

Commonwealth of Massachusetts

COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR ENDING JUNE 30, 2020

Commonwealth of Massachusetts



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

Prepared by
Office of the Comptroller
Statewide Financial Reporting Team



William McNamara
Comptroller of the Commonwealth

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020

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Introductory Section

(Unaudited)

Letter of Transmittal
Constitutional Officers
Commonwealth Organizational Structure
Advisory Board to the Comptroller
Acknowledgments
Certificate of Achievement





WILLIAM McNAMARA
COMPTROLLER

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March 25, 2021

To the citizens of the Commonwealth of Massachusetts *and*

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House Ways and Means Committee
State House, Room 243
Boston, MA 02133

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Clerk of the House of Representatives
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Mr. Michael D. Hurley
Clerk of the Senate
State House, Room 335
Boston, MA 02133

The Office of the Comptroller is pleased to provide this Letter of Transmittal for the Commonwealth's fiscal year 2020 (FY20) Comprehensive Annual Financial Report (Annual Report) prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The objective of this report is to provide a clear financial picture of our government as a single, unified entity.

This document presents the Commonwealth's financial information on three bases of accounting, each serving a different purpose. The report includes "required supplementary information" in the form of budgetary basis statements, which are prepared in accordance with the Commonwealth's budgetary or statutory basis of accounting and is summarized by Commonwealth branch and agency. This information is aggregated from FY20 line item appropriations, the legal level of budgetary control -- i.e., the amount up to which state departments can spend without approval of additional appropriations (in a so-called "supplemental budget") by the Massachusetts Legislature. Line items specify a dollar amount that can be legally spent on specified programs or activities; for example, separate line items are authorized in the state's annual budget for general administrative expenses (including personnel expenses) and for benefit payments in the Commonwealth's Medicaid program. More detailed information on the statutory basis of accounting and the results of operations on that basis from FY20 are found in the Statutory Basis Financial Report (SBFR) issued separately on December 18, 2020. The SBFR documents compliance with the legislatively adopted budget at a fund level. Further documentation is found within the Commonwealth's accounting system, the Massachusetts Management Accounting and Reporting System (MMARS). Each state maintains different rules for budgetary reporting and therefore the SBFR should not be used for comparisons across states.

The Annual Report "fund perspective" statements present the governmental operations on a modified accrual basis of accounting. The fund perspective is designed to measure inter-period equity, the extent to which current resources (available within one year) fully fund all current services provided by the government. Long-term

liabilities are excluded with the implicit assumption that future tax revenues will fund these liabilities as they come due. This fund perspective provides results similar to the SBFR.

In addition to the fund perspective, this Annual Report presents a "government-wide" perspective. This perspective combines all governmental and business-type activities in a statement of net position and a statement of activities, presenting all functions on a full accrual basis of accounting. All capital assets are added to the government-wide statements, as are most long-term liabilities. Funds that are shown as fiduciary under the fund perspective are not portrayed in the government-wide statements, as the assets do not belong to the Commonwealth.

In the government-wide statements, the balance sheet has been organized into a "net position format." This format classifies all assets and liabilities as either short-term or long-term and then subtracts liabilities and deferred inflows of resources from assets and deferred outflows of resources to arrive at net position.

The Commonwealth's government-wide revenues, expenses and activities are included in the statement of activities. The expenses of the Commonwealth, organized by function, are netted against fees, fines, grant revenues, and assessments generated to fund each function in an attempt to derive the net cost to the taxpayer of each function. This format allows the reader of the financial statements to discern the net cost of a particular function of government funded by taxation and other general revenues.

This Annual Report is presented in three sections: **Introductory**, **Financial**, and **Statistical**. The **Introductory Section** contains an overview of current initiatives and summary financial data. The **Financial Section** contains the Management's Discussion and Analysis (MD&A) and the Commonwealth's Basic Financial Statements. GAAP requires that management provide a narrative overview and analysis in the form of an MD&A to accompany the basic financial statements.

This letter of transmittal is designed to complement the MD&A, where the financial analysis is presented. The Commonwealth's MD&A can be found immediately following the Independent Auditors' Report. The **Statistical Section** contains selected financial and demographic information; it also contains background information on the Commonwealth.

PROFILE OF THE COMMONWEALTH

The Commonwealth of Massachusetts was the sixth of the original 13 colonies to ratify the United States Constitution, joining the United States on February 6, 1788. Boston, the capital of the Commonwealth since its founding, dates from 1630. The Commonwealth has an area of 8,257 square miles. Geographically, the Commonwealth includes 351 cities and towns. The largest city is the capital, Boston. Employment is largely in the education, health services, wholesale and retail trade, financial, technology, and public sectors. Due to the Commonwealth's high levels of basic and advanced education and the presence of world-class educational institutions, the Commonwealth's economy is driven in large part by innovation in technology, life sciences, health care, and business services.

The Massachusetts Constitution was ratified in 1780 while the Revolutionary War was still in progress, nine years before the United States Constitution was adopted, and is the oldest written Constitution now in use. It specified three branches of Government: Legislative, Executive, and Judicial. "The Great and General Court," elected every two years, is made up of a Senate of 40 members and a House of Representatives of 160 members. It is the second oldest democratic deliberative body in the world.

The table on page 3 reconciles the fund balances on three bases of accounting: the statutory basis as presented in the separately issued financial statements on December 18, 2020; the fund basis; and the entity-wide basis statements, the latter two of which are included in this report.

Governmental Funds - Statutory to GAAP - Fund Perspective and to Governmental Activities Net Position
(Amounts in millions)

