photo by Steve Long, courtesy of UMass, Amherst, Photo Services.

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

June 30, 1999
(Amounts in thousands)

	Primary			
	Governmental Fund Types			Proprietary Fund Types
	General	Special Revenue	Capital Projects	Internal Service
ASSETS AND OTHER DEBITS				
Cash and short-term investments.....	\$ 2,344,861	\$ 1,143,394	\$ -	\$ -
Cash with fiscal agent.....	-	75,165	-	-
Deposits.....	-	-	-	-
Investments.....	-	-	-	-
Restricted investments.....	-	-	-	282,287
Investments of deferred compensation plan.....	-	-	-	-
Annuity contracts.....	-	-	-	-
Assets held in trust.....	-	-	-	18,586
Receivables, net of allowance for uncollectibles:				
Taxes.....	988,805	707,742	-	-
Due from federal government.....	447,964	451,477	575	-
Loans.....	-	-	-	-
Other receivables.....	115,347	132,613	87	-
Due from cities and towns.....	239,137	495	-	-
Due from primary government.....	-	-	-	-
Due from other funds.....	2,887,371	140	822,347	24,186
Due from component units.....	15,634	-	-	-
Inventory.....	-	25,227	-	-
Fixed assets.....	-	-	-	-
Other assets.....	-	-	-	-
Amounts available for retirement of general long-term obligations.....	-	-	-	-
Amounts to be provided for retirement of general long-term obligations.....	-	-	-	-
Total assets and other debits.....	\$ 7,039,119	\$ 2,536,253	\$ 823,009	\$ 325,059
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable.....	\$ 972,902	\$ 589,807	\$ 408,160	\$ -
Accrued payroll.....	34,552	7,737	768	-
Compensated absences.....	110,967	75,493	4,334	-
Tax refunds and abatements payable.....	610,842	405,706	-	-
Due to cities and towns.....	-	-	-	-
Due to primary government.....	-	-	-	-
Due to other funds.....	743,922	2,713,091	246,370	-
Due to component units.....	70,961	311,860	500	-
Due to federal government.....	16,452	1,067	52	-
Deferred revenue.....	129,686	104,440	39	-
Prizes payable.....	-	-	-	-
Agency liabilities.....	-	-	-	-
Claims and judgments.....	32,700	-	-	412,079
Deposits and unearned revenue.....	-	-	-	-
Other accrued liabilities.....	-	132,622	-	-
Capital lease obligations.....	-	-	-	-
Bonds, notes payable and certificates of participation.....	-	-	-	-
School construction grants payable.....	-	-	-	-
Total liabilities.....	2,722,984	4,341,823	660,223	412,079
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.....	-	-	-	161,156
Unreserved.....	-	-	-	(248,176)
Fund balances (deficit):				
Reserved for continuing appropriations.....	131,996	80,170	-	-
Reserved for tax reduction.....	6,818	-	-	-
Reserved for Commonwealth stabilization.....	1,388,523	-	-	-
Reserved for employees' pension benefits.....	-	-	-	-
Reserved for deferred compensation.....	-	-	-	-
Reserved for unemployment benefits.....	-	-	-	-
Reserved for retirement of indebtedness.....	-	461,157	-	-
Reserved for nonexpendable trusts.....	-	-	-	-
Reserved for capital projects.....	-	7,003	461,466	-
Reserved for investment pool participants.....	-	-	-	-
Restricted.....	-	-	-	-
Unexpended plant funds.....	-	-	-	-
Renewals and replacements.....	-	-	-	-
Net investment in plant.....	-	-	-	-
Unreserved and undesignated.....	2,788,798	(2,353,900)	(298,680)	-
Total equity (deficit) and other credits.....	4,316,135	(1,805,570)	162,786	(87,020)
Total liabilities, equity and other credits.....	\$ 7,039,119	\$ 2,536,253	\$ 823,009	\$ 325,059

See notes to general purpose financial statements.

Government						
Fiduciary Fund Types	University and College Fund Type	Account Groups		Totals (Memorandum Only)		Component Units
		General Fixed Assets	General Long-term Obligations	1999	1998	
Trust and Agency	University and Colleges					
\$ 3,271,002	\$ 186,759	\$ -	\$ -	\$ 6,946,016	\$ 5,902,117	\$ 1,086,497
-	-	-	-	75,165	37,631	-
1,884,073	45,561	-	-	1,929,634	1,831,890	-
26,884,071	446,101	-	-	27,330,172	23,783,952	546,507
-	-	-	-	282,287	273,705	827,500
2,480,398	-	-	-	2,480,398	2,006,455	-
1,415,716	-	-	-	1,415,716	1,340,514	-
1,946,846	-	-	-	1,965,432	1,918,109	4,932
218,185	-	-	-	1,914,732	1,912,517	-
1,299	19,057	-	-	920,372	792,045	59,439
5,005	50,264	-	-	55,269	49,810	1,376,446
441,691	218,256	-	-	907,994	1,020,412	81,130
-	-	-	-	239,632	239,954	511
-	-	-	-	-	-	415,751
-	81,807	-	-	3,815,851	3,007,950	-
-	-	-	-	15,634	3,750	-
-	11,507	-	-	36,734	35,434	42,832
-	2,531,637	3,823,678	-	6,355,315	6,057,664	7,982,771
-	23,157	-	-	23,157	19,434	130,346
-	-	-	461,157	461,157	53,299	-
-	-	-	15,596,903	15,596,903	15,516,123	-
\$ 38,548,286	\$ 3,614,106	\$ 3,823,678	\$ 16,058,060	\$ 72,767,570	\$ 65,802,765	\$ 12,554,662
\$ 841,112	\$ 78,591	\$ -	\$ -	\$ 2,890,572	\$ 2,785,234	\$ 91,683
102	76,063	-	-	119,222	120,691	35,857
683	115,058	-	129,214	435,749	416,731	8,353
12,401	-	-	-	1,028,949	1,010,814	-
25,260	-	-	-	25,260	22,673	155
-	-	-	-	-	-	15,634
1,672	110,796	-	-	3,815,851	3,007,950	-
32,430	-	-	-	415,751	331,433	-
-	-	-	-	17,571	18,172	24
12,356	14,475	-	-	260,996	269,166	69,325
1,415,716	-	-	3,216	1,418,932	1,351,138	-
2,179,489	4,134	-	-	2,183,623	2,182,389	4,932
-	-	-	76,283	521,062	575,465	93,466
-	11,037	-	-	11,037	8,422	-
1,263	79,733	-	-	213,618	221,551	269,623
-	80,894	-	77,983	158,877	161,841	537,015
-	275,283	-	11,808,461	12,083,744	11,341,251	6,647,856
-	-	-	3,962,903	3,962,903	4,196,637	-
4,522,484	846,064	-	16,058,060	29,563,717	28,021,558	7,773,923
-	-	3,823,678	-	3,823,678	3,673,727	-
-	-	-	-	-	-	4,263,082
-	-	-	-	-	-	449,913
-	-	-	-	-	-	1,188
-	-	-	-	161,156	174,110	-
-	-	-	-	(248,176)	(277,047)	24,201
-	-	-	-	212,166	260,291	-
-	-	-	-	6,818	367,663	-
-	-	-	-	1,388,523	1,159,588	-
27,112,399	-	-	-	27,112,399	23,960,017	-
2,480,398	-	-	-	2,480,398	2,006,455	-
2,070,466	-	-	-	2,070,466	1,918,742	-
-	29,113	-	-	490,270	54,027	-
5,835	-	-	-	5,835	5,835	-
-	-	-	-	468,469	268,961	-
2,100,546	-	-	-	2,100,546	1,622,056	-
-	243,687	-	-	243,687	207,394	-
-	60,692	-	-	60,692	73,060	-
-	34,867	-	-	34,867	35,078	-
-	2,217,129	-	-	2,217,129	2,099,592	-
256,158	182,554	-	-	574,930	171,658	42,355
34,025,802	2,768,042	3,823,678	-	43,203,853	37,781,207	4,780,739
\$ 38,548,286	\$ 3,614,106	\$ 3,823,678	\$ 16,058,060	\$ 72,767,570	\$ 65,802,765	\$ 12,554,662

All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Primary		
	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Revenues:			
Taxes.....	\$ 8,550,619	\$ 5,770,214	\$ -
Assessments.....	238,126	308,273	-
Federal grants and reimbursements.....	2,676,817	2,985,036	6,667
Departmental.....	524,280	4,326,625	1,222
Deferred compensation contributions.....	-	-	-
Miscellaneous.....	161,503	227,395	41,784
Total revenues.....	12,151,345	13,617,543	49,673
Other financing sources:			
Proceeds of general obligation bonds.....	-	-	1,014,803
Proceeds of special obligation bonds.....	-	-	-
Proceeds of grant anticipation notes.....	-	319,434	-
Proceeds of refunding bonds.....	-	-	498,793
Proceeds of capital leases.....	9,392	-	-
Transfers in from primary government.....	-	-	-
Transfers from component units.....	5,412	-	1,051,000
Operating transfers in.....	420,594	1,776,090	2,358,600
Total other financing sources.....	435,398	2,095,524	4,923,196
Total revenues and other financing sources.....	12,586,743	15,713,067	4,972,869
Expenditures:			
Current:			
Legislature.....	51,371	-	-
Judiciary.....	69,257	441,684	-
Inspector General.....	2,231	-	-
Governor and Lieutenant Governor.....	5,410	-	-
Secretary of the Commonwealth.....	24,056	9,038	-
Treasurer and Receiver-General.....	91,199	2,692,302	-
Auditor of the Commonwealth.....	13,241	742	-
Attorney General.....	40,951	7,599	-
Ethics Commission.....	708	677	-
District Attorney.....	242	72,095	-
Office of Campaign and Political Finance.....	377	401	-
Sheriff's Departments.....	130,689	3,694	-
Disabled Persons Protection Commission.....	1,504	-	-
Board of Library Commissioners.....	4,395	5,411	-
Comptroller.....	7,518	-	-
Administration and finance.....	786,505	269,344	-
Environmental affairs.....	68,664	163,158	-
Communities and development.....	96,156	259,766	-
Health and human services.....	3,145,871	2,014,063	-
Transportation and construction.....	12,357	124,484	-
Education.....	188,431	1,074,759	-
Higher education.....	95,591	1,654	-
Public safety.....	465,860	394,554	-
Economic development.....	10,354	46,883	-
Elder affairs.....	158,619	38,182	-
Consumer affairs.....	38,048	29,764	-
Labor.....	28,146	138,367	-
Medicaid.....	3,521,250	307,403	-
Pension.....	83,593	240,654	-
Deferred compensation.....	-	-	-
Direct local aid.....	33,037	4,372,402	-
Capital outlay:			
Local aid.....	-	-	73,485
Capital acquisition and construction.....	-	-	2,601,933
Debt service:			
Principal retirement.....	426,320	232,237	-
Interest and fiscal charges.....	250,958	302,727	-
Total expenditures.....	9,852,909	13,244,044	2,675,418
Other financing uses:			
Payments to refunded bond escrow agent.....	-	-	498,793
Operating transfers out.....	476,031	2,800,272	1,153,179
Transfers of appropriations.....	860,148	1,873	-
Transfers of bond proceeds.....	-	-	58,681
Transfers to component units.....	443,276	395,531	2,337
Total other financing uses.....	1,779,455	3,197,676	1,712,990
Total expenditures and other financing uses.....	11,632,364	16,441,720	4,388,408
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	954,379	(728,653)	584,461
Fund balance (deficits) at beginning of year (as restated).....	3,361,756	(1,076,917)	(421,675)
Fund balance (deficits) at end of year.....	\$ 4,316,135	\$ (1,805,570)	\$ 162,786

See notes to general purpose financial statements.

Fiduciary Fund Type	Government		Component Unit
	Totals (Memorandum Only)		Massachusetts Technology
	1999	1998	Park Corporation (as restated)
Expendable Trust			
\$ 845,899	\$ 15,166,732	\$ 15,049,235	\$ -
78	546,477	516,279	-
28,709	5,697,229	5,884,933	-
17,978	4,870,105	4,801,631	36,729
567,569	567,569	472,640	-
305,665	736,347	581,982	1,021
1,765,898	27,584,459	27,306,700	37,750
-	1,014,803	766,953	-
-	-	100,059	-
-	319,434	580,557	-
-	498,793	861,793	-
-	9,392	15,521	-
-	-	-	1,200
-	1,056,412	104,192	697
6,796	4,562,080	3,417,043	-
6,796	7,460,914	5,846,118	1,897
1,772,694	35,045,373	33,152,818	39,647
-	51,371	51,194	-
189	511,130	470,680	-
-	2,231	1,876	-
-	5,410	5,095	-
12	33,106	23,088	-
477	2,783,978	2,650,113	-
353	14,336	14,273	-
2,504	51,054	44,171	-
-	1,385	1,303	-
3,402	75,739	71,145	-
1,720	2,498	752	-
7	134,390	40,513	-
-	1,504	1,518	-
-	9,806	8,841	-
-	7,518	7,173	-
5,385	1,061,234	1,067,506	-
6,394	238,216	223,014	-
1,776	357,698	351,111	-
18,725	5,178,659	5,075,706	-
1,544	138,385	117,302	-
2,508	1,265,698	1,159,632	-
168	97,413	82,074	-
2,825	863,239	855,336	-
370	57,607	30,959	5,167
47	196,848	179,303	-
7,674	75,486	63,696	-
884,026	1,050,539	973,777	-
-	3,828,653	3,637,839	-
-	324,247	414,355	-
93,626	93,626	82,778	-
-	4,405,439	4,046,881	-
-	73,485	102,022	-
-	2,601,933	2,532,076	-
-	658,557	707,267	-
-	553,685	507,324	-
1,033,732	26,806,103	25,601,693	5,167
-	498,793	861,793	-
70,252	4,499,734	3,344,175	-
-	862,021	822,985	-
-	58,681	31,143	-
-	841,144	768,280	-
70,252	6,760,373	5,828,376	-
1,103,984	33,566,476	31,430,069	5,167
668,710	1,478,897	1,722,749	34,480
4,138,312	6,001,476	4,278,727	7,875
\$ 4,807,022	\$ 7,480,373	\$ 6,001,476	\$ 42,355

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

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes.....	\$ 8,242,000	\$ 8,545,797	\$ 303,797
Assessments.....	-	236,420	236,420
Federal grants and reimbursements.....	2,659,200	2,640,527	(18,673)
Departmental.....	820,200	576,852	(243,348)
Miscellaneous.....	-	99,219	99,219
Total revenues.....	11,721,400	12,098,815	377,415
Other financing sources:			
Fringe benefit cost recovery.....	-	121,376	121,376
Operating transfers in.....	285,100	412,369	127,269
Stabilization transfer.....	-	-	-
Transfer for tax reduction.....	162,500	296,298	133,798
Total other financing sources.....	447,600	830,043	382,443
Total revenues and other financing sources.....	12,169,000	12,928,858	759,858
Expenditures:			
Legislature.....	75,343	51,259	24,084
Judiciary.....	57,345	52,011	5,334
Inspector General.....	2,147	2,136	11
Governor and Lieutenant Governor.....	6,285	5,368	917
Secretary of the Commonwealth.....	26,140	23,258	2,882
Treasurer and Receiver-General.....	110,790	108,207	2,583
Auditor of the Commonwealth.....	13,087	13,086	1
Attorney General.....	27,072	24,747	2,325
Ethics Commission.....	695	690	5
District Attorney.....	289	242	47
Office of Campaign and Political Finance.....	378	376	2
Sheriff's Departments.....	126,714	124,576	2,138
Disabled Persons Protection Commission.....	1,514	1,500	14
Board of Library Commissioners.....	4,395	4,395	-
Comptroller.....	7,076	7,068	8
Administration and finance.....	896,322	829,615	66,707
Environmental affairs.....	80,860	67,318	13,542
Communities and development.....	102,462	100,099	2,363
Health and human services.....	3,186,975	3,116,383	70,592
Transportation and construction.....	520,430	515,424	5,006
Education.....	14,349	14,102	247
Higher education.....	921,430	911,620	9,810
Public safety.....	423,641	418,042	5,599
Economic development.....	12,048	11,588	460
Elder affairs.....	161,701	158,617	3,084
Consumer affairs.....	41,132	37,730	3,402
Labor.....	45,226	38,891	6,335
Direct local aid.....	2,220	740	1,480
Medicaid.....	3,549,504	3,549,050	454
Pension.....	349,219	348,761	458
Debt service:			
Principal retirement.....	431,568	426,320	5,248
Interest and fiscal charges.....	282,284	250,958	31,326
Total expenditures.....	11,480,641	11,214,177	266,464
Other financing uses:			
Fringe benefit cost assessment.....	-	-	-
Operating transfers out.....	287,225	287,225	-
Stabilization transfer.....	-	99,373	(99,373)
Transfer for capital projects.....	118,638	229,052	(110,414)
Transfer for debt defeasance.....	54,500	54,500	-
Transfer for tax reduction.....	-	-	-
Total other financing uses.....	460,363	670,150	(209,787)
Total expenditures and other financing uses.....	11,941,004	11,884,327	56,677
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	227,996	1,044,531	816,535
Fund balances (deficits) at beginning of year.....	1,932,567	1,932,567	-
Fund balances (deficits) at end of year.....	\$ 2,160,563	\$ 2,977,098	\$ 816,535

See notes to general purpose financial statements.

Budgeted Special Revenue Funds			Totals (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,466,000	\$ 5,745,666	\$ 279,666	\$ 13,708,000	\$ 14,291,463	\$ 583,463
-	27,875	27,875	-	264,295	264,295
739,900	802,402	62,502	3,399,100	3,442,929	43,829
471,700	496,575	24,875	1,291,900	1,073,427	(218,473)
-	117,783	117,783	-	217,002	217,002
6,677,600	7,190,301	512,701	18,399,000	19,289,116	890,116
-	-	-	-	121,376	121,376
834,063	1,198,690	364,627	1,119,163	1,611,059	491,896
-	165,622	165,622	-	165,622	165,622
-	83,520	83,520	162,500	379,818	217,318
834,063	1,447,832	613,769	1,281,663	2,277,875	996,212
7,511,663	8,638,133	1,126,470	19,680,663	21,566,991	1,886,328
-	-	-	75,343	51,259	24,084
481,035	455,588	25,447	538,380	507,599	30,781
-	-	-	2,147	2,136	11
-	-	-	6,285	5,368	917
8,763	8,507	256	34,903	31,765	3,138
5,532	5,185	347	116,322	113,392	2,930
740	740	-	13,827	13,826	1
1,902	1,838	64	28,974	26,585	2,389
698	693	5	1,393	1,383	10
69,661	69,433	228	69,950	69,675	275
379	377	2	757	753	4
5,643	5,127	516	132,357	129,703	2,654
-	-	-	1,514	1,500	14
2,803	2,799	4	7,198	7,194	4
449	449	-	7,525	7,517	8
388,063	294,674	93,389	1,284,385	1,124,289	160,096
153,830	142,908	10,922	234,690	210,226	24,464
36,297	36,205	92	138,759	136,304	2,455
732,207	676,383	55,824	3,919,182	3,792,766	126,416
314,814	306,266	8,548	835,244	821,690	13,554
278,916	272,613	6,303	293,265	286,715	6,550
18,337	18,229	108	939,767	929,849	9,918
437,112	427,243	9,869	860,753	845,285	15,468
69,216	44,703	24,513	81,264	56,291	24,973
11,986	11,790	196	173,687	170,407	3,280
6,171	5,609	562	47,303	43,339	3,964
13,799	5,558	8,241	59,025	44,449	14,576
4,318,893	4,309,429	9,464	4,321,113	4,310,169	10,944
350,097	307,403	42,694	3,899,601	3,856,453	43,148
641,549	641,450	99	990,768	990,211	557
234,550	231,698	2,852	666,118	658,018	8,100
268,098	264,839	3,259	550,382	515,797	34,585
8,851,540	8,547,736	303,804	20,332,181	19,761,913	570,268
-	23,309	(23,309)	-	23,309	(23,309)
390,879	390,828	51	678,104	678,053	51
-	66,249	(66,249)	-	165,622	(165,622)
-	-	-	118,638	229,052	(110,414)
354,389	354,389	-	408,889	408,889	-
379,818	379,818	-	379,818	379,818	-
1,125,086	1,214,593	(89,507)	1,585,449	1,884,743	(299,294)
9,976,626	9,762,329	214,297	21,917,630	21,646,656	270,974
(2,464,963)	(1,124,196)	1,340,767	(2,236,967)	(79,665)	2,157,302
259,559	259,559	-	2,192,126	2,192,126	-
\$ (2,205,404)	\$ (864,637)	\$ 1,340,767	\$ (44,841)	\$ 2,112,461	\$ 2,157,302

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

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Primary Government				
	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)		Component Units
	Internal Service Funds	Nonexpendable Trust Funds	1999	1998	(as restated)
Operating revenues:					
Charges for services.....	\$ -	\$ -	\$ -	\$ -	\$ 532,323
Donations.....	-	-	-	-	1,333
Premiums.....	751,839	-	751,839	735,005	43,514
Total operating revenues.....	751,839	-	751,839	735,005	577,170
Operating expenses:					
Claims and judgments expense.....	750,885	-	750,885	708,382	-
Cost of services and administration.....	-	-	-	-	1,103,040
Depreciation.....	-	-	-	-	296,123
Total operating expenses.....	750,885	-	750,885	708,382	1,399,163
Operating income (loss).....	954	-	954	26,623	(821,993)
Nonoperating revenues (expenses):					
Operating grants.....	-	-	-	-	101,908
Interest income.....	14,963	-	14,963	10,778	160,908
Interest expense.....	-	-	-	-	(364,305)
Other income.....	-	-	-	-	10,939
Other expenses.....	-	-	-	-	(12,787)
Nonoperating revenues (expenses), net.....	14,963	-	14,963	10,778	(103,337)
Income (loss) before operating transfers.....	15,917	-	15,917	37,401	(925,330)
Transfers in (out):					
Transfers out to component units.....	-	-	-	-	(697)
Transfers in from primary government.....	-	-	-	-	839,944
Transfers out to primary government.....	-	-	-	-	(5,412)
Transfers in (out), net.....	-	-	-	-	833,835
Net income (loss).....	15,917	-	15,917	37,401	(91,495)
Add: Depreciation of fixed assets acquired from contributed capital.....	-	-	-	-	141,143
Distribution of capital.....	-	-	-	-	485
Increase (decrease) in retained earnings/fund balances.....	15,917	-	15,917	37,401	50,133
Retained earnings/fund balances (deficits) at beginning of year.....	(102,937)	5,835	(97,102)	(134,503)	425,169
Retained earnings/fund balances (deficits) at end of year (as restated). \$	(87,020)	\$ 5,835	\$ (81,185)	\$ (97,102)	\$ 475,302
Contributed capital at beginning of year (as restated).....					\$ 4,085,218
Add: Capital contributions.....					319,007
Less: Depreciation of fixed assets acquired from contributed capital					(141,143)
Contributed capital at end of year.....					\$ 4,263,082

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, 1999
(Amounts in thousands)

	Primary Government				
	Proprietary Fund Type	Fiduciary Fund Type	Totals		
	Internal	Nonexpendable	(Memorandum Only)		
	Service Funds	Trust Funds	1999	1998	Component Units (as restated)
Cash flows from operating activities:					
Operating income (loss).....	\$ 954	\$ -	\$ 954	\$ 26,623	\$ (821,993)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization.....	-	-	-	-	296,123
Other nonoperating revenues.....	-	-	-	-	10,939
Other nonoperating expenses.....	-	-	-	-	(12,787)
Change in assets and liabilities:					
Assets held in trust.....	(2,055)	-	(2,055)	(1,444)	-
Due from federal government.....	-	-	-	-	(38,697)
Loans.....	-	-	-	-	(227,680)
Other receivables.....	-	-	-	-	11,353
Due from cities and towns.....	-	-	-	-	651
Due from primary government.....	-	-	-	-	(51,969)
Due from other funds.....	(1,897)	-	(1,897)	13,111	-
Inventory.....	-	-	-	-	3,467
Restricted and other assets.....	-	-	-	-	8,798
Accounts payable.....	-	-	-	-	1,287
Accrued payroll.....	-	-	-	-	3,419
Compensated absences.....	-	-	-	-	300
Deferred revenue.....	-	-	-	-	(3,254)
Claims and judgments.....	(3,383)	-	(3,383)	1,418	8,867
Central artery/tunnel payable.....	-	-	-	-	(600,000)
Other accrued liabilities.....	-	-	-	-	65,959
Due to cities and towns.....	-	-	-	-	10
Due to primary government.....	-	-	-	-	(88,116)
Due to federal government.....	-	-	-	-	(26)
Total adjustments.....	(7,335)	-	(7,335)	13,085	(611,356)
Net cash provided by (used for) operating activities.....	(6,381)	-	(6,381)	39,708	(1,433,349)
Cash flows from noncapital financing activities:					
Operating grants.....	-	-	-	-	101,908
Transfers out to component units.....	-	-	-	-	(697)
Transfers in from primary government.....	-	-	-	-	839,944
Transfers out to primary government.....	-	-	-	-	(5,412)
Net cash provided by (used for) noncapital financing activities.....	-	-	-	-	935,743
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets.....	-	-	-	-	(410,915)
Proceeds from the issuance of bonds and notes.....	-	-	-	-	1,395,805
Interest on bonds and notes.....	-	-	-	-	(364,305)
Capital contributions.....	-	-	-	-	319,007
Principal payments on bonds and notes.....	-	-	-	-	(1,098,286)
Payments to refunded bond escrow agent.....	-	-	-	-	6,646
Proceeds from sale of equipment.....	-	-	-	-	3,986
Net cash provided by (used for) capital and related financing activities.....	-	-	-	-	(148,062)
Cash flows from investing activities:					
Purchases of investments.....	(8,582)	-	(8,582)	(50,486)	(3,696,657)
Sales and maturities of investments.....	-	-	-	-	4,264,246
Interest income.....	14,963	-	14,963	10,778	160,908
Net cash provided by (used for) investing activities.....	6,381	-	6,381	(39,708)	728,497
Net increase (decrease) in cash and cash equivalents.....	-	-	-	-	82,829
Cash and cash equivalents at beginning of year (as restated).....	-	5,835	5,835	5,835	962,919
Cash and cash equivalents at end of year.....	\$ -	\$ 5,835	\$ 5,835	\$ 5,835	\$ 1,045,748
Reconciliation to Combined Balance Sheet:					
Cash and cash equivalents at end of year.....	\$ -	\$ 5,835	\$ 5,835	\$ 5,835	\$ 1,045,748
Cash and cash equivalents at end of year, Component Units Governmental Funds.....	-	-	-	-	40,749
Cash and cash equivalents at end of year, Pension, Expendable and External Investment Trusts and Agency.....	-	3,265,167	3,265,167	3,097,119	-
Cash and cash equivalents per the Combined Balance Sheet.....	\$ -	\$ 3,271,002	\$ 3,271,002	\$ 3,102,954	\$ 1,086,497

See notes to general purpose financial statements.

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

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	1999	1998 (as restated)
Additions:		
Employer contributions.....	\$ 883,902	\$ 1,677,798
Employee contributions.....	637,037	530,761
Total contributions.....	1,520,939	2,208,559
Net investment income:		
Net appreciation in fair value of investments.....	2,320,758	2,788,533
Interest.....	417,744	352,503
Dividends.....	211,536	256,430
Real estate operating income, net.....	84,284	71,824
Alternative investments.....	6,484	5,205
Other.....	5,092	3,755
Total investment income.....	3,045,898	3,478,250
Less: investment expense.....	49,698	42,869
Net investment income.....	2,996,200	3,435,381
Total additions.....	4,517,139	5,643,940
Deductions:		
Administration.....	8,217	35,973
Retirement benefits and refunds.....	1,356,540	1,208,011
Total deductions.....	1,364,757	1,243,984
Net increase.....	3,152,382	4,399,956
Net assets available for pension benefits at beginning of year (fund balance reserved for employees' pension benefits).....	23,960,017	19,560,061
Net assets available for pension benefits at end of year (fund balance reserved for employees' pension benefits).....	\$ 27,112,399	\$ 23,960,017

See notes to general purpose financial statements.

External Investment Trust Fund
Statement of Changes in Net Assets Held in Trust For Pool Participants

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

Additions:	
Proceeds from sale of units.....	\$ 4,289,702
Units issued in reinvestment of distributions from net investment income.....	75,556
Total contributions.....	<u>4,365,258</u>
Net investment income:	
Interest.....	85,002
Total investment income.....	85,002
Less: management fees.....	3,180
Net investment income.....	<u>81,822</u>
Total additions.....	<u>4,447,080</u>
Deductions:	
Cost of units redeemed.....	3,886,768
Distributions to unit holders from net interest income.....	81,822
Total deductions.....	<u>3,968,590</u>
Net increase	478,490
Net assets held in trust for pool participants at beginning of year (fund balance reserved for investment pool participants).....	<u>1,622,056</u>
Net assets held in trust for pool participants at end of year (fund balance reserved for investment pool participants).....	<u>\$ 2,100,546</u>

See notes to general purpose financial statements.

University And College Fund Type
Combined Statement Of Changes In Fund Balances

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Revenues and other additions:			
Unrestricted current funds revenues.....	\$ 922,258	\$ -	\$ -
Federal appropriations.....	-	5,705	215
Federal grants and contracts.....	-	235,649	1,204
State grants and contracts.....	-	70,809	64
Local grants and contracts.....	-	3,120	-
Private gifts, grants and contracts.....	-	69,333	42
Investment income	-	170	51
Endowment income.....	-	1,206	-
Net realized/unrealized gain (loss) on investments.....	-	(5)	-
Interest on loans receivable.....	-	-	1,091
Reimbursed loan cancellations.....	-	-	40
Other income.....	-	2,834	273
Expended for plant facilities.....	-	-	-
Retirement of indebtedness.....	-	-	-
Other additions.....	-	211	-
Total revenue and other additions.....	922,258	389,032	2,980
Expenditures and other deductions:			
Educational and general expenditures.....	1,390,337	368,781	-
Auxiliary enterprises expenditures.....	184,175	-	-
Indirect costs recovered.....	-	44,702	-
Independent operations.....	17,933	-	-
Refunded to grantors and donors.....	-	433	121
Loan cancellations and write-offs.....	-	-	1,063
Administrative and collection costs.....	-	-	1,553
Retirement of indebtedness.....	-	-	-
Interest on indebtedness.....	-	-	-
Expended for plant facilities.....	-	-	-
Depreciation and amortization.....	-	-	-
Disposal of plant facilities.....	-	-	-
Other deductions.....	-	-	-
Total expenditures and other deductions.....	1,592,445	413,916	2,737
Mandatory transfers:			
Principal and interest.....	(34,483)	-	-
Renewals and replacements.....	(114)	-	-
Student loan fund matching.....	(1,769)	1,573	155
Operating transfers out.....	(62,418)	72	-
Nonmandatory transfers:			
Transfers of appropriation.....	834,400	27,621	-
Transfers of bond proceeds.....	-	21,948	-
Unexpended plant funds.....	(18,136)	-	-
Renewals and replacements.....	(38,654)	(15,844)	-
Other nonmandatory transfers.....	(2,207)	(4,267)	(75)
Total transfers.....	676,619	31,103	80
Net increase (decrease) for the year.....	6,432	6,219	323
Loss from discontinued operations.....	-	-	-
Net amounts transferred to UMass Memorial Health Care, Inc.....	-	-	-
Net increase (decrease) after discontinued operations.....	6,432	6,219	323
Fund balances at beginning of year.....	138,333	51,504	55,282
Fund balances at end of year.....	\$ 144,765	\$ 57,723	\$ 55,605

See notes to general purpose financial statements.

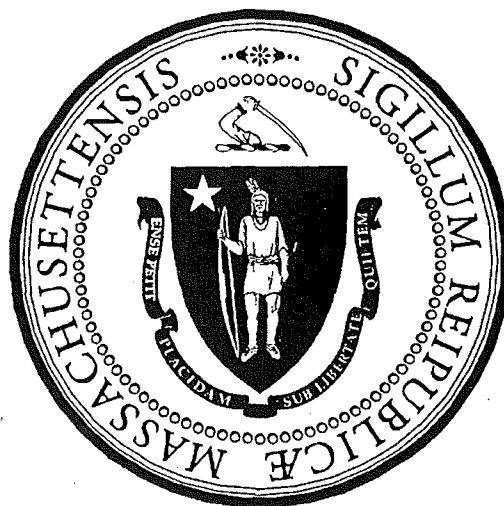
Endowment and Similar Funds	Plant Funds	Totals (Memorandum Only)	
		1999	1998
\$ -	\$ -	\$ 922,258	\$ 922,752
-	-	5,920	7,135
-	1,482	238,335	225,258
-	12,425	83,298	44,439
-	-	3,120	5,774
26,657	5,064	101,096	111,353
782	5,089	6,092	7,049
418	-	1,624	1,240
5,378	(286)	5,087	7,275
-	-	1,091	1,026
-	-	40	244
72	1,260	4,439	9,769
-	111,795	111,795	99,313
-	20,925	20,925	16,628
7	1,434	1,652	2,353
<u>33,314</u>	<u>159,188</u>	<u>1,506,772</u>	<u>1,461,608</u>
4	-	1,759,122	1,679,269
-	-	184,175	157,174
-	-	44,702	43,767
-	-	17,933	17,490
-	-	554	531
-	-	1,063	644
-	1,417	2,970	2,642
-	20,220	20,220	16,628
-	19,740	19,740	19,910
-	109,737	109,737	67,652
-	279	279	445
-	44,578	44,578	24,815
11,817	1,229	13,046	22,915
<u>11,821</u>	<u>197,200</u>	<u>2,218,119</u>	<u>2,053,882</u>
-	34,483	-	-
-	114	-	-
-	41	-	-
-	-	(62,346)	(72,868)
-	-	862,021	822,985
-	36,733	58,681	31,143
-	18,136	-	-
-	54,498	-	-
6,439	110	-	-
<u>6,439</u>	<u>144,115</u>	<u>858,356</u>	<u>781,260</u>
27,932	106,103	147,009	188,986
-	-	-	(9,643)
-	-	-	(70,529)
27,932	106,103	147,009	108,814
140,216	2,235,698	2,621,033	2,512,219
<u>\$ 168,148</u>	<u>\$ 2,341,801</u>	<u>\$ 2,768,042</u>	<u>\$ 2,621,033</u>

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

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Current Funds		Totals (Memorandum Only)	
	Unrestricted	Restricted	1999	1998
Revenues and other additions:				
Tuition and fees.....	\$ 491,542	\$ 282	\$ 491,824	\$ 519,765
Federal appropriations.....	-	5,666	5,666	6,449
Federal grants and contracts.....	-	192,035	192,035	186,692
State grants and contracts.....	1,370	63,594	64,964	37,425
Local grants and contracts.....	-	6,730	6,730	5,862
Private gifts, grants and contracts.....	13,598	60,599	74,197	70,590
Endowment income.....	1,367	809	2,176	1,089
Sales and service, educational.....	14,521	-	14,521	12,172
Sales and service, auxiliary enterprises.....	210,235	-	210,235	183,283
Sales and service, independent operations.....	24,517	-	24,517	26,163
Sales and service, public services.....	47,750	-	47,750	21,418
Recovery of indirect costs.....	44,702	-	44,702	43,767
Other investment income.....	21,888	197	22,085	23,713
Other.....	50,768	2,086	52,854	91,761
Total current funds revenues and other additions.....	922,258	331,998	1,254,256	1,230,149
Expenditures:				
Instruction.....	565,722	52,806	618,528	605,475
Research.....	49,329	118,472	167,801	177,158
Public service.....	44,816	45,184	90,000	72,920
Academic support.....	151,279	21,571	172,850	159,903
Student services.....	142,178	10,926	153,104	136,825
Institutional support.....	221,625	3,944	225,569	200,350
Operation and maintenance of plant.....	158,608	5,598	164,206	178,933
Scholarships and fellowships.....	56,780	109,753	166,533	147,183
Auxiliary enterprises.....	184,175	-	184,175	157,174
Independent operations.....	17,933	527	18,460	17,998
Total current funds expenditures.....	1,592,445	368,781	1,961,226	1,853,919
Transfers and other changes:				
Mandatory transfers:				
Principal and interest.....	(34,483)	-	(34,483)	(29,497)
Renewals and replacements.....	(114)	-	(114)	(233)
Student loan fund matching.....	(1,769)	1,573	(196)	(148)
Operating transfers out.....	(62,418)	72	(62,346)	(72,868)
Nonmandatory transfers:				
Transfers of appropriation.....	834,400	27,621	862,021	822,985
Transfers of bond proceeds.....	-	21,948	21,948	12,007
Unexpended plant funds.....	(18,136)	-	(18,136)	(23,567)
Renewals and replacements.....	(38,654)	(15,844)	(54,498)	(41,762)
Other nonmandatory transfers.....	(2,207)	(4,267)	(6,474)	(4,853)
Refunds to grantors and donors.....	-	(433)	(433)	(531)
Excess (deficiency) of restricted receipts over transfers to revenue.....	-	12,332	12,332	85
Total transfers and other changes.....	676,619	43,002	719,621	661,618
Total increase (decrease) in fund balances.....	6,432	6,219	12,651	37,848
Loss from discontinued operations.....	-	-	-	(9,269)
Net amounts transferred to UMass Memorial Health Care, Inc.....	-	-	-	22,713
Net increase (decrease) after discontinued operations.....	\$ 6,432	\$ 6,219	\$ 12,651	\$ 51,292

See notes to general purpose financial statements.