Governmental Funds - Statutory Basis, June 30, 2020	
Budgeted fund balance.....	\$ 4,295.2
Non-budgeted special revenue fund balance.....	4,506.5
Capital projects fund balance.....	(762.1)
Governmental Fund Balance - Statutory Basis, June 30, 2020.....	\$ 8,039.6
Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes.....	628.1
Less: Massachusetts Department of Transportation Funds.....	(1,501.1)
Adjusted Statutory Governmental fund balance.....	7,166.6
Reclassification of funds due to implementation of GASB Statement No. 84.....	61.7
Short term accruals, net of allowances and deferrals for increases /(decreases):	
Taxes, net of refunds and abatements.....	2,265.5
Tobacco settlement agreement receivable.....	125.7
Medicaid.....	(232.2)
Other short term accruals:	
Assessments and other receivables.....	452.6
Amounts due to authorities and municipalities, net.....	(532.2)
Claims, judgments and other risks.....	(14.1)
Amounts due to health care providers and insurers.....	(23.1)
Workers' compensation and group insurance.....	(180.2)
Other accruals, net.....	(1,750.1)
Net increase to governmental fund balances.....	173.6
Massachusetts School Building Authority fund balance.....	1,717.3
Total changes to governmental funds.....	1,890.9
Governmental fund balance (fund perspective).....	9,057.5
Plus: Capital assets including infrastructure, net of accumulated depreciation.....	4,922.8
Deferred revenue, net of other eliminations.....	820.6
Long-term receivables.....	28.0
Long term accruals:	
Net pension liability.....	(40,836.7)
Net deferred (inflows)/outflows of resources related to pension.....	5,779.3
Net OPEB liability.....	(15,972.2)
Net deferred (inflows)/outflows of resources related to OPEB.....	(1,370.0)
Environmental remediation liability.....	(560.4)
Massachusetts School Building Authority debt and school construction payables.....	(6,753.4)
Long term debt, unamortized premiums and net deferrals on debt refundings.....	(31,359.2)
Compensated absences.....	(688.3)
Capital leases.....	(17.1)
Accrued interest on bonds.....	(447.3)
Other long term liabilities.....	(281.0)
Total governmental activities net position.....	\$ (77,677.4)

The deficit of \$77.677 billion in governmental activities net position is largely attributable to several factors. First, the Commonwealth has made a policy decision to finance construction of assets owned by other government entities, particularly Commonwealth roads and bridges, school buildings, and assets of cities and towns and local authorities. As a result of transportation reform implemented during FY10, the Commonwealth shifted virtually all

its road and bridge assets from its books to the newly created Massachusetts Department of Transportation (MassDOT), a component unit of the Commonwealth. Second, starting in FY15, the Commonwealth's net (or unfunded) pension liability, was placed on the Commonwealth's books in accordance with [GASB Statement No. 68, Accounting and Financial Reporting for Pensions](#). Third, the Commonwealth's net (or unfunded) OPEB, or other post-employment benefits (mainly health insurance), liability, was placed on the Commonwealth's books starting in FY18 in accordance with [GASB Statement No. 75, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions](#).

At the end of FY20, MassDOT held \$25.629 billion in road, bridge, and other transportation-related assets (excluding assets of the Massachusetts Bay Transportation Authority) net of related depreciation, the vast majority of which were formerly held by the Commonwealth. The Commonwealth also has financed significant transportation and non-transportation assets currently held by Massachusetts Institutions of Higher Education, Massachusetts cities and towns, and quasi-public authorities. While the exact amount of Commonwealth-funded assets held by these entities is difficult to determine, between FY05 and FY20 the Commonwealth's capital spending on Higher Education capital projects totaled approximately \$2.272 billion, capital spending for transportation-related financial assistance to local governments totaled approximately \$4.211 billion, and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget totaled \$6.981 billion, including \$1 billion to fund the Massachusetts School Building Authority (MSBA) in FY05 and FY06. In addition, the Commonwealth has a net liability of \$4.918 billion for debt and grant obligations for the School Building Assistance Program that finances construction of schools for the Commonwealth's cities and towns. As almost all of this capital spending was financed by Commonwealth debt, the liabilities are retained by the Commonwealth while the assets are held by the Institutions of Higher Education, Massachusetts cities and towns, and entities such as local housing and other quasi-governmental authorities.

Since MassDOT ended FY20 with a positive net position of \$27.588 billion, it is more informative to view the Commonwealth's financial statements in combination with MassDOT than to analyze the two separately, while also keeping in mind that significant assets owned by the Institutions of Higher Education and local governments and authorities were financed by liabilities still on the Commonwealth's books.

As of June 30, 2020, the net pension liability in governmental activities totaled \$40.837 billion, offset by GASB 68 related adjustments (in the form of deferred inflows and outflows of resources) of \$5.779 billion; resulting in a reduction in governmental activities net position of \$35.057 billion. Governmental activities' net OPEB liability totaled \$15.972 billion.

The net deficit in governmental activities (which excludes "business-type activities" of Unemployment Insurance, the Family and Employment Security Trust and Higher Education) increased by \$3.100 billion on between June 30, 2019 and June 30, 2020, as increases in assets were approximately offset by increases in liabilities. The most significant changes were as follows:

- The Commonwealth's current assets increased by \$2.077 billion, primarily as a result of increased cash on hand due to the federal government provision of financial aid under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided the state with \$2.461 billion in aid to offset costs of the COVID-19 pandemic. Of that amount, \$1.862 billion in cash remained as of June 30.
- The Commonwealth's other net post employment benefits (OPEB) liability, after taking into account deferrals of the liability decrease caused by lower than projected retiree medical costs and a change in the discount rate by which OPEB liabilities are calculated, increased by \$246 million between FY19 and FY20. As further explained in Footnote 1T, the OPEB actuarial valuation was also corrected due to errors discovered in calculations underlying the amounts reported in the GASB 75 report as of the June 30, 2018 measurement date, which was reported in the FY2019 Annual Report.
- The Commonwealth's net pension liability, after taking into account deferrals of FY20 investment gains and other adjustments that will be recognized over the next several years, increased by \$4.313 billion, primarily due to a reduction, from 7.25%, to 7.15%, in the rate used to discount liabilities.
- As noted on page 3, the Commonwealth continues to fund, through its own debt, transportation-related assets owned by the Massachusetts Department of Transportation (MassDOT), Institutions of Higher

Education, cities and towns and quasi-public authorities. In FY20, approximately \$1.999 billion of the more than \$2.497 billion in state-funded capital spending generated assets not owned by the Commonwealth, including \$1.358 billion in transportation spending (more than \$326 million of which were grants and other financial assistance to cities and towns), \$146 million for Institutions of Higher Education (which are attributed to the Commonwealth's business-type activities), and approximately \$474 million in other capital grants and financial assistance to local governments and quasi-public entities. As a result of this capital spending on assets owned by entities other than the Commonwealth, the amount of debt outstanding increased by \$1.560 billion while the Commonwealth's governmental activities capital assets net of depreciation increased by only \$169 million.

The net deficit in the primary government, in addition to governmental activities, includes the Commonwealth's business-type activities of the Unemployment Insurance system, Family and Employment Security Trust and Higher Education institutions, increased by \$4.019 billion from FY19, due primarily to increased liabilities for pension and post-employment (health insurance) benefits for state employees, which together increased by a total of \$1.612 billion, and decrease in net position of business-type activities of \$919 million, caused by a reduction of \$1.795 billion in the Unemployment Insurance fund balance, partially offset by an increase of \$830 million in Family and Employment Security Trust and smaller surpluses in Higher Education. These changes are explained in more detail on pages 23 through 32 of this report.