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Discretely Presented Component Units
Proprietary Fund Type
Combining Balance Sheet

June 30, 1999
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority	Regional Transit Authorities
ASSETS			
Cash and short-term investments.....	\$ 520,997	\$ 15,485	\$ 19,090
Investments.....	-	-	31
Restricted investments.....	130,518	688,452	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	-	-	6,399
Loans.....	-	-	-
Other receivables.....	20,112	9,065	8,484
Due from cities and towns.....	-	-	-
Due from primary government.....	296,123	-	61,047
Inventory.....	41,144	1,158	339
Fixed assets.....	6,063,182	1,474,753	186,719
Other assets.....	106,773	5,501	4,662
Total assets.....	<u>\$ 7,178,849</u>	<u>\$ 2,194,414</u>	<u>\$ 286,771</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable.....	\$ 44,400	\$ 7,647	\$ 14,814
Accrued payroll.....	33,047	1,235	376
Compensated absences.....	-	7,100	718
Due to cities and towns.....	-	-	155
Due to primary government.....	-	-	-
Due to federal government.....	-	-	24
Deferred revenue.....	28,867	2,504	405
Agency liabilities.....	-	-	-
Claims and judgments.....	90,289	-	3,177
Other accrued liabilities.....	72,119	76,594	3,467
Capital lease obligations.....	532,250	-	4,577
Bonds, notes payable and certificates of participation.....	3,552,909	1,723,573	76,882
Total liabilities.....	<u>4,353,881</u>	<u>1,818,653</u>	<u>104,595</u>
Fund equity:			
Contributed capital.....	2,988,060	-	176,929
Retained earnings (deficits):			
Reserved for investment programs.....	-	375,761	-
Reserved for bond retirement.....	-	-	734
Unreserved.....	(163,092)	-	4,513
Fund balance:			
Unreserved.....	-	-	-
Total fund equity.....	<u>2,824,968</u>	<u>375,761</u>	<u>182,176</u>
Total liabilities and fund equity.....	<u>\$ 7,178,849</u>	<u>\$ 2,194,414</u>	<u>\$ 286,771</u>

See notes to general purpose financial statements.

Massachusetts Water Pollution Abatement Trust	Massachusetts Development Finance Agency	Massachusetts Convention Center Authority	Massachusetts Technology Park Corporation	Economic Development Authorities	Total
\$ 259,937	\$ 146,899	\$ 19,740	\$ 44,063	\$ 60,286	\$ 1,086,497
501,075	31,628	-	-	13,773	546,507
-	-	6,136	-	2,394	827,500
-	4,932	-	-	-	4,932
40,418	-	-	-	12,622	59,439
1,144,253	68,786	-	-	163,407	1,376,446
30,239	6,240	512	3,576	2,902	81,130
-	-	-	-	511	511
32,430	-	24,371	60	1,720	415,751
-	-	-	-	191	42,832
-	33,218	203,224	14,968	6,707	7,982,771
4,060	368	1,759	6,676	547	130,346
<u>\$ 2,012,412</u>	<u>\$ 292,071</u>	<u>\$ 255,742</u>	<u>\$ 69,343</u>	<u>\$ 265,060</u>	<u>\$ 12,554,662</u>
\$ -	\$ 4,790	\$ 7,194	\$ 455	\$ 12,383	\$ 91,683
-	-	-	-	1,199	35,857
-	139	-	-	396	8,353
-	-	-	-	-	155
-	14,750	-	-	884	15,634
-	-	-	-	-	24
4,040	2,637	685	6,600	23,587	69,325
-	4,932	-	-	-	4,932
-	-	-	-	-	93,466
74,487	130	32,544	326	9,956	269,623
-	165	-	-	23	537,015
1,082,887	12,972	94,418	-	104,215	6,647,856
<u>1,161,414</u>	<u>40,515</u>	<u>134,841</u>	<u>7,381</u>	<u>152,643</u>	<u>7,773,923</u>
751,972	215,674	112,341	2,665	15,441	4,263,082
-	-	-	1,500	72,652	449,913
-	-	-	-	454	1,188
99,026	35,882	8,560	15,442	23,870	24,201
-	-	-	42,355	-	42,355
850,998	251,556	120,901	61,962	112,417	4,780,739
<u>\$ 2,012,412</u>	<u>\$ 292,071</u>	<u>\$ 255,742</u>	<u>\$ 69,343</u>	<u>\$ 265,060</u>	<u>\$ 12,554,662</u>

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

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority	Regional Transit Authorities
Operating revenues:			
Charges for services.....	\$ 254,394	\$ 177,440	\$ 62,291
Donations.....	-	-	2
Other.....	-	19,718	806
Total operating revenues.....	254,394	197,158	63,099
Operating expenses:			
Cost of services and administration.....	697,648	112,254	127,494
Depreciation.....	220,744	44,423	17,234
Total operating expenses.....	918,392	156,677	144,728
Operating income (loss).....	(663,998)	40,481	(81,629)
Nonoperating revenues (expenses):			
Operating grants.....	12,584	-	11,948
Interest income.....	-	71,377	1,230
Interest expense.....	(190,566)	(103,713)	(3,323)
Other income.....	2,241	-	521
Other expenses.....	(340)	-	(3,721)
Nonoperating revenues (expenses), net.....	(176,081)	(32,336)	6,655
Income (loss) before transfers	(840,079)	8,145	(74,974)
Transfers:			
Transfers out to component units.....	-	-	-
Transfers in from primary government.....	716,286	-	60,183
Transfers out to primary government.....	-	-	-
Total transfers.....	716,286	-	60,183
Net income (loss).....	(123,793)	8,145	(14,791)
Add: Depreciation of fixed assets.....	117,277	-	16,486
Distribution of capital.....	-	-	-
Increase (decrease) in retained earnings.....	(6,516)	8,145	1,695
Retained earnings (deficits) at beginning of year (as restated).....	(156,576)	367,616	3,552
Retained earnings (deficits) at end of year.....	\$ (163,092)	\$ 375,761	\$ 5,247
Contributed capital at beginning of year.....	\$ 2,974,490	\$ -	\$ 147,080
Add: Capital contributions, net.....	130,847	-	46,335
Less: Depreciation of fixed assets	(117,277)	-	(16,486)
Contributed capital at end of year.....	\$ 2,988,060	\$ -	\$ 176,929

See notes to general purpose financial statements.

Massachusetts Water Pollution Abatement Trust	Massachusetts Development Finance Agency	Massachusetts Convention Center Authority	Massachusetts Technology Park Corporation	Economic Development Authorities	Total
\$ -	\$ 8,142	\$ 16,829	\$ -	\$ 13,227	\$ 532,323
-	-	-	-	1,331	1,333
3,727	7,093	170	1,010	10,990	43,514
3,727	15,235	16,999	1,010	25,548	577,170
17,904	23,369	22,953	770	100,648	1,103,040
32	3,458	8,069	665	1,498	296,123
17,936	26,827	31,022	1,435	102,146	1,399,163
(14,209)	(11,592)	(14,023)	(425)	(76,598)	(821,993)
6,197	360	-	-	70,819	101,908
76,742	7,816	706	279	2,758	160,908
(51,581)	(1,206)	(7,609)	-	(6,307)	(364,305)
-	3,760	600	-	3,817	10,939
-	-	(176)	-	(8,550)	(12,787)
31,358	10,730	(6,479)	279	62,537	(103,337)
17,149	(862)	(20,502)	(146)	(14,061)	(925,330)
-	-	-	(697)	-	(697)
9,801	5,995	20,418	-	27,261	839,944
-	-	(4,971)	-	(441)	(5,412)
9,801	5,995	15,447	(697)	26,820	833,835
26,950	5,133	(5,055)	(843)	12,759	(91,495)
-	-	7,380	-	-	141,143
-	-	-	485	-	485
26,950	5,133	2,325	(358)	12,759	50,133
72,076	30,749	6,235	17,300	84,217	425,169
\$ 99,026	\$ 35,882	\$ 8,560	\$ 16,942	\$ 96,976	\$ 475,302
\$ 705,987	\$ 144,880	\$ 94,631	\$ 3,150	\$ 15,000	\$ 4,085,218
45,985	70,794	25,090	(485)	441	319,007
-	-	(7,380)	-	-	(141,143)
\$ 751,972	\$ 215,674	\$ 112,341	\$ 2,665	\$ 15,441	\$ 4,263,082

Discretely Presented Component Units

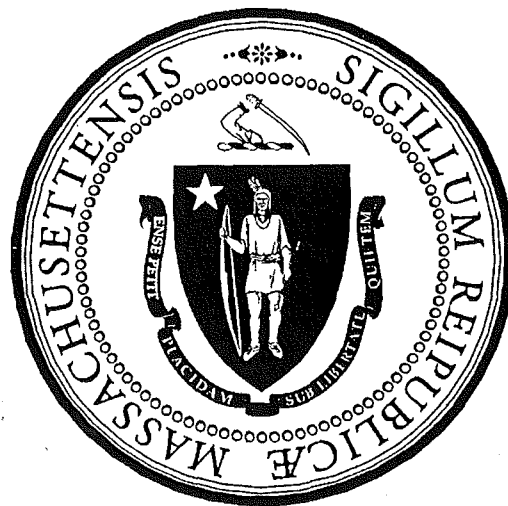
Proprietary Fund Type Combining Statement Of Cash Flows

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Massachusetts Bay Transportation Authority	Massachusetts Turnpike Authority	Regional Transit Authorities
Cash flows from operating activities:			
Operating income (loss).....	\$ (663,998)	\$ 40,481	\$ (81,629)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization.....	220,744	44,423	17,234
Other nonoperating revenues.....	2,241	-	521
Other nonoperating expenses.....	(340)	-	(3,721)
Change in assets and liabilities:			
Due from federal government.....	-	-	2,373
Loans.....	-	-	-
Other receivables.....	25,090	(2,291)	(1,478)
Due from cities and towns.....	-	-	-
Due from primary government.....	(49,610)	-	652
Inventory.....	3,372	190	(97)
Restricted and other assets.....	13,343	624	(1,031)
Accounts payable.....	(338)	(1,748)	915
Accrued payroll.....	3,188	175	140
Compensated absences.....	-	323	8
Deferred revenue.....	(7,031)	(2,374)	230
Claims and judgments.....	9,284	-	(417)
Central artery/tunnel payable.....	-	(600,000)	-
Other accrued liabilities.....	309	24,050	140
Due to cities and towns.....	-	-	10
Due to primary government.....	-	(100,000)	-
Due to federal government.....	-	-	(26)
Total adjustments.....	220,252	(636,628)	15,453
Net cash provided by (used for) operating activities.....	(443,746)	(596,147)	(66,176)
Cash flows from noncapital financing activities:			
Operating grants.....	12,584	-	11,948
Transfers out to component units.....	-	-	-
Transfers in from primary government.....	716,286	-	60,183
Transfers out to primary government.....	-	-	-
Net cash provided by (used for) noncapital financing activities.....	728,870	-	72,131
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets.....	(304,671)	(36,337)	(45,404)
Proceeds from the issuance of bonds and notes.....	891,713	-	71,024
Interest on bonds and notes.....	(190,566)	(103,713)	(3,323)
Capital contributions.....	130,847	-	46,335
Principal payments on bonds and notes.....	(835,101)	-	(72,979)
Payments to refunded bond escrow agent.....	-	6,646	-
Proceeds from sale of equipment.....	-	-	35
Net cash provided by (used for) capital and related financing activities.....	(307,778)	(133,404)	(4,312)
Cash flows from investing activities:			
Purchases of investments.....	(490,038)	(2,890,217)	(31)
Sales and maturities of investments.....	524,027	3,533,672	13
Interest income.....	-	71,377	1,230
Net cash provided by (used for) investing activities.....	33,989	714,832	1,212
Net increase (decrease) in cash and cash equivalents.....	11,335	(14,719)	2,855
Cash and cash equivalents at beginning of year (as restated).....	509,662	30,204	16,235
Cash and cash equivalents at end of year.....	\$ 520,997	\$ 15,485	\$ 19,090

See notes to general purpose financial statements.

Massachusetts Water Pollution Abatement Trust	Massachusetts Development Finance Agency	Massachusetts Convention Center Authority	Massachusetts Technology Park Corporation	Economic Development Authorities	Total
\$ (14,209)	\$ (11,592)	\$ (14,023)	\$ (425)	\$ (76,598)	\$ (821,993)
32	3,458	8,069	665	1,498	296,123
-	3,760	600	-	3,817	10,939
-	-	(176)	-	(8,550)	(12,787)
(40,418)	-	-	-	(652)	(38,697)
(202,401)	(8,502)	-	-	(16,777)	(227,680)
(13,221)	(1,519)	584	(26)	4,214	11,353
-	-	-	-	651	651
-	-	(3,551)	-	540	(51,969)
-	-	-	-	2	3,467
(4,046)	178	(284)	(4)	18	8,798
-	402	3,095	-	(1,039)	1,287
-	-	-	-	(84)	3,419
-	47	-	-	(78)	300
3,830	1,113	(194)	205	967	(3,254)
-	-	-	-	-	8,867
-	-	-	-	-	(600,000)
35,653	130	4,526	(787)	1,938	65,959
-	-	-	-	-	10
-	11,000	-	-	884	(88,116)
-	-	-	-	-	(26)
(220,571)	10,067	12,669	53	(12,651)	(611,356)
(234,780)	(1,525)	(1,354)	(372)	(89,249)	(1,433,349)
6,197	360	-	-	70,819	101,908
-	-	-	(697)	-	(697)
9,801	5,995	20,418	-	27,261	839,944
-	-	(4,971)	-	(441)	(5,412)
15,998	6,355	15,447	(697)	97,639	935,743
(15)	(10,095)	(11,857)	(76)	(2,460)	(410,915)
410,747	2,849	-	-	19,472	1,395,805
(51,581)	(1,206)	(7,609)	-	(6,307)	(364,305)
45,985	70,794	25,090	(485)	441	319,007
(153,235)	(1,953)	(21,336)	(2,700)	(10,982)	(1,098,286)
-	-	-	-	-	6,646
-	3,949	-	-	2	3,986
251,901	64,338	(15,712)	(3,261)	166	(148,062)
(260,648)	(31,101)	(20,854)	-	(3,768)	(3,696,657)
151,192	26,287	25,364	-	3,691	4,264,246
76,742	7,816	706	279	2,758	160,908
(32,714)	3,002	5,216	279	2,681	728,497
405	72,170	3,597	(4,051)	11,237	82,829
259,532	74,729	16,143	7,365	49,049	962,919
\$ 259,937	\$ 146,899	\$ 19,740	\$ 3,314	\$ 60,286	\$ 1,045,748



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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 county governments and 351 cities and towns exercising the functions of local governments. During fiscal year 1999, two counties were abolished and absorbed by the Commonwealth. In fiscal year 2000, one county and two County Registry of Deeds will be abolished and absorbed by the state government.

For financial reporting purposes, the Commonwealth 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 34 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:

- (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 the Pension Trust Funds. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board.

In addition, the following entities are blended into the discretely presented university and college and fund type:

- (2) 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.
- (3) 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.
- (4) The University of Massachusetts Foundation, Inc. fosters and promotes the growth, progress and general welfare of the University of Massachusetts. It is governed by a twenty-seven member board of directors nominated by the President of the University of Massachusetts and approved by the board. The President, the five campuses' Chancellors and the Treasurer of the University are ex-officio members.
- (5) The Worcester City Campus Corporation, doing business as UMass Health System including Worcester Foundation for Biomedical Research, Inc. a subsidiary, is a not-for-profit organization founded for the purpose of fostering and promoting growth, progress and the general welfare of the University. The University of Massachusetts acting through its Board of Trustees is the sole corporate member of the UMass Health System, which is governed by a nine-member board of directors.
- (6) The University of Massachusetts Dartmouth Foundation, Inc. incorporated as a charitable corporation, under Massachusetts General Laws, whose primary purpose is to render financial assistance to educational programs of the University. It is governed by a twenty-five member board nominated and appointed by the board.

During fiscal year 1998 certain activities of the Clinical Service Division of the University of Massachusetts (which is comprised of the University of Massachusetts Medical School Teaching Hospital Trust Fund, University of Massachusetts Medical School – Group Practice Plan, and the University of Massachusetts Medical Center Self Insurance Trust) and UMass Health Systems were contributed to and merged with and into a Massachusetts not-for-profit corporation named UMass-Memorial Health Care, Inc. UMass-Memorial Health Care, Inc. is not a component unit of the University of Massachusetts or the Commonwealth.

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 of which six are 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 the Massachusetts Turnpike and the Sumner - Callahan - Williams Tunnels. The MTA is governed by three members each appointed by the Governor. The Commonwealth guarantees debt of the MTA. The MTA is legally required to use the calendar year for their fiscal reporting cycle.
- (3) The Regional Transit Authorities (RTAs) provide 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 a RTA can issue bonded debt. In addition, the Commonwealth subsidizes a minimum of 50% of the net cost of service for the RTAs. 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 of the Executive Office for Administration and Finance.
- (5) The Massachusetts Convention Center Authority (MCCA) manages the operation of the John B. Hynes Veterans Memorial Convention Center, the Boston Common Parking Garage and the Springfield Convention Center. The MCCA also manages Springfield Symphony Hall. The MCCA is governed by a thirteen-member board of directors, which includes nine members appointed by the Governor. The Commonwealth provides grants to fund annual debt service of the bonds issued and subsidies to fund annual operating deficits.
- (6) The Massachusetts Development Finance Agency (MDFA) aids public and private agencies in the conversion and redevelopment of surplus Commonwealth and federal property, as well as blighted, decadent or substandard property for the purpose of stimulating economic development and to provide housing to low and moderate income persons. The MDFA is governed by a board of directors comprised of eleven members including the Commissioner of Administration, the Secretary of Communities and Development and nine appointments made by the Governor. The MDFA is authorized to issue up to \$50,000,000 of general obligation bonds and the Commonwealth also provides subsidy assistance. The MDFA also requires Commonwealth approval to issue bonded debt. On September 30, 1998 the Government Land Bank merged with The Massachusetts Industrial Finance Agency, a related organization, to create Massachusetts Development Finance Agency.

- (7) The Massachusetts Technology Park Corporation (MTPC) manages the expansion of industrial and commercial activity and employment opportunities in the Commonwealth which support firms to maintain, expand and locate their business activities within the Commonwealth and thereby create and retain increased and more rewarding employment opportunities for citizens of the Commonwealth. MTPC also manages a segregated trust fund. The purpose of the trust fund is to generate the maximum economic and environmental benefits over time from renewable energy to the ratepayers of the Commonwealth by promoting the increased availability, use, and affordability of renewable energy and related enterprises, institutions, and projects.

MTPC is governed by a board of directors comprised of twenty-three members including the Secretary of Economic Affairs, the Secretary of Administration and Finance, the Chancellor of the Board of Regents and twenty appointments made by the governor. The Commonwealth provides funds to MTPC to support economic development programs administered by the Organization.

In fiscal year 1999, the MTPC changed to the use of governmental funds as its primary funds due to the recognition of change in its funding sources.

Economic Development Authorities –

- (8) 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 Economic Development, Secretary of Communities and Development, the Secretary for Administration and Finance and six appointments made by the Governor. The Commonwealth owns all of the common stock of the corporation.
- (9) Corporation for Business, Work and Learning (CBWL) provides services that promote business modernization, economic growth and opportunities for gainful and fulfilling employment. CBWL is governed by a nineteen-member board of Directors, which includes the Director of Economic Development and the Director of the Department of Labor and Workforce development. The entity is funded with Commonwealth grants.

- (10) The Massachusetts International Trade Council, Inc. (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 two-member board.

- (11) 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 nine-member board of directors. The Commonwealth can impose its will on the entity as the Commonwealth approves the loans issued by CEDAC, therefore, controlling the level of services, projects, and activities the entity provides.

- (12) 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 eighteen members of which twelve are appointed by the Governor. The Corporation receives grants from the Commonwealth to fund its programs.

- (13) 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, one member is the Secretary for Administration and Finance and one is the Secretary of Communities and Development. The Commonwealth provides funding to MHP.

- (14) The Commonwealth Zoological Corporation, doing business as Zoo New England, manages Franklin Park Zoo and the Walter D. Stone Memorial Zoo. The Corporation's eleven-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 columns of

the general purpose financial statements.

The following component units were audited by Deloitte & Touche LLP:

Discretely Presented:

Massachusetts Technology Park Corporation
75 North Drive
Westborough, MA 01581

The following discretely presented component units were audited by auditors other than Deloitte & Touche LLP:

Berkshire Regional Transit Authority
67 Downing Industrial Park
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 2006
Dennis, MA 02638

Community Economic Development
Assistance Corporation
18 Tremont Street
Suite 1020
Boston, MA 02108

Commonwealth Zoological Corporation
1 Franklin Park
Boston, MA 02121

Corporation for Business, Work and Learning
The Schrafft Center
529 Main Street
Boston, MA 02129

Franklin Regional Transit Authority
474 Main Street
Greenfield, MA 01301

Greater Attleboro/Taunton Regional Authority
7 Mill Street
Attleboro, MA 02703

Greenfield-Montague Transportation Area
382 Deerfield Street
Greenfield, MA 01301

Lowell Regional Transit Authority
145 Thorndike Street
Lowell, MA 01852

Martha's Vineyard Transit Authority
P. O. Box 5099
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 Convention Center Authority
900 Boylston Street
Boston, MA 02115

Massachusetts Development Finance Agency
75 Federal Street
Boston, MA 02110

Massachusetts Housing Partnership
2 Oliver Street
Boston, MA 02109

Massachusetts International Trade Council, Inc.
10 Park Plaza, Suite 3720
Boston, MA 02116

Massachusetts Turnpike Authority
Ten Park Plaza, Suite 4160
Boston, MA 02116

Massachusetts Water Pollution Abatement Trust
C/O Office of the State Treasurer
One Ashburton Place, 12th Floor
Boston, MA 02108

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 Broad Street
Nantucket, MA 02554

Pioneer Valley Transit Authority
2808 Main Street
Springfield, MA 01107

Southeastern Regional Transit Authority
25 North Sixth Avenue
New Bedford, MA 02740

Worcester Regional Transit Authority
287 Grove Street
Worcester, MA 01602

The following blended component units have been audited by firms other than Deloitte & Touche LLP:

Included in the Pension Trust Funds:

Pension Reserve Investment Trust Fund
125 Summer Street, 10th Floor
Boston, MA 02110

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 Building Authority
100 Venture Way, 2nd Floor
Hadley, MA 01035

University of Massachusetts Dartmouth
Foundation, Inc.
Old Westport Road
North Dartmouth, MA 02747

University of Massachusetts Foundation, Inc.
One Beacon Street, 26th Floor
Boston, MA 02108

Worcester City Campus Corporation (UMASS Health System)
University of Massachusetts Worcester
55 Lake Avenue North
Worcester, MA 01655

The following institutions of higher education were audited by firms other than Deloitte & Touche LLP:

Berkshire Community College
1350 West Street
Pittsfield, MA 01201

Bridgewater State College
131 Grove Street
Bridgewater, MA 02324

Bristol Community College
777 Elsbree Street
Fall River, MA 02720

Bunker Hill Community College
New Rutherford Avenue
Charlestown, MA 02129

Cape Cod Community College
2240 Iyanough Road
West Barnstable, MA 02668

Fitchburg State College
160 Pearl Street
Fitchburg, MA 01420

Framingham State College
100 State Street
Framingham, MA 01701

Greenfield Community College
One College Drive
Greenfield, MA 01301

Holyoke Community College
303 Homestead Avenue
Holyoke, MA 01040

Massachusetts Bay Community College
50 Oakland Avenue
Wellesley, MA 02181

Massachusetts College of Art
621 Huntington Avenue
Boston, MA 02115

Massachusetts College of Liberal Arts
375 Church Street,
North Adams, MA 01247

Massachusetts Maritime Academy
101 Academy Drive
Buzzards Bay, MA 02532

Massasoit Community College
One Massasoit Boulevard
Brockton, MA 02402

Middlesex Community College
33 Kearney Square
Lowell, MA 01852

Massachusetts State College Building Authority
75 Park Plaza, P.O. Box 5
Boston, MA 02116

Mount Wachusett Community College
444 Green Street
Gardner, MA 01440

North Shore Community College
One Ferncroft Road
Danvers, MA 01923

Northern Essex Community College
100 Elliot Street
Haverhill, MA 01830

Quinsigamond Community College
670 West Boylston Street
Worcester, MA 01606

Salem State College
352 Lafayette Street
Salem, MA 01970

Springfield Technical Community College
One Armory Square, P. O. Box 9000
Springfield, MA 01101

University of Massachusetts
100 Venture Way, 2nd Floor
Hadley, MA 01035

Westfield State College
577 Western Avenue
Westfield, MA 01086

Worcester State College
486 Chandler Street
Worcester, MA 01602

The following institution of higher education did not have an audit performed:

Roxbury Community College

The following External Investment Trust was audited by a firm other than Deloitte & Touche, LLP:

Massachusetts Municipal Depository Trust
Office of the State Treasurer
One Ashburton Place, 12th Floor
Boston, MA 02108

The following Expendable Trust was audited by Deloitte & Touche, LLP:

Commonwealth of Massachusetts Deferred Compensation Plan
C/O Office of the State Treasurer
One Ashburton Place, 12th Floor
Boston, MA 02108

The following are "related organizations" under GASB No. 14, "The Financial Reporting Entity": Massachusetts Port Authority, Massachusetts Housing Finance Agency, Massachusetts Health and Educational Facilities Authority and Massachusetts Technology Development Corporation. The Commonwealth is responsible for appointing a voting majority of the members of each entity's board, but the Commonwealth's accountability does not extend beyond the appointments.

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 special obligation bonds and federal reimbursements.

Proprietary Funds – include 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.

External Investment Trust Fund accounts for the portion of pooled cash held under the custodianship of the Commonwealth for the benefit of cities, towns and other political subdivisions of the Commonwealth.

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 and capital leases 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, school construction grants, capital leases, compensated absences, and other long-term obligations, excluding the liabilities of the University and College Fund, the discretely presented Component Units and the Proprietary 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. In addition, the discretely presented component unit MTPC is accounted for on the current financial resources and 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, External Investment Trust and Pension Trust Funds and discretely presented Component Units, except for MTPC governmental activities, 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 foundations.

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, but 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. Amounts due from certain political subdivisions of the Commonwealth are recognized when considered measurable and available at year end. Deeds excise taxes are recognized at the time of collection by the counties and the Commonwealth.

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. All encumbrances that do not relate to specific payables lapse at year end.

The Commonwealth has separately published its audited "Statutory Basis Financial Report" for the fiscal year June 30, 1999, dated October 21, 1999.

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 or amortized cost, which approximates fair value. 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. Investments are carried at fair value.

The Pension Trust Funds, with investments totaling approximately \$26,884,071,000, 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, 1999, the estimated fair values, determined by management with input from the investment managers, of these real estate and alternative investments were approximately \$2,481,029,000 in the Pension Trust Funds, representing 6.4% of the total assets of the Fiduciary Fund Type.

The Commonwealth maintains a short-term investment pool established by the State Treasurer on June 8, 1977 through a Declaration of Trust. The investments are carried at amortized cost, which approximates fair value. The primary government's and component unit's share are reported as short-term investments within their respective reporting categories. The various local governments and other political subdivisions share of approximately \$2,100,546,000 is reported as an External Investment Trust within the Fiduciary Fund Type. The June 30, 1998 share of approximately \$1,622,056,000 was reported as a short-term investment and an agency fund liability. The change in presentation is considered a change in reporting to more clearly reflect the Trust's fiduciary responsibilities for these external pool amounts.

Included in the discretely presented Component Units is approximately \$9,487,000 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 fair value. Annuity contracts represent guaranteed investment contracts and are carried at present value. Investments of the Commonwealth's Employees Deferred Compensation Plan are carried at fair 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,

1999, the market value of the securities on loan from PRIT was approximately \$1,292,000,000. The value of the collateral held by PRIT amounted to approximately \$1,394,000,000 at June 30, 1999. The PRIT trust securities on loan were collateralized at all times by U.S. Treasury securities of at least 100% of the value of the loaned securities. The collateral securities cannot be pledged or sold by PRIT unless the borrower defaults. The securities lending agents indemnify PRIT in the event that the agents fail to return the securities lent or if the collateral is inadequate to replace the securities lent. PRIT does not believe it has credit risk exposure to the borrower because the amounts PRIT owes the borrower exceeds the amounts the borrower owes PRIT. The securities on loan are included in investments at fair value as of June 30, 1999 in the combined balance sheet.

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 for the benefit of 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. 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 except land associated with infrastructure. 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 Foundation, Inc. and the University of Massachusetts Dartmouth Foundation, Inc. fixed assets, which are depreciated 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 - 60 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 and worker's compensation activity are accounted for through the Internal Service Funds.

l. School Construction Grants Payable -

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, 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 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 and principal-only and interest-only treasury strips in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the Agency 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 employee's workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees. The Internal Service Funds account for workers' compensation and group insurance risk financing activities.

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" – identifies the amount set aside according to Section 6 of Chapter 29B of the General Laws and an amount set aside in the Tax Exemption Escrow Trust Fund to fund the Fiscal Year 1998 portion of permanent tax reductions authorized by Chapter 175 of the Acts of 1998. 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 General Laws.

"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 deferred compensation" – identifies amounts held for employees payment of deferred compensation in accordance with Internal Revenue Service Code Section 457.

"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 Special Obligation Revenue Bonds authorized under Section 20 of Chapter 29 of the Massachusetts General Laws and Chapter 33, Acts of 1991 and Grant Anticipation Notes authorized by Chapter 11 of the Acts of 1997 and Chapter 121 of the Acts of 1998.

"Reserved for nonexpendable trusts" – identifies amounts being held by the Commonwealth on behalf of third parties for which only the interest can be expended.

"Reserved for capital projects" – identifies amounts reserved for capital projects.

"Reserved for investment pool participants" – accounts for assets held for governmental entities and other local governmental and political subdivisions, in an external investment trust.

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 does not present consolidated financial position, results of operations or cash flows. Interfund elimination's have not been made in the aggregation of this data.

r. Reclassifications –

For the fiscal year ended June 30, 1999, certain reclassifications have been made to the 1998 balances to conform to the presentation used in 1999. Certain amounts in the separately issued Component Units financial statements has been reclassified to conform to the accounting classifications used by the Commonwealth.

s. Change in Reporting –

The Commonwealth maintains a short-term investment pool (Trust) established by the State Treasurer on June 8, 1977 through a Declaration of Trust. The investments are carried at amortized cost, which approximates fair value, and are reported by the primary government and component units as short-term investments within their reporting categories. Investments of approximately \$2,112,250,000 belonging to various local governments and other political subdivisions of the Commonwealth are reported as an External Investment Trust within the Fiduciary Fund Type at June 30, 1999. Prior to June 30, 1999, such amounts were reported as an agency fund liability. Beginning fund balance of the External Investment Trust has been restated by approximately \$1,622,056,000 to reflect this change. This change in was made to reflect the Trust's fiduciary responsibilities for these external pool amounts.

In addition, the Commonwealth maintains investments in the Pension Reserve Investment Trust (PRIT) on behalf of retirement systems of cities, towns and other political subdivisions of the Commonwealth. Investments of approximately \$839,418,000 at June 30 1999 belonging to the retirements systems of these local governments and other political subdivisions is reported as part of the pension trust funds of the Commonwealth within the Fiduciary Fund Type and represent less than 3% of the total assets held by PRIT. Prior to June 30, 1999, such amounts were reported as an agency fund liability. Beginning fund balances of the Pension Trust Funds has been restated by \$738,709,000 to reflect this change. The change in reporting was made to better the Commonwealth's fiduciary responsibilities for these pension funds

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.

In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotment of appropriated funds which effectively reduce the account's expenditure budget.

The majority of the Commonwealth's appropriations are noncontinuing 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. The allocation of fringe benefits and other costs which are mandated by state finance law are not itemized in the appropriations process or separately budgeted.

The original fiscal year 1999 appropriations act was Chapter 194, Acts of 1998. This appropriation act authorized \$18,717,021,000 in direct appropriations. In addition, the act contained \$810,540,000 in authorizations to retain and expend certain non-tax revenues of which \$800,120,000 were estimated to be collected and expended, plus \$106,849,000 of interagency chargebacks. Chapter 194 included estimates of \$13,870,500,000 in tax revenues and approximately \$5,644,200,000 in non-tax revenues. With these revenues (exclusive of chargebacks) projected to total approximately \$19,514,700,000 and with unreserved balances of approximately \$378,527,000 carried forward from the fiscal year 1998, the budget as presented in this original appropriation act was considered to be in balance.

During fiscal year 1999, the Legislature also passed and the Governor signed, with some modification through veto, Chapters 319, 386, 399, 481 and 482 of the Acts of 1998, and Chapters 10, 20, 22 and 26 of the Acts of 1999, which included numerous supplemental budgetary appropriations. These supplements added \$954,000 in direct appropriations and \$207,319,000 in additional retained revenue authorizations and \$2,192,000 in additional interagency chargebacks.

Subsequent to June 30, 1999 the Legislature passed and the Governor signed Chapters 55 as amended and 68 of the Acts of 1999 which included \$95,703,000 in additional supplemental appropriations, \$605,720,000 in additional retained revenue authorizations. The cumulative fiscal year 1999 appropriations, retained revenues, and interagency chargebacks totaled

approximately \$20,546,299,000. Appropriations continued from fiscal year 1998 totaled approximately \$260,289,000 and certain interfund transfers directed by statute totaled approximately \$1,111,042,000.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a discrepancy to separately published budget documents. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

Generally, expenditures may not exceed the level of spending authorized for an appropriation account. However, the Commonwealth is statutorily required to pay debt service, regardless of whether such amounts are appropriated. 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.

Line item appropriations are enacted for the General Fund and certain Special Revenue Fund activities. For these funds, a Combined Schedule 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 include the Highway, Local Aid, Commonwealth Stabilization Administrative Control, Environmental, and Other budgeted funds.

The Office of the Comptroller (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 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 Special Revenue funds presented in the financial statements is as follows (amounts in thousands):

	General Fund	Special Revenue
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (Statutory basis).....	\$ 1,044,531	\$ (1,124,196)
Entity differences:		
Excess of revenues and other financing sources over expenditures and other financing uses for Non-budgeted Special Revenue Funds.....	-	362,216
Perspective differences:		
Certain activities treated as Special Revenue Funds for statutory purposes are accounted for in the General Fund for GAAP.....	(42,827)	42,827
Basis of accounting differences:		
Net change in taxes receivable.....	17,515	22,194
Net change in due from federal government.....	(17,359)	228
Net change in other receivables and other assets.....	290,451	2,419
Net change in tax refunds and abatements payable.....	(9,974)	(8,244)
Net change in accounts payable and other liabilities.....	(327,958)	(26,097)
Excess change of revenues and other financing sources over expenditures and other financing uses (GAAP basis).....	\$ 954,379	\$ (728,653)

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, 1999, the carrying amount of the Primary Government's total cash and cash equivalents was \$670,138,000 and the corresponding bank balance was \$689,130,000. Bank deposits in the amount of \$6,398,000 were insured by the Federal Deposit Insurance Corporation, \$100,241,000 were collateralized in the name of the Commonwealth and \$582,491,000 were uninsured and uncollateralized.

Component Units -

As of June 30, 1999, the carrying amount of the discretely presented Component Unit's total cash and cash equivalents was \$791,937,000 and the corresponding bank balances were \$793,903,000. Bank deposits of \$145,882,000 were insured by the Federal Deposit Insurance Corporation, \$11,562,000 were collateralized in the name of the respective component units, and \$636,459,000 were uninsured and uncollateralized.

Investments – The investments are reported at fair value in the financial statements. 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 & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure. 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, 1999, are as follows (amounts in thousands):

	Category 1	Category 2	Category 3	Total
<u>Investment</u>				
Repurchase agreements.....	\$ 1,288,522	\$ 1,075	\$ 907	\$ 1,290,504
U.S. Treasury obligations.....	1,703,869	5,660	97,493	1,807,022
Commercial paper.....	3,332,551	-	359	3,332,910
Government obligations.....	2,090,111	22,171	10,988	2,123,270
Equity securities.....	18,238,459	478	28,341	18,267,278
Fixed income securities.....	3,643,587	-	204,824	3,848,411
Asset backed investments.....	8,308	-	500	8,808
Notes.....	207,156	-	-	207,156
Other.....	-	4,438	2,709	7,147
	<u>\$ 30,512,563</u>	<u>\$ 33,822</u>	<u>\$ 346,121</u>	<u>30,892,506</u>
Money market investments.....				544,370
Mutual fund investments.....				39,139
Annuity contracts.....				1,415,716
Eurodollar contracts.....				5,556
Real estate.....				1,314,345
Assets held in trust.....				1,965,432
Deposits with U.S. Treasury.....				1,884,073
Certificates of Deposits.....				39,113
Other.....				1,174,034
Total.....				<u>\$ 39,274,284</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.....	\$ 39,274,284
Less:	
Short-term investments reported in the combined balance sheet as cash and short-term investments.....	6,351,043
Restricted investments reported separately in the combined balance sheet.....	282,287
Assets held in trust reported separately in the combined balance sheet.....	1,965,432
Annuity contracts reported separately in the combined balance sheet.....	1,415,716
Deposits reported separately in the combined balance sheet.....	1,929,634
Investments as reported on the combined balance sheet.....	<u>\$ 27,330,172</u>

Following is a reconciliation of the balance of cash and short-term investments at June 30, 1999 (amounts in thousands):

Carrying amount of cash and cash equivalents.....	\$ 670,138
Cash with fiscal agent.....	(75,165)
Short-term investments.....	<u>6,351,043</u>
Cash and short-term investments as reported on the combined balance sheet.....	<u>\$ 6,946,016</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.

i) 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.

The contract is marked-to-market daily and the change in market value is recorded by the fund as an unrealized gain or loss by the Pension Trust Fund.

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. The maximum potential loss from such contract is the aggregate face value in U.S. dollars at the time the contract was opened.

ii) Futures 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 the minimum “initial margin” requirements of the futures.

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 may not be able to close out its

futures positions due to a nonliquid 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 nonhedging 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, 1999 for the Pension Trust Funds amount to approximately \$159,322,000 with unrealized gain of approximately \$587,000.

iii) Options – PRIT is 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, 1999, there were no material options outstanding.

Component Units – Investments of the discretely presented Component Units at June 30, 1999 are as follows (amounts in thousands):

	Category 1	Category 2	Category 3	Total
Investment				
Repurchase agreements.....	\$ 20,656	\$ 15,000	\$ 3,883	\$ 39,539
U.S. Treasury obligations.....	2,393	-	514	2,907
Commercial paper.....	238,580	39,929	-	278,509
Government obligations.....	122,786	413,504	22,614	558,904
Equity securities.....	-	-	1,654	1,654
Notes.....	14,830	-	4,891	19,721
Other.....	-	161,333	13,885	175,218
	<u>\$ 399,245</u>	<u>\$ 629,766</u>	<u>\$ 47,441</u>	<u>1,076,452</u>
Mutual fund investments.....				380
Assets held in trust.....				4,932
Guaranteed investment contracts.....				583,300
Certificate of deposits.....				8,435
Total.....				<u>\$ 1,673,499</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.....	\$ 1,673,499
Less:	
Short-term investments reported in the combined balance sheet as cash and short-term investments.....	294,560
Restricted investments reported separately in the combined balance sheet.....	827,500
Deferred compensation plan mutual funds reported separately in the combined balance sheet.....	-
Assets held in trust reported separately in the combined balance sheet.....	4,932
Investments as reported in the combined balance sheet....	<u>\$ 546,507</u>

Following is a reconciliation of the balance of cash and short-term investments at June 30, 1999 (amounts in thousands):

Carrying amount of cash and cash equivalents.....	\$ 791,937
Short-term investments reported as investments for GASB 3 disclosure purposes but reported in the combined balance sheet as cash and short-term investments.....	294,560
Cash and short-term investments as reported in the combined balance sheet.....	<u>\$ 1,086,497</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.....	\$ 1,207,454	\$ 451,535	\$ -	\$ 679,485	\$ (786,358)	\$ 1,552,116
Special Revenue Funds.....	853,507	451,477	-	157,410	(170,562)	1,291,832
Capital Projects Funds.....	-	575	-	126	(39)	662
Trust and Agency Funds...	298,025	3,284	5,005	990,206	(630,340)	666,180
University and College Fund.....	-	19,112	57,640	249,980	(39,155)	287,577
Subtotal.....	2,358,986	925,983	62,645	2,077,207	<u>\$(1,626,454)</u>	3,798,367
Less allowance for uncollectibles	(444,254)	(5,611)	(7,376)	(1,169,213)		
Net receivable.....	<u>\$ 1,914,732</u>	<u>\$ 920,372</u>	<u>\$ 55,269</u>	<u>\$ 907,994</u>		<u>\$ 3,798,367</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.....	\$ -	\$ -	\$ 20,112	\$ -	\$ 20,112
MTA.....	-	-	9,065	-	9,065
Regional Transit Authorities.....	6,399	-	8,520	(36)	14,883
MWPAT.....	40,418	1,144,253	30,239	-	1,214,910
MDFA.....	-	80,656	6,240	(11,870)	75,026
MCCA.....	-	-	563	(51)	512
MTPC.....	-	-	3,576	-	3,576
Economic Development.....	12,622	166,865	2,902	(3,458)	178,931
Subtotal.....	59,439	1,391,774	81,217	<u>\$(15,415)</u>	1,517,015
Less allowance for uncollectibles ...	-	(15,328)	(87)		
Net receivable.....	<u>\$ 59,439</u>	<u>\$ 1,376,446</u>	<u>\$ 81,130</u>		<u>\$ 1,517,015</u>

5. RECEIVABLES AND PAYABLES BETWEEN FUNDS AND COMPONENT UNITS

Receivables and payables between funds and component units reflected as due to/from primary government/component units in the combined balance sheet at June 30, 1999 are summarized as follows (amounts in thousands):

Primary Government:

	Due from	Due to
General Fund:		
Special Revenue Funds:		
Federal Grants.....	\$ 42,414	\$ -
Highway.....	188,880	-
Local Aid.....	2,375,075	-
Environmental.....	28,157	-
Capital Projects Funds:		
General.....	-	107,816
Capital Investment Trust.....	-	59,215
Boston Convention and Exhibition.....	19,000	-
Capital Improvement & Investment Trust.....	-	168,926
Capital Expenditure Reserve.....	-	315,135
Highway.....	201,924	-
Federal Highway.....	-	92,830
Local Aid.....	11,436	-
Other.....	14,010	-
Trust and Agency Funds:		
Pension Trust.....	1,672	-
University and College Fund:		
Current - Unrestricted.....	4,803	-
Subtotal.....	2,887,371	743,922
Special Revenue Funds:		
General Fund.....	-	2,634,526
Special Revenue Funds:		
Highway.....	-	140
Capital Projects Funds:		
Federal Highway Construction.....	-	78,425
Other.....	140	-
Subtotal.....	140	2,713,091
Capital Projects Funds:		
General Fund.....	743,922	246,370
Special Revenue Funds:		
Other.....	78,425	-
Subtotal.....	822,347	246,370
Internal Service Funds:		
University and College Funds:		
Current - unrestricted.....	24,186	-
Subtotal.....	24,186	-
Fiduciary Funds:		
General Fund.....	-	1,672
Subtotal.....	-	1,672
University and College Fund:		
General Fund.....	-	4,803
Internal Services Funds:		
Employees Workers' Compensation.....	-	24,186
University and College Fund:		
Current - unrestricted.....	64,871	36,085
Current - restricted.....	119	38,554
Loan.....	161	-
Endowment.....	15,637	7,168
Plant.....	1,019	-
Subtotal.....	81,807	110,796
Total Primary Government.....	\$ 3,815,851	\$ 3,815,851

Component Units:

	Due from	Due to
General Fund:		
MBTA.....	\$ -	\$ 9,774
RTAs.....	-	35,536
MCCA.....	-	24,371
MDFA.....	14,750	-
Economic Development Authorities.....	884	1,280
Subtotal.....	15,634	70,961
Special Revenue Funds:		
MBTA.....	-	286,349
RTAs.....	-	25,511
Subtotal.....	-	311,860
Capital Projects Funds:		
Economic Development Authorities.....	-	500
Subtotal.....	-	500
Agency Funds:		
MWPAT.....	-	32,430
Subtotal.....	-	32,430
Subtotal - Primary Government.....	15,634	415,751
MBTA:		
General Fund.....	9,774	-
Special Revenue Funds:		
Highway.....	95,450	-
Local Aid.....	190,899	-
Subtotal.....	296,123	-
RTAs:		
General Fund.....	35,536	-
Special Revenue Funds:		
Highway.....	8,504	-
Local Aid.....	17,007	-
Subtotal.....	61,047	-
MWPAT:		
Agency Fund.....	32,430	-
Subtotal.....	32,430	-
MDFA:		
General Fund.....	-	14,750
Subtotal.....	-	14,750
MCCA:		
General Fund.....	24,371	-
Subtotal.....	24,371	-
MTPC:		
General Fund.....	60	-
Subtotal.....	60	-
Economic Development Authorities:		
General Fund.....	1,220	884
Capital Projects Funds:		
General.....	500	-
Subtotal.....	1,720	884
Subtotal Component Units.....	415,751	15,634
Total Component Units.....	\$ 431,385	\$ 431,385

6. FIXED ASSETS**Primary Government-**

General Fixed Asset Account Group – Changes in general fixed assets by category at June 30, 1999 are as follows (amounts in thousands):

	Balance at July 1, 1998	Additions	Retirements	Balance at June 30, 1999
Land.....	\$ 542,611	\$ 16,512	\$ 1	\$ 559,122
Buildings.....	2,402,156	152,902	11	2,555,047
Machinery and equipment.....	578,898	61,334	10,581	629,651
Construction in progress.....	150,062	38,000	108,204	79,858
Total.....	<u>\$3,673,727</u>	<u>\$ 268,748</u>	<u>\$ 118,797</u>	<u>\$ 3,823,678</u>

University and College Fund Type – Fixed assets consist of the following at June 30, 1999 (amounts in thousands):

	Amount
Land.....	\$ 47,511
Buildings.....	1,849,978
Machinery and equipment.....	618,070
Construction in progress.....	19,293
	<u>2,534,852</u>
Less accumulated depreciation.....	(3,215)
Total.....	<u>\$ 2,531,637</u>

Component Units – Fixed assets consist of the following at June 30, 1999 (amounts in thousands):

	Amount
Land and improvements.....	\$ 356,181
Infrastructure.....	1,355,357
Structures and improvements.....	6,482,071
Equipment, furniture, fixtures and vehicles...	1,976,485
Total.....	10,170,094
Less accumulated depreciation.....	(2,708,900)
Net fixed assets.....	7,461,194
Construction in progress.....	521,577
Total.....	<u>\$ 7,982,771</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 – The Commonwealth is authorized by General Laws to issue 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. There were no such notes outstanding at June 30, 1999.

The balance of revenue anticipation notes (RANs) fluctuates during the fiscal year but must be reduced to zero at June 30. During fiscal year 1999, there were no RANs issued or outstanding.

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. During fiscal year 1999, there were no BANs issued or outstanding.

Letter-of-Credit Agreements – During fiscal year 1999, 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 fiscal year ended 1999, or subsequent thereto. One \$200,000,000 letter of credit expired on September 1, 1998. The remaining agreements expire on October 31, 2000. The average costs are approximately .09 % on both unutilized and utilized amounts.

Line-of-Credit Agreement – During fiscal year 1999, the Commonwealth did not maintain any line-of-credit agreements to provide liquidity support for commercial paper notes. On September 28, 1999, the Commonwealth entered into line-of-credit agreements with two banks to provide a total of \$400,000,000 in liquidity support for the state's commercial paper program. These agreements

expire in September of 2001 and 2002, respectively. The costs of these facilities average approximately .08% on unutilized amounts and .095 % on utilized amounts.

Component Units -

MBTA short-term notes payable outstanding at June 30, 1999 totaled \$325,000,000. Of this amount, \$160,000,000 is due September 3, 1999 with an interest rate of 4.25% and \$165,000,000 will mature on February 25, 2000 with an interest rate of 3.50%.

The MBTA also issued commercial paper to act as financing for capital expenditures. At June 30, 1999, \$86,100,000 of this commercial paper was outstanding.

Subsequent to June 30, 1999, the MBTA issued \$160,000,000 of notes carrying an interest rate of 4.25%. The notes mature on September 1, 2000.

The RTAs had \$70,995,000 short-term notes payable outstanding at June 30, 1999. All notes mature during fiscal year 1999 and have interest rates ranging from 3.42% to 4.95%.

Subsequent to June 30, 1999, the RTAs rolled over \$41,023,000 of revenue anticipation notes with interest rates ranging from 3.63% to 4.00% due in fiscal year 2000.

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. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the Commonwealth may give, loan or pledge its credit by a two-thirds vote of the members of each house of the Legislature present and voting thereon, but such credit may not in any manner be given or loaned in aid of any individual, private association, or corporation which is privately owned or managed.

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, 1999, the Commonwealth had three types of long-term debt outstanding: general obligation bonds, special obligation bonds and grant anticipation notes.

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.

Some Commonwealth general obligation debt is issued as college opportunity bonds (COBs) as authorized by the Massachusetts General Laws. Such bonds were issued in fiscal year 1996, 1997, 1998 and 1999 in initial amounts totaling approximately \$82,578,000, with maturities ranging from 2000 through 2018. COBs have an accreting interest component payable at maturity. The annual accretion rate of each COB's maturity is a variable rate equal to the change in annual Consumer Price Index (CPI) plus 2.0%. Assuming the CPI averages 3.5% during the life of the outstanding COBs the payments due at maturities of the COBs will total approximately \$144,344,000. In addition, COBs pay current interest in the amount of 0.5% per year of the initial amount still outstanding. These bonds are backed by the full faith and credit of the Commonwealth.

On August 1, 1999 the Commonwealth issued approximately \$12,900,000 in additional College Opportunity Bonds, with maturities of 2004 to 2019. The terms and conditions of these bonds are the same of those issued in fiscal years 1996, 1997, 1998 and 1999.

Chapter 48 of the Acts of 1997 and Chapter 300 of the Acts of 1998 abolished several Massachusetts counties on various effective dates. As part of these provisions, the Commonwealth assumed the outstanding debt of Middlesex County on July 1, 1997, and that of Hampden and Worcester Counties on July 1, 1998. As of June 30, 1999, approximately \$2,345,000 of these obligations

remains outstanding. On July 1, 1999 the Commonwealth assumed the debt of Essex County in the amount of \$2,100,000.

The Commonwealth also issues special obligation revenue bonds as authorized by the 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, 1999, the Commonwealth had outstanding approximately \$585,730,000 of such special obligation bonds, secured by a pledge of 6.86 cents of the 21 cents per gallon motor fuel excise tax imposed on gasoline. No new special obligation bonds were issued during the year.

The Commonwealth also issues Federal Highway Grant Anticipation Notes (GANS) to finance current cash flow for the Central Artery/Tunnel Project in anticipation of future federal reimbursements. Sections 9 through 10D of Chapter 11 of the Acts of 1997, as amended by Chapter 121 of the Acts of 1998, authorize the Commonwealth to sell up to \$1,500,000,000 in GANS. All Federal Highway Construction reimbursements and reimbursements from the Federal Highway Construction Trust Funds are pledged to the repayment of the GANS. Up to \$900,000,000 of said notes may be paid off through the issuance of authorized general obligation bonds of the Commonwealth in the event federal financial assistance is not available. At June 30, 1999, the Commonwealth has approximately \$921,720,000 of GANS outstanding with maturity dates ranging from 2005 to 2015. These notes are secured by the pledge of Federal Highway Construction reimbursements without a general obligation pledge.

For financial reporting purposes, long-term debt is carried at its face value, 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 long-term debt 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 and special obligation long-term bonds outstanding, grant anticipation notes (including discount and issuance costs), and debt authorized-unissued at June 30, 1999 are as follows (amounts in thousands):

Purpose	Outstanding Amounts	Maturities	Authorized - Unissued
GANS.....	\$ 921,720	2005-2015	\$ 600,009
Capital Projects:			
General.....	5,060,692	1999-2025	5,154,056
Highway.....	4,218,274	1999-2018	5,016,975
Local Aid.....	1,549,075	1999-2017	425,671
Other.....	58,700	1999-2025	807,306
	<u>10,886,741</u>		<u>11,404,008</u>
Total.....	<u>\$ 11,808,461</u>		<u>\$ 12,004,017</u>

Interest rates on the Commonwealth's debt outstanding at June 30, 1999 ranging from 0.10% to 14.125%.

Changes in long-term debt outstanding (including discount and issuance costs) and bonds authorized - unissued for the year ended June 30, 1999, are as follows (amounts in thousands):

	Bonds Outstanding	Authorized - Unissued
Balance, July 1, 1998.....	\$ 11,078,603	\$ 12,316,738
General and special obligation bonds:		
Principal, less discount and issuance costs.....	1,014,803	(1,014,803)
Discount and issuance costs.....	15,687	-
County debt:		
Principal of bonds assumed.....	1,505	-
Grant Anticipation Notes:		
Principal, less discount and issuance costs.....	319,434	(319,434)
Discount and issuance costs.....	2,286	-
General obligation refunding bonds:		
Principal of bonds issued.....	499,520	-
Refunded bonds.....	(464,820)	-
Increase in bonds authorized.....	-	1,513,829
Contributions in lieu of bonds.....	-	(492,313)
Bonds retired.....	(658,557)	-
Balance, June 30, 1999.....	<u>\$ 11,808,461</u>	<u>\$ 12,004,017</u>

On December 1, 1999 the Governor signed into law Chapter 150 of the Acts of 1999 which extended certain capital spending accounts to June 30, 2000 and deauthorized approximately \$1,900,000,000 in capital spending effective December 2, 1999. The bill also amended certain terms legislation as well as language changes to other capital legislation.

At June 30, 1999, debt service requirements to maturity for principal (including discount, capital appreciation and issuance costs) and interest are as follows (amounts in thousands):

Fiscal year ending June 30,	Principal	Interest	Total
2000.....	\$ 675,564	\$ 552,554	\$ 1,228,118
2001.....	720,675	517,954	1,238,629
2002.....	686,631	482,383	1,169,014
2003.....	701,641	451,722	1,153,363
2004.....	695,994	421,980	1,117,974
2005 and thereafter...	8,327,956	2,387,669	10,715,625
Total.....	<u>\$ 11,808,461</u>	<u>\$ 4,814,262</u>	<u>\$ 16,622,723</u>

The Commonwealth issued bonds and notes under negotiated contracts and under competitive bidding contracts during fiscal year 1999. The costs for legal counsel and underwriting fees under competitive bond sale costs were estimated at \$102,000 and \$1,666,000, respectively. Negotiated legal fees and underwriter fees were estimated at \$182,000 and \$5,000,000, respectively. In addition, the Commonwealth paid \$80,000 for disclosure counsel services.

Advance Refunding and Defeased Bonds - As authorized by the Massachusetts General Laws, the Commonwealth advance refunded certain general obligation bonds through the issuance of approximately \$499,520,000 of general obligation refunding bonds during fiscal year 1999. Proceeds totaling approximately \$498,793,000 were used to purchase U. S. Government securities which were deposited in irrevocable trusts with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liabilities therefore have been removed from the General Long-term Obligations Account Group. As a result of these advance refundings, the Commonwealth decreased current year debt service payments and has taken advantage of lower interest rates, and it has decreased its aggregate debt service payments by approximately \$32,530,000 over the next 20 years and will experience an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$24,930,000. At June 30, 1999, approximately \$464,820,000 of the bonds refunded remain outstanding and are defeased.

The refunding bonds issued in fiscal year 1999 constituted variable rate demand bonds. The variable rate for those bonds are determined weekly based on the activity of a remarketing agent, and interest is paid

monthly. In connection with issuance of the variable rate demand bonds, the Commonwealth has entered into interest rate exchange ("swap") agreements with certain counterparties. These agreements require the counterparties to pay the Commonwealth an amount equal to the variable rate payable on the bonds and in return the Commonwealth pays a fixed rate. Only the net difference in interest payments is actually exchanged with the counterparty. The bond principal is not exchanged. The Commonwealth continues to pay interest to the bondholders at the variable rate provided by the bonds.

Through these agreements the Commonwealth has effectively fixed its interest payment obligations relative to the variable rate bonds at a rate equal to 4.32%, including the costs of the liquidity facility and remarketing. The Commonwealth will be exposed to a variable rate if the counterparties default or if the swap is terminated. A termination of the swap agreement may also result in the Commonwealth's making or receiving a termination payment.

The variable rate bonds are supported by a stand-by bond purchase liquidity facility with a commercial bank, which requires that the bank purchase any bonds that are not successfully remarketed and tendered. Until and unless remarketed, the Commonwealth would be required to pay the bank interest on such bonds at a rate equal to the bank's prime interest rate. In addition, the Commonwealth would be required to repay the principal amount of any such bonds in equal quarterly installments over the remainder of the term of the stand-by bond purchase agreement. As of June 30, 1999 the stand-by bond purchase facility has not been used. The stand-by bond purchase agreement has a stated expiration date of September 2003, but may be renewed or extended by mutual consent of the Commonwealth and the bank. In connection with the agreement the Commonwealth pays a fee equal to .10% per year of the principal amount of variable rate bonds outstanding.

In prior years, the Commonwealth also defeased certain general obligation and other bonds by placing the proceeds of refunding 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, 1999, approximately \$2,330,546,000 of bonds outstanding from advance refundings in prior fiscal years are considered defeased.

On October 13, 1999 the Commonwealth defeased \$512,565,000 of outstanding debt at maturity issued prior to June 30, 1999. The Commonwealth deposited

\$400,001,000 of available funds from fiscal year 1999, pursuant to Chapter 55, Section 7 of the Acts of 1999, into an irrevocable trust to provide for all future debt service payments on bonds. The defeasance resulted in no economic gain or loss.

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 1999 was approximately \$10,046,697,000. Outstanding debt subject to the limit at June 30, 1999 was approximately \$9,516,320,000. The limit increases 5% per year.

For purposes of determining compliance with the limit, outstanding 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 special obligation bonds, grant anticipation notes, refunded bonds, and certain refunding bonds and debt issued by counties.

The amounts excluded from the debt limit are as follows (amounts in thousands):

	Debt Outstanding
Balance, June 30, 1999.....	\$ 11,808,461
Less amounts excluded:	
Discount and issuance cost.....	(677,326)
Chapter 5 of Acts of 1992 refunding.....	(130,069)
Special obligation principal.....	(582,410)
GANS principal.....	(899,991)
County debt assumed.....	(2,345)
Outstanding direct debt.....	<u>\$ 9,516,320</u>

General Long-Term Obligations Account Group – 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 judgments, and lottery prizes payable (Note 1).

These liabilities will be liquidated in the future from governmental funds. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-term Obligations Account Group (amounts in thousands):

	Balance July 1, 1998	Bond Issuances	Bond Discount	Bond Principal Retirement	Increase	(Decrease)	Balance June 30, 1999
Long-term bonds.....	\$ 11,078,603	\$ 1,835,265	\$ 17,970	\$ (1,123,377)	\$ -	\$ -	\$ 11,808,461
Capital leases obligations.....	91,639	-	-	-	9,392	(23,048)	77,983
School construction grants.....	4,196,637	-	-	-	-	(233,734)	3,962,903
Compensated absences.....	115,866	-	-	-	13,348	-	129,214
Claims, judgements, and other.....	76,053	-	-	-	230	-	76,283
Lottery prizes payable.....	10,624	-	-	-	-	(7,408)	3,216
Total.....	<u>\$ 15,569,422</u>	<u>\$ 1,835,265</u>	<u>\$ 17,970</u>	<u>\$ (1,123,377)</u>	<u>\$ 22,970</u>	<u>\$ (264,190)</u>	<u>\$ 16,058,060</u>

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 and state colleges have also entered into various loan agreements as participants in the Massachusetts Health and Educational Facilities Authority's (MHEFA) ongoing capital asset program to finance construction projects and equipment.

University and College Fund long-term debt outstanding at June 30, 1999 was as follows (amounts in thousands):

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
MHEFA capital asset program..	Variable	\$ 41,025	2000-2033
Building authorities and state colleges.....	3.0%-12.0%	234,258	2000-2024
		<u>\$ 275,283</u>	

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

<u>Fiscal Years Ending June 30,</u>	<u>Amount</u>
2000.....	\$ 33,058
2001.....	13,828
2002.....	14,741
2003.....	15,280
2004	16,853
2005 and thereafter.....	181,523
Total.....	<u>\$ 275,283</u>

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

	<u>Amount</u>
Balance, July 1, 1998	\$262,648
Principal, less issuance and discount cost.....	24,559
Bonds retired, net of amortization of discount.....	(11,924)
Balance, June 30, 1999.....	<u>\$275,283</u>

In August 1999, the Massachusetts State College Building Authority issued approximately \$83,732,000 in Project Revenue Bonds. The proceeds will be used to finance construction, repair and renovations of capital facilities at several state colleges.

Component Units – Bonds and notes outstanding at June 30, 1999 (December 31, 1998 for Massachusetts Turnpike Authority), net of unamortized discount of approximately \$140,941,000 and unamortized deferred loss on refunding of approximately \$169,539,000, are as follows (amounts in thousands):

<u>Purpose</u>	<u>Interest Rate %</u>	<u>Amount</u>	<u>Maturity Dates</u>
MBTA:			
General transportation system.....	3.11% - 7.60%	\$3,097,616	2006 - 2028
Boston Metropolitan District.....	3.96 - 5.80	36,203	2002 - 2025
MTA:			
Revenue serial bonds.....	5.00 - 5.65	1,667,668	2010 - 2037
Guaranteed bond.....	5.00	55,905	1999
RTAs:			
Notes payable.....	3.75	950	2000
MWPAT:			
Serial bonds.....	2.00 - 6.25	900,772	1999 - 2017
Term bonds.....	5.25 - 6.375	182,115	2013 - 2015
MDFA:			
Notes payable.....	6.11	12,972	2002
MCCA:			
Current interest serial bonds.....	4.00 - 6.00	36,216	1999 - 2008
Compound interest serial bonds.....	5.375 - 6.80	58,202	2000 - 2013
Economic Development:			
Notes payable.....	1.00 - 11.00	104,215	1999 - 2009
Total.....		<u>\$6,152,834</u>	

The amounts below represent the face amounts 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):

<u>Years Ending,</u>	<u>MBTA</u>	<u>MTA</u>	<u>RTAs</u>	<u>MWPAT</u>	<u>MDFA</u>	<u>MCCA</u>	<u>Economic Development</u>	<u>Total</u>
2000.....	\$ 99,287	\$ 80,235	\$ 950	\$ 46,275	\$ 5,700	\$ 22,670	\$ 11,714	\$ 266,831
2001.....	109,556	-	-	47,785	2,555	14,234	10,010	184,140
2002.....	112,699	7,945	-	49,690	4,717	11,054	8,015	194,120
2003.....	120,821	12,295	-	51,190	-	8,399	6,012	198,717
2004.....	124,495	13,050	-	52,260	-	7,936	2,609	200,350
2005 and thereafter.....	2,780,260	1,706,763	-	835,687	-	30,591	65,729	5,419,030
Total.....	<u>\$3,347,118</u>	<u>\$1,820,288</u>	<u>\$ 950</u>	<u>\$1,082,887</u>	<u>\$ 12,972</u>	<u>\$ 94,884</u>	<u>\$ 104,089</u>	<u>\$ 6,463,188</u>

During the fiscal year ended June 30, 1999 (December 31, 1998 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>MDFA</u>	<u>MCCA</u>	<u>Economic Development</u>	<u>Total</u>
Balance, July 1, 1998.....	\$ 3,044,940	\$ 1,713,686	\$ -	\$ 825,375	\$ 13,821	\$ 115,754	\$ 95,243	\$ 5,808,819
Principal, less discount issuance costs.....	480,613	-	950	410,747	977	-	18,900	912,187
Debt retired, net of amortization of discount.....	(380,607)	9,887	-	(153,235)	(1,826)	(21,336)	(9,928)	(557,045)
Deferred loss on refunding.....	(11,127)	-	-	-	-	-	-	(11,127)
Balance, June 30, 1999.....	<u>\$ 3,133,819</u>	<u>\$ 1,723,573</u>	<u>\$ 950</u>	<u>\$1,082,887</u>	<u>\$ 12,972</u>	<u>\$ 94,418</u>	<u>\$ 104,215</u>	<u>\$ 6,152,834</u>

The MBTA issued certificates of participation in the amounts of approximately \$28,565,000 on December 15, 1988 and approximately \$85,795,000 on August 30, 1990 to finance the purchase of commuter rail coaches. Under the terms of the applicable agreements, 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 7.30% to 7.80% and mature as follows (amounts in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2000.....	\$ 1,150
2001.....	1,150
2002.....	1,140
2003.....	1,140
2004.....	1,140
2005 and thereafter.....	2,270
Total.....	<u>\$ 7,990</u>

In prior years, the MBTA 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, 1999, approximately \$2,041,720,000 of these bonds outstanding are considered defeased.

Subsequent to June 30, 1999, the MBTA issued \$232,121,000 in general obligation bonds with interest rates ranging from 5.00% to 8.00%. The bonds will mature on periods ranging from year 2000 to year 2030.

On September 9, 1999, the MWPAT raised \$271,700,000 through the issuance of tax-exempt Water Pollution Abatement Revenue Bonds. The bonds were used to finance Clean Water Program loans, forward funding for Title 5 projects, Federally Capitalized Safe Drinking Water Program, the Trust's Leveraged Bonds Purchase Program and to refinance \$75,300,000 of interim

financing outstanding to borrowers. The bonds carry interest rates ranging from 4.25% to 5.73% and mature at varying interest rates between fiscal 2001 and 2020.

On October 19, 1999, the MWPAT sold \$406,600,000 in subordinated revenue bonds for the purpose of refunding and extending the majority of the Massachusetts Water Resources Authority's debt to the Trust. Interest rates on \$262,500,000 of the new subordinated serial bonds issued, maturing from fiscal 2001 through 2020, had coupons ranging from 4.20% to 6%, with yields from 3.72% to 5.98%. Also \$81,100,000 of term bonds that mature in fiscal 2024 and \$63,000,000 that mature in fiscal 2030 carry yields of 6.04% and 6.06%, respectively. The bonds and financing for the Authority closed on November 3, 1999.

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.