The Commonwealth engages in multi-year financial planning in several areas, including the adoption of a statutorily required triennial pension funding schedule (which is funded prior to the adoption of each year's annual budget), a five-year capital spending plan, and a multi-year debt issuance planning process via a Debt Affordability Committee established in statute, comprised of Massachusetts government and non-government financial experts. The Commonwealth's short and long-term goal is to achieve annual statutory structural budget balance, i.e., where annual revenues equal or exceed annual expenditures, thus minimizing the use of one-time resources. A related goal is to limit the growth in state expenditures to increases in budgeted revenues. The current Administration has also committed to a policy of annual increases in unrestricted aid to cities and towns equal to the growth in projected budgetary fund tax revenues.

REPORTING ENTITY

The financial statements incorporate activity from over 150 departments. These departments include the various agencies, boards, and commissions, the 25 Institutions of Higher Education, the judicial and legislative branches of government, and constitutional offices. The departments record their daily financial operations in the state accounting system, MMARS, operated by the Office of the Comptroller.

In addition, the financial statements include 41 independent public authorities. These entities are defined as component units and meet the criteria for inclusion in the Commonwealth's reporting entity in accordance with GAAP. They are further described in [Note 14](#) to the basic financial statements. The Massachusetts School Building Authority (MSBA) is blended into the Commonwealth's operations.

INDEPENDENT AUDIT

The Commonwealth's independent auditors, KPMG LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2020. The [Independent Auditors' Report](#) is presented in the Financial Section.

The Office of the Comptroller prepares these financial statements and is responsible for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the Office of the Comptroller, working in conjunction with the State Auditor, has established a comprehensive internal control framework that is designed to protect the Commonwealth's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Commonwealth's financial statements in conformity with GAAP. Because of the cost, internal controls should not outweigh their benefits. The Commonwealth's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

All fifty states produce a Comprehensive Annual Financial Report but I believe that the accuracy and information value of the Commonwealth's report is unsurpassed. Particularly in the year of the pandemic, I greatly appreciate the skill and hard work of the state's financial professionals. I thank the dedicated employees of the Office of the Comptroller, and in particular First Deputy Comptroller Jeffrey Shapiro, Deputy Comptroller Howard Merkowitz, and Assistant Comptrollers Kristine Hill-Jones, Kevin McHugh, Amy Nable, Peter Scavotto, and Peter Murphy. They and their teams, as well as the financial professionals across state government with whom they collaborate, have served the Commonwealth extremely well in a challenging time.

Respectfully submitted,



William McNamara
Comptroller of the Commonwealth

CONSTITUTIONAL OFFICERS

Charles D. Baker
Governor

Karyn E. Polito
Lieutenant Governor

William F. Galvin
Secretary of State

Maura Healey
Attorney General

Deborah B. Goldberg
Treasurer and Receiver-General

Suzanne Bump
Auditor

LEGISLATIVE OFFICERS

Karen E. Spilka
Senate President

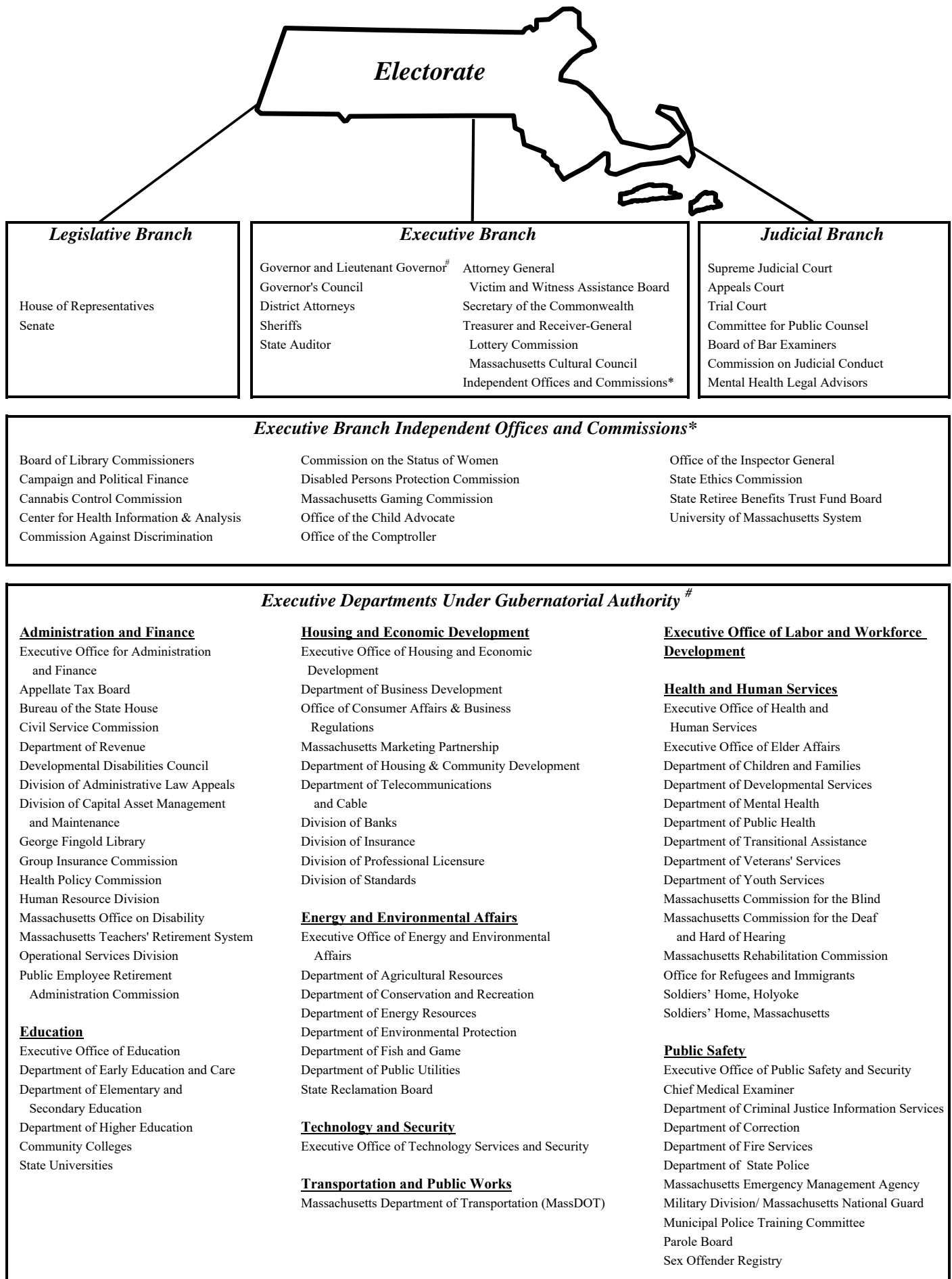
Ronald Mariano
Speaker of the House

JUDICIAL OFFICERS

Kimberly S. Budd
Chief Justice, Supreme Judicial Court

Mark Green
Chief Justice, Appeals Court

John A. Bello
Court Administrator, Trial Court



ADVISORY BOARD TO THE COMPTROLLER

Michael J. Heffernan (Chair)
Secretary of Administration and Finance

Suzanne Bump
Auditor

Deborah B. Goldberg
Treasurer and Receiver-General

John A. Bello
Chief Administrator, Trial Court

Maura Healey
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Natalie Monroe
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Accountant