In October 1997, approximately \$555,909,000 of the net proceeds from the issuance of the 1997 Series Revenue Bonds were used to purchase U. S. Government securities which were then deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on the 1993 Series A Revenue Bonds and approximately \$203,410,000 of the Guaranteed Bond Anticipation Notes. As a result, the 1993 Revenue Bonds and that portion of the Guaranteed Bond Anticipation Notes are considered to be defeased and the liability for these bonds has been removed from the balance sheet. At December 31, 1998, approximately \$358,155,000 of the refunded bonds remains outstanding.

In January 1996, approximately \$56,573,000 of the net proceeds from the issuance of Guaranteed Bond Anticipation Notes was used to purchase U.S. Government securities which were deposited in an irrevocable trust with an escrow agent to provide all future debt service payments on refunded bonds. As a result, the refunded bonds were considered to be defeased and the liability has been removed from the balance sheet. At December 31, 1998, approximately \$43,200,000 of the refunded bonds remains outstanding.

On February 22, 1995, Pioneer Valley Transit Authority (PVTa) issued certificates of participation of approximately \$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 appropriating the necessary funds in the Authority's annual budget.

The certificates bear interest rates ranging from 5.0% to 5.7% and mature as follows (amounts in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2000.....	\$ 1,240
2001.....	1,240
2002.....	1,240
2003.....	1,240
2004.....	-
Total.....	<u>\$ 4,960</u>

The amount in the table above differs from the amounts included in the balance sheet due to treatment of unamortized discounts of \$23,000.

9. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type and Proprietary Fund Type have fund deficits at June 30, 1999 as follows (amounts in thousands):

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Highway.....	\$ 261,848
Local Aid.....	2,684,134
Environmental.....	20,169
Lotteries.....	2,649
Capital Projects:	
Boston Convention and Exhibition Center.....	19,000
Highway.....	261,703
Federal Highway Construction.....	14
Local Aid.....	26,232
Other.....	15,202
Internal Service Funds:	
Employees Workers' Compensation.....	233,700
Employees Group Health Insurance	14,476

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 special revenue fund deficits will be funded through future revenues and/or transferred from other funds.

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. Subsequent to June 30, 1999, the Commonwealth \$500,000,000 in

general obligation bonds part of which was used to finance the deficits.

The deficit in the Internal Service Fund reflects the accruals for workers' compensation and group insurance claims of \$248,176,000. Funding of these deficits is dependent upon legislative actions to develop an actuarial funding plan.

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, in fiscal year 1997 and prior fiscal years. The Commonwealth is statutorily required to have an actuarial valuation once every three years and every two years on a GAAP basis.

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 does not issue a stand-alone financial report.

Teachers' Retirement System (TRS) is an agent multiple-employer defined benefit PERS with a special funding

situation. 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 a multiple-employer cost sharing defined benefit PERS with a special funding situation. SBRS provides pension 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 is not part of the reporting entity and a stand-alone financial report is not available.

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, 1998 is as follows:

	<u>SERS</u>	<u>TRS</u>	<u>SBRS</u>
Retirees and beneficiaries currently receiving benefits.....	43,144	30,499	2,742
Terminated employees entitled to benefits but not yet receiving them.....	2,073	1,850	96
Subtotal.....	<u>45,217</u>	<u>32,349</u>	<u>2,838</u>
Current employees:			
Vested.....	48,035	50,477	4,181
Non-vested.....	34,596	24,422	1,269
Subtotal.....	<u>82,631</u>	<u>74,899</u>	<u>5,450</u>
Total.....	<u>127,848</u>	<u>107,248</u>	<u>8,288</u>

During fiscal year 1998, the Commonwealth abolished Franklin and Middlesex Counties and in fiscal year 1999 the Commonwealth abolished Worcester, Hampden and Hampshire Counties, transferring their functions, assets, debts and obligations to the Commonwealth. The SERS actuarial accrued liability includes former county employees who were transferred to the Commonwealth.

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. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Members become vested after ten years of creditable service. A superannuating 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, 1998. The Commonwealth had revised three actuarial assumptions used in the calculation of contribution requirements and Unfunded Actuarial Liability (UAL). First, the assumed rate of return on investments of present and future assets was changed from 8.5% to 8.25% per year, resulting in a \$641,000,000 increase in the UAL. Second, the use of an updated mortality table resulted in a \$1,100,000,000 increase in the UAL. Third, a change from using the market value of assets to an actuarial value of assets had the effect in this valuation of reporting assets at 97% of the market value. This third change results in a \$643,000,000 increase in UAL. Other significant assumptions used are (a) projected salary increases of 6% per year, (b) cost of living (inflation rate) increases of 3% per year on the first \$12,000 of the retiree's total allowance, and (c) interest rate credited to the annuity savings fund of 5.5% per year. These calculations use a level dollar amortization method over 20 years closed period.

The following table presents the schedule of funding progress as presented in the five most recent actuarial valuations at the date indicated (amounts in thousands):

Actuarial Valuation as of January 1,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio %	Annual Covered Payroll *	UAL as a % of Covered Payroll
State Employers Retirement System						
1998**	\$ 9,914,000	\$ 11,361,000	\$ 1,447,000	87.3 %	\$ 3,111,000	46.5 %
1996	7,366,000	9,441,000	2,075,000	78.0	2,989,000	69.4
1995	5,879,000	8,602,000	2,723,000	68.3	2,992,000	91.0
1993	5,071,000	8,738,000	3,667,000	58.0	2,919,000	125.6
1992	4,699,000	7,303,000	2,604,000	64.3	2,638,000	98.7
Teachers Retirement System						
1998**	10,170,000	13,095,000	2,925,000	77.7	3,175,000	92.1
1996	7,553,000	10,252,000	2,699,000	73.7	2,810,000	96.0
1995	6,014,000	9,712,000	3,698,000	61.9	2,667,000	138.7
1993	5,142,000	8,921,000	3,779,000	57.6	2,428,000	155.6
1992	4,784,000	8,706,000	3,922,000	55.0	2,032,000	193.0
State - Boston Retirement System						
1998**	699,000	1,219,000	520,000	57.3	285,000	182.5
1996	549,000	1,025,000	476,000	53.6	274,000	173.7
1995	438,000	833,000	395,000	52.6	232,000	170.3
1993	370,000	743,000	373,000	49.8	206,000	181.1
1992	342,000	759,000	417,000	45.1	184,000	226.6

* - The covered payroll amounts approximate the employer payroll.

** - Revised actuarial assumptions

In addition to these system liabilities, the Commonwealth had assumed financial responsibility for the COLA granted to participants in the 104 retirement systems of cities, towns and counties in fiscal year 1997 and prior fiscal years. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to the respective system. Any future COLA granted to employees of these plans will be the responsibility of the individual system. The individual employer governments are also responsible for the basic pension benefits. The retirement systems are not administered by the Commonwealth and are not part of the reporting entity. The actuarial liability for COLA as of January 1, 1998 was approximately \$912,029,000.

Contributions Required and Contributions Made – The retirement systems' funding policies have been established by Chapter 32 of the 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 are 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. Chapter 32, Section 22C of General Laws enacted in 1998 calls for the payment of normal cost plus an amortization payment of UAL such that the UAL is reduced to zero by June 30, 2018.

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.

The current legislatively approved funding schedule, based on the October 26, 1998 valuation, was adopted by the Legislature as part of the fiscal year 1999 budget process. Under the current schedule the amortization payments are designed to eliminate the unfunded liability by fiscal year 2018. Based on the previous funding schedule required contribution by the Commonwealth was approximately \$945,340,000 during the fiscal year ended June 30, 1999. Of this amount, approximately \$124,494,000 was payments for COLA granted to participants in 104 retirement systems of cities, towns, and counties.

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 Employers Retirement System									
*	1998	\$ 261,255	\$ (83,446)	\$ 77,180	\$ 254,989	\$ 494,289	\$ 1,250,766	189 %	194 %
	1997	246,037	(65,478)	41,889	222,448	463,590	1,011,466	188	208
	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									
*	1998	315,474	(59,126)	54,686	311,034	446,619	852,267	142	144
	1997	245,426	(44,832)	28,681	229,275	418,519	716,682	171	183
	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									
*	1998	48,795	(2,114)	1,995	48,636	35,000	11,983	72	72
	1997	34,621	(2,082)	1,332	33,871	35,000	25,619	101	103
	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

*Last year for which an actuarial valuation has been completed.

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, 1998, the Commonwealth's pension expenditure included payments totaling \$19,310,000 to current retirees employed prior to the establishment of the current plans and the non-contributory plans.

Post-retirement Health Care and Life Insurance Benefits – In addition to providing pension benefits, under Chapter 32A of the General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, and 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 percentage share of the costs of providing these benefits when paid. These payments totaled approximately \$182,541,000 for the fiscal year ended June 30, 1999. There are approximately 45,100 participants eligible to receive benefits at June 30, 1999.

Pension Actuarial Valuation – On April 28, 1999 a pension valuation report prepared by independent actuarial consultants to the Pension Reserves Investment Management (PRIM) Board was released. Using the same data and assumptions employed by PERAC in its October, 1998 valuation report, the independent report found the unfunded actuarial liability to be \$6,346,000,000 (rather than \$4,371,000,000) for state employees and state teachers and \$583,300,000 million (rather than \$519,900,000 million) for Boston teachers. The total unfunded liability, which includes cost of living adjustments, totaled \$7,841,000,000 billion rather than \$5,803,000,000. Neither PERAC nor the independent consultants to the PRIM Board have yet determined the source of the differences.

11. DEFERRED COMPENSATION PLAN

The Commonwealth offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) 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 employee. Participants' rights under the plan are equal to the fair value of the deferred account for each participant. All plan assets are stated at fair 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.

Accordingly, the Plan-Trust Declaration has been prepared such that the plan's assets are held in trust, and reported as an expendable trust fund, for the exclusive benefit of participants and their beneficiaries.

The deferred compensation trust fund uses the calendar year for its fiscal reporting cycle. Certain amounts recorded as agency activity in the discretely presented components are held in trust by the Commonwealth.

The Treasurer and Receiver General (Treasurer) of the Commonwealth of Massachusetts is the plan trustee. Per statute, the Treasurer is given authority, on behalf of the Commonwealth, to contract with state employees to defer a portion of those employees' compensation, and for the

purposes of funding a deferred compensation program for the said employees to invest the deferred portion of the employees' income.

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, 1999, capital lease/purchase expenditures totaled approximately \$63,404,000.

At June 30, 1999, the Commonwealth's aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totals approximately \$77,983,000. This liability is reported in the General Long-term Obligations Account Group. Equipment acquired under capital leases and is included in the General Fixed Assets Account Group totaled approximately \$143,436,000.

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, 1999 were approximately \$121,003,000.

The following is a schedule of future minimum payments under non-cancelable leases for the Commonwealth as of June 30, 1999 (amounts in thousands):

<u>Years Ending June 30,</u>	<u>Capital Leases</u>	<u>Operating Leases</u>
2000.....	\$ 27,910	\$101,120
2001.....	23,278	81,377
2002.....	16,371	65,703
2003.....	10,761	46,649
2004.....	5,142	19,239
2005 and thereafter.....	9,636	32,739
Total payments.....	93,098	<u>\$346,827</u>
Less interest.....	(15,115)	
Present value	<u>\$ 77,983</u>	

University and College Fund – At June 30, 1999, aggregate outstanding liability under capital leases, the present value of the net minimum lease payments, totaled approximately \$80,894,000. Equipment acquired under

capital leases is included in University and College Fund fixed assets.

The University and College Fund Type leases real property and equipment under numerous operating lease agreements for varying terms. Rental expenditures for the fiscal year ended June 30, 1999 were approximately \$15,276,000.

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>
2000.....	\$ 18,824	\$ 9,494
2001.....	15,580	8,113
2002.....	12,878	7,106
2003.....	11,597	5,128
2004.....	9,805	5,129
2005 and thereafter.....	27,234	9,121
Total payments	95,918	\$ 44,091
Less amount representing interest.....	(15,024)	
Present value of minimum lease payments.....	\$ 80,894	

Component Units –

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, 1999 (amounts in thousands):

<u>Years Ending June 30,</u>	<u>MBTA</u>	<u>RTAs</u>	<u>MDFA</u>	<u>Economic Development Authorities</u>
2000.....	\$ 34,205	\$ 712	\$120	\$18
2001.....	34,234	712	38	7
2002.....	43,825	712	16	1
2003.....	46,773	712	-	-
2004.....	48,380	712	-	-
2005 and thereafter.....	718,113	2,135	-	-
Total payments.....	925,530	5,695	174	26
Less amount representing interest.....	(393,280)	(1,118)	(9)	(3)
Present value of net minimum lease payments.....	\$532,250	\$4,577	\$165	\$23

The MBTA has entered into several sale-leaseback agreements with major financial institutions, covering equipment and rolling stock, which has been accounted for as operating leases. These leases expire through fiscal year 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.

The MTA has operating leases for administrative office space and automatic toll collection equipment. These operating leases expire on various dates through June 2003. Lease expenses charged to the Massachusetts Turnpike and Sumner-Callahan-Williams Tunnels were approximately \$960,000 of which \$798,000 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 approximately \$6,585,000 in rental income. Rental income for the next five years is expected to approximate \$7,000,000 per year based on leases currently in effect.

The Economic Development Authorities and the RTAs 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):

<u>Years Ending June 30,</u>	<u>MBTA</u>	<u>MTA</u>	<u>RTAs</u>	<u>MDFA</u>	<u>MIFC</u>	<u>Economic Development Authorities</u>
2000.....	\$ 13,462	\$ 1,176	\$ 227	\$ 499	\$ 1,000	\$ 2,150
2001.....	13,391	941	15	514	1,000	2,089
2002.....	13,382	941	15	519	333	1,988
2003.....	14,071	941	15	298	-	1,311
2004.....	13,651	941	15	-	-	202
2005 and thereafter.....	110,257	-	360	-	-	-
Total payments.....	\$178,214	\$4,940	\$647	\$1,830	\$2,333	\$7,740

13. COMMITMENTS

Primary Government –

Governmental Funds – Under Chapters 161A and 161B of the General Laws, 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 1999, these subsidies totaled approximately \$716,286,000 for the MBTA and approximately \$60,183,000 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, 1999, the Commonwealth has recorded the unpaid portion as a liability due to the MBTA of approximately \$296,123,000 and due to RTAs of approximately \$61,047,000.

The cities and towns served by the MBTA and RTAs will be assessed their proportionate shares of the net cost of service. At June 30, 1999, the MBTA has a receivable

from cities and towns of approximately \$92,628,000 to account for these future reimbursements. At June 30, 1999 MBTA has also recorded net deferred charges of approximately \$64,783,000 at June 30, 1999, 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, the Massachusetts Development Finance Authority and the Water Pollution Abatement Trust. Such assistance totaled approximately \$63,467,000 in fiscal year 1999. For fiscal year 2000, appropriations for this purpose total approximately \$76,853,000.

At June 30, 1999, the aggregate outstanding debt for which the Commonwealth is obligated to provide contract assistance support totaled approximately \$3,569,077,000 long-term and \$396,441,000 short-term. In addition, the Commonwealth guarantees the debt of certain local governments and public higher education building authorities. The guaranteed long-term debt outstanding at June 30, 1999 was approximately \$216,206,000.

At June 30, 1999, the Commonwealth had commitments of approximately \$3,027,529,000 related to construction projects in process. The majority relate to construction funding the Central Artery/Tunnel Project (CA/T). The CA/T Project continues to anticipate federal participation as well as payments from the MTA and the Massachusetts Port Authority (MassPort).

During fiscal year 1999, the Commonwealth received payments from the MTA and MassPort. Pursuant to three separate memoranda of understandings dated September 12, 1997 and August 13, 1998 and February 19, 1999 respectively. The MTA and MassPort made payments to the Commonwealth to finance portions of the CA/T Project in the amount of approximately \$1,051,000,000 and \$30,735,000 respectively.

The remaining future payments are as follows (amounts in thousands):

<u>Fiscal Year</u>	<u>MTA</u>	<u>MassPort</u>
2000.....	\$100,000	\$52,236
2001.....	-	-
2002.....	-	-
2003.....	-	104,914
2004.....	-	50,000
2005.....	-	50,000
Total.....	<u>\$100,000</u>	<u>\$257,150</u>

The Commonwealth recognizes payments from the MTA in the period when the use of the resources is required or first permitted.

The payment of \$1,051,000,000 in fiscal 1999 is presented as a "transfer in from Component Units" in the Capital Projects Fund. The MTA capitalizes the payment as an increase to its fixed assets and accordingly do not present a matching "transfer to Primary Government".

MassPort payments are treated as an exchange transaction. Revenue is recognized when payment is received or when assets have been transferred.

Pension Trust Funds – At June 30, 1999, PRIT had outstanding commitments to invest approximately \$115,000,000 in real estate, and approximately \$943,549,000 in alternative investments.

Component Units -

Chapter 152 of the Acts of 1997 provides \$609,400,000 for the construction of a Convention and Exhibition Center which will provide 600,000 square feet of exhibit space at a site in South Boston. The Boston Redevelopment Authority (BRA) is authorized and directed by the legislation to acquire the land, properties, and rights related to the proposed construction site. Once this is accomplished, the MCCA will oversee construction of the new facility. The MCCA will operate the new center, along with the Hynes Convention Center, the Boston Common Garage, and the Springfield Civic Center.

As of June 30, 1999, the MWPAT has agreed to provide loans of \$122,000,000 to various local government units to be funded with grant awards received through June 30, 1999.

Massachusetts Housing Partnership Fund (MHP) has executed twenty-three loan agreements with seventeen banks totaling approximately \$340,827,000 pursuant to the Massachusetts Nationwide Interstate Banking and Community Reinvestment Act. Related to that, MHP has funding commitments outstanding for funds not yet advanced of approximately \$39,114,000 at June 30, 1999.

The MTA entered into construction contracts for the Metropolitan Highway system and the Western Turnpike with various construction and engineering companies. Construction contracts outstanding at December 31, 1998 approximated \$9,800,000. Projected construction expenses for calendar 1999 approximate \$47,600,000.

The Worcester Regional Transit Authority (WRTA) has executed a cooperation agreement with the Worcester Redevelopment Authority (WRA) for the development of an intermodal transportation center at the Union Station site. The WRTA will fund the costs related to the design and renovation of the Union Station site through federal and state grants. The WRA is the owner and will be the operator of the intermodal transportation center. Once the development of the site is complete, the WRTA will transfer the cost of the project to the WRA.

14. CONTINGENCIES

Primary Government -

Governmental Funds – 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 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 \$32,700,000 to be paid from the General Fund. 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, 1999, 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 \$4,742,000 which is expected to be reclaimed and paid in fiscal year 2000, are to be remitted to the General Fund each June 30, where it is included as a transfer. Amounts

remitted during fiscal year 1999 totaled approximately \$64,723,000. Since inception, approximately \$821,616,000 has been remitted. This represents a contingency, because claims for refunds can be made by the owners of the property.

Unclaimed Check Fund – In February 1999 former employees of the State Treasurer's Office were charged with attempting to embezzle \$6,500,000 from the Unclaimed Check fund. These funds have been recovered by the Commonwealth. The Attorney General is conducting a criminal investigation of the matter and believes that the likelihood of loss by the Commonwealth in excess of \$20,000,000 is remote. The grand jury formally indicted the individuals in September 1999.

Tobacco Settlement – On November 23, 1998, the Commonwealth joined a multi-state agreement, known as the Master Settlement Agreement (MSA) which resolved the Commonwealth's and other states' litigation against the cigarette industry. Under the MSA, annual payments are made to each settling state, including the Commonwealth in perpetuity. The Superior Court of the Commonwealth, approved the MSA and entered a Consent Decree and Final Judgement on December 4, 1998. The 60-day appeal period for these orders expired on February 2, 1999 with no appeal filed.

Under the MSA, there are five "initial payments" to be paid annually by the cigarette industry to the Commonwealth. In December 1999, the Commonwealth received approximately \$99,700,000. In addition, a separate stream of annual payments is made in perpetuity. These payments should begin no later than July 15, 2000. On December 28, 1998, the companies timely made their first payment into the escrow account established under the MSA, in the amount of \$2,400,000,000, which is to be apportioned among the states that have settled, including the Commonwealth.

The Commonwealth's allocable share of the total amounts payable under the MSA is 4.038979%. The Attorney General has estimated that over the initial 25-year period, \$7,590,000,000 could be received under the settlement. The annual payment for calendar 2000 and beyond is approximately \$259,000,000.

The annual payments under the MSA are subject to various adjustments and contingencies. The initial adjustment will be upward by 3% or the amount of the Consumer Price Index (whichever is greater). Other adjustments might occur based on changes in domestic cigarette sales volume or, as a decrease, based upon

funding made available to the states under qualifying federal legislation.

The MSA includes a secondary fund, a "Strategic Contribution" fund, totaling \$8,610,000,000. Proceeds will be allocated, based on an arbitration decision on May 21, 1999 to the states over the period 2008 through 2017. Massachusetts was awarded \$414,000,000, which will be payable in equal installments during the years 2008 through 2017.

The amounts that might be payable, if any, by the Commonwealth for the legal costs incurred in relation to the tobacco litigation cannot be determined at this time.

In the various budgets submitted for fiscal 2000 from the Governor, the General Court and the Senate, all agree that health care initiatives in the Commonwealth would be the major beneficiary of settlement funds. The Budgets differ as to timing, mechanism and allocation.

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 for the state employees 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.

Employees 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, 1999, including claims incurred but not reported, is estimated to be \$290,948,000.

Central Artery/Tunnel Project - The Commonwealth has assumed responsibility for providing workers' compensation and general liability insurance coverage for all contractors and subcontractors working on the Central Artery/Tunnel Project by implementing an Owner Controlled Insurance Program (OCIP). As part of its initial financial planning, Project management determined that an OCIP could provide necessary insurance coverage at a substantially lower aggregate cost than could be

obtained if each contractor purchased coverage separately, because of economies of scale in the purchase of coverage from a single carrier, elimination of cross claims among contractors, and implementation of a cost-effective safety and loss control program for the entire Project.

The OCIP is presently structured as a retrospectively rated insurance program with loss retention (or deductible) levels of \$1,000,000 per claim, \$3,000,000 per occurrence for workers compensation and \$2,000,000 per claim, \$6,000,000 per occurrence for general liability coverage. The Commonwealth is responsible for loss costs up to these deductible levels.

As part of the OCIP, the Project has agreed to establish and fund a Trust, held by an independent third party Trustee, in an amount necessary to cover the Project's potential cumulative liabilities to the carrier for these loss costs, administrative expenses and certain defined contingencies under the OCIP. The OCIP is expected to cover such costs through the construction period and through the period after the construction during which all claims will be resolved and paid, referred to as the "tail period".

The amounts payable annually to the Trust for workers' compensation coverage are based on standard premium at rates approved by the Insurance Commissioner. The Project pays general liability premiums at negotiated rates directly to the insurance carrier, which holds the premium for three years, after which the amounts may be transferred to (or from) the Trust based on loss experience for that year. In addition, the Trust earns investment income, part of which is paid to the carrier as part of its compensation and the remainder is credited to the Project and held in the Trust to cover the Project's cumulative obligations. The amount in the Trust are restricted by its terms and cannot be used for other purposes. Any amounts which remain in the Trust after all losses and other obligations of the Project are paid, will be re-paid to the Project for distribution in accordance with funding agreements with the federal government.

The Project's OCIP activity is reported as an Internal Service Fund. The "Claims and Judgement liabilities" reported therein represents the Project's liabilities as estimated by the carrier for incurred losses as of the end of the fiscal year. The Internal Service Fund also includes amounts set aside in the Trust to cover the Project's cumulative workers' compensation loss and general liability premium obligations from the inception of the OCIP (1992) through the end of the tail period.

The estimated liabilities shown in the table below represents its insurance carrier's estimate of liability based on experience to date and the cumulative maximum potential obligations, as of June 30, 1999 and through the end of the tail period respectively. (Amounts in thousands)

	Liability Recorded as of 6/30/99	Maximum Potential Obligation As of 6/30/99	End of Project
General Liability	\$44,103	\$133,900	\$259,715
Workers' Compensation Liabilities	77,028	192,900	359,423
Total	<u>\$121,131</u>	<u>\$326,800</u>	<u>\$619,138</u>

The liability column represents estimates of liabilities incurred based on past experience, both reported or not reported as of June 30, 1999. The maximum potential obligation represents the carriers' estimated potential reimbursable losses and premium.

In addition, the Commonwealth and the insurance carrier are in the process of negotiating an agreement that has potential of crediting approximately \$5,183,000 in interest and \$33,923,000 in reserve balance to the Trust. It is estimated that the agreement will be finalized by end of the fiscal year 2000.

Claims and Judgements - Changes in the balance of claims and judgements liabilities for the primary government during fiscal 1999 were as follows (amounts in thousands):

	1999	1998
Liability, beginning of year.....	\$ 575,465	\$ 602,181
Current year claims and changes in estimates.....	800,173	806,864
Claims payments.....	(854,576)	(833,580)
Liability, end of year.....	<u>\$ 521,062</u>	<u>\$ 575,465</u>

Component Units - The MBTA reserves self-insurance liabilities as claims and judgements as of June 30, 1999. Changes in the self-insurance reserves in fiscal 1999 were as follows (amounts in thousands):

	1999	1998
Liability, beginning of year.....	\$69,820	\$ 69,732
Current year claims and changes in estimates.....	75,267	71,127
Claims payments.....	(71,869)	(71,039)
Liability, end of year.....	<u>\$ 73,218</u>	<u>\$ 69,820</u>

Other Contingencies - 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, 1999, the accrual for outstanding claims under these programs, including claims incurred but not reported, was approximately \$14,000,000.

Higher Education - During fiscal year 1998, UMass Memorial Health Care, Inc., (UMass Memorial) a non-related party was created to merge all of the subsidiaries to the UMass Health System. In connection with this merger, the University of Massachusetts and UMass Memorial have entered into the following agreements:

UMass Memorial is granted the right to occupy portions of the UMass campus for a period of 99 years and UMass Memorial agrees to share responsibility for various capital and operating expenses relating to the occupied premises. UMass Memorial also agreed to make up to \$4,000,000 in capital improvements to shared facilities over the next four years.

UMass Memorial agrees to make certain payments to UMass and its related organizations, including: 1) an annual fee of \$12,000,000 (plus an inflation adjustment), for 99 years as long as UMass continues to operate a medical school; 2) a percent of net operating income of UMass Memorial based upon an agreed-upon formula; and 3) a \$31,500,000 contribution plus interest by UMass Memorial to jointly fund and develop a new research facility with UMass. UMass will own and control the research facility.

UMass will lease certain employees to UMass Memorial or its affiliates during a transition period ending 2008.

All academic funds (net assets) held by the Capital division as of March 31, 1998 (Departmental Education Funds) will remain assets of UMass and will be held by UMass Memorial for UMass and allocated to each academic department. The cash will be transferred by UMass Memorial to UMass over five years. At June 30, 1999, UMass has recorded a receivable from UMass Memorial in the amount of \$22,600,000 related to these funds.

UMass is reimbursed by, and reimburses, UMass Memorial for certain services provided and purchased. For the fiscal year ended June 30, 1999, the revenues for services provided to UMass Memorial were

\$240,300,000. At June 30, 1999, UMass has recorded a receivable in the amount of \$109,800,000 from UMass Memorial for costs related to shared services, leased employees, and other agreed-upon payments due to UMass. UMass has recorded a payable at June 30, 1999 of \$20,800,000 for amounts due to UMass Memorial for shared services and other agreed-upon payments due to UMass Memorial.

15. SUBSEQUENT EVENTS

State Taxes

The fiscal 2000 budget contains several tax law changes, two of which reduce tax revenues in fiscal 2000. The income tax rate has been reduced from 5.95% to 5.85%, effective January 1, 2000; 5.80% effective January 1, 2001; and 5.75% effective January 1, 2002. A second set of provisions that is expected to effect revenue collections in fiscal 2000 allows taxpayers, retroactive to 1996, to use capital losses more comprehensively to offset capital gains, interest and dividend income.

Massachusetts Bay Transportation Authority

On November 16, 1999, the Governor approved legislation which rewrote the MBTA's enabling act and contained "forward funding" provisions for the MBTA. Under the new enabling act, which will take effect in fiscal year 2001, the Commonwealth's annual obligation to support the MBTA for operating costs and debt service will be limited to a portion of the revenues raised by the Commonwealth's sales tax, to be funded from existing sales tax receipts. The sales tax amount, generally the amount raised by a 1% sales tax with an inflation-adjusted floor, will be dedicated to the MBTA under a trust fund mechanism that will not permit future legislatures to divert the funds. The dedicated revenue stream will be disbursed to the MBTA without state appropriation to be used to meet the Commonwealth's current debt service contract assistance obligations relating to MBTA debt and to meet the MBTA's other operating and debt service needs. The Commonwealth will not be liable to pay the MBTA's net cost of service, nor will the Commonwealth be liable for debt service contract assistance on MBTA bonds issued after June 30, 2000.

To replace the working capital of the MBTA currently supplied by operating notes and cash advances from the State Treasurer, the legislation authorizes the Commonwealth to issue up to \$800,000,000 in general obligation bonds. The new enabling act expands the number of cities and towns required to pay annual assessments to the MBTA, but reduces the aggregate amount of assessments to approximately \$136,000,000, to

be phased in over five years. After the phase-in, aggregate assessments will be adjusted annually for inflation but will not be permitted to increase by more than 2.5% per year.

The legislation also restructures the MBTA's board of directors and advisory board. The legislation provides that in order to draw down dedicated sales tax receipts or municipal assessments from the state treasury, the MBTA must first certify that it has made provision in its annual budget for sufficient amounts to be available to meet debt service payments or other payments due under financing obligations for which the Commonwealth has pledged its credit or contract assistance or is otherwise liable or as to which the MBTA has covenanted to maintain net cost of service or contract assistance support. The new enabling act also provides explicitly that to the extent the dedicated sales tax receipts and municipal assessments are insufficient in any year to meet the MBTA's debt service payments with respect to such obligations, the Commonwealth shall remain liable for the payment of such obligations or the provision of net cost of service or contract assistance support as to such obligations to the same extent as before the enactment of the legislation. The amount of any support provided to the MBTA beyond the dedicated sales tax receipts and municipal assessments is to be in the form of a no-interest loan repayable within five years from the MBTA's system revenues and the dedicated sales tax receipts and municipal assessments.

MWPAT -

On July 8, 1999, the MWPAT received notification of approval from the EPA for the 1999 Clean Water Capitalization Grant. This grant of \$45,700,000 was matched with \$9,100,000 of funds on hand for state matching purposes.

Required Supplemental Information

Symphony Hall



When Symphony Hall opened in 1900 as a permanent home for the Boston Symphony Orchestra, the hall was designed and built with stringent acoustical standards in mind. Henry Lee Higginson, the founder of the BSO, chose Wallace Clement Sabine to help develop the acoustical formula for the hall. Today Boston Symphony Hall is recognized acoustically as one of top three concert halls in the world. Except for a new oak floor and new lighting, the hall has remained almost unchanged since 1900.

In the early part of the twentieth century, the Huntington Theatre, the Museum of Fine Arts, Jordan Hall, the New England Conservatory, and the Fenway Court museum of Isabella Stuart Gardner were developed in the area near Symphony Hall, creating the first cultural district in Boston. On January 20, 1999 US Interior Secretary Bruce Babbitt designated Symphony Hall a National Historic Landmark.

1900 photo courtesy of the Boston Symphony Orchestra Archives.
Contemporary photograph by Lincoln Russell.

YEAR 2000 READINESS (UNAUDITED)

The year 2000 issue arises because most computer software programs allocate two digits to the year date field on the assumption that the first two digits will be 19. Without reprogramming, such programs will interpret, for example, the year 2000 as the year 1900. Also, some programs may be unable to recognize that the year 2000 is a leap year.

The year 2000 issue may affect electronic equipment containing computer chips that have date recognition features – such as environmental systems, elevators, and vehicles – as well as computer software programs. In addition, the year 2000 issue affects not only computer applications and equipment under the Commonwealth's direct control but also the systems of other entities with which the Commonwealth transacts business. Some of the Commonwealth's systems/equipment affected by the year 2000 issue are critical to the continued and uninterrupted operations of Commonwealth government.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of the related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot guarantee that the Commonwealth is or will be year 2000 ready, that the Commonwealth's remediation efforts will be successful in whole or in part, or that parties with whom the Commonwealth does business will be year 2000 ready.

In June 1997, the Executive Office for Administration and Finance established a Year 2000 Program Management Office within its Information Technology Division. The purpose of this office is to ensure accurate monitoring of the Commonwealth's progress in achieving "year 2000 compliance". The program office has asked agencies to identify "mission critical" and "essential" systems. Mission critical systems are those which directly affect the health, safety or livelihood of citizens, which directly affect state revenues or whose loss would severely jeopardize agency delivery of services. Essential systems' loss would cause disruption of some agency services but would not prevent the agency from delivering primary services.

On April 15, 1999, the Governor approved a third round of Y2K supplemental appropriations of \$20 million for expenditure by the Information Technology Division to achieve year 2000 compliance for six Executive Offices and the other departments that report directly to the Governor. Of this \$20,000,000, approximately \$19,000,000 is committed for contracts. This amount, together with previously appropriated amounts and expenditures at the departmental level from existing funds, is anticipated by management to be sufficient to

meet most of the remediation efforts for such Executive Offices and departments. The Secretary of Administration and Finance is to report quarterly to the Legislature on the progress being made to address the year 2000 compliance efforts, and to assess the sufficiency of funding levels.

At any given time, work to address the year 2000 issue with respect to each system deemed mission-critical (i.e., critical to conducting the Commonwealth's operations) falls predominantly within one of the following stages of work:

- i. *Awareness stage* – Establishing a budget and project plan for dealing with the year 2000 issue.
- ii. *Assessment stage* – Identifying the systems and components for which year 2000 work is needed.
- iii. *Remediation stage* – Making changes to systems/equipment.
- iv. *Validation/Testing stage* – Validating and testing changes that were made during the remediation stage.

The following paragraphs summarize year 2000 state-of-work data for the 236 mission critical systems/equipment of the primary government, which includes higher education, as of June 30, 1999. Additional information as to the year 2000 issue related to the component units can be obtained in the complete financial statements of the individual component units. Systems having similar functions that are in the same stage of work have been combined for purposes of this disclosure.

The Commonwealth had completed the awareness, assessment, remediation, and validation/testing stages as of June 30, 1999, for mission-critical systems and equipment related to the following:

Primary Government:**Appellate Tax Board:**

Case Management System

Bureau of State Office Buildings:

State House Security System

Non-IT: State Office Buildings

Capital Asset Management:

Non-IT: State Office Buildings

Central Business Office:

CBO-Managed LANs

Commission Against Discrimination:

Complaint Tracking System

Department of Revenue:

Imaging Data Entry

MASSTax - Revenue System

Local Services Database System

Wage Reporting System

Child Support Enforcement System

Department of Veterans Services:

Veterans Services Management Informal System
 Division of Human Services:
 Workers' Compensation System
 Fiscal Affairs Division:
 MMARS Interface Subsystem
 FoxPro Database
 Group Insurance Commission:
 GIC Insurance Benefits Database
 Information Technology Division:
 PMIS (for HRD, OSC) - Payroll System
 PCRS - Labor Distribution System
 SNA Legacy Network
 TCP/IP Routed Network
 CAPS - Payroll System
 UHI - Employer-Paid Health Insurance System
 MMARS (see Office of the Comptroller)
 Future Date Testing Tools for
 Mainframe applications
 Commonwealth Mainframes
 Massachusetts Office on Disability:
 CATS - Client Assistance
 Mailing Lists
 Office of the State Comptroller:
 MMARS State Financial Accounting System
 Operational Services Division:
 Purchase Orders to Office Supply & MIS Vendors
 COMPASS - Solicitation
 Public Employee Retirement Board:
 Disability Determination System
 Disability Tracking System
 Retirement Verification Calculation System
 Secretary of State- Other:
 Record Center Database System
 Securities
 Elections
 Corporations Database System
 Secretary of State - Voter Registration:
 Voter Registration
 Treasurer & Receiver General:
 Corporate Universe Debt Management System
 Cash Management System
 Payroll System for Legislature
 PPS-Payment Processing System
 Board of Registration In Medicine:
 Licensing System for Medical Registrations
 Department of Telecommunications & Energy:
 Mission Critical PC Databases
 Complaint Tracking for Cable TV
 Division of Banks:
 Examination Application for DOB
 Division of Insurance:
 Licensing System for Division of Insurance
 Division of Registration:
 Licensing System
 Division of Standards:
 Licensing System

Executive Office of Elder Affairs:
 Home Care Management Information System
 Department of Environmental Management:
 Radio Room, Networks
 Department of Environmental Protection:
 Environmental Data System
 Mission Critical Access
 DAS-Data Acquisition System for Air Quality
 Division of Fisheries, Wildlife &
 Environmental Law Enforcement:
 Marine Catch Report Database
 Titling & Registration Database
 Agent Activity Database
 Low Band Radio
 Executive Office of Environmental Affairs:
 VAX Applications
 Governor's Council:
 Pardon Database
 Governor's Office:
 Boards & Commissions Using
 Protocol (DOS)
 PROVIEW - Constituent Tracking
 Department of Mental Health:
 Hospital Billing System
 Department of Public Health:
 Statistics: Mission Critical
 Substance Abuse:(BSAS)
 Family & Comm Health (FCH)
 Non-IT: Mission Critical Devices
 Healthy Start
 Substance Abuse Management Information System
 Hospitals: Mission Critical
 Children's Medical Service Program - Insurance
 Management & Resources
 Pharmacy
 AIMS - Hospital Admissions & Billing
 Food & Drug: Misc. Mission
 WIC - Women, Infants & children
 Early Intervention
 Health Quality Management (HQM)
 Immunization Information System
 Department of Social Services:
 ASSIST/FamilyNet - Child Protection System
 Department of Transitional Assistance:
 SDX State Data Exchange
 Data Exchange System
 IIS
 PRISM - Priority Reporting
 Food Stamp Program
 Welfare Financial Management Control
 Data Insertion Mailing
 EBT - Electronic Benefits Transfer
 PACES Financial Eligibility System
 BEACON I
 Department of Youth Services:
 Client Tracking

Division of Health Care Finance:
 Uncompensated Care Reporting System
 Division of Medical Assistance:
 Medicaid Claims System
 Recipient Eligibility Verification System
 MA21 Recipient Information
 Office of Child Care Services:
 Complaint Tracking System
 Teacher Quality System
 Day Care Licensing System
 Soldiers Home – Chelsea:
 Banking System
 Patient Tracking System
 Soldiers Home – Holyoke:
 Medical Records System
 In-Patient Tracking System
 Insurance Billing

Higher Education:

Berkshire Community College:
 Student Billing & Administration
 Bridgewater State College:
 Financial System
 Human Resources System
 Student Information System
 Bristol Community College:
 Financial System
 Student Information System
 Bunker Hill Community College:
 Human Resource System
 Student Administration/Colleague System
 Cape Cod Community College:
 Financial System
 Student Information
 Human Resource System
 Fitchburg State College:
 Student Financial Records System
 Framingham State College:
 Fully Integrated System
 Scheduling System
 Student Administration
 Greenfield Community College:
 Payroll System
 Banner-Student Information
 Banner-Financial
 Banner-Alumnae
 Holyoke Community College:
 Student Information System
 Human Resource System
 Financial System
 Energy Management
 Mass Bay Community College:
 Student Information System
 Human Resource System
 Financial System
 Financial Aid System

Massachusetts College of Art:
 Colleague System
 Massachusetts College of Liberal Arts:
 Student Information System
 Accounting System
 Massachusetts Maritime Academy:
 Financial Services Colleague System
 Massasoit Community College:
 APECS Student Information System
 Great Plains
 Middlesex Community College:
 Student Information System
 Banner
 Human Resource System
 Mt. Wachusett Community College:
 Banner
 North Shore Community College:
 Human Resource System
 Banner
 Northern Essex Community College:
 Student Information System/Banner
 Quinsigamond Community College:
 Financial Management System
 BPI Accounting
 Roxbury Community College:
 Kenric Financial Package
 Salem State College:
 Fiscal System
 Student Accounts
 UMASS – Dartmouth:
 Accounts Payable
 Student Information
 UMASS – Lowell:
 Student Information System
 Financial System
 UMASS – Presidents Office:
 Payroll System
 Student Administration
 Accounting
 Student Billing
 UMASS – Worcester (Medical School):
 SAMIS-Student Administration Management
 Westfield State College:
 Financial Record System
 Worcester State College:
 Colleague System
 Campaign & Political Finance:
 Name & Address Database
 Central Artery/Tunnel:
 Traffic Management (Construction Information Database)
 IPCS Construction (Integrated
 Project Controls System)
 Electrical and Mechanical
 IT Help Desk (CAT MC Information Systems)
 Committee for Public Counsel:
 Billing for Public Defenders

Lottery Commission:

- Eke Scheduling
- Financial Systems
- On-line Games

Administrative Office of Trial Courts:

- Judiciary Court Activities Information System
- Housing Court
- Jury Selection
- Warrant Management System
- Probation Receipt Accounting System
- Worcester Probate and Family
- Juvenile Court

Appeals Court:

- COTT/Forecourt – Case Management & Court Operations System

Board of Bar Examiners:

- Forecourt – Case Management & Court Operations

Supreme Judicial Court:

- Forecourt – Case Management & Court Operations

Division of Apprenticeship:

- Apprenticeship Tracking System

Division of Employment & Training:

- ARTB – Accounts Receivable
- Trial Balances Revenue Systems
- Unemployment Insurance System
- Lotus Notes for Career Centers
- UHI (see ITD)

Division of Industrial Accidents:

- Diameter
- Pyramid

Labor Relations Commission:

- Case Tracking System

Bureau of Special Investigations:

- Case Tracking System

Chief Medical Examiner:

- Inquest System

Criminal History Systems Board:

- Law Enforcement Agencies Processing System
- Criminal Offender Record Information System

Department of Corrections:

- Technology Services Equipment
- Non-IT Embedded Systems
- DBI Fingerprinting System
- Inmate Database
- Epic System (ID & Booking)

Department of Fire Services:

- Fire Incident Reporting System
- UST Underground Storage Tank

Merit Rating Board:

- Driver Citation System
- Insurance Claims Tracking System
- Inquiry (Access to Driver & Citation Database)

Military Division – State:

- Municipal Network Information System
- SIDPURS-ARNG
- SABERS

TROUPERS

- JUSTIS

- AFCOS

Parole Board:

- Parole Board Victim Witness Tracking System
- Parole Board Inmate & Hearing Tracking System
- Clemency Tracking/PATS
- Parole Board Management System

Registry of Motor Vehicles:

- Controls License Issuance System
- Registration Systems Controls Vehicle Registration
- Batch Numbering – Document Control for F/M

State Police Department:

- Communications Equipment (non-IT)
- POS Police Op. System to Control Police Dispatching
- Statewide Emergency Telecommunications Board:

- Mobile 911 Truck

- SRC System Maintenance & Monitor

- ALI Automated Location Indicator

- 911 Customer Premise Equip.

- Telephone C/O's & 9-1-1

Massachusetts Highways:

- Non-IT: Traffic Signal Controllers

The Commonwealth has completed the awareness, assessment, and remediation stages and was performing the validation/testing stage as of June 30, 1999, for mission-critical systems and equipment relating to the following:

Primary Government:

Metropolitan District Commission:

- Non-IT: MDC Mission Critical

Legislature DP:

- Legislative Bill Tracking

Department of Public Health:

- State Lab: Mission Critical

Administrative Office of Trial Courts:

- Superior Court Forecourt

- BMC Forecourt

- Fall River Applications

Department of Correction:

- Radio Communications Repeaters

- Perimeter Security Systems

- Tool and Key Control Databases

State Police Department:

- State Police Fingerprinting System

Higher Education:

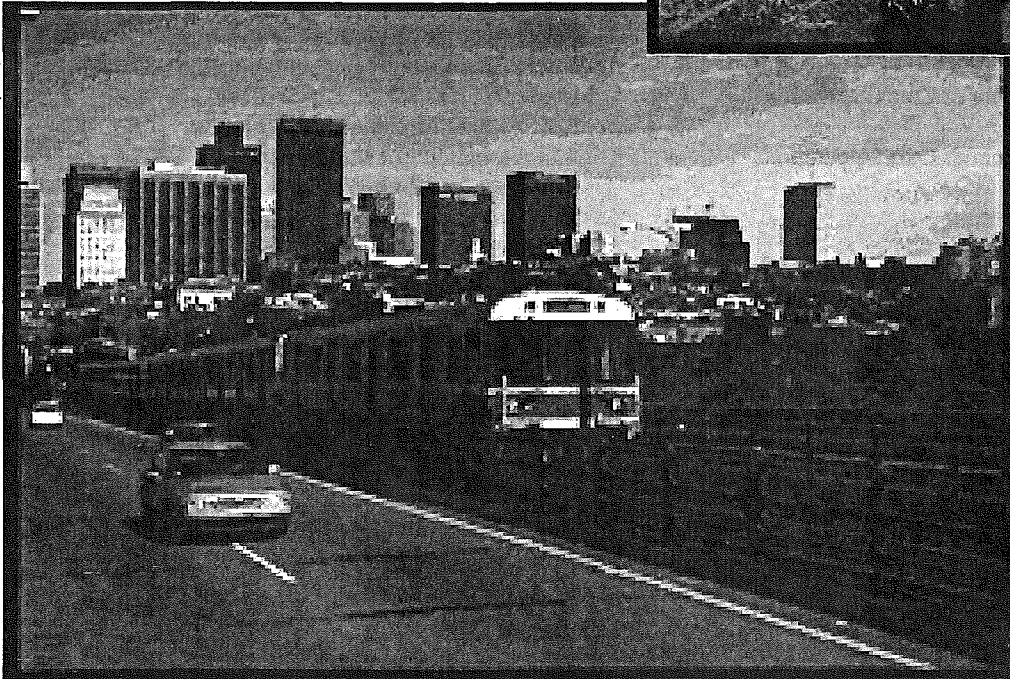
Roxbury Community College:

- Student Data

UMASS – Lowell:

- Library System

Massachusetts Bay Transportation Authority



In the 1800s over 20 horse drawn coaches provided mass transit to the residents of Boston. Each offered different fare structures and overlapping lines of service. This led to public outcry and in 1887, legislation was passed to consolidate the lines and create one of the largest street railway operations in the United States.

When this mode of transportation became outdated and many of the larger cities were employing cable cars, Boston determined to install cable cars, but to electrify the system. The first electric streetcar line started on January 1, 1889. The expansion of this technology was rapid and by 1911, Massachusetts had more street railway trackage per square mile than any other state in the union.

Transportation systems continued to improve, but by 1918 increased costs caused the legislature to pass the Public Control Act, designed to provide public operation of mass transportation for fares at rates sufficient to meet all cost of furnishing that service which at the time was determined to be a nickel. In 1947 the Massachusetts Transit Authority (MTA) was created. The MTA began serving 14 cities and towns. In 1964, the MTA was replaced with the Massachusetts Bay Transit Authority (MBTA), a greatly expanded entity created to provide service to 78 municipalities. In 1974 the MBTA added commuter rail service. Today the MBTA administers an extensive network of mass transit. In 1993 the MBTA was the nation's 6th largest transportation system serving a population of 2,608,638 in 78 cities and towns in a service area of 1,038 miles.

Photography courtesy of the MBTA.

Combining and Individual Fund Statements and Account Group Schedules

Transportation



The TH!NK

Francis Edgar Stanley and Freelan Oscar Stanley were twin brothers who were inventors. Early in their careers, they invented a photographic plate, which they sold to Eastman Kodak. The money from that sale provided funds to develop the first steam driven motor car. In 1899 they launched the Stanley Motor Car business in Watertown, MA and were producing 10 cars a day and orders that were backed up for months.

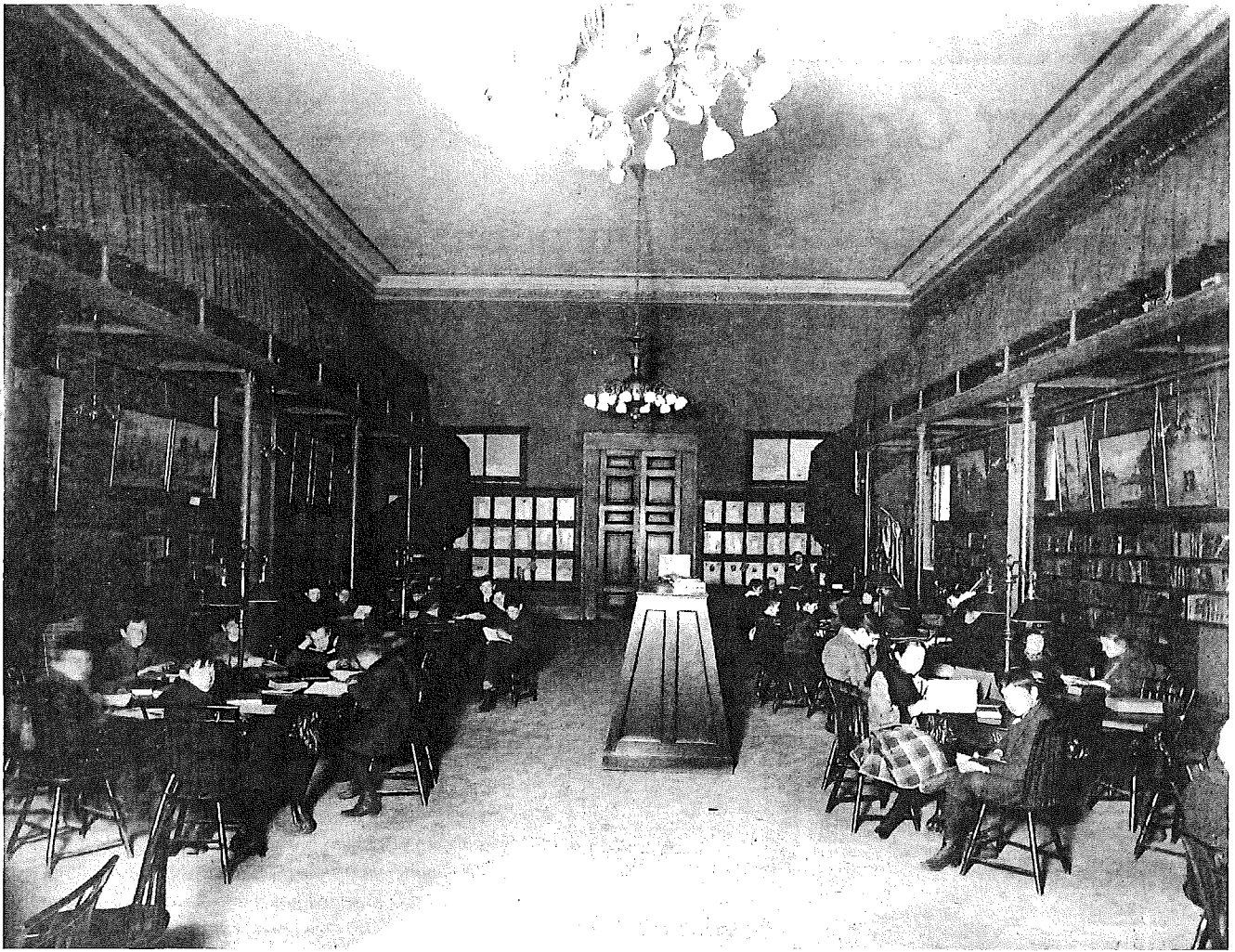


In 1906 their Stanley Steamer set a world's speed record of nearly 130 miles per hour. The car weighed only 500 pounds and had a 35 pound, two cylinder engine. During the speed trial, the car became airborne and rose several feet off the ground. It hit the ground and broke into two sections. The boiler flew down the track blowing steam like a meteor, according to reporters. Thereafter, that model of the Stanley Steamer was called the Flying Teapot.

Today car manufacturers are working to produce cars that are more fuel efficient and better for the environment. Electric cars are one answer. Small and light, they can achieve remarkable distances on a single charge. Another solution are hybrid cars that use gasoline engines, but can recapture some of the extra energy and store it in batteries for later use in order to improve the vehicles' fuel efficiency.

Photography of the Stanley Twins in the first Stanley Steamer, courtesy of Stanley Steamer Museum Collection.
Ford motors TH!NKs electric car courtesy of www.cars.com.

Boston Public Library Children's Room



The Children's Room at the main branch of Boston Public Library (BPL) is the oldest one in the country. Originally the patent room, it was renamed Children's Room in 1898 when the patent collection was moved out. At this time it became a general reference reading room for children and teachers. The bookshelves were designed to be low enough for a child to access without the help of a librarian. It also contained artwork and framed historical documents. Remodeling of the current Children's Room was completed in 1994. In 1996, Margaret Rey, who along with her husband Hans authored the famous "Curious George" series of children's books, celebrated her 90th birthday by gifting the BPL with a million dollars for the enhancement of the children's areas throughout BPL's twenty-five branch libraries. In return for her generosity, the original Children's Room in the Central Library was re-named for the Reys. Today the Children's room has over 60,000 volumes in its library, and approximately half of those in circulation at any one time.

Photography courtesy of the Boston Public Library archives and Jim Guan.

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. The fund also includes financial activities related to stabilization and tax reduction.



General Fund Balance Sheet

June 30, 1999
(Amounts in thousands)

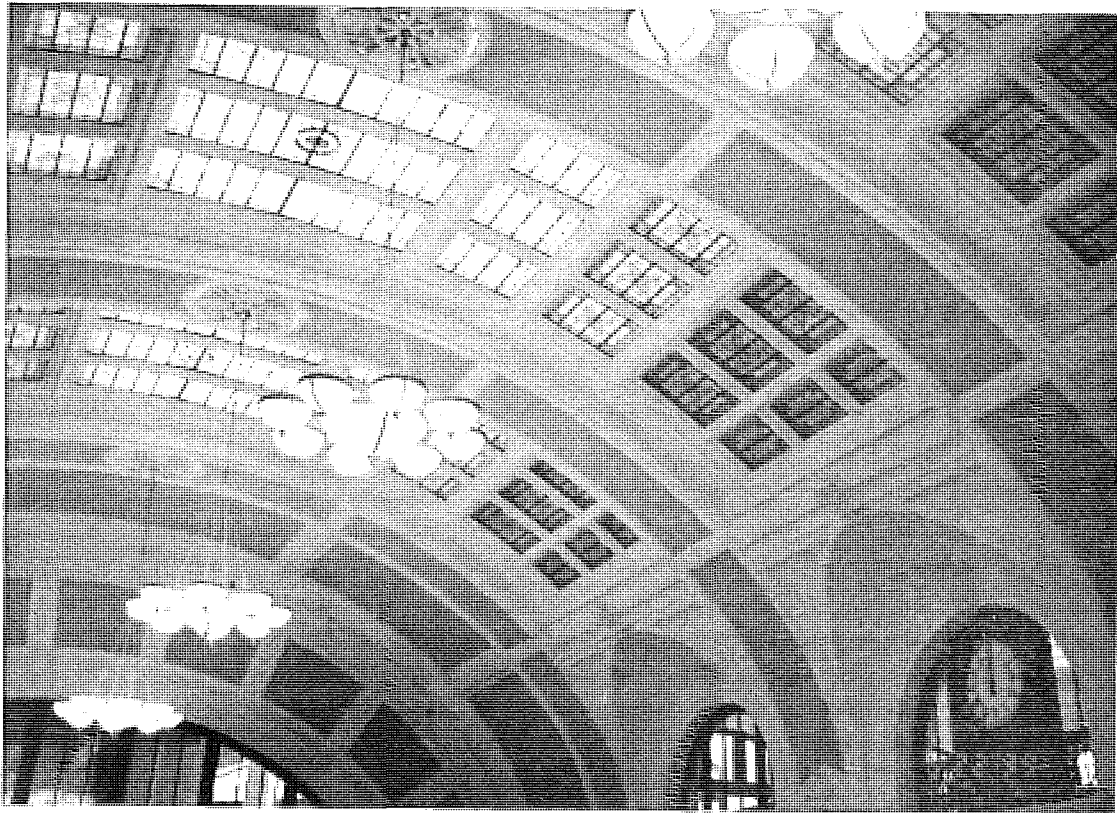
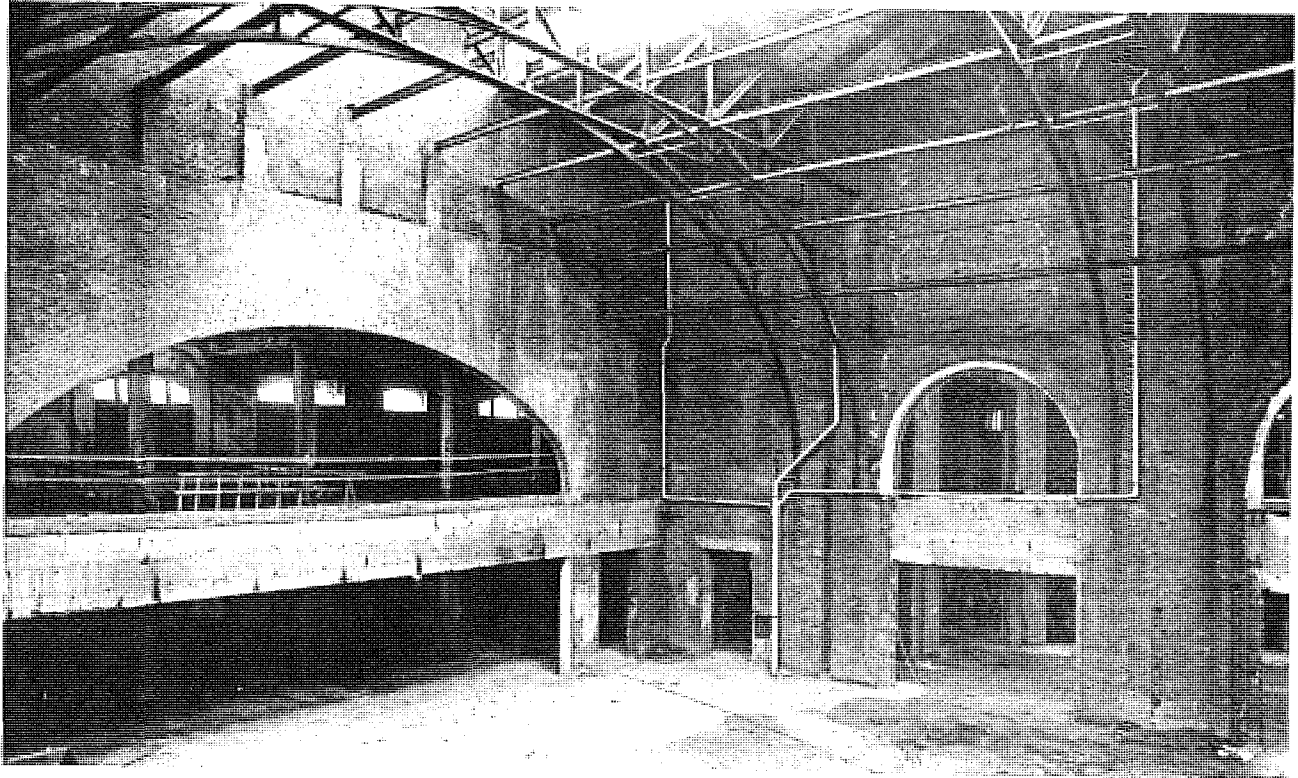
	1999	1998
ASSETS		
Cash and short-term investments.....	\$ 2,344,861	\$ 1,480,338
Receivables, net of allowance for uncollectibles:		
Taxes.....	988,805	971,649
Due from federal government.....	447,964	426,660
Other receivables.....	115,347	123,282
Due from cities and towns.....	239,137	239,547
Due from other funds.....	2,887,371	2,383,346
Due from component units.....	15,634	3,750
Total assets.....	<u>\$ 7,039,119</u>	<u>\$ 5,628,572</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable.....	\$ 972,902	\$ 901,259
Accrued payroll.....	34,552	22,906
Compensated absences.....	110,967	102,759
Tax refunds and abatements payable.....	610,842	600,868
Due to other funds.....	743,922	420,211
Due to component units.....	70,961	61,464
Due to federal government.....	16,452	18,058
Deferred revenue.....	129,686	122,791
Claims and judgments.....	32,700	16,500
Total liabilities.....	<u>2,722,984</u>	<u>2,266,816</u>
Fund balance:		
Reserved for continuing appropriations.....	131,996	135,350
Reserved for tax reduction.....	6,818	367,663
Reserved for Commonwealth stabilization.....	1,388,523	1,159,588
Unreserved.....	2,788,798	1,699,155
Total fund balance.....	<u>4,316,135</u>	<u>3,361,756</u>
Total liabilities and fund balances.....	<u>\$ 7,039,119</u>	<u>\$ 5,628,572</u>

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

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	1999	1998
Revenues:		
Taxes.....	\$ 8,550,619	\$ 8,470,786
Assessments.....	238,126	226,236
Federal grants and reimbursements.....	2,676,817	2,685,639
Departmental.....	524,280	537,924
Miscellaneous.....	161,503	175,285
Total revenues.....	12,151,345	12,095,870
Other financing sources:		
Proceeds of capital leases.....	9,392	15,521
Transfers from component units.....	5,412	4,192
Operating transfers in.....	420,594	509,230
Total other financing sources.....	435,398	528,943
Total revenues and other financing sources.....	12,586,743	12,624,813
Expenditures:		
Current:		
Legislature.....	51,371	51,194
Judiciary.....	69,257	47,932
Inspector General.....	2,231	1,876
Governor and Lieutenant Governor.....	5,410	5,095
Secretary of the Commonwealth.....	24,056	16,657
Treasurer and Receiver-General.....	91,199	87,472
Auditor of the Commonwealth.....	13,241	13,337
Attorney General.....	40,951	34,106
Ethics Commission.....	708	639
District Attorney.....	242	247
Office of Campaign and Political Finance.....	377	386
Sheriff's Departments.....	130,689	40,307
Disabled Persons Protection Commission.....	1,504	1,510
Board of Library Commissioners.....	4,395	3,815
Comptroller.....	7,518	7,173
Administration and finance.....	786,505	772,532
Environmental affairs.....	68,664	65,141
Communities and development.....	96,156	97,995
Health and human services.....	3,145,871	3,035,327
Transportation and construction.....	12,357	1,226
Education.....	188,431	176,075
Higher education.....	95,591	80,891
Public safety.....	465,860	408,073
Economic development.....	10,354	9,200
Elder affairs.....	158,619	142,870
Consumer affairs.....	38,048	31,797
Labor.....	28,146	41,566
Medicaid.....	3,521,250	3,442,215
Pension.....	83,593	96,833
Direct local aid.....	33,037	33,877
Debt service:		
Principal retirement.....	426,320	502,133
Interest and fiscal charges.....	250,958	255,900
Total expenditures.....	9,852,909	9,505,397
Other financing uses:		
Operating transfers out.....	476,031	454,872
Transfers of appropriations.....	860,148	820,646
Transfers to component units.....	443,276	413,657
Total other financing uses.....	1,779,455	1,689,175
Total expenditures and other financing uses.....	11,632,364	11,194,572
Excess of revenues and other financing sources over expenditures and other financing uses.....	954,379	1,430,241
Fund balance at beginning of year.....	3,361,756	1,931,515
Fund balance at end of year.....	\$ 4,316,135	\$ 3,361,756

Union Station



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 — account 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 primarily 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 the lottery operating surplus 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.

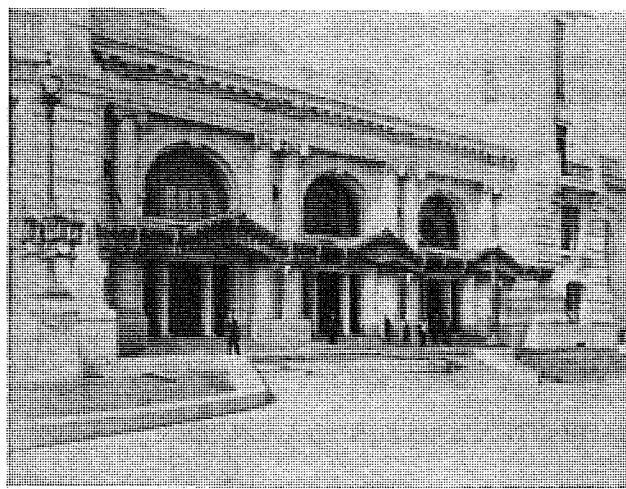
Environmental — accounts for a variety of fees, fines, and other revenues which finance programs to preserve, protect and enhance the environment.

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, federal reimbursements, fees, fines, federal grants, debt proceeds and other revenues along with long-term grant anticipation notes proceeds restricted to the financing of specific Commonwealth programs.



When Union Station in Worcester first opened in 1911 it was described as a "Poem in Stone" because of its magnificent architectural structure, and it soon became a focal point of the downtown central business district.

Nevertheless, the decline of the railroad industry caused its doors to be shut in 1975. In 1994, a feasibility study found that the station could be successfully revitalized and the Worcester Redevelopment Authority acquired the station from bankruptcy court in 1995 for \$50,000. A combination of funding for the federal, state and private sources was obtained for the restoration of the station and its surrounding environs.

Once fully operational, the station will once again serve as a center of activity for the city and the area. The station will offer travelers access to full commuter rail service to Boston, intercity and interstate bus service provided by Peter Pan and Greyhound Bus Lines, Amtrak service and public bus transportation. Special attention to pedestrian access to the station has been an essential element to the design of the station and the surrounding area including a major roadway reconfiguration to ease pedestrian access to the station. In addition, plans for tying the Station in with bike paths are well underway as part of a "rail-to-trail" initiative. The finishing touches are being completed and the station will be ready for operation in the beginning of 2000, with bus service beginning in mid 2001.

Photo courtesy of the Worcester Redevelopment Authority.