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Program Coordinator



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Financial Report
for the Fiscal Year Ended

June 30, 2019

Executive Director/CEO



Financial Section

Independent Auditors' Report

Management's Discussion and Analysis

Basic Financial Statements

Notes to the Basic Financial Statements

Required Supplementary Information Other Than Management's Discussion and Analysis

Other Supplementary Information





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60 South Street
Boston, MA 02111

Independent Auditors' Report

Mr. William McNamara, Comptroller
The Commonwealth of Massachusetts
Boston, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts (the Commonwealth), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities and funds:

- *Governmental Activities*
 - Massachusetts School Building Authority, which is a major governmental fund and represents 7.9% and 1.9% of the total assets and total revenues, respectively, of the Governmental Activities.
- *Business-Type Activities*
 - Individual state universities listed in Note 14 which represent 100% of the total assets and total revenues of the State Universities major enterprise fund
 - Individual community colleges listed in Note 14 which represent 100% of the total assets and total revenues of the Community Colleges major enterprise fund

These entities and funds collectively represent 28.8% and 9.1% of the total assets and total revenues, respectively, of the Business-Type Activities.

- *Discretely Presented Component Units*
 - Individual nonmajor component units listed in Note 14 which represent 7.1% and 5.5% of the total assets and total revenues, respectively, of the aggregate discretely presented component units.



Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these entities and funds indicated above, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Massachusetts Municipal Depository Trust, the Massachusetts Technology Park Corporation and the Massachusetts Life Sciences Center were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(t) to the financial statements, in 2020, the Commonwealth adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and required supplementary information, as listed in the accompanying table of contents (collectively referred to as RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any



assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commonwealth's basic financial statements. The introductory section, other supplementary information and statistical section as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, and the reports of the other auditors, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of the Commonwealth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commonwealth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commonwealth's internal control over financial reporting and compliance.

KPMG LLP

March 25, 2021



Management's Discussion and Analysis **(Unaudited)**

Financial Highlights – Primary Commonwealth Government

Government-Wide Highlights

This analysis, prepared by the Office of the Comptroller, offers readers of the Commonwealth's financial statements a narrative overview of the activities of the Commonwealth for the fiscal year ended June 30, 2020 (FY20). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal and with the Commonwealth's financial statements, which follow. This analysis is required by the Governmental Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included in and excluded from this analysis.

Net Position – The liabilities and deferred inflows of resources of the primary government exceeded its assets and deferred outflows of resources at the end of FY20 by \$73.000 billion, an increase in the net deficit of \$4.019 billion from the FY19 net deficit.

Of the \$73.000 billion deficit, “unrestricted net position” has a deficit of \$78.097 billion and there is a \$2.233 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth's negative unrestricted net position:

- In FY10, the Commonwealth implemented transportation reform, which created the Massachusetts Department of Transportation (MassDOT) and transferred to that entity virtually all highway and bridge assets of the Commonwealth totaling approximately \$15.521 billion, net of depreciation, as of the date of the transfer. These and subsequently constructed road and bridge assets were valued at \$25.629 billion as of June 30, 2020. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$13.275 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$4.918 billion for its share of the construction costs of schools owned and operated by municipalities through the Massachusetts School Building Authority (MSBA).
- The Commonwealth, through debt issuances, also pays for non-transportation capital assets held by quasi-public entities, local governments, and housing authorities.
- With the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which was effective starting in FY15, the Commonwealth was required to place on its books the full amount of its unfunded pension liability (known as the “net pension liability”), which totaled \$41.643 billion as of June 30, 2020 (based on a June 30, 2019 actuarial valuation, per GASB 68).
- The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which was effective starting in FY18, required the Commonwealth to record on its statement of net position its unfunded non-pension retiree benefits (or OPEB, mostly health insurance benefits), which totaled \$17.487 billion as of June 30, 2020 (based on a June 30, 2019 valuation, per GASB 75).

At the end of FY20, the Commonwealth also held \$2.863 billion in “restricted net position”, which are assets restricted primarily for payment of debt service, unemployment insurance benefits, and the Institutions of Higher Education. Approximately \$202 million in restricted net position balances were set aside for unemployment benefits, an additional \$987 million was restricted for debt retirement (of which \$959 million was restricted for MSBA debt retirement), \$289 million was restricted for Higher Education, and \$556 million was restricted for other governmental purposes.

The Commonwealth's governmental activity (which excludes the “business-type activities” of the Institutions of

Higher Education, Family and Employment Security Trust and Unemployment Insurance) net deficit increased by \$3.100 billion, to \$77.677 billion, and its governmental activities unrestricted net deficit increased by approximately \$3.597 billion, to \$77.515 billion, as of June 30, 2020.

Total revenues of the primary government increased by \$10.865 billion, or 16.5% in FY20, to \$76.583 billion. Total expenses of the primary government increased by \$15.558 billion, or approximately 23.9%, to \$80.603 billion. (Both revenue and expense increases in FY20 were driven largely by federally-reimbursed responses to the Coronavirus pandemic, which began in the last four months of the fiscal year.) Details on revenues and expenses for the primary government can be found on pages 24–32.

The net position of business-type activities declined by \$919 million, due to a deficit of \$1.795 billion in the Unemployment Insurance program (as unemployment benefits increased due to the pandemic), partially offset by surpluses of \$830 million in the Family and Employment Security Trust Fund and \$46 million in Higher Education.

On a "funds perspective" basis, at June 30, 2020, the Commonwealth's governmental funds reported a combined ending fund balance of \$9.058 billion, a decrease of \$(108) million from June 30, 2019. Of the ending balances:

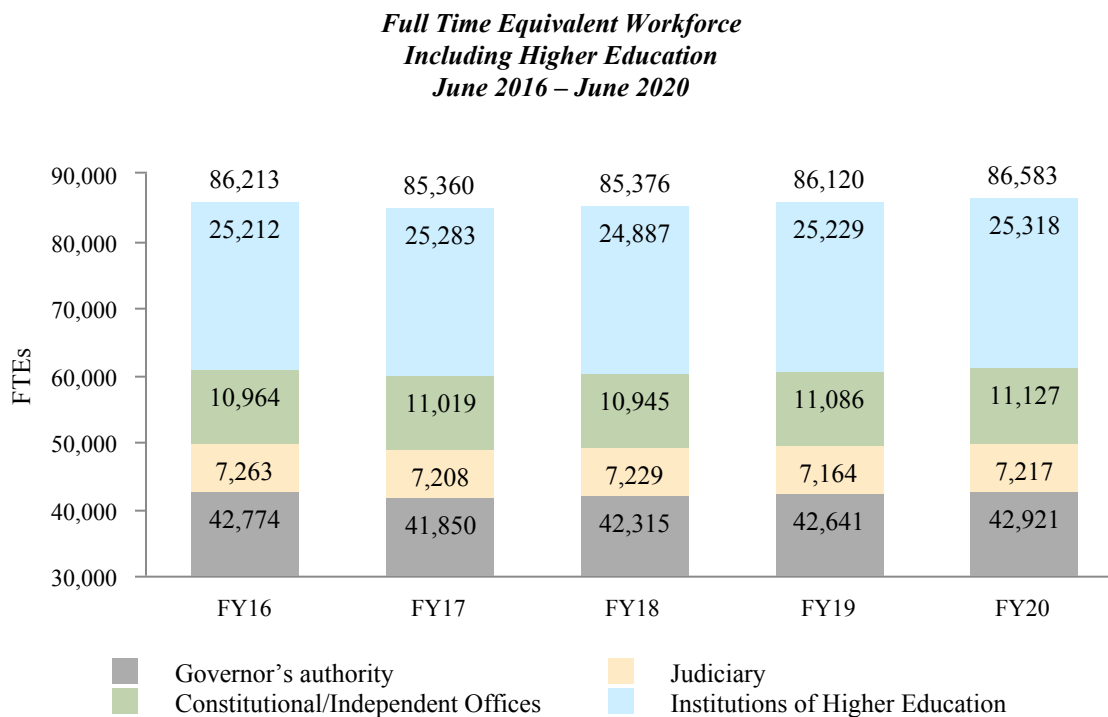
- There are no nonspendable balances, \$1.294 billion is restricted, \$5.326 billion is committed, \$1.683 billion is assigned, and \$755 million is unassigned fund balance (a full discussion of these classifications is included in [Note 1](#) to the basic financial statements, on pages 70-73).
- The MSBA's fund balance of \$1.717 billion is blended with the Commonwealth. Within this fund balance is \$1.617 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY20 and previous fiscal years, less approximately \$67 million in liabilities. In FY20, \$925 million was dedicated to the MSBA from Commonwealth sales taxes, and the MSBA issued \$1.015 billion in long-term dedicated sales tax bonds.

Other highlights of FY20 financial operations include:

- Tobacco settlement proceeds for the year were approximately \$222 million on a GAAP basis, a decrease of approximately \$8 million from FY19. Approximately \$126 million has been reported as a receivable in the governmental funds, equal to half of the anticipated tobacco settlement proceeds to be received in FY21. In FY20 approximately \$23 million, or the equivalent of 10% of tobacco settlement proceeds, was transferred to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care. Per statute, the proportion of tobacco settlement revenues transferred to the SRBTF increases annually until an amount equal to 100% of the tobacco settlement proceeds is to be transferred to the SRBTF in FY23, although the requirement to transfer increasing percentages of tobacco settlement proceeds was modified for FY20 with the percentage reduced to 10%.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$33 million in bond authorizations. There were no bond de-authorizations of previously approved capital appropriations during the fiscal year. The Commonwealth determines the timing and extent of capital spending and bonding as part of its five-year capital plan.
- Lottery revenues for FY20 were \$5.395 billion, a decrease of approximately \$258 million, or 4.6%, from FY19, as the coronavirus pandemic reduced ticket sales. Prizes were approximately \$4.305 billion. Lottery profits, after deducting administrative expenses and fringe benefit charges to reimburse the Commonwealth's General Fund for pension and employee health insurance benefits, but prior to distributions to reimburse the Massachusetts Cultural Council and compulsive gamblers appropriation as mandated in the FY20 budget, totaled \$985 million a decrease of \$119 million, or 10.8%, from FY19. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.089 billion.

Full-Time Equivalent Employment

The following chart shows the Commonwealth's full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2020, the number of Commonwealth employees increased by a net of 463 full-time equivalent employees (FTEs) from June 30, 2019, to a total of 86,583. The largest increases were in the Community Colleges (416), the Executive Office of Public Safety (194 FTEs) and the the University of Massachusetts (130 FTEs). These increases were offset by a decrease in the State Universities (457 FTEs).



OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Commonwealth's basic financial statements. The Commonwealth's basic financial statements comprise the following: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of budgetary schedules, which are prepared on the statutory basis of accounting, as well as pension and other post-employment benefits (OPEB) schedules. Other supplementary information is also provided to furnish additional detail to support the basic financial statements.

Government–Wide Financial Statements

The government-wide financial statements present the reader with a broad overview of the Commonwealth's finances in a manner similar to a private sector business. The statements include the [Statement of Net Position](#), which presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources and net position for the government as a whole. Also presented is the [Statement of Activities](#), which presents the functional expenses, offsetting revenues and changes in net position of the Commonwealth. The statements report the Commonwealth's net position and changes in net position. An increase or decrease in the Commonwealth's net position is one way to measure financial health as well as the trend of increases or decreases over time. Non-financial measures such as the types of capital investments, changes in taxation, population, employment and economic conditions are also indicators of the overall health of any government.

Both the statement of net position and the statement of activities have separate sections for three different categories of the Commonwealth's operations. These activities are Governmental Activities, Business-type Activities, and

Discretely Presented Component Units. Governmental activities are where the Commonwealth's basic services are reported. Business-type activities are those for which fees are charged for particular services. For the Commonwealth, business-type activities comprise the unemployment insurance compensation system, the Family and Employment Security Trust and the Institutions of Higher Education. The component units are separate legal entities that are included in this report due to the nature of their governance and financial relationship with the Commonwealth.