Special Revenue Funds

Combining Balance Sheet

June 30, 1999
(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Environmental
ASSETS				
Cash and short-term investments.....	\$ -	\$ -	\$ -	\$ -
Cash with fiscal agent.....	-	26,061	-	-
Receivables, net of allowance for uncollectibles:				
Taxes.....	-	47,007	630,000	688
Due from federal government.....	217,273	-	-	749
Other receivables.....	-	870	-	21,125
Due from cities and towns.....	-	-	495	-
Due from other funds.....	-	140	-	-
Inventory.....	25,227	-	-	-
Other assets.....	-	-	-	-
Total assets.....	<u>\$ 242,500</u>	<u>\$ 74,078</u>	<u>\$ 630,495</u>	<u>\$ 22,562</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 150,466	\$ 18,147	\$ 230,848	\$ 9,573
Accrued payroll.....	1,667	4,404	731	653
Compensated absences.....	11,635	20,180	33,469	4,078
Tax refunds and abatements payable.....	-	217	405,489	-
Due to other funds.....	42,414	188,880	2,375,075	28,157
Due to component units.....	-	103,954	207,906	-
Due to federal government.....	-	-	-	-
Deferred revenue.....	25,227	144	61,111	270
Other accrued liabilities.....	-	-	-	-
Total liabilities.....	<u>231,409</u>	<u>335,926</u>	<u>3,314,629</u>	<u>42,731</u>
Fund balances (deficits):				
Reserved for continuing appropriations.....	-	4,247	18,471	6,996
Reserved for retirement of indebtedness.....	-	26,061	-	-
Reserved for capital projects.....	-	-	-	-
Unreserved.....	11,091	(292,156)	(2,702,605)	(27,165)
Fund balances (deficits).....	<u>11,091</u>	<u>(261,848)</u>	<u>(2,684,134)</u>	<u>(20,169)</u>
Total liabilities and fund balances.....	<u>\$ 242,500</u>	<u>\$ 74,078</u>	<u>\$ 630,495</u>	<u>\$ 22,562</u>

Lotteries	Universal Health Care	Oil Overcharge	Other	Totals	
				1999	1998
\$ 22,725	\$ 224,202	\$ 9,544	\$ 886,923	\$ 1,143,394	\$ 1,153,980
-	-	-	49,104	75,165	37,631
-	-	-	30,047	707,742	685,608
-	49,259	-	184,196	451,477	340,544
7,579	97,680	-	5,359	132,613	103,640
-	-	-	-	495	407
-	-	-	-	140	338
-	-	-	-	25,227	25,233
-	-	-	-	-	2,984
<u>\$ 30,304</u>	<u>\$ 371,141</u>	<u>\$ 9,544</u>	<u>\$ 1,155,629</u>	<u>\$ 2,536,253</u>	<u>\$ 2,350,365</u>
\$ 25,845	\$ 100,357	\$ 306	\$ 54,265	\$ 589,807	\$ 534,751
-	14	10	258	7,737	31,760
1,883	-	24	4,224	75,493	69,112
-	-	-	-	405,706	397,462
-	-	-	78,565	2,713,091	1,933,571
-	-	-	-	311,860	269,467
-	-	-	1,067	1,067	49
5,225	12,410	-	53	104,440	117,431
-	132,622	-	-	132,622	73,679
<u>32,953</u>	<u>245,403</u>	<u>340</u>	<u>138,432</u>	<u>4,341,823</u>	<u>3,427,282</u>
-	-	-	50,456	80,170	124,941
-	-	-	435,096	461,157	26,059
-	-	-	7,003	7,003	-
(2,649)	125,738	9,204	524,642	(2,353,900)	(1,227,917)
(2,649)	125,738	9,204	1,017,197	(1,805,570)	(1,076,917)
<u>\$ 30,304</u>	<u>\$ 371,141</u>	<u>\$ 9,544</u>	<u>\$ 1,155,629</u>	<u>\$ 2,536,253</u>	<u>\$ 2,350,365</u>

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

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Federal Grants	Highway	Local Aid	Environmental
Revenues:				
Taxes.....	\$ -	\$ 545,240	\$ 4,923,462	\$ 7,905
Assessments.....	-	10,680	-	17,142
Federal grants and reimbursements.....	1,455,958	-	-	2,800
Departmental.....	-	303,271	1,476	59,657
Miscellaneous.....	112	2,029	292	31,851
Total revenues.....	1,456,070	861,220	4,925,230	119,355
Other financing sources:				
Proceeds of grant anticipation notes.....	-	-	-	-
Operating transfers in.....	-	2,345	891,615	564
Total other financing sources.....	-	2,345	891,615	564
Total revenues and other financing sources.....	1,456,070	863,565	5,816,845	119,919
Expenditures:				
Current:				
Judiciary.....	159	-	441,522	-
Secretary of the Commonwealth.....	641	-	8,397	-
Treasurer and Receiver-General.....	523	697	3,155	6
Auditor of the Commonwealth.....	-	-	742	-
Attorney General.....	5,763	7	747	87
Ethics Commission.....	-	-	677	-
District Attorney.....	2,837	-	61,401	-
Office of Campaign and Political Finance.....	-	-	401	-
Sheriff's Departments.....	2,016	192	1,456	-
Disabled Persons Protection Commission.....	-	-	-	-
Board of Library Commissioners.....	2,608	-	2,803	-
Administration and finance.....	1,948	6,639	133,003	22,786
Environmental affairs.....	18,672	27,376	25,738	82,747
Communities and development.....	224,278	-	32,238	-
Health and human services.....	484,063	-	3,455	-
Transportation and construction.....	5,075	118,824	580	5
Education.....	462,122	35,988	552,193	514
Higher education.....	1,457	-	-	-
Public safety.....	29,825	189,084	163,905	181
Economic development.....	3,574	-	249	-
Elder affairs.....	26,388	-	10,908	-
Consumer affairs.....	1,383	2,108	-	-
Labor.....	132,809	-	187	-
Medicaid.....	-	-	-	-
Pension.....	-	28,489	211,806	359
Direct local aid.....	-	50,076	4,322,231	95
Debt service:				
Principal retirement.....	-	166,683	62,950	-
Interest and fiscal charges.....	-	191,673	73,080	-
Total expenditures.....	1,406,141	817,836	6,113,824	106,780
Other financing uses:				
Operating transfers out.....	48,658	356,914	117,415	16,224
Transfers of appropriations.....	-	-	92	1,781
Transfers to component units.....	-	122,008	259,472	-
Total other financing uses.....	48,658	478,922	376,979	18,005
Total expenditures and other financing uses.....	1,454,799	1,296,758	6,490,803	124,785
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,271	(433,193)	(673,958)	(4,866)
Fund balances (deficits) at beginning of year.....	9,820	171,345	(2,010,176)	(15,303)
Fund balances (deficits) at end of year.....	\$ 11,091	\$ (261,848)	\$ (2,684,134)	\$ (20,169)

Lotteries	Universal Health Care	Oil Overcharge	Other	Totals	
				1999	1998
\$ 2,191	\$ -	\$ -	\$ 291,416	\$ 5,770,214	\$ 5,562,642
-	262,945	-	17,506	308,273	287,737
-	182,483	4	1,343,791	2,985,036	2,383,746
3,554,933	353,298	-	53,990	4,326,625	4,247,823
15,517	146,350	1,302	29,942	227,395	105,546
3,572,641	945,076	1,306	1,736,645	13,617,543	12,587,494
-	-	-	319,434	319,434	580,557
17,925	157,822	-	705,819	1,776,090	1,470,126
17,925	157,822	-	1,025,253	2,095,524	2,050,683
3,590,566	1,102,898	1,306	2,761,898	15,713,067	14,638,177
-	-	-	3	441,684	422,522
-	-	-	-	9,038	6,426
2,686,609	-	-	1,312	2,692,302	2,561,181
-	-	-	-	742	766
-	-	-	995	7,599	6,661
-	-	-	-	677	664
-	-	-	7,857	72,095	67,746
-	-	-	-	401	366
-	-	-	30	3,694	206
-	-	-	-	-	8
-	-	-	-	5,411	5,026
-	129	-	104,839	269,344	285,438
-	-	7	8,618	163,158	150,748
-	-	799	2,451	259,766	252,541
-	878,490	-	648,055	2,014,063	2,022,437
-	-	-	-	124,484	115,539
-	-	-	23,942	1,074,759	977,440
-	-	-	197	1,654	1,066
-	-	70	11,489	394,554	444,629
-	-	4	43,056	46,883	21,312
-	-	-	886	38,182	36,397
-	17,046	2,142	7,085	29,764	25,496
-	-	-	5,371	138,367	144,313
-	-	-	307,403	307,403	195,624
-	-	-	-	240,654	317,522
-	-	-	-	4,372,402	4,013,004
-	-	-	2,604	232,237	205,134
-	-	-	37,974	302,727	251,424
2,686,609	895,665	3,022	1,214,167	13,244,044	12,531,636
905,401	176,532	148	1,178,980	2,800,272	2,128,476
-	-	-	-	1,873	2,339
-	-	-	14,051	395,531	348,703
905,401	176,532	148	1,193,031	3,197,676	2,479,518
3,592,010	1,072,197	3,170	2,407,198	16,441,720	15,011,154
(1,444)	30,701	(1,864)	354,700	(728,653)	(372,977)
(1,205)	95,037	11,068	662,497	(1,076,917)	(703,940)
\$ (2,649)	\$ 125,738	\$ 9,204	\$ 1,017,197	\$ (1,805,570)	\$ (1,076,917)

Budgeted Special Revenue Funds
Combining Schedule Of Revenues, Expenditures And Changes In Fund Balances -
Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Highway			Local Aid		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes.....	\$ 522,200	\$ 543,847	\$ 21,647	\$ 4,685,700	\$ 4,925,633	\$ 239,933
Assessments.....	-	10,680	10,680	-	-	-
Federal grants and reimbursements.....	2,700	-	(2,700)	-	-	-
Departmental.....	275,000	303,207	28,207	7,800	1,476	(6,324)
Miscellaneous.....	-	2,024	2,024	-	292	292
Total revenues.....	799,900	859,758	59,858	4,693,500	4,927,401	233,901
Other financing sources:						
Operating transfers in.....	-	2,345	2,345	659,300	808,095	148,795
Stabilization transfer.....	-	-	-	-	-	-
Transfer for tax reduction.....	-	-	-	-	83,520	83,520
Total other financing sources.....	-	2,345	2,345	659,300	891,615	232,315
Total revenues and other financing sources.....	799,900	862,103	62,203	5,352,800	5,819,016	466,216
Expenditures:						
Judiciary.....	-	-	-	462,873	438,648	24,225
Secretary of the Commonwealth.....	-	-	-	8,638	8,382	256
Treasurer and Receiver-General.....	707	701	6	3,510	3,171	339
Auditor of the Commonwealth.....	-	-	-	740	740	-
Attorney General.....	8	7	1	756	749	7
Ethics Commission.....	-	-	-	698	693	5
District Attorney.....	-	-	-	61,741	61,571	170
Office of Campaign & Political Finance.....	-	-	-	379	377	2
Sheriff's Departments.....	242	192	50	1,914	1,456	458
Board of Library Commissioners.....	-	-	-	2,803	2,799	4
Comptroller.....	-	-	-	-	-	-
Administration and finance.....	20,840	6,101	14,739	155,805	144,751	11,054
Environmental affairs.....	27,985	27,272	713	32,306	31,694	612
Communities and development.....	-	-	-	33,770	33,728	42
Health and human services.....	-	-	-	13,699	3,455	10,244
Transportation and construction.....	184,906	180,787	4,119	129,867	125,438	4,429
Education.....	-	-	-	254,383	248,672	5,711
Higher education.....	-	-	-	92	92	-
Public safety.....	215,179	211,571	3,608	169,718	163,617	6,101
Economic development.....	-	-	-	250	249	1
Elder affairs.....	-	-	-	11,054	10,908	146
Consumer affairs.....	2,102	2,089	13	-	-	-
Labor.....	-	-	-	187	187	-
Direct local aid.....	43,472	43,407	65	4,275,421	4,266,022	9,399
Medicaid.....	-	-	-	-	-	-
Pension.....	71,033	70,934	99	569,551	569,551	-
Debt service:						
Principal retirement.....	168,735	166,683	2,052	63,725	62,950	775
Interest and fiscal charges.....	194,032	191,673	2,359	73,979	73,080	899
Total expenditures.....	929,241	901,417	27,824	6,327,859	6,252,980	74,879
Other financing uses:						
Fringe benefit cost assessment.....	-	-	-	-	-	-
Operating transfers out.....	47,657	47,640	17	141,427	141,393	34
Stabilization transfer.....	-	-	-	-	66,249	(66,249)
Transfer for debt defeasance.....	354,389	354,389	-	-	-	-
Transfer for tax reduction.....	-	-	-	-	-	-
Total other financing uses.....	402,046	402,029	17	141,427	207,642	(66,215)
Total expenditures and other financing uses.....	1,331,287	1,303,446	27,841	6,469,286	6,460,622	8,664
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(531,387)	(441,343)	90,044	(1,116,486)	(641,606)	474,880
Fund balances (deficit) at beginning of year.....	260,757	260,757	-	(1,939,755)	(1,939,755)	-
Fund balances (deficit) at end of year.....	\$ (270,630)	\$ (180,586)	\$ 90,044	\$ (3,056,241)	\$ (2,581,361)	\$ 474,880

Commonwealth Stabilization			Administrative Control			Environmental		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ 163	\$ 163	\$ 8,700	\$ 7,876	\$ (824)
-	-	-	-	-	-	-	17,195	17,195
-	-	-	-	53,649	53,649	3,985	2,572	(1,413)
38,429	-	(38,429)	4,505	95,418	90,913	94,512	56,666	(37,846)
-	63,313	63,313	-	18,973	18,973	-	31,854	31,854
38,429	63,313	24,884	4,505	168,203	163,698	107,197	116,163	8,966
-	-	-	-	186,170	186,170	-	564	564
-	165,622	165,622	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	165,622	165,622	-	186,170	186,170	-	564	564
38,429	228,935	190,506	4,505	354,373	349,868	107,197	116,727	9,530
-	-	-	18,162	16,940	1,222	-	-	-
-	-	-	125	125	-	-	-	-
-	-	-	-	-	-	7	6	1
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	105	87	18
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	3,449	3,449	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	449	449	-	-	-	-
-	-	-	127,061	84,154	42,907	25,468	22,785	2,683
-	-	-	499	486	13	91,866	82,324	9,542
-	-	-	-	-	-	-	-	-
-	-	-	28,203	25,077	3,126	-	-	-
-	-	-	36	36	-	5	5	-
-	-	-	-	-	-	-	-	-
-	-	-	15,833	15,833	-	1,886	1,818	68
-	-	-	46,338	46,337	1	174	174	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	69	69	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	965	965	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	240,224	192,955	47,269	120,476	108,164	12,312
-	-	-	-	1,032	(1,032)	-	11,688	(11,688)
-	-	-	52,330	52,330	-	4,498	4,498	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	379,818	379,818	-	-	-	-
-	-	-	432,148	433,180	(1,032)	4,498	16,186	(11,688)
-	-	-	672,372	626,135	46,237	124,974	124,350	624
38,429	228,935	190,506	(667,867)	(271,762)	396,105	(17,777)	(7,623)	10,154
1,159,588	1,159,588	-	479,157	479,157	-	(19,959)	(19,959)	-
\$ 1,198,017	\$ 1,388,523	\$ 190,506	\$ (188,710)	\$ 207,395	\$ 396,105	\$ (37,736)	\$ (27,582)	\$ 10,154

continued

Budgeted Special Revenue Funds
Combining Schedule Of Revenues, Expenditures And Changes In Fund Balances -
Statutory Basis - Budget And Actual

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Other			Totals		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes.....	\$ 249,400	\$ 268,147	\$ 18,747	\$ 5,466,000	\$ 5,745,666	\$ 279,666
Assessments.....	-	-	-	-	27,875	27,875
Federal grants and reimbursements.....	733,215	746,181	12,966	739,900	802,402	62,502
Departmental.....	51,454	39,808	(11,646)	471,700	496,575	24,875
Miscellaneous.....	-	1,327	1,327	-	117,783	117,783
Total revenues.....	1,034,069	1,055,463	21,394	6,677,600	7,190,301	512,701
Other financing sources:						
Operating transfers in.....	174,763	201,516	26,753	834,063	1,198,690	364,627
Stabilization transfer.....	-	-	-	-	165,622	165,622
Transfer for tax reduction.....	-	-	-	-	83,520	83,520
Total other financing sources.....	174,763	201,516	26,753	834,063	1,447,832	613,769
Total revenues and other financing sources.....	1,208,832	1,256,979	48,147	7,511,663	8,638,133	1,126,470
Expenditures:						
Judiciary.....	-	-	-	481,035	455,588	25,447
Secretary of the Commonwealth.....	-	-	-	8,763	8,507	256
Treasurer and Receiver-General.....	1,308	1,307	1	5,532	5,185	347
Auditor of the Commonwealth.....	-	-	-	740	740	-
Attorney General.....	1,033	995	38	1,902	1,838	64
Ethics Commission.....	-	-	-	698	693	5
District Attorney.....	7,920	7,862	58	69,661	69,433	228
Office of Campaign & Political Finance.....	-	-	-	379	377	2
Sheriff's Departments.....	38	30	8	5,643	5,127	516
Board of Library Commissioners.....	-	-	-	2,803	2,799	4
Comptroller.....	-	-	-	449	449	-
Administration and finance.....	58,889	36,883	22,006	388,063	294,674	93,389
Environmental affairs.....	1,174	1,132	42	153,830	142,908	10,922
Communities and development.....	2,527	2,477	50	36,297	36,205	92
Health and human services.....	690,305	647,851	42,454	732,207	676,383	55,824
Transportation and construction.....	-	-	-	314,814	306,266	8,548
Education.....	24,533	23,941	592	278,916	272,613	6,303
Higher education.....	526	486	40	18,337	18,229	108
Public safety.....	5,703	5,544	159	437,112	427,243	9,869
Economic development.....	68,966	44,454	24,512	69,216	44,703	24,513
Elder affairs.....	932	882	50	11,986	11,790	196
Consumer affairs.....	4,000	3,451	549	6,171	5,609	562
Labor.....	13,612	5,371	8,241	13,799	5,558	8,241
Direct local aid.....	-	-	-	4,318,893	4,309,429	9,464
Medicaid.....	350,097	307,403	42,694	350,097	307,403	42,694
Pension.....	-	-	-	641,549	641,450	99
Debt service:						
Principal retirement.....	2,090	2,065	25	234,550	231,698	2,852
Interest and fiscal charges.....	87	86	1	268,098	264,839	3,259
Total expenditures.....	1,233,740	1,092,220	141,520	8,851,540	8,547,736	303,804
Other financing uses:						
Fringe benefit cost assessment.....	-	10,589	(10,589)	-	23,309	(23,309)
Operating transfers out.....	144,967	144,967	-	390,879	390,828	51
Stabilization transfer.....	-	-	-	-	66,249	(66,249)
Transfer for debt defeasance.....	-	-	-	354,389	354,389	-
Transfer for tax reduction.....	-	-	-	379,818	379,818	-
Total other financing uses.....	144,967	155,556	(10,589)	1,125,086	1,214,593	(89,507)
Total expenditures and other financing uses.....	1,378,707	1,247,776	130,931	9,976,626	9,762,329	214,297
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(169,875)	9,203	179,078	(2,464,963)	(1,124,196)	1,340,767
Fund balances (deficit) at beginning of year.....	319,771	319,771	-	259,559	259,559	-
Fund balances (deficit) at end of year.....	\$ 149,896	\$ 328,974	\$ 179,078	\$ (2,205,404)	\$ (864,637)	\$ 1,340,767

Capital Projects Funds

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.

Capital Investment Trust Fund — accounts for a transfer from the general fund to fund appropriated items of a capital nature specified in Section 107 2E of Chapter 88 of the Acts of 1997.

Boston Convention and Exhibition Center Capital Fund — accounts for proceeds of bonds to finance the construction of a convention center in Boston.

Capital Improvement and Investment Trust Fund — accounts for Commonwealth reimbursements to cities and towns for expenses incurred for projects for construction and reconstruction of city and town ways.

Capital Expenditure Reserve Fund — accounts for amounts paid by the Massachusetts Turnpike Authority

as payment towards acquisition cost of the Central Artery/Tunnel and federal financial participation money related to amounts paid by Massachusetts Port Authority.

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.

Fall River Carousel



The Fall River Carousel at Battleship Cove was built in 1920 by the Philadelphia Toboggan Company, and is one of only 300 hand-carved carousels still operating in the United States.

Photograph by Kindra Clineff and courtesy of the Massachusetts Office of Travel and Tourism.

Capital Projects Funds Combining Balance Sheet

June 30, 1999

(Amounts in thousands)

	General	Capital Investment Trust	Boston Convention and Exhibition Center	Capital Improvements and Investment Trust
ASSETS				
Receivables, net of allowance for uncollectibles:				
Due from federal government.....	\$ 575	\$ -	\$ -	\$ -
Other receivables.....	-	-	-	-
Due from other funds.....	107,816	59,215	-	168,926
Total assets.....	<u>\$ 108,391</u>	<u>\$ 59,215</u>	<u>\$ -</u>	<u>\$ 168,926</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 83,683	\$ 28,348	\$ -	\$ 13,696
Accrued payroll.....	192	5	-	2
Compensated absences.....	545	-	-	-
Due to other funds.....	-	-	19,000	-
Due to component units.....	500	-	-	-
Due to federal government.....	-	-	-	-
Deferred revenue.....	-	-	-	-
Claims and judgments.....	-	-	-	-
Total liabilities.....	<u>84,920</u>	<u>28,353</u>	<u>19,000</u>	<u>13,698</u>
Fund balances (deficits):				
Reserved for capital projects.....	-	30,862	-	155,228
Unreserved.....	23,471	-	(19,000)	-
Fund balances (deficits).....	<u>23,471</u>	<u>30,862</u>	<u>(19,000)</u>	<u>155,228</u>
Total liabilities and fund balances.....	<u>\$ 108,391</u>	<u>\$ 59,215</u>	<u>\$ -</u>	<u>\$ 168,926</u>

Capital Expenditure Reserve	Highway	Federal Highway Construction	Local Aid	Other	Totals	
					1999	1998
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 575	\$ 4,475
-	-	87	-	-	87	122
315,135	-	171,255	-	-	822,347	522,997
<u>\$ 315,135</u>	<u>\$ -</u>	<u>\$ 171,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 823,009</u>	<u>\$ 527,594</u>
\$ 39,755	\$ 55,624	\$ 171,111	\$ 14,757	\$ 1,186	\$ 408,160	\$ 331,101
4	396	144	23	2	768	510
-	3,759	10	16	4	4,334	4,701
-	201,924	-	11,436	14,010	246,370	544,899
-	-	-	-	-	500	502
-	-	52	-	-	52	65
-	-	39	-	-	39	41
-	-	-	-	-	-	67,450
<u>39,759</u>	<u>261,703</u>	<u>171,356</u>	<u>26,232</u>	<u>15,202</u>	<u>660,223</u>	<u>949,269</u>
275,376	-	-	-	-	461,466	268,961
-	(261,703)	(14)	(26,232)	(15,202)	(298,680)	(690,636)
<u>275,376</u>	<u>(261,703)</u>	<u>(14)</u>	<u>(26,232)</u>	<u>(15,202)</u>	<u>162,786</u>	<u>(421,675)</u>
<u>\$ 315,135</u>	<u>\$ -</u>	<u>\$ 171,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 823,009</u>	<u>\$ 527,594</u>

Capital Projects Funds

Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

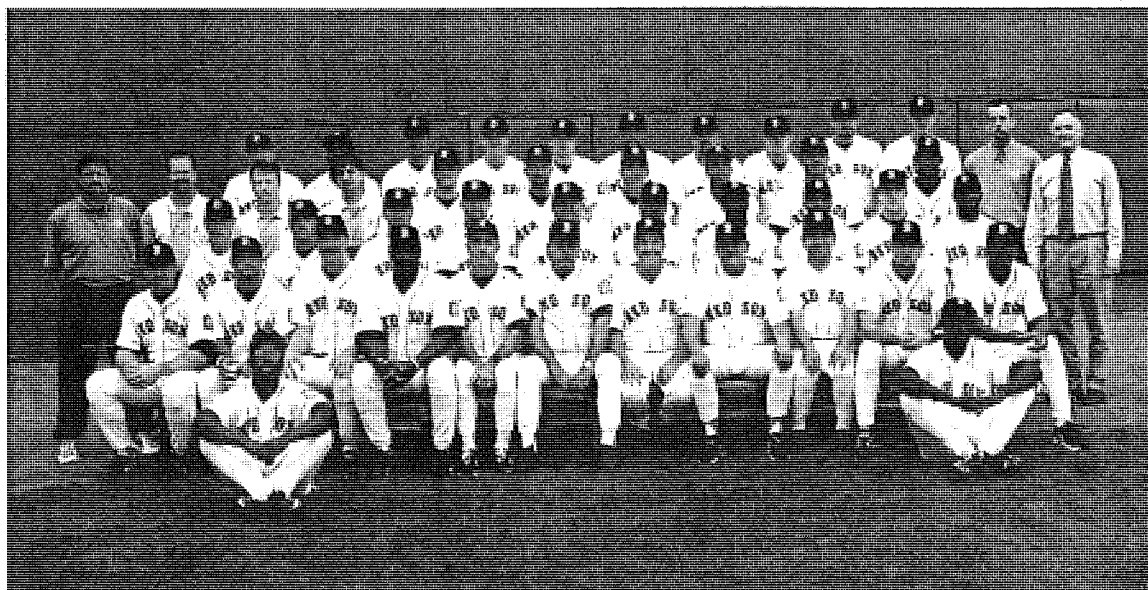
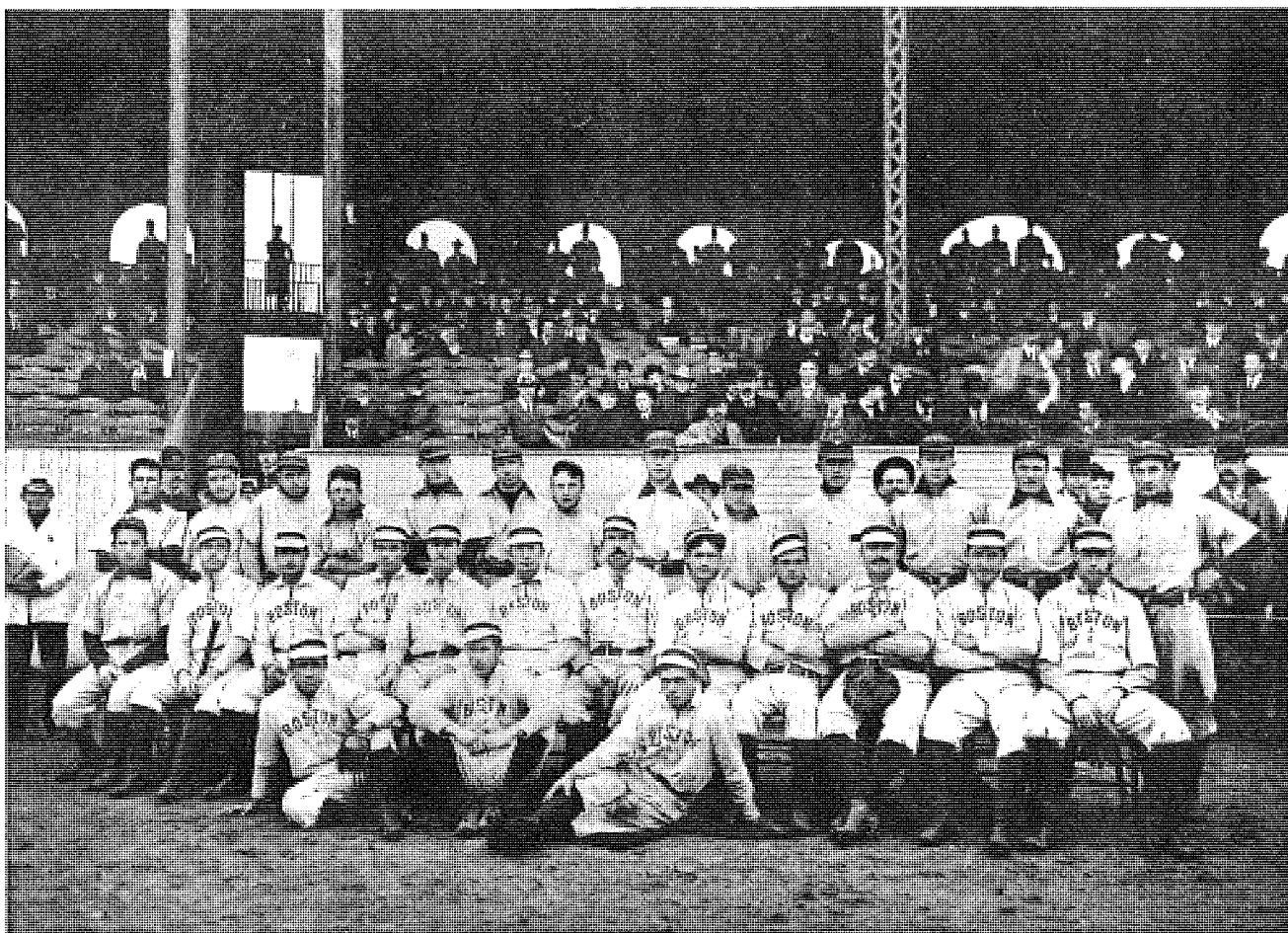
Fiscal Year Ended June 30, 1999

(Amounts in thousands)

	General	Capital Investment Trust	Boston Convention and Exhibition Center	Capital Improvements and Investment Trust
Revenues:				
Federal grants and reimbursements.....	\$ 5,750	\$ -	\$ -	\$ -
Departmental.....	-	-	-	-
Miscellaneous.....	-	-	-	-
Total revenues.....	5,750	-	-	-
Other financing sources:				
Proceeds of general obligation bonds.....	346,711	-	-	-
Proceeds of special obligation bonds.....	-	-	-	-
Proceeds of refunding bonds.....	74,000	-	-	-
Transfers from component units.....	-	-	-	-
Operating transfers in.....	116,134	-	-	118,638
Total other financing sources.....	536,845	-	-	118,638
Total revenues and other financing sources.....	542,595	-	-	118,638
Expenditures:				
Capital outlay:				
Local aid.....	-	-	-	-
Capital acquisition and construction.....	361,912	85,829	-	98,650
Total expenditures.....	361,912	85,829	-	98,650
Other financing uses:				
Payments to refunded bond escrow agent.....	74,000	-	-	-
Operating transfers out.....	51,976	54	-	-
Transfers of bond proceeds.....	43,205	13,480	-	1,996
Transfers to component units.....	201	-	-	1,500
Total other financing uses.....	169,382	13,534	-	3,496
Total expenditures and other financing uses.....	531,294	99,363	-	102,146
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	11,301	(99,363)	-	16,492
Fund balances (deficits) at beginning of year.....	12,170	130,225	(19,000)	138,736
Fund balances (deficits) at end of year.....	\$ 23,471	\$ 30,862	\$ (19,000)	\$ 155,228

Capital Expenditure Reserve	Highway	Federal Highway Construction	Local Aid	Other	Totals	
					1999	1998
\$ -	\$ -	\$ 917	\$ -	\$ -	\$ 6,667	\$ 785,242
-	-	1,222	-	-	1,222	297
41,658	-	126	-	-	41,784	13,104
41,658	-	2,265	-	-	49,673	798,643
-	572,610	-	85,888	9,594	1,014,803	766,953
-	-	-	-	-	-	100,059
-	329,548	-	94,856	389	498,793	861,793
1,051,000	-	-	-	-	1,051,000	100,000
-	859,286	1,263,157	-	1,385	2,358,600	1,358,891
1,051,000	1,761,444	1,263,157	180,744	11,368	4,923,196	3,187,696
1,092,658	1,761,444	1,265,422	180,744	11,368	4,972,869	3,986,339
-	-	-	73,485	-	73,485	102,022
412,100	368,963	1,263,262	-	11,217	2,601,933	2,532,076
412,100	368,963	1,263,262	73,485	11,217	2,675,418	2,634,098
-	329,548	-	94,856	389	498,793	861,793
405,184	693,356	2,146	432	31	1,153,179	678,122
-	-	-	-	-	58,681	31,143
-	-	-	636	-	2,337	5,920
405,184	1,022,904	2,146	95,924	420	1,712,990	1,576,978
817,284	1,391,867	1,265,408	169,409	11,637	4,388,408	4,211,076
275,374	369,577	14	11,335	(269)	584,461	(224,737)
2	(631,280)	(28)	(37,567)	(14,933)	(421,675)	(196,938)
\$ 275,376	\$ (261,703)	\$ (14)	\$ (26,232)	\$ (15,202)	\$ 162,786	\$ (421,675)

Red Sox



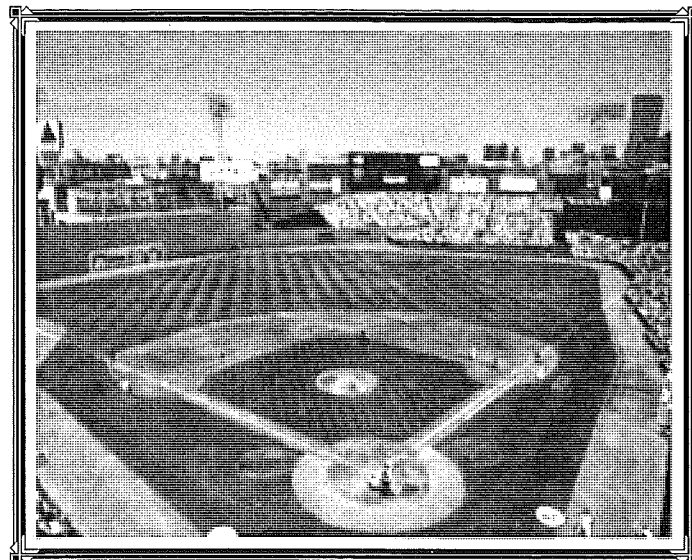
Internal Service Funds

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 which includes workers' compensation and general liability for all contractors and subcontractors on the Commonwealth's Central Artery/Tunnel Project.

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



Established in 1901 as one of the original eight American League teams (only Boston, Cleveland, Chicago, and Detroit remain), the Red Sox have had a long standing legacy in Massachusetts. Originally known as the Boston Americans or Pilgrims, they shared a rivalry with another Boston team, the Red Stockings, who later became the Braves in 1912, and later still, left Boston for Milwaukee in 1953.

In 1907, owner John I. Taylor changed the team's nickname to the Boston Red Sox. At the time the team was still playing at the Huntington Avenue Grounds, now the site of Northeastern University. In 1910 it was announced a new ballpark would be built for the Red Sox. On April 20, 1912, Fenway Park (named after the Fenway section of Boston where it is located) opened. In that game the Red Sox beat the New York Highlanders (later renamed the Yankees).

In 1903 Boston played Pittsburgh (both teams pictured left) in the first world series. Today the Red Sox are still based in Boston playing at Fenway Park, although plans are being developed to build a new ballpark next to the Fenway site, and to keep the original park intact.

Fenway Park and 1999 Team Photo Courtesy of The Boston Red Sox.

1903 Team Photo courtesy of the Boston Public Library Archives.

Internal Service Funds
Combining Balance Sheet

June 30, 1999
(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Totals	
				1999	1998
ASSETS					
Restricted investments.....	\$ -	\$ 282,287	\$ -	\$ 282,287	\$ 273,705
Assets held in trust.....	-	-	18,586	18,586	16,531
Due from other funds.....	24,186	-	-	24,186	22,289
Total assets.....	<u>\$ 24,186</u>	<u>\$ 282,287</u>	<u>\$ 18,586</u>	<u>\$ 325,059</u>	<u>\$ 312,525</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Claims and judgments.....	\$ 257,886	\$ 121,131	\$ 33,062	\$ 412,079	\$ 415,462
Total liabilities.....	<u>257,886</u>	<u>121,131</u>	<u>33,062</u>	<u>412,079</u>	<u>415,462</u>
Fund equity (deficit):					
Retained earnings:					
Reserved for central artery workers' compensation....	-	161,156	-	161,156	174,110
Unreserved.....	(233,700)	-	(14,476)	(248,176)	(277,047)
Total fund equity (deficit).....	<u>(233,700)</u>	<u>161,156</u>	<u>(14,476)</u>	<u>(87,020)</u>	<u>(102,937)</u>
Total liabilities and fund equity.....	<u>\$ 24,186</u>	<u>\$ 282,287</u>	<u>\$ 18,586</u>	<u>\$ 325,059</u>	<u>\$ 312,525</u>

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

Fiscal Year Ended June 30, 1999

(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Totals	
				1999	1998
Operating revenues:					
Premiums.....	\$ 45,671	\$ 41,131	\$ 665,037	\$ 751,839	\$ 735,005
Total operating revenues.....	45,671	41,131	665,037	751,839	735,005
Operating expenses:					
Claims and judgments.....	43,774	47,512	662,982	754,268	706,964
Change in incurred but not reported claims....	(13,280)	21,536	(11,639)	(3,383)	1,418
Net claims and judgments.....	30,494	69,048	651,343	750,885	708,382
Operating income (loss).....	15,177	(27,917)	13,694	954	26,623
Nonoperating revenues:					
Interest income.....	-	14,963	-	14,963	10,778
Total nonoperating revenues.....	-	14,963	-	14,963	10,778
Net income (loss).....	15,177	(12,954)	13,694	15,917	37,401
Retained earnings (deficit) at beginning of year.	(248,877)	174,110	(28,170)	(102,937)	(140,338)
Retained earnings (deficit) at end of year.....	\$ (233,700)	\$ 161,156	\$ (14,476)	\$ (87,020)	\$ (102,937)

Internal Service Funds
Combining Statement Of Cash Flows

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Employees Workers' Compensation	Central Artery Workers' Compensation	Employees Group Health Insurance	Totals	
				1999	1998
Cash flows from operating activities:					
Operating income (loss).....	\$ 15,177	\$ (27,917)	\$ 13,694	\$ 954	\$ 26,623
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Change in assets and liabilities:					
Assets held in trust.....	-	-	(2,055)	(2,055)	(1,444)
Due from other funds.....	(1,897)	-	-	(1,897)	13,111
Claims and judgments.....	(13,280)	21,536	(11,639)	(3,383)	1,418
Total adjustments.....	(15,177)	21,536	(13,694)	(7,335)	13,085
Net cash provided by (used for) operating activities.....	-	(6,381)	-	(6,381)	39,708
Cash flows from investing activities:					
Purchases of investments.....	-	(8,582)	-	(8,582)	(50,486)
Interest income.....	-	14,963	-	14,963	10,778
Net cash provided by (used for) investing activities.....	-	6,381	-	6,381	(39,708)
Net increase in cash and cash equivalents.....	-	-	-	-	-
Cash and cash equivalents at beginning of year.....	-	-	-	-	-
Cash and cash equivalents at end of year.....	\$ -	\$ -	\$ -	\$ -	\$ -

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:

Deferred Compensation Trust Fund — accounts for the net assets held in trust for employees for savings of deferred tax earnings for retirements.