The government-wide financial statements can be found on [pages 37-41](#) of this report.

Fund Financial Statements and Component Unit Financial Statements

Funds are groups of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Commonwealth, like other governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Within the funds, budgetary compliance is demonstrated at the appropriation level for budgeted expenditures.

Only the major funds are shown separately in the fund financial statements, with the remaining funds aggregated and reported as nonmajor funds.

Fund financial statements focus on individual parts of the Commonwealth, reporting its operations in more detail than the government-wide statements. The Commonwealth's funds can be divided into three categories: [Governmental Funds](#), [Proprietary Funds](#), and [Fiduciary Funds](#). It is important to realize that these fund categories use different bases of accounting and should be interpreted differently. Further discussion of the funds can be found in the section "Financial Analysis of the Commonwealth's Funds" and in [Note 1](#) to the basic financial statements.

Component unit financial statements are presented for entities where the Commonwealth has financial accountability, but the entities are independent of the core Commonwealth operations. Most component units operate similarly to private-sector businesses.

Although the Massachusetts School Building Authority (MSBA) is a component unit of the Commonwealth, the MSBA's operations have been determined by management to operate in a similar fashion to a Commonwealth department due to the MSBA's service to the Commonwealth and because it relies on a pledged portion of the Commonwealth's sales tax revenue to fund its debt service. In FY05, legislation changed the funding of school construction from a direct appropriation of the Commonwealth to a dedicated portion of the sales tax allocated to the MSBA. Because of the nature of transactions between the Commonwealth and this authority, per GASB [Statement No. 39, *Determining Whether Certain Organizations Are Component Units*](#) as amended by [GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*](#), the authority's operations are blended with the primary government and reported as a governmental fund in the government-wide financial statements.

Notes to the Financial Statements, Required Supplementary Information and Other Supplementary Information

The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements as of the date provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on [pages 65-141](#).

The required supplementary information section includes a budgetary comparison schedule for the General Fund, along with a reconciliation comparing the original General Appropriation Act and supplemental appropriations to actual budgetary spending. A variance column is also provided. A further reconciliation schedule of the budgeted revenues and expenses to governmental fund perspective revenues and expenditures for the General Fund is also provided. Required pension and OPEB schedules are also presented in this section.

Other supplementary information is not required, but is included to present combining schedules of various nonmajor funds, fiduciary funds, and component units.

GOVERNMENT-WIDE ANALYSIS

The primary government's combined net position (governmental and business-type activities) showed a net deficit of \$73.000 billion at the end of FY20, an increase in the net deficit of \$4.019 billion from the end of FY19. Government-wide unrestricted net position is negative by \$78.097 billion. As explained previously, in addition to the \$41.643 billion government-wide net pension liability and the \$17.487 billion OPEB liabilities recorded on the Commonwealth's books, a substantial portion of this deficit is a result of programs where the Commonwealth has funded assets owned by political subdivisions of the Commonwealth (in particular the result of the transfer of assets to MassDOT during FY10), as well as continued borrowing by the Commonwealth that funds, through its capital budget and debt issuance, construction of new assets owned by MassDOT, local governments, and local authorities. MassDOT reports its capital assets on its financial statements, which are incorporated into the Commonwealth's financial statements similarly to other component units.

***Major Long – Term Obligations for
Assets of Political Subdivisions
(amounts in thousands)***

Massachusetts School Building Authority net deficit	\$ 4,917,803
Outstanding bonds issued to fund the MBTA	207
Debt related to MassDOT assets	13,274,840
Effects on governmental unrestricted net position of items unique to the Commonwealth	<u>\$ 18,192,850</u>

Of the Commonwealth's approximately \$2.497 billion in FY20 state funded capital spending, about \$1.999 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.358 billion in transportation spending (with \$326 million in grants and other financial assistance to cities and towns), \$146 million for Institutions of Higher Education (which are included in the Commonwealth's business-type activities) and approximately \$474 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY20 the Commonwealth's capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$27.217 billion. These include Higher Education capital projects totaling approximately \$2.272 billion, capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$13.560 billion, transportation-related financial assistance to local governments totaling more than \$4.211 billion and other grants and financial assistance for non-Commonwealth entities such as cities and towns and quasi-public authorities funded through the Commonwealth's capital budget of almost \$6.981 billion, including \$1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority.

The Commonwealth also funds school construction through debt issued by the MSBA (beyond its initial \$1 billion capitalization), and includes the MSBA's debt on its statement of net position, but the assets paid for with that debt are owned by Massachusetts cities, towns, and school districts.

Current assets and liabilities are amounts that are available in the current period and obligations that will be paid within one year of the financial statement date, respectively. As of June 30, 2020, the Commonwealth's government-wide current unrestricted cash and cash equivalents totaled \$7.880 billion, a decrease of \$82 million from June 30, 2019, with a reduction of \$2.454 billion in income tax revenue whose collection was shifted from April to July as a result of extension of the tax filing deadline offset by \$2.461 billion in federal aid for Coronavirus relief. Total current assets were \$19.171 billion, an increase of \$3.344 billion from June 30, 2019, mainly due to increased funding from the federal aid for Coronavirus relief. As of June 30, 2020, the Commonwealth's current liabilities were \$11.948 billion, an increase of \$2.467 billion from June 30, 2019, with \$1.7 billion of that in unexpended Coronavirus Relief Fund federal aid classified as "unearned revenue" under GASB rules.

As of June 30, 2020, the primary government's non-current assets decreased by \$1.049 billion from June 30, 2019, to \$17.338 billion, due mainly to a reduction of \$1.433 billion in restricted assets in the Unemployment Insurance program.

The Commonwealth holds \$12.883 billion in traditional capital assets such as land, construction in process, buildings, infrastructure, and equipment, net of accumulated depreciation. GASB requires the reporting of the value of investments in the Commonwealth's infrastructure, including roads, bridges, beaches, dams and other immovable

assets on the face of the Commonwealth's financial statements. As these assets provide services to citizens, they are not available to finance future spending unless they are sold. Although the Commonwealth's investment in its capital assets is also reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

The following table shows the Commonwealth's net position. Restricted net position represents resources that are subject to external constraints.

Net Position as of June 30, 2020 and 2019
(in thousands of dollars)

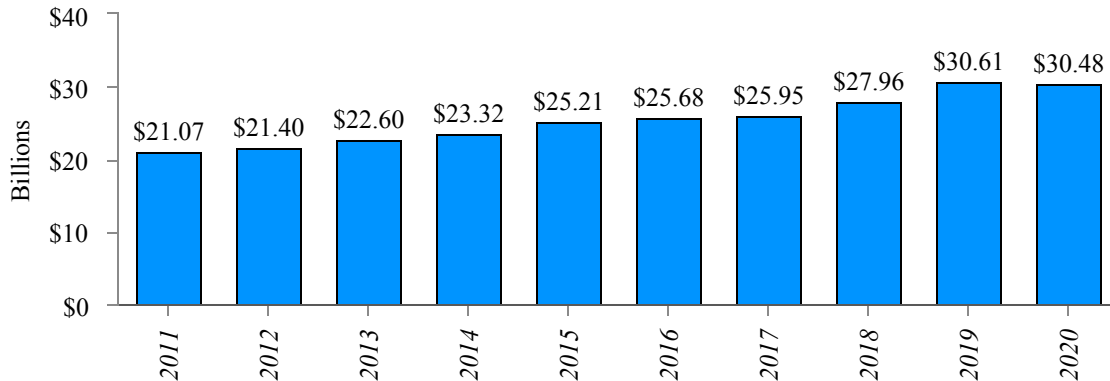
	Governmental Activities		Business-Type Activities		Total Primary Government	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Current assets.....	\$ 15,854,027	\$ 13,777,391	\$ 3,316,988	\$ 2,049,611	\$ 19,171,015	\$ 15,827,002
Non-capital non-current assets.....	2,745,184	2,475,435	1,709,859	3,196,328	4,455,043	5,671,763
Capital assets.....	4,922,839	4,807,530	7,960,376	7,908,007	12,883,215	12,715,537
Total assets.....	23,522,050	21,060,356	12,987,223	13,153,946	36,509,273	34,214,302
Deferred outflows of resources.....	8,088,490	8,044,092	758,472	632,842	8,846,962	8,676,934
Total assets and deferred outflows.....	31,610,540	29,104,448	13,745,695	13,786,788	45,356,235	42,891,236
Current liabilities.....	10,543,756	8,475,674	1,404,078	1,005,649	11,947,834	9,481,323
Long term liabilities.....	94,540,163	88,548,459	7,100,293	6,504,498	101,640,456	95,052,957
Total liabilities.....	105,083,919	97,024,133	8,504,371	7,510,147	113,588,290	104,534,280
Deferred inflows of resources.....	4,203,986	6,160,667	564,173	627,163	4,768,159	6,787,830
Total liabilities and deferred inflows.....	109,287,905	103,184,800	9,068,544	8,137,310	118,356,449	111,322,110
Net Position:						
Net investment in capital assets.....	(1,705,745)	(1,433,294)	3,938,922	3,868,576	2,233,177	2,435,282
Restricted.....	1,543,264	1,270,844	1,319,929	2,271,721	2,863,193	3,542,565
Unrestricted.....	(77,514,884)	(73,917,902)	(581,700)	(490,819)	(78,096,584)	(74,408,721)
Total Net Position.....	\$ (77,677,365)	\$ (74,080,352)	\$ 4,677,151	\$ 5,649,478	\$ (73,000,214)	\$ (68,430,874)

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit increased by approximately \$4.019 billion between FY19 and FY20, to \$73.000 billion. The main reasons for the increase in the net deficit were the \$3.100 billion loss in governmental activities due to increases in the Commonwealth's pension and OPEB liabilities,

The following table shows the major categories of government-wide revenues and expenses for FY19 and FY20, as well as net position for the two fiscal years. In FY20, approximately 39.8% of the primary government's total revenue came from taxes, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the majority of which was federal aid. FY20 revenues totaled \$76.583 billion, an increase of \$10.865 billion, or 16.5% from FY19, with tax revenue totaling \$30.482 billion, a decrease of \$128 million, or 0.4%, from FY19. Income tax revenue was virtually unchanged, while sales tax revenue grew by \$107 million, or 1.6%, corporate excise tax decreased by \$341 million, or 11.1%. Both sales and corporate taxes were adversely affected by the pandemic, with healthy growth in the first three quarters of FY20 with declines in the fourth quarter.

**Revenue from Taxation
FY11 - FY20**



**Changes in Net Position during the Fiscal Years Ended June 30, 2020 and 2019
(in thousands of dollars except percentages)**

	Governmental Activities		Business - Type Activities		Total Primary Government		Total Primary Government		
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019	June 30, 2020 Distribution	June 30, 2019 Distribution	20 to '19 % Change
Revenues									
Program Revenues:									
Charges for services.....	\$ 11,077,441	\$ 11,411,869	\$ 5,384,806	\$ 4,629,552	\$ 16,462,247	\$ 16,041,421	21.5 %	24.4 %	(11.9)%
Operating grants and contributions.....	18,661,840	16,253,915	9,250,714	976,096	27,912,554	17,230,011	36.4 %	26.2 %	38.9 %
Capital grants and contributions.....	77,964	66,085	145,646	112,033	223,610	178,118	0.3 %	0.3 %	— %
General Revenues:									
Taxes.....	30,482,040	30,609,957	—	—	30,482,040	30,609,957	39.8 %	46.6 %	(14.6)%
Other.....	1,169,416	1,513,855	333,608	145,483	1,503,024	1,659,338	2.0 %	2.5 %	(20.0)%
Total Revenues.....	61,468,701	59,855,681	15,114,774	5,863,164	76,583,475	65,718,845	100.0 %	100.0 %	
Expenses									
Medicaid.....	19,206,749	18,093,807	—	—	19,206,749	18,093,807	23.9 %	27.9 %	(14.3)%
Direct local aid.....	6,390,233	6,089,548	—	—	6,390,233	6,089,548	7.9 %	9.4 %	(16.0)%
Health and human services.....	9,645,198	8,662,012	—	—	9,645,198	8,662,012	12.0 %	13.3 %	(9.8)%
Lottery.....	4,306,512	4,445,654	—	—	4,306,512	4,445,654	5.3 %	6.8 %	(22.1)%
Higher education.....	—	—	5,484,490	5,345,669	5,484,490	5,345,669	6.8 %	8.2 %	(17.1)%
Early elementary and secondary education.....	6,618,282	5,607,240	—	—	6,618,282	5,607,240	8.2 %	8.6 %	(4.7)%
Unemployment compensation.....	—	—	11,948,319	1,483,901	11,948,319	1,483,901	14.8 %	2.3 %	543.5 %
Family and employment security trust.....	—	—	5,434	—	5,434	—	— %	— %	— %
Other.....	16,997,557	15,317,352	—	—	16,997,557	15,317,352	21.1 %	23.5 %	(10.2)%
Total Expenses.....	63,164,531	58,215,613	17,438,243	6,829,570	80,602,774	65,045,183	100.0 %	100.0 %	
Excess/(Deficiency)									
before transfers.....	(1,695,830)	1,640,068	(2,323,469)	(966,406)	(4,019,299)	673,662			
Transfers.....	(1,404,336)	(1,565,932)	1,404,336	1,565,932	—	—			
Change in net position (deficits).....	(3,100,166)	74,136	(919,133)	599,526	(4,019,299)	673,662			
Net position/(deficit) - beginning, as restated.....	(74,577,199)	(74,154,488)	5,596,284	5,049,952	(68,980,915)	(69,104,536)			
Net position/(deficit) - ending.....	<u>(\$77,677,365)</u>	<u>\$ (74,080,352)</u>	<u>\$ 4,677,151</u>	<u>\$ 5,649,478</u>	<u>(\$73,000,214)</u>	<u>(\$68,430,874)</u>			