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.

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

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:

Pension Trust Funds — accounts for the net assets held in trust for the State Employees' and Teachers' Retirement Systems for the payment of retirement, disability and death benefits to members of these retirement systems.

EXTERNAL INVESTMENT TRUST:

External Investment Trust — accounts for the portion of pooled cash held under the custodianship of the Commonwealth for the various local governmental units and other political sub-divisions of the state.

AGENCY FUNDS:

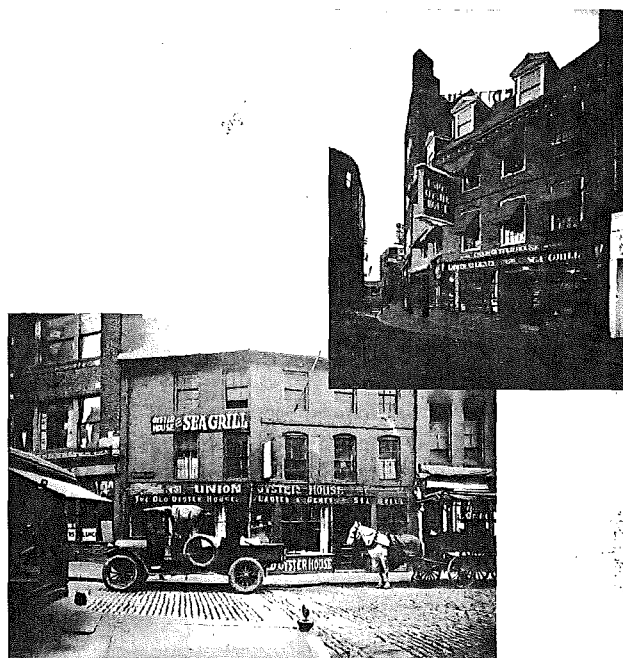
Central Agency Funds — account for cash and investments held or managed by the Commonwealth on behalf of others, including the investments made by cities, towns and local authorities in the Massachusetts Municipal Depository Trust and Pension Reserves Investment Trust,

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 by the Commonwealth's court system pending settlement of outstanding litigation; 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.

Union Oyster House



Opened in 1826 in the heart of Boston, today it has the distinction of being the oldest restaurant in continuous service in the United States. Its famous Oyster Bar has a history of its own. Daniel Webster was a daily customer and John F. Kennedy frequented the restaurant as well. His favorite booth is even named after him today.

Photography courtesy of the Union Oyster House.

Fiduciary Fund Types

Combining Balance Sheet

June 30, 1999
(Amounts in thousands)

	Expendable Trust Funds	Non- expendable Trust Funds	Pension Trust Funds
ASSETS			
Cash and short-term investments.....	\$ 260,418	\$ 5,835	\$ 639,092
Deposits.....	1,884,073	-	-
Investments.....	-	-	26,884,071
Investments of deferred compensation plan.....	2,480,398	-	-
Annuity contracts.....	-	-	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Taxes.....	218,185	-	-
Due from federal government.....	1,299	-	-
Loans.....	5,005	-	-
Other receivables.....	23,225	-	377,950
Total assets.....	<u>\$ 4,872,603</u>	<u>\$ 5,835</u>	<u>\$ 27,901,113</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable.....	\$ 35,297	\$ -	\$ 787,042
Accrued payroll.....	102	-	-
Compensated absences.....	683	-	-
Tax refunds and abatements payable.....	12,401	-	-
Due to cities and towns.....	-	-	-
Due to other funds.....	-	-	1,672
Due to component units.....	-	-	-
Deferred revenue.....	12,356	-	-
Prizes payable.....	-	-	-
Agency liabilities.....	4,742	-	-
Other accrued liabilities.....	-	-	-
Total liabilities.....	<u>65,581</u>	<u>-</u>	<u>788,714</u>
Fund balances:			
Reserved for employees' pension benefits.....	-	-	27,112,399
Reserved for deferred compensation.....	2,480,398	-	-
Reserved for unemployment benefits.....	2,070,466	-	-
Reserved for nonexpendable trusts.....	-	5,835	-
Reserved for investment pool participants.....	-	-	-
Unreserved.....	256,158	-	-
Total fund balances.....	<u>4,807,022</u>	<u>5,835</u>	<u>27,112,399</u>
Total liabilities and fund balances.....	<u>\$ 4,872,603</u>	<u>\$ 5,835</u>	<u>\$ 27,901,113</u>

External Investment Trust	Agency Funds	Totals	
		1999	1998
\$ 2,112,250	\$ 253,407	\$ 3,271,002	\$ 3,102,954
-	-	1,884,073	1,699,693
-	-	26,884,071	23,395,600
-	-	2,480,398	2,006,455
-	1,415,716	1,415,716	1,340,514
-	1,946,846	1,946,846	1,901,578
-	-	218,185	255,260
-	-	1,299	1,925
-	-	5,005	643
1,932	38,584	441,691	547,137
<u>\$ 2,114,182</u>	<u>\$ 3,654,553</u>	<u>\$ 38,548,286</u>	<u>\$ 34,251,759</u>
12,373	\$ 6,400	\$ 841,112	\$ 953,919
-	-	102	79
-	-	683	486
-	-	12,401	12,484
-	25,260	25,260	22,673
-	-	1,672	1,672
-	32,430	32,430	-
-	-	12,356	12,042
-	1,415,716	1,415,716	1,340,514
-	2,174,747	2,179,489	4,542,435
1,263	-	1,263	-
<u>13,636</u>	<u>3,654,553</u>	<u>4,522,484</u>	<u>6,886,304</u>
-	-	27,112,399	23,221,308
-	-	2,480,398	2,006,455
-	-	2,070,466	1,918,742
-	-	5,835	5,835
2,100,546	-	2,100,546	-
-	-	256,158	213,115
<u>2,100,546</u>	<u>-</u>	<u>34,025,802</u>	<u>27,365,455</u>
<u>\$ 2,114,182</u>	<u>\$ 3,654,553</u>	<u>\$ 38,548,286</u>	<u>\$ 34,251,759</u>

**Expendable Trust Funds
Combining Balance Sheet**

June 30, 1999
(Amounts in thousands)

ASSETS	Deferred Compensation Trust	Unemployment Compensation	Other Expendable Trust	Totals	
				1999	1998
Cash and short-term investments.....	\$ -	\$ -	\$ 260,418	\$ 260,418	\$ 220,168
Deposits.....	-	1,884,073	-	1,884,073	1,699,693
Investments of deferred compensation plan.....	2,480,398	-	-	2,480,398	2,006,455
Receivables, net of allowance for uncollectibles:					
Taxes.....	-	218,185	-	218,185	255,260
Due from federal government.....	-	-	1,299	1,299	1,925
Loans.....	-	-	5,005	5,005	643
Other receivables.....	-	8,544	14,681	23,225	17,319
Total assets.....	<u>\$ 2,480,398</u>	<u>\$ 2,110,802</u>	<u>\$ 281,403</u>	<u>\$ 4,872,603</u>	<u>\$ 4,201,463</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ -	\$ 16,416	\$ 18,881	\$ 35,297	\$ 33,630
Accrued payroll.....	-	-	102	102	79
Compensated absences.....	-	-	683	683	486
Tax refunds payable.....	-	12,401	-	12,401	12,484
Deferred revenue.....	-	11,519	837	12,356	12,042
Agency liabilities.....	-	-	4,742	4,742	4,430
Total liabilities.....	<u>-</u>	<u>40,336</u>	<u>25,245</u>	<u>65,581</u>	<u>63,151</u>
Fund balances:					
Reserved for deferred compensation.....	2,480,398	-	-	2,480,398	2,006,455
Reserved for unemployment benefits.....	-	2,070,466	-	2,070,466	1,918,742
Unreserved.....	-	-	256,158	256,158	213,115
Total fund balances.....	<u>2,480,398</u>	<u>2,070,466</u>	<u>256,158</u>	<u>4,807,022</u>	<u>4,138,312</u>
Total liabilities and fund balances.....	<u>\$ 2,480,398</u>	<u>\$ 2,110,802</u>	<u>\$ 281,403</u>	<u>\$ 4,872,603</u>	<u>\$ 4,201,463</u>

Expendable Trust Funds
Combining Statement Of Revenues, Expenditures And Changes In Fund Balances

Fiscal Year Ended June 30, 1999

(Amounts in thousands)

	Deferred Compensation Trust	Unemployment Compensation	Other Expendable Trust	Totals	
				1999	1998
Revenues:					
Taxes.....	\$ -	\$ 845,899	\$ -	\$ 845,899	\$ 1,015,807
Assessments.....	-	-	78	78	2,306
Federal grants and reimbursements.....	-	15,666	13,043	28,709	30,306
Departmental.....	-	10,982	6,996	17,978	15,587
Deferred compensation.....	567,569	-	-	567,569	472,640
Miscellaneous.....	-	118,660	187,005	305,665	288,047
Total revenues.....	567,569	991,207	207,122	1,765,898	1,824,693
Other financing sources:					
Operating transfers in.....	-	-	6,796	6,796	78,796
Total other financing sources.....	-	-	6,796	6,796	78,796
Total revenues and other financing sources.....	567,569	991,207	213,918	1,772,694	1,903,489
Expenditures:					
Current:					
Judiciary.....	-	-	189	189	226
Secretary of the Commonwealth.....	-	-	12	12	5
Treasurer and Receiver-General.....	-	-	477	477	1,460
Auditor of the Commonwealth.....	-	-	353	353	170
Attorney General.....	-	-	2,504	2,504	3,404
District Attorney.....	-	-	3,402	3,402	3,152
Office of campaign and political finance.....	-	-	1,720	1,720	-
Sheriff's department.....	-	-	7	7	-
Administration and finance.....	-	-	5,385	5,385	9,536
Environmental affairs.....	-	-	6,394	6,394	7,125
Communities and development.....	-	-	1,776	1,776	575
Health and human services.....	-	-	18,725	18,725	17,942
Transportation and construction.....	-	-	1,544	1,544	537
Education.....	-	-	2,508	2,508	6,117
Higher education.....	-	-	168	168	117
Public safety.....	-	-	2,825	2,825	2,634
Economic development.....	-	-	370	370	447
Elder affairs.....	-	-	47	47	36
Consumer affairs.....	-	-	7,674	7,674	6,403
Labor.....	-	839,483	44,543	884,026	787,898
Deferred compensation.....	93,626	-	-	93,626	82,778
Total expenditures.....	93,626	839,483	100,623	1,033,732	930,562
Other financing uses:					
Operating transfers out.....	-	-	70,252	70,252	82,705
Total other financing uses.....	-	-	70,252	70,252	82,705
Total expenditures and other financing uses.....	93,626	839,483	170,875	1,103,984	1,013,267
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	473,943	151,724	43,043	668,710	890,222
Fund balances at beginning of year	2,006,455	1,918,742	213,115	4,138,312	3,248,090
Fund balances at end of year.....	\$ 2,480,398	\$ 2,070,466	\$ 256,158	\$ 4,807,022	\$ 4,138,312

Deferred Compensation Trust Fund
Statement of Net Assets Available for Deferred Compensation

December 31, 1998
(Amounts in thousands)

ASSETS	1998	1997
Cash and short-term investments	\$ 482	\$ 319
Investments.....	2,441,214	1,967,930
Policyholder account value of universal life insurance contracts.....	35,249	33,492
Employee contributions receivable.....	3,453	4,714
Total assets.....	<u>\$ 2,480,398</u>	<u>\$ 2,006,455</u>
 LIABILITIES		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Net assets available for plan benefits (fund balance reserved for deferred compensation).....	<u>\$ 2,480,398</u>	<u>\$ 2,006,455</u>

Deferred Compensation Trust Fund
Statement Of Changes In Net Assets Available For Deferred Compensation

Year Ended December 31, 1998
(Amounts in thousands)

	1998	1997
Additions:		
Employee contributions.....	\$ 205,444	\$ 185,590
Net increase in policyholder account value of universal life insurance contracts.....	1,757	2,035
Interest income.....	523	5,557
Mutual fund investment income.....	359,845	279,458
Total additions.....	567,569	472,640
Deductions:		
Distributions to participants.....	83,795	72,191
Administration.....	5,396	5,364
Life insurance premiums.....	4,435	5,223
Total deductions.....	93,626	82,778
Net additions.....	473,943	389,862
Net assets available for plan benefits at beginning of year (fund balance reserved for deferred compensation).....	2,006,455	1,616,593
Net assets available for plan benefits at end of year (fund balance reserved for deferred compensation).....	\$ 2,480,398	\$ 2,006,455

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

June 30, 1999
(Amounts in thousands)

ASSETS	State Employees' PERS	Teachers' PERS	Totals	
			1999	1998 (as restated)
Cash and short-term investments.....	\$ 321,081	\$ 318,011	\$ 639,092	\$ 992,738
Investments.....	13,201,623	13,682,448	26,884,071	23,395,600
Other receivables, net of allowance for uncollectibles....	167,627	210,323	377,950	482,658
Total assets.....	<u>\$13,690,331</u>	<u>\$14,210,782</u>	<u>\$ 27,901,113</u>	<u>\$ 24,870,996</u>
LIABILITIES				
Liabilities:				
Accounts payable.....	\$ 398,776	\$ 388,266	\$ 787,042	\$ 909,307
Due to other funds.....	-	1,672	1,672	1,672
Total liabilities.....	<u>398,776</u>	<u>389,938</u>	<u>788,714</u>	<u>910,979</u>
Net assets available for pension benefits (fund balance reserved for employees' pension benefits).....	<u>\$13,291,555</u>	<u>\$13,820,844</u>	<u>\$ 27,112,399</u>	<u>\$ 23,960,017</u>

Pension Trust Funds

Combined Statement of Changes in Net Assets Available for Pension Benefits

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	State Employees' PERS	Teachers' PERS	Totals	
			1999	1998 (as restated)
Additions:				
Employer contributions.....	\$ 366,790	\$ 517,112	\$ 883,902	\$ 1,677,798
Employees contributions.....	339,508	297,529	637,037	530,761
Total contributions.....	<u>706,298</u>	<u>814,641</u>	<u>1,520,939</u>	<u>2,208,559</u>
Net investment income:				
Net appreciation in fair value of investments.....	1,148,596	1,172,162	2,320,758	2,788,533
Interest.....	206,751	210,993	417,744	352,503
Dividends.....	104,694	106,842	211,536	256,430
Real estate operating income, net.....	41,714	42,570	84,284	71,824
Alternative investments.....	3,209	3,275	6,484	5,205
Other.....	2,520	2,572	5,092	3,755
Total investment income.....	<u>1,507,484</u>	<u>1,538,414</u>	<u>3,045,898</u>	<u>3,478,250</u>
Less: investment expense.....	24,596	25,102	49,698	42,869
Net investment income.....	<u>1,482,888</u>	<u>1,513,312</u>	<u>2,996,200</u>	<u>3,435,381</u>
Total additions.....	<u>2,189,186</u>	<u>2,327,953</u>	<u>4,517,139</u>	<u>5,643,940</u>
Deductions:				
Administration.....	3,112	5,105	8,217	35,973
Retirement benefits and refunds.....	700,939	655,601	1,356,540	1,208,011
Total deductions.....	<u>704,051</u>	<u>660,706</u>	<u>1,364,757</u>	<u>1,243,984</u>
Net increase	<u>1,485,135</u>	<u>1,667,247</u>	<u>3,152,382</u>	<u>4,399,956</u>
Net assets available for pension benefits at beginning of year (fund balances reserved for employees' pension benefits).....	<u>11,806,421</u>	<u>12,153,596</u>	<u>23,960,017</u>	<u>19,560,061</u>
Net assets available for pension benefits at end of year (fund balances reserved for employees' pension benefits).....	<u>\$ 13,291,556</u>	<u>\$ 13,820,843</u>	<u>\$ 27,112,399</u>	<u>\$ 23,960,017</u>

External Investment Trust Fund
Statement of Net Assets Held in Trust For Pool Participants

June 30, 1999
(Amounts in thousands)

ASSETS

Cash and short-term investments.....	\$ 2,112,250
Other receivables.....	1,932
Total assets.....	<u>\$ 2,114,182</u>

LIABILITIES

Liabilities:	
Accounts payable.....	\$ 12,373
Other accrued liabilities.....	1,263
Total liabilities.....	<u>13,636</u>
Net assets held in trust for pool participants (fund balance reserved for investment pool participants).....	<u>\$ 2,100,546</u>

External Investment Trust Fund
Statement of Changes in Net Assets Held in Trust For Pool Participants

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

Additions:	
Proceeds from sale of units.....	\$ 4,289,702
Units issued in reinvestment of distributions from net investment income.....	75,556
Total contributions.....	<u>4,365,258</u>
Net investment income:	
Interest.....	85,002
Total investment income.....	<u>85,002</u>
Less: management fees.....	3,180
Net investment income.....	<u>81,822</u>
Total additions.....	<u>4,447,080</u>
Deductions:	
Cost of units redeemed.....	3,886,768
Distributions to unit holders from net interest income.....	81,822
Total deductions.....	<u>3,968,590</u>
Net increase	478,490
Net assets held in trust for pool participants at beginning of year (fund balance reserved for investment pool participants).....	<u>1,622,056</u>
Net assets held in trust for pool participants at end of year (fund balance reserved for investment pool participants).....	<u>\$ 2,100,546</u>
See notes to general purpose financial statements.	

Agency Funds

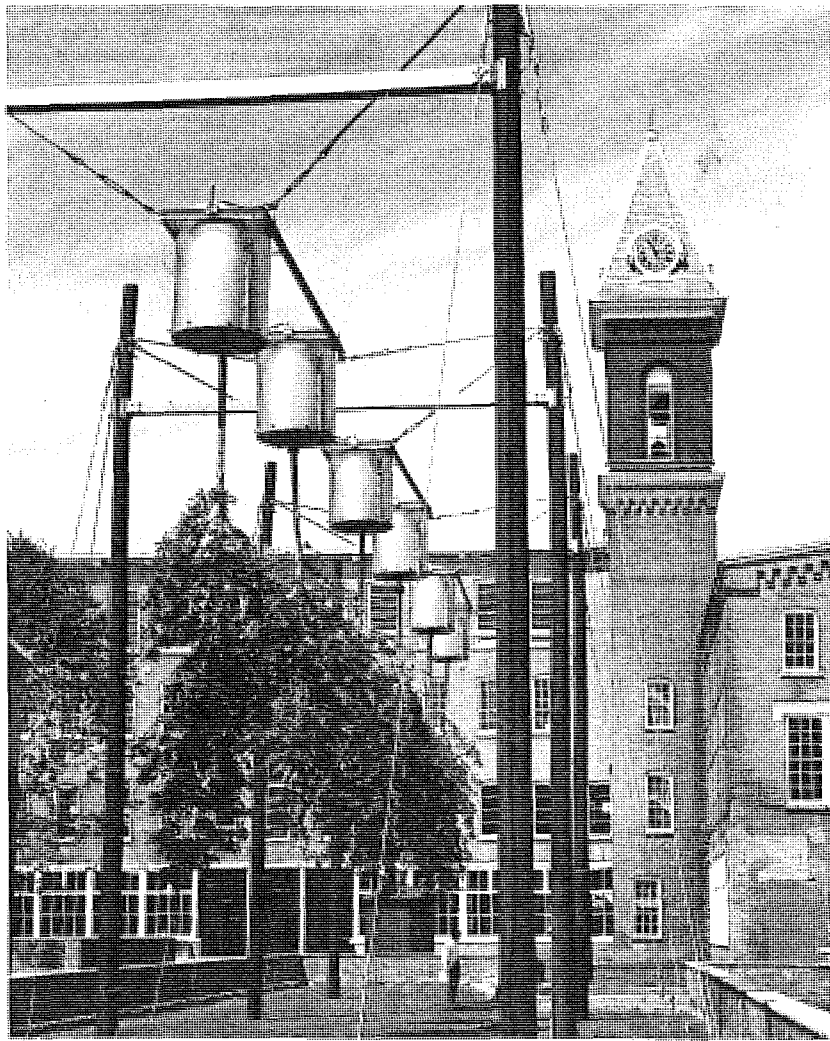
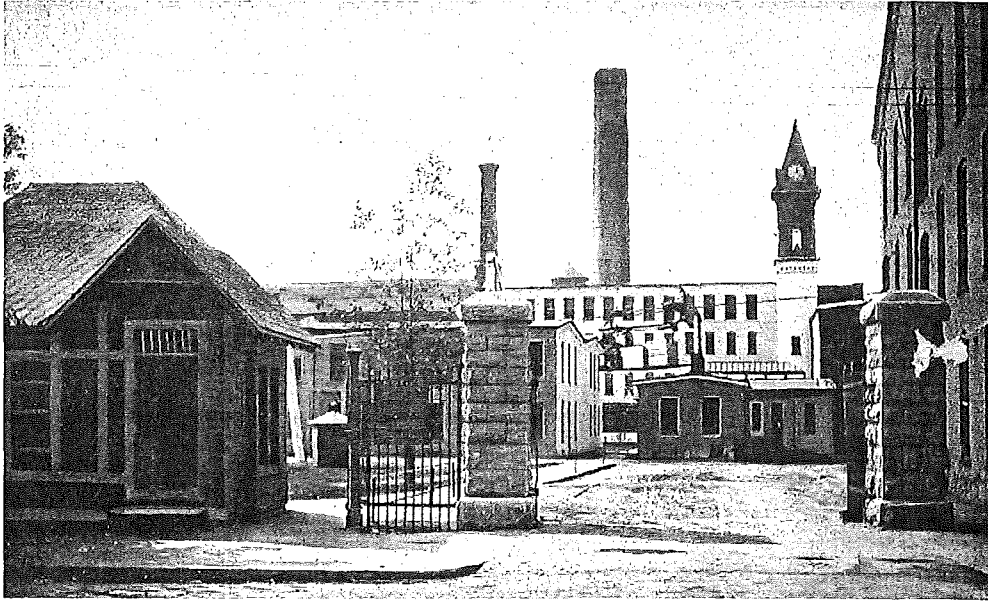
Combining Statement of Changes in Assets and Liabilities

Fiscal Year Ended June 30, 1999
(Amounts in thousands)

	Balance July 1, 1998 (as restated)	Additions	Deductions	Balance June 30, 1999
Central Agency Funds				
ASSETS				
Cash and short-term investments.....	\$ 191,347	\$ 4,000,586	\$ 4,016,560	\$ 175,373
Annuity contracts.....	1,340,514	268,094	192,892	1,415,716
Other receivables.....	-	2,584	-	2,584
Total assets.....	<u>\$ 1,531,861</u>	<u>\$ 4,271,264</u>	<u>\$ 4,209,452</u>	<u>\$ 1,593,673</u>
LIABILITIES				
Accounts payable.....	\$ 10,982	\$ 1,361,300	\$ 1,365,882	\$ 6,400
Due to cities and towns.....	22,673	245,349	242,762	25,260
Due to component units.....	-	32,430	-	32,430
Prizes payable.....	1,340,514	268,094	192,892	1,415,716
Agency liabilities.....	157,692	2,452,372	2,496,197	113,867
Total liabilities.....	<u>\$ 1,531,861</u>	<u>\$ 4,359,545</u>	<u>\$ 4,297,733</u>	<u>\$ 1,593,673</u>
Court Escrow and Client Accounts				
ASSETS				
Cash and short-term investments.....	\$ 70,724	\$ 695,136	\$ 687,912	\$ 77,948
Assets held in trust.....	35,500	23,681	23,606	35,575
Other receivables.....	47,160	36,000	47,160	36,000
Total assets.....	<u>\$ 153,384</u>	<u>\$ 754,817</u>	<u>\$ 758,678</u>	<u>\$ 149,523</u>
LIABILITIES				
Accounts payable.....	\$ -	\$ 255,000	\$ 255,000	\$ -
Agency liabilities.....	153,384	357,363	361,224	149,523
Total liabilities.....	<u>\$ 153,384</u>	<u>\$ 612,363</u>	<u>\$ 616,224</u>	<u>\$ 149,523</u>
Statutory Bonds and Deposits				
ASSETS				
Cash and short-term investments.....	\$ 86	\$ -	\$ -	\$ 86
Assets held in trust.....	1,866,078	88,495	43,302	1,911,271
Total assets.....	<u>\$ 1,866,164</u>	<u>\$ 88,495</u>	<u>\$ 43,302</u>	<u>\$ 1,911,357</u>
LIABILITIES				
Agency liabilities.....	\$ 1,866,164	\$ 88,495	\$ 43,302	\$ 1,911,357
Total liabilities.....	<u>\$ 1,866,164</u>	<u>\$ 88,495</u>	<u>\$ 43,302</u>	<u>\$ 1,911,357</u>

	Balance July 1, 1998 (as restated)	Additions	Deductions	Balance June 30, 1999
Total Agency Funds				
ASSETS				
Cash and short-term investments.....	\$ 262,157	\$ 4,695,722	\$ 4,704,472	\$ 253,407
Annuity contracts.....	1,340,514	268,094	192,892	1,415,716
Assets held in trust.....	1,901,578	112,176	66,908	1,946,846
Other receivables.....	47,160	38,584	47,160	38,584
Total assets.....	<u>\$ 3,551,409</u>	<u>\$ 5,114,576</u>	<u>\$ 5,011,432</u>	<u>\$ 3,654,553</u>
LIABILITIES				
Accounts payable.....	\$ 10,982	\$ 1,616,300	\$ 1,620,882	\$ 6,400
Due to cities and towns.....	22,673	245,349	242,762	25,260
Due to component units.....	-	32,430	-	32,430
Prizes payable.....	1,340,514	268,094	192,892	1,415,716
Agency liabilities.....	2,177,240	2,898,230	2,900,723	2,174,747
Total liabilities.....	<u>\$ 3,551,409</u>	<u>\$ 5,060,403</u>	<u>\$ 4,957,259</u>	<u>\$ 3,654,553</u>

Museum of Contemporary Art (MASS MoCA)



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, Boston, Lowell, Dartmouth and Worcester Medical School campuses, the central administration office and the UMass Building Authority. In addition, the UMass Foundation, UMass Dartmouth Foundation and the Worcester City Campus Corporation (doing business as UMass Health System) are included.

State College System includes the nine state colleges which provide four-year post-secondary education programs and the system's building authority.

Bridgewater State College
Framingham State College
Fitchburg State College
Massachusetts College of Art
Massachusetts College of Liberal Arts
Massachusetts Maritime Academy
Massachusetts State College Building Authority
Salem State College
Worcester State College

Westfield 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

MASS MoCA in North Adams, is the largest center for contemporary visual and performing arts in the United States with a far-ranging collection of programs, exhibitions, multimedia theatrical performances, dance and music concerts, digital media, animation, film presentations and a public computer center. These galleries and performance spaces are housed on a 13-acre campus of renovated nineteenth-century factory buildings on a 27 building historic mill complex.

This complex formerly housed Arnold Print Works, which at its peak in the 1890s employed 4,000 of the town's 18,000 inhabitants, and later, Sprague Electric Company, which also employed over 4,000 during its tenure from 1942 to 1986.

The principle funding for the construction of MASS MoCA came from the Commonwealth of Massachusetts, which recognized the value of a project that would preserve a historic landmark and have a positive economic impact on Western Massachusetts. Over 60,000 square feet of the MASS MoCA campus was developed for commercial tenants in the communications and new media industries.

It is the only public computer center in Berkshire County to offer free internet access, classes, and job training. The curriculum is targeted at adults, including former factory workers, who otherwise have no access to computer skills and internet resources. Over 1,000 North Adams residents use the facility to maintain their e-mail. Approximately two-thirds of MASS MoCA's 1,200 members are former workers of the factories.

Photography of the installation "Tree Logic" by Natalalie Jermijenko, courtesy Nicolas Whitman.
Photography of the Arnold Print Works, courtesy of the North Adams Historical Society, Inc.

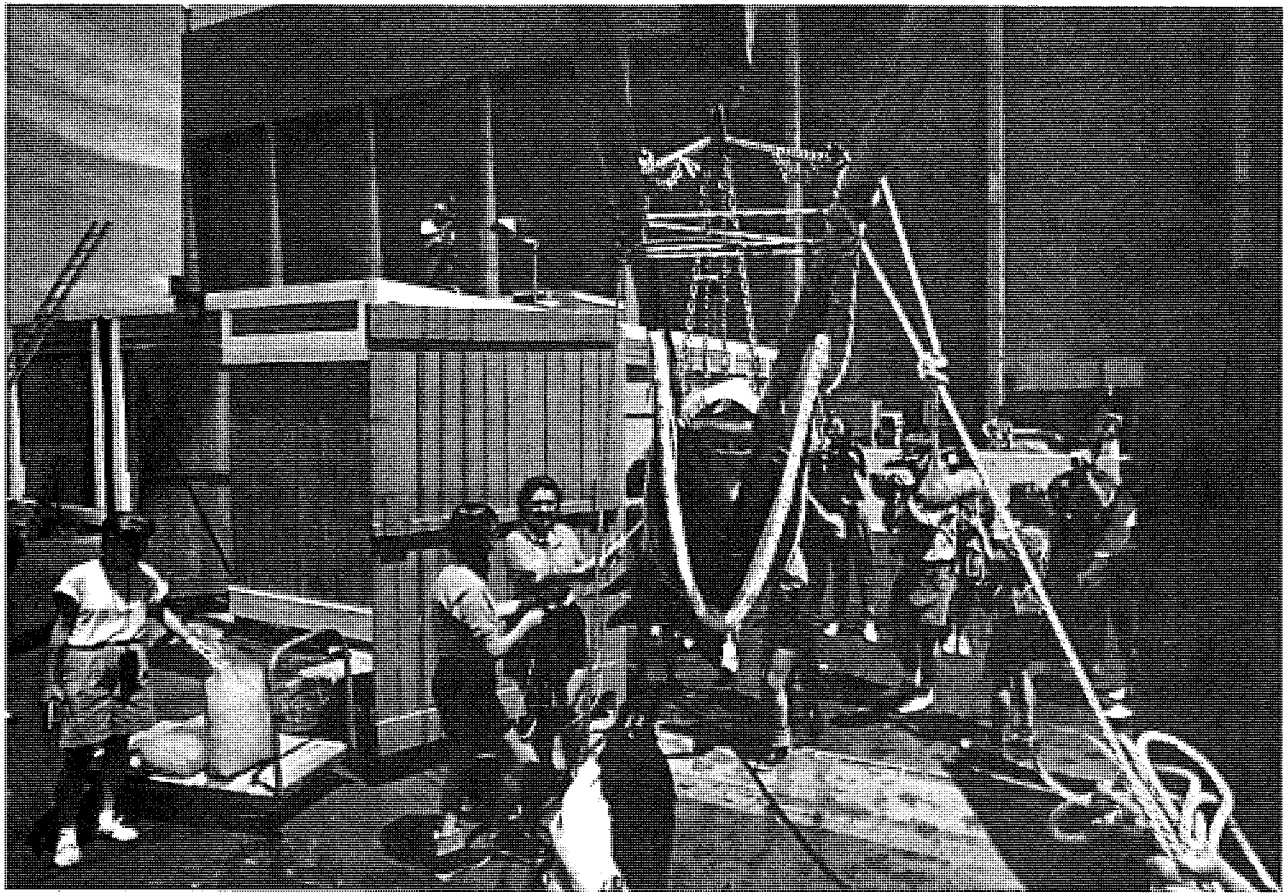
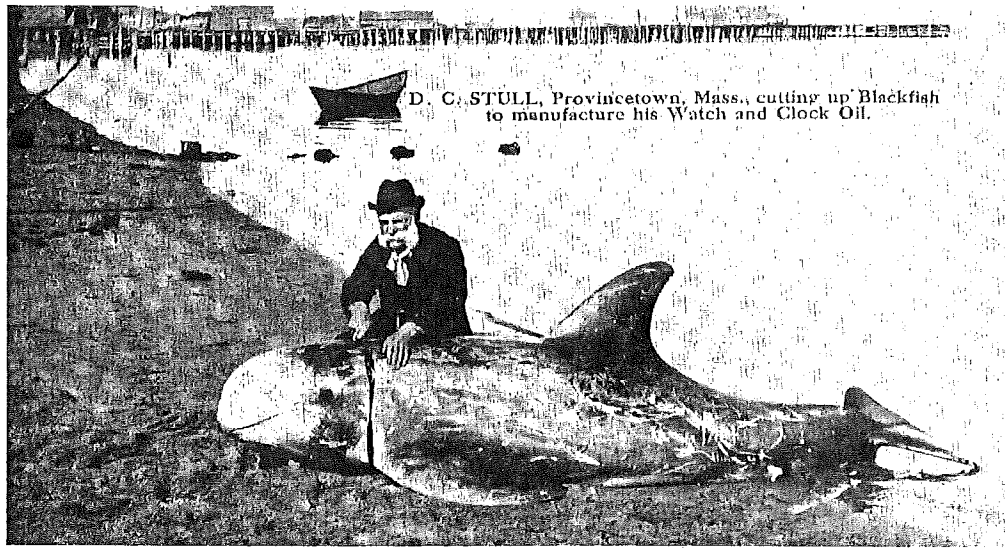
University And College Fund Type Combining Balance Sheet

June 30, 1999
(Amounts in thousands)

ASSETS	Current Funds		Loan Funds
	Unrestricted	Restricted	
Cash and short-term investments.....	\$ 107,932	\$ 19,134	\$ 1,559
Deposits.....	-	-	-
Investments.....	194,477	45,077	3,584
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	-	19,057	-
Loans.....	-	-	50,264
Other receivables.....	155,884	35,629	230
Due from other funds.....	64,871	119	161
Inventory.....	11,507	-	-
Fixed assets.....	-	-	-
Other assets.....	11,622	81	-
Total assets.....	<u>\$ 546,293</u>	<u>\$ 119,097</u>	<u>\$ 55,798</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable.....	\$ 56,309	\$ 10,562	\$ 193
Accrued payroll.....	70,973	4,452	-
Compensated absences.....	113,339	1,719	-
Due to other funds.....	65,074	38,554	-
Deferred revenue.....	13,211	237	-
Agency liabilities.....	-	4,134	-
Deposits and unearned revenue.....	8,829	1,639	-
Other accrued liabilities.....	73,793	77	-
Capital lease obligations.....	-	-	-
Bonds and notes payable.....	-	-	-
Total liabilities.....	<u>401,528</u>	<u>61,374</u>	<u>193</u>
Fund balances:			
Unrestricted.....	144,765	-	-
Restricted.....	-	57,723	55,605
Unexpended plant funds.....	-	-	-
Renewals and replacements.....	-	-	-
Retirement of indebtedness.....	-	-	-
Net investment in plant.....	-	-	-
Total fund balances.....	<u>144,765</u>	<u>57,723</u>	<u>55,605</u>
Total liabilities and fund balances.....	<u>\$ 546,293</u>	<u>\$ 119,097</u>	<u>\$ 55,798</u>

Endowment and Similar Funds	Plant Funds	Totals	
		1999	1998
\$ 6,433	\$ 51,701	\$ 186,759	\$ 164,845
-	45,561	45,561	132,197
143,217	59,746	446,101	388,352
-	-	19,057	18,441
-	-	50,264	49,167
1,390	25,123	218,256	246,231
15,637	1,019	81,807	78,980
-	-	11,507	10,201
-	2,531,637	2,531,637	2,383,937
5,328	6,126	23,157	16,450
<u>\$ 172,005</u>	<u>\$ 2,720,913</u>	<u>\$ 3,614,106</u>	<u>\$ 3,488,801</u>
\$ 27	\$ 11,500	\$ 78,591	\$ 64,204
-	638	76,063	65,436
-	-	115,058	123,807
-	7,168	110,796	107,597
953	74	14,475	16,861
-	-	4,134	719
-	569	11,037	8,422
2,151	3,712	79,733	147,872
-	80,894	80,894	70,202
726	274,557	275,283	262,648
<u>3,857</u>	<u>379,112</u>	<u>846,064</u>	<u>867,768</u>
37,789	-	182,554	177,941
130,359	-	243,687	207,394
-	60,692	60,692	73,060
-	34,867	34,867	35,078
-	29,113	29,113	27,968
-	2,217,129	2,217,129	2,099,592
<u>168,148</u>	<u>2,341,801</u>	<u>2,768,042</u>	<u>2,621,033</u>
<u>\$ 172,005</u>	<u>\$ 2,720,913</u>	<u>\$ 3,614,106</u>	<u>\$ 3,488,801</u>

Blackfish Strandings



General Fixed Assets Account Group

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



Blackfish strandings on the coast of Cape Cod, are sad to see. Such strandings, however, are not new to the area, as the vintage postcard shows. The whales' behavior has not changed, but human reactions have done a complete 360-degree turn. Yesterday, it meant a boon for local economics. Long before these animals were given protection by federal statute (the Marine Mammals Protection Act of 1972), they were highly prized for the fine grade oil found in their "melons" — the melon-like lump above the snout that once gave the beast its local nickname of "pothead" whale.

Now when the whales mysteriously swim too close to shore scientists and animal lovers flock to the rescue of this environmental tragedy. In November 1884 about 1,500 pilot whales, also known as blackfish, washed ashore in South Wellfleet. Approximately 300 inhabitants made about \$15,000 on the sale of the whale oil. Today a stranding that large would cost the New England Aquarium untold amounts in rescue expenses. In 1986, biologists from the Aquarium were the first to successfully rescue, rehabilitate and release stranded whales. After another mass stranding in 1990 and months of treatment, the Aquarium released two female pilot whales back into the wild.

Text and postcard courtesy of Cape Cod's local historian, Noel Beyle.

Rescue and release photographs courtesy of the New England Aquarium's Marine Animal Rescue Team.

Schedule Of General Fixed Assets By Source

June 30, 1999
(Amounts in thousands)

<u>GENERAL FIXED ASSETS:</u>	1999
Land.....	\$ 559,122
Buildings.....	2,555,047
Machinery and equipment.....	629,651
Construction in progress.....	79,858
Total general fixed assets.....	<u>\$ 3,823,678</u>

INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:

Acquired on or before June 30, 1990.....	\$ 1,857,176
Acquired subsequent to June 30, 1990 from:	
General Fund.....	449,448
Special Revenue Funds.....	120,964
Capital Projects Funds.....	1,391,525
Expendable Trust Funds.....	4,565
Total investment in general fixed assets.....	<u>\$ 3,823,678</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, 1999
(Amounts in thousands)

Function	Land	Buildings	Machinery and Equipment	Total
Legislature.....	\$ -	\$ -	\$ 96	\$ 96
Judiciary.....	1,334	393,585	4,368	399,287
Inspector General.....	-	-	64	64
Governor and Lieutenant Governor.....	-	-	146	146
Secretary of the Commonwealth.....	15	18,202	2,390	20,607
Treasurer and Receiver - General.....	-	-	45,491	45,491
Auditor of the Commonwealth.....	-	-	381	381
Attorney General.....	-	-	888	888
Ethics Commission.....	-	-	71	71
District Attorney.....	-	-	2,199	2,199
Sheriff's Departments.....	3,174	37,448	3,080	43,702
Comptroller.....	-	-	159	159
Administration and finance.....	10,385	396,230	254,127	660,742
Environmental affairs.....	450,705	113,996	55,768	620,469
Communities and development.....	-	-	617	617
Health and human services.....	38,715	972,716	53,702	1,065,133
Transportation and construction.....	32,408	24,198	85,065	141,671
Education.....	-	-	1,602	1,602
Higher education.....	3	-	428	431
Public safety.....	22,200	598,224	93,061	713,485
Economic development.....	183	448	18,542	19,173
Elder affairs.....	-	-	48	48
Consumer affairs.....	-	-	1,182	1,182
Labor.....	-	-	6,176	6,176
Total by function.....	<u>\$ 559,122</u>	<u>\$ 2,555,047</u>	<u>\$ 629,651</u>	<u>3,743,820</u>
Construction in progress.....				<u>79,858</u>
Total general fixed assets.....				<u>\$ 3,823,678</u>

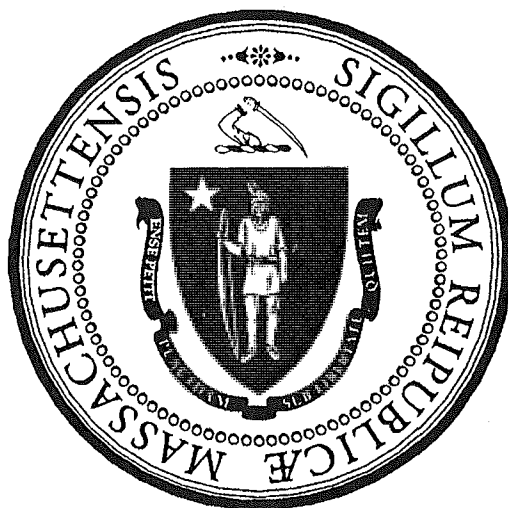
Schedule Of Changes In General Fixed Assets By Function

Fiscal Year Ended June 30, 1999

(Amounts in thousands)

Function and activity	General Fixed Assets July 1, 1998	Additions	Retirements	General Fixed Assets June 30, 1999
Legislature.....	\$ 96	\$ -	\$ -	\$ 96
Judiciary.....	277,752	121,713	178	399,287
Inspector General.....	64	-	-	64
Governor and Lieutenant Governor.....	146	-	-	146
Secretary of the Commonwealth.....	20,274	333	-	20,607
Treasurer and Receiver - General.....	45,535	-	44	45,491
Auditor of the Commonwealth.....	243	138	-	381
Attorney General.....	931	-	43	888
Ethics Commission.....	45	26	-	71
District Attorney.....	2,210	-	11	2,199
Sheriff's Departments.....	22,052	21,650	-	43,702
Comptroller.....	359	11	211	159
Administration and finance.....	640,817	19,935	10	660,742
Environmental affairs.....	608,349	13,001	881	620,469
Communities and development.....	651	-	34	617
Health and human services.....	1,059,502	6,040	409	1,065,133
Transportation and construction.....	127,412	20,458	6,199	141,671
Education.....	1,690	94	182	1,602
Higher education.....	431	-	-	431
Public safety.....	689,998	24,049	562	713,485
Economic development.....	19,180	-	7	19,173
Elder affairs.....	44	4	-	48
Consumer affairs.....	1,033	149	-	1,182
Labor.....	4,851	3,147	1,822	6,176
Total by function.....	3,523,665	230,748	10,593	3,743,820
Construction in progress.....	150,062	38,000	108,204	79,858
Total general fixed assets.....	<u>\$ 3,673,727</u>	<u>\$ 268,748</u>	<u>\$ 118,797</u>	<u>\$ 3,823,678</u>

Statistical Section



Ten-Year Schedule of Revenues and Other Financing Sources – All Governmental Fund Types
Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat – All Governmental Fund Types
Ten-Year Schedule of Percentage of Annual Debt Service Expenditures for General Bonded Debt To Total Expenditures – All Governmental Fund Types
Ten-Year Schedule of Per Capita General Long-Term Bonded Debt
Component Units Revenue Bond Coverage for the Last Ten Fiscal Years
Ten-Year Schedule of Massachusetts and United States Resident Population
Nonagricultural Employment by Industry in Massachusetts and the United States
Ten Largest Massachusetts Industries by Number of Employees
Ten-Year Schedule of Annual Average Civilian Labor Force, Unemployment and Unemployment Rates for Massachusetts and the United States
Twenty-Five largest Private Sector Massachusetts Employers
Massachusetts Fortune 500 Companies
Calculation of Transfers – Stabilization Fund
Calculation of Transfers – Tax Reduction Fund

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

June 30, 1999
(Amounts in millions)

	1999	% Total	1998	% Total	1997	% Total	1996	% Total
Taxes.....	\$ 14,321	43.0	\$ 14,033	44.9	\$ 13,030	47.7	\$ 11,926	47.5
Federal reimbursements.....	4,213	12.7	4,385	14.0	4,124	15.1	3,861	15.4
Federal grants.....	1,456	4.4	1,470	4.7	1,457	5.3	1,482	5.9
Lotteries.....	3,570	10.7	3,392	10.9	3,375	12.3	3,201	12.8
Assessments.....	546	1.6	514	1.6	552	2.0	595	2.4
Motor vehicle licenses and registrations.....	281	0.8	295	0.9	295	1.1	263	1.0
Fees, investment earnings, etc.....	1,433	4.3	1,394	4.5	930	3.4	1,110	4.4
Proceeds of dedicated income tax bonds.....	-	-	-	-	-	-	-	-
Proceeds of general obligation bonds.....	1,015	3.0	1,347	4.3	899	3.3	940	3.7
Proceeds of special obligation bonds.....	-	-	100	0.3	-	-	147	0.6
Proceeds of grant anticipation notes.....	319	1.0	-	-	-	-	-	-
Proceeds of refunding bonds.....	499	1.5	862	2.8	723	2.6	-	-
Proceeds of capital lease.....	9	0.1	15	0.1	62	0.2	26	0.1
Operating transfers.....	4,555	13.7	3,338	10.7	1,920	7.0	1,551	6.2
Other financing sources.....	1,056	3.2	104	0.3	6	-	-	-
Total revenues and other financing sources.....	<u>\$ 33,273</u>	<u>100.0</u>	<u>\$ 31,249</u>	<u>100.0</u>	<u>\$ 27,373</u>	<u>100.0</u>	<u>\$ 25,102</u>	<u>100.0</u>

1995	% Total	1994	% Total	1993	% Total	1992	% Total	1991	% Total	1990	% Total
\$ 11,262	45.9	\$ 10,611	45.7	\$ 10,021	44.9	\$ 9,479	45.6	\$ 9,143	41.1	\$ 9,007	49.8
4,174	17.0	3,904	16.8	3,376	15.1	3,021	14.5	3,075	13.8	2,092	11.4
1,187	4.8	1,205	5.2	1,118	5.0	1,199	5.8	1,088	4.9	1,042	5.8
2,957	12.0	2,600	11.2	2,148	9.6	1,831	8.8	1,692	7.8	1,657	9.2
572	2.3	544	2.3	597	2.7	787	3.8	1,542	6.9	277	1.5
307	1.3	284	1.2	331	1.5	300	1.4	290	1.3	306	1.7
1,154	4.7	1,113	4.8	1,215	5.4	1,710	8.2	1,455	6.5	1,188	6.6
-	-	-	-	-	-	-	-	1,363	6.1	-	-
810	3.3	392	1.7	368	1.7	721	3.4	1,030	4.7	1,430	7.9
-	-	298	1.3	-	-	100	0.5	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
514	2.1	836	3.6	1,891	8.5	574	2.8	-	-	-	-
18	0.1	34	0.1	13	0.1	17	0.1	28	0.1	7	-
1,534	6.3	1,367	5.9	1,177	5.3	1,021	4.9	1,477	6.6	1,068	5.9
49	0.2	35	0.2	46	0.2	47	0.2	36	0.2	30	0.2
<u>\$ 24,538</u>	<u>100.0</u>	<u>\$ 23,223</u>	<u>100.0</u>	<u>\$ 22,301</u>	<u>100.0</u>	<u>\$ 20,807</u>	<u>100.0</u>	<u>\$ 22,219</u>	<u>100.0</u>	<u>\$ 18,104</u>	<u>100.0</u>

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

June 30, 1999
(Amounts in millions)

	1999	% Total	1998	% Total	1997	% Total	1996	% Total
Legislature.....	\$ 51	0.2	\$ 51	0.2	\$ 49	0.2	\$ 49	0.2
Judiciary.....	511	1.6	470	1.5	433	1.6	404	1.7
Inspector General.....	2	-	2	-	2	-	2	-
Governor and Lieutenant Governor.....	5	-	5	-	5	-	5	-
Secretary of the Commonwealth.....	33	0.1	23	0.1	17	0.1	15	0.1
Treasurer and Receiver-General.....	2,783	8.6	2,649	8.7	2,711	10.0	2,576	10.5
Auditor of the Commonwealth.....	14	-	14	-	12	-	13	-
Attorney General.....	49	0.2	41	0.1	5	-	29	0.1
Ethics Commission.....	1	-	1	-	1	-	1	-
District Attorney.....	72	0.2	68	0.2	62	0.2	55	0.2
Office of Campaign and Political Finance.....	1	-	1	-	1	-	1	-
Sheriff's Department.....	134	0.4	40	0.1	-	-	-	-
Disabled Persons Protection Commission.....	2	-	2	-	1	-	1	-
Board of Library Commissioners.....	10	-	9	-	6	-	4	-
Comptroller.....	8	-	7	-	7	-	7	-
Administration and finance.....	1,056	3.3	1,058	3.5	937	3.5	943	3.9
Environmental affairs.....	232	0.7	216	0.7	196	0.7	205	0.8
Communities and development.....	356	1.1	351	1.2	344	1.3	347	1.4
Health and human services.....	5,160	15.9	5,058	16.6	4,507	16.7	4,606	18.8
Transportation and construction.....	137	0.5	117	0.4	151	0.6	155	0.6
Education.....	1,263	3.9	1,153	3.8	1,026	3.8	958	3.9
Educational affairs.....	-	-	-	-	-	-	14	0.1
Higher education.....	97	0.3	82	0.3	90	0.3	80	0.3
Public safety.....	860	2.6	853	2.8	860	3.2	841	3.4
Economic development.....	57	0.2	31	0.1	33	0.1	111	0.5
Elder affairs.....	197	0.6	179	0.6	174	0.6	155	0.6
Consumer affairs.....	68	0.2	57	0.2	37	0.1	35	0.1
Labor.....	166	0.5	186	0.6	189	0.7	121	0.5
Independent commissions.....	-	-	-	-	-	-	-	-
Medicaid.....	3,829	11.8	3,638	12.0	3,497	13.0	3,241	13.3
Pension.....	324	1.0	414	1.4	413	1.5	382	1.6
Direct local aid.....	4,405	13.6	4,047	13.3	3,677	13.6	3,351	13.7
Capital outlay:								
Local aid.....	73	0.2	102	0.3	181	0.7	116	0.5
Capital acquisition and construction.....	2,602	8.0	2,532	8.3	2,051	7.6	1,673	6.8
Debt service.....	1,212	3.7	1,215	4.0	1,278	4.7	1,192	4.9
Other financing uses:								
Payments to refunded bond escrow agent....	499	1.5	862	2.8	723	2.7	-	-
Transfers.....	6,193	19.1	4,883	16.1	3,311	12.3	2,753	11.3
Total expenditures and other financing uses...	\$ 32,462	100.0	\$ 30,417	100.0	\$ 26,987	100.0	\$ 24,441	100.0

1995	% Total	1994	% Total	1993	% Total	1992	% Total	1991	% Total	1990	% Total
\$ 47	0.2	\$ 43	0.2	\$ 41	0.2	\$ 44	0.2	\$ 40	0.2	\$ 44	0.2
356	1.5	338	1.5	306	1.4	315	1.6	298	1.4	305	1.7
2	-	1	-	1	-	1	-	1	-	1	-
5	-	4	-	4	-	4	-	4	-	5	-
14	0.1	12	0.1	14	0.1	12	0.1	13	0.1	11	0.1
2,353	9.7	2,052	8.9	1,659	7.4	1,379	6.8	1,290	6.0	1,193	6.5
11	-	11	-	10	-	10	-	11	0.1	11	0.1
22	0.1	38	0.2	36	0.2	18	0.1	89	0.4	29	0.2
1	-	1	-	1	-	1	-	1	-	1	-
51	0.2	47	0.2	44	0.2	39	0.2	42	0.2	47	0.3
1	-	1	-	-	-	1	-	1	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1	-	2	-	-	-	-	-	-	-	-	-
5	-	5	-	5	-	4	-	21	0.1	20	0.1
6	-	6	-	6	-	5	-	5	-	6	-
876	3.6	863	3.7	682	3.0	833	4.1	878	4.1	874	4.7
174	0.7	169	0.7	162	0.7	141	0.7	172	0.8	171	0.9
340	1.4	358	1.6	364	1.6	397	2.0	410	1.9	403	2.2
4,813	19.8	4,327	18.8	4,034	18.3	4,007	19.7	5,011	23.4	4,118	22.3
112	0.5	120	0.5	273	1.2	92	0.5	176	0.8	162	0.9
865	3.6	458	2.0	469	2.1	392	1.9	339	1.6	332	1.8
6	-	3	-	10	-	17	-	-	-	-	-
75	0.3	67	0.3	69	0.3	1,288	6.3	1,211	5.7	1,155	6.3
732	3.0	693	3.0	611	2.7	658	3.2	148	0.7	154	0.8
199	0.8	214	0.9	210	0.9	194	1.0	169	0.8	159	0.9
161	0.7	155	0.7	150	0.7	137	0.7	143	0.7	150	0.8
34	0.1	33	0.1	30	0.1	27	0.1	32	0.1	34	0.2
24	0.1	24	0.1	24	0.1	19	0.1	21	0.1	23	0.1
-	-	-	-	-	-	-	-	-	-	-	-
3,252	13.4	3,216	14.0	3,151	14.0	2,853	14.3	2,872	13.4	1,929	10.4
414	1.7	830	3.6	893	4.0	751	3.7	706	3.3	672	3.6
3,073	12.6	2,727	11.8	2,547	11.3	2,278	11.2	2,608	12.2	2,937	15.9
94	0.4	100	0.4	105	0.5	87	0.4	226	1.1	208	1.1
1,698	7.0	1,464	6.4	1,133	5.0	1,157	5.7	945	4.4	929	5.0
1,234	5.1	1,152	5.0	1,143	5.1	901	4.4	1,407	6.6	775	4.2
514	2.1	836	3.6	1,891	8.4	574	2.8	-	-	-	-
2,732	11.2	2,651	11.5	2,364	10.5	1,654	8.2	2,098	9.8	1,613	8.7
<u>\$ 24,297</u>	<u>100.0</u>	<u>\$ 23,021</u>	<u>100.0</u>	<u>\$ 22,442</u>	<u>100.0</u>	<u>\$ 20,290</u>	<u>100.0</u>	<u>\$ 21,388</u>	<u>100.0</u>	<u>\$ 18,471</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 June 30</u>	<u>Debt service</u>	<u>Total expenditures ⁽¹⁾</u>	<u>Ratio</u>
1999	\$ 1,212	\$ 25,772	4.7
1998	1,215	24,672	4.9
1997	1,278	22,953	5.6
1996	1,192	21,688	5.5
1995	1,234	21,051	5.9
1994	1,151	19,534	5.9
1993	1,143	18,187	6.3
1992	901	18,062	5.0
1991	1,407	19,290	7.3
1990	775	16,858	4.6

(1) 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>
1999	6,147	\$ 11,808,461	\$ 1.921
1998	6,118	11,078,603	1.811
1997	6,127	10,271,294	1.676
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

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 ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio
1999	\$ 393,785	\$ 401,406	0.98
1998	372,672	344,884	1.08
1997	328,608	283,975	1.16
1996	288,599	275,068	1.05
1995	272,308	232,473	1.17
1994 ⁽³⁾	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

- (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.
1999	274,126	1.1	6,147	0.5	2.2
1998	271,133	1.3	6,118	(0.1)	2.3
1997	267,645	0.9	6,127	0.4	2.3
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

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

Nonagricultural Employment By Industry In Massachusetts And The United States For 1999

(Amounts in thousands)

Type of industry	MA	% of MA Total	U.S.	% of U.S. Total	MA % vs. U.S. %
Manufacturing:					
Durable goods	272	8.4	10,954	8.5	98.8
Nondurable goods	163	5.0	7,395	5.7	87.7
Total manufacturing	435	13.4	18,349	14.2	94.4
Non-manufacturing:					
Construction and mining	116	3.6	6,831	5.3	67.9
Transportation and public utilities	138	4.3	6,854	5.3	81.1
Wholesale and retail	736	22.7	29,881	23.1	98.3
Finance, insurance and real estate	222	6.9	7,661	5.9	116.9
Other services	1,169	36.2	39,460	30.5	118.7
Federal, state and local government	417	12.9	20,260	15.7	82.2
Total Non-manufacturing	2,798	86.6	110,947	85.8	100.9
Total	3,233	100.0	129,296	100.0	

Sources: Massachusetts Department of Employment and Training
United States Department of Commerce as of October, 1999

Ten Largest Massachusetts Industries By Number Of Employees As Of October, 1999

(Amounts in thousands)

<u>Industry</u>	<u>Employees</u>
Services	1,169
Wholesale and retail trade	736
Manufacturing - durable goods	272
Local government	256
Finance, insurance and real estate	222
Manufacturing - nondurable goods	163
Transportation and public utilities	138
State government	100
Construction and mining	116
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 %	
1999	3,287	105	3.2	139,895	5,380	3.8	84.2
1998	3,252	96	3.0	137,415	6,247	4.5	66.7
1997	3,247	121	3.7	136,361	6,437	4.7	78.7
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

Sources: Massachusetts Department of Employment and Training as of June 1999.
United States Department of Labor, Bureau of Labor Statistics

Twenty-Five Largest Private Sector Massachusetts Employers

BankBoston
Bell Atlantic
Beth Israel-Deaconess Hospital
Big Y Foods
Boston University
Brigham & Women's Hospital Inc.
Demoulas Supermarkets
Digital Equipment Corporation
Friendly Ice Cream Corporation
General Electric Company
Harvard University
Lucent Technologies
Massachusetts Institute of Technology
Massachusetts General Hospital
May Department Stores Company
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
The Marsh & McLennan Management Co.
United Parcel Service, Inc.
Wal-Mart

Source: Massachusetts Department of Employment and Training as of June, 1999

1999 Fortune 500 Companies Headquartered in Massachusetts

Ranking		Company	Industry	1999 Revenues (in millions)	
1999	1998				
69	100	Raytheon (Lexington)	Electronics, Electrical Equipment	\$	19,530
124	132	Liberty Mutual Group (Boston)	Insurances, Property and Casualty (Mutual)		13,166
153	162	Mass. Mutual Life Ins. (Springfield)	Insurance Life and Health (Mutual)		10,668
159	155	Gillette (Boston)	Metal Products		10,056
161	193	Fleet Financial Group (Boston)	Commercial Banks		10,002
179	191	John Hancock Mutual Life (Boston)	Insurance Life and Health (Mutual)		8,912
208	208	TJX (Framingham)	Specialty Retailers		7,949
218	238	BankBoston Corp. (Boston)	Commercial Banks		7,609
236	303	Staples (Westborough)	Specialty Retailers		7,123
365	394	Harcourt General (Chestnut Hill)	General Merchandisers		4,235
366	419	State St. Boston Corp. (Boston)	Commercial Banks		4,234
386	477	EMC (Hopkinton)	Computer Peripherals		3,974
394	409	Thermo Electron (Waltham)	Scientific Photo and Control Equipment		3,868
421	443	BJ's Wholesale Club (Natick)	Food		3,552
433	423	Allmerica Financial (Worcester)	Insurance, Property and Casualty (Mutual)		3,433
458	402	Reebok International (Stoughton)	Apparel		3,225

Source: Fortune, April 26, 1999

Norman Rockwell



Born in 1894, Norman Rockwell began his career as an artist at an early age, finishing his first commissioned job before the age of 16. He freelanced for several magazines and worked as an art director for Boys' Life. His next move would eventually make him a household name when at twenty-two he did his first cover for the Saturday Evening Post. He went on to publish an additional three hundred and twenty-one covers for the Post.

Besides his well-known magazine work, Rockwell produced "Four Freedoms" in 1943, a series of four paintings based on President Franklin Delano Roosevelt's Four Freedoms concept. The paintings were published in the Saturday Evening Post with essays on the role of an individual in a democracy. An exhibit of the "Four Freedoms" toured the country raising 130 million dollars in the sale of war bonds.

In 1977, Rockwell was honored with the Presidential Medal of Freedom for his "vivid and affectionate portraits of our century." He passed away the following year.

The Norman Rockwell museum in Stockbridge holds the world's largest collection of Rockwell's work including photographs, letters and over five hundred and seventy of his paintings and drawings. Currently a major exhibition of Rockwell's work organized by the High Museum of Art, Atlanta, Georgia, and the Norman Rockwell Museum at Stockbridge, Massachusetts, is touring the nation.

Photography courtesy of The Norman Rockwell Museum at Stockbridge: 1977 Photo by Louie Lamone; 1921, photographer unknown.

Calculation Of Transfers: Stabilization Fund

June 30, 1999
(Amounts in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Law Chapter 29, Section 5c most recently amended by Ch. 88 of Acts of 1997. 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, and Capital Projects Fund transfer but after authorization to retain 0.5% of net revenue from taxes.

Undesignated Fund Balance (Deficit) in the Operating Funds:

General Fund.....	\$ 3,092,034
Highway Fund.....	(210,894)
Local Aid Fund.....	(2,533,583)
Consolidated Net Surplus.....	347,557
Available to carry forward to subsequent fiscal year	71,521
Consolidated net surplus before transfer to Capital Projects Fund.....	276,036

Part 2: Calculation of transfers to Capital Projects Fund:

Transfer from General Fund to Capital Project Fund	110,414
Net Consolidated surplus available for Stabilization Fund.....	\$ 165,622

Part 3: Calculation of transfers to Stabilization Fund:

From the General Fund, @ 60%.....	99,373
From the Local Aid Fund, @ 40%.....	66,249
Total Transfers.....	\$ 165,622

Part 4: Status of Consolidated Net Surplus after Stabilization Fund transfers:

Undesignated Fund Balance (Deficit) in the Operating Funds:

General Fund.....	\$ 2,882,247
Highway Fund.....	(210,894)
Local Aid Fund.....	(2,599,832)
Consolidated Net Surplus.....	\$ 71,521

Part 5: Status of Stabilization Fund after transfers

Reserved for Stabilization - Accumulated Balances.....	\$ 1,222,901
Amount Appropriated at the close of fiscal year	-
FY99 Calculated Transfers to Stabilization Fund.....	165,622
Reserved for Stabilization.....	\$ 1,388,523

Calculation Of Transfers: Tax Reduction Fund

June 30, 1999
(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 transfers,
to 7.5% of Budgeted Revenues and Other Financial Resources:**

Undesignated Fund Balance in the Stabilization Fund.....	\$ 1,388,523
Allowable Stabilization Balance	<u>1,512,383</u>
Stabilization Fund Excess, if any, transferrable to Tax Reduction Fund.....	<u>\$ -</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund Balance.....	\$ 1,388,523
Transfer to Tax Reduction Fund.....	<u>-</u>
Stabilization Fund Balance after transfer to Tax Reduction Fund.....	<u>\$ 1,388,523</u>

Part 3: Status of Tax Reduction Fund after transfers:

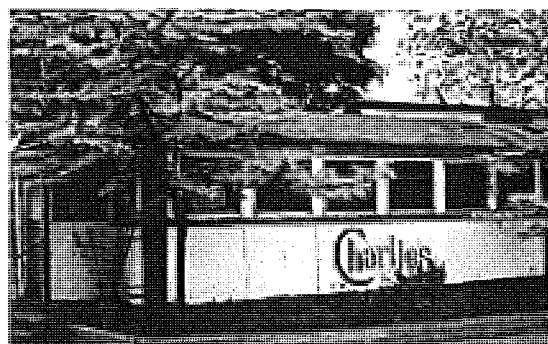
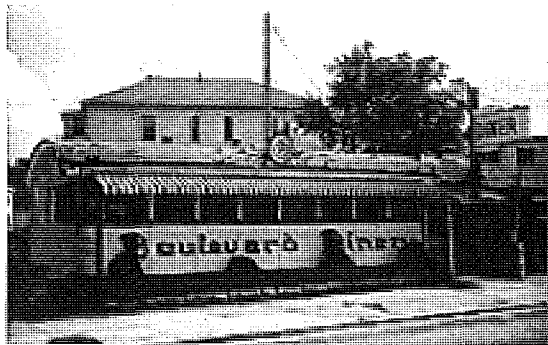
Tax Reduction Fund Balance.....	\$ -
Transfers from Stabilization Fund.....	<u>-</u>
Tax Reduction Fund Balance after transfers.....	<u>\$ -</u>

The second computation is as follows:

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

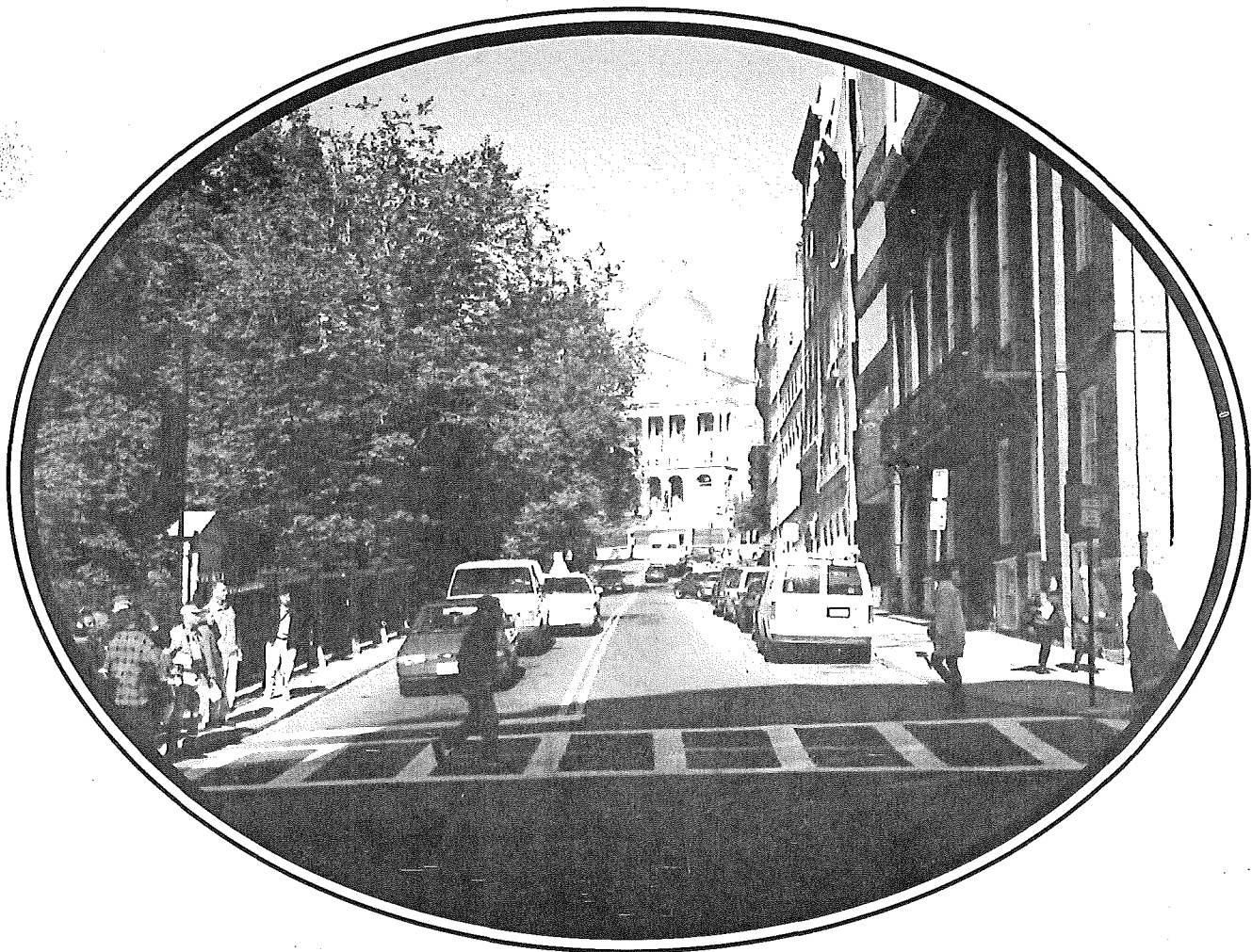
FY98 Allowable State Tax Revenues	\$ 15,271,665
Multiplied by Growth Factor	<u>1.08</u>
Computed FY99 State Tax Revenue Base.....	\$ 16,493,398
Plus: Local Aid Adjustment	<u>63,556</u>
FY99 Computed Maximum and Allowable State Tax Revenues.....	<u>\$ 16,556,954</u>
 FY99 State Tax Revenues	 <u>\$ 14,304,197</u>
State Tax Revenue Excess, if any, transferrable to Tax Reduction Fund.....	<u>\$ -</u>

Worcester Lunch Car Company



Worcester Lunch Car Company, Worcester, MA 1906-1961, for the most part built a small, handcrafted diner with a porcelain exterior and hardwood interior. Many Worcesters feature gothic lettering painted on the porcelain front panels and colorfully-striped awnings. Worcester interiors were often adorned with marble countertops, stainless steel panels shaped into starburst patterns, and hardwood booths. Lamy's Diner is now located inside the Henry Ford Museum. The craftsmanship and beauty of Worcester diners are universally acknowledged and the subject of many artists. Diners have experienced a renaissance over the last few decades and many are still in use today.

Photography courtesy of Ron Sarri. For more information on diners, visit www.dinercity.com.



North up Park Street to Beacon Street, ca. 1999