Operating grants and contributions (including federal revenue for Medicaid, coronavirus relief, and Unemployment Insurance) totaled \$27.913 billion, an increase of \$10.683 billion, or 62.0%, in FY20, with federal revenue for the Unemployment Compensation program growing from \$49 million in FY19 to \$8.320 billion in FY20, as federal supplementary aid for expanded and extended unemployment insurance benefits was delivered to the Commonwealth. The remainder of the increase in operating grants and contributions was primarily due to additional federal coronavirus relief delivered to the state.

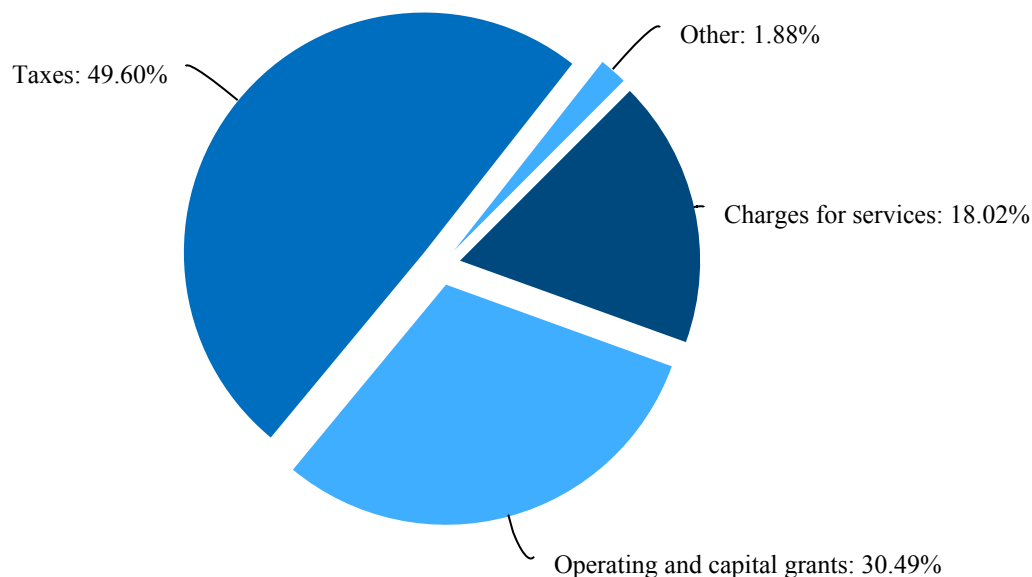
Charges for services totaled \$16.462 billion increasing \$421 million, or 2.6% from FY19, with the increase resulting from \$841 million in charges for the Paid Family and Medical Leave (PFML) program, which began receiving assessments in fourth quarter of calendar year 2019. There were also increases in charges in Health and Human Services Medicaid and general government, almost fully offset by declines in Lottery ticket purchases as the pandemic cut into sales and a decrease in Labor and Workforce Development charges.

As of June 30, 2020, government-wide restricted net position totaled \$2.863 billion, a decrease of \$679 million, with the majority of the increase due to assets restricted for other purposes.

Primary government spending totaled \$80.603 billion, an increase of \$15.558 billion, or 23.9%, from FY19, with governmental activities spending (i.e., excluding business-type activities such as Higher Education and the Unemployment Insurance program) totaling \$63.165 billion, an increase of \$4.949 billion, or 8.5%, and business-type activities spending totaling \$17.438 billion, an increase of \$10.609 billion, or 155.3%. Medicaid expenses totaled \$19.207 billion, an increase of \$1.113 billion, or 6.2%, from FY19, with the increase due to higher spending on responses to the coronavirus pandemic, which more than offset decreased utilization of routine and elective services due to restrictions put in place as a result of COVID-19. Health and Human services spending totaled \$9.645 billion, an increase of \$983 million or 11.4%, transportation and public works spending totaled \$2.807 billion, an increase of \$253 million, or 9.9%, early and secondary education spending totaled \$6.618 billion, an increase of \$1.011 billion, or 18.0%, public safety and homeland security spending totaled \$3.962 billion, an increase \$955 million, 31.8%, and general government expenses totaled \$2.923 billion, an increase of \$157 million, or 5.7%. Included in these increases across these functions and programs (especially those with large numbers of employees) is \$1.580 billion in higher expenditures due to growth in pension and OPEB liabilities in FY20 compared to FY19. In addition, direct local aid spending totaled \$6.390 billion, an increase of \$301 million, or 4.9% as the Commonwealth continued its commitment to allocating a proportionate increase in projected budgetary tax revenues to local assistance. In business-type activities, unemployment insurance compensation expenditures totaled \$11.948 billion, an increase of \$10.464 billion, or 705.2%, in the form of expanded benefits mandated by the federal government due to increased unemployment caused by the pandemic.

Income taxes comprise the majority of tax revenue. Of the \$30.482 billion in FY20 tax revenue within governmental activities, \$17.414 billion, or approximately 57.1%, of total taxes, was from income taxes, \$6.958 billion, or 22.8%, was from sales taxes, \$2.727 billion, or 8.9%, was from corporate taxes, \$694 million, or 2.3%, was from motor fuels taxes and \$2.689 billion, or 8.8%, was from other forms of taxation. Lottery revenues of \$5.391 billion made up 48.7% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$11.232 billion, or approximately 60.2%, of all grants, other health and human services grants of \$3.326 billion, or 17.8% of all grants, and education grants of \$1.312 billion, or 7.0% of all grants. Most of the state's capital grants are for highway construction, and those federal grants are recorded not in the Commonwealth's financial statements but in the financial statements of the Massachusetts Department of Transportation.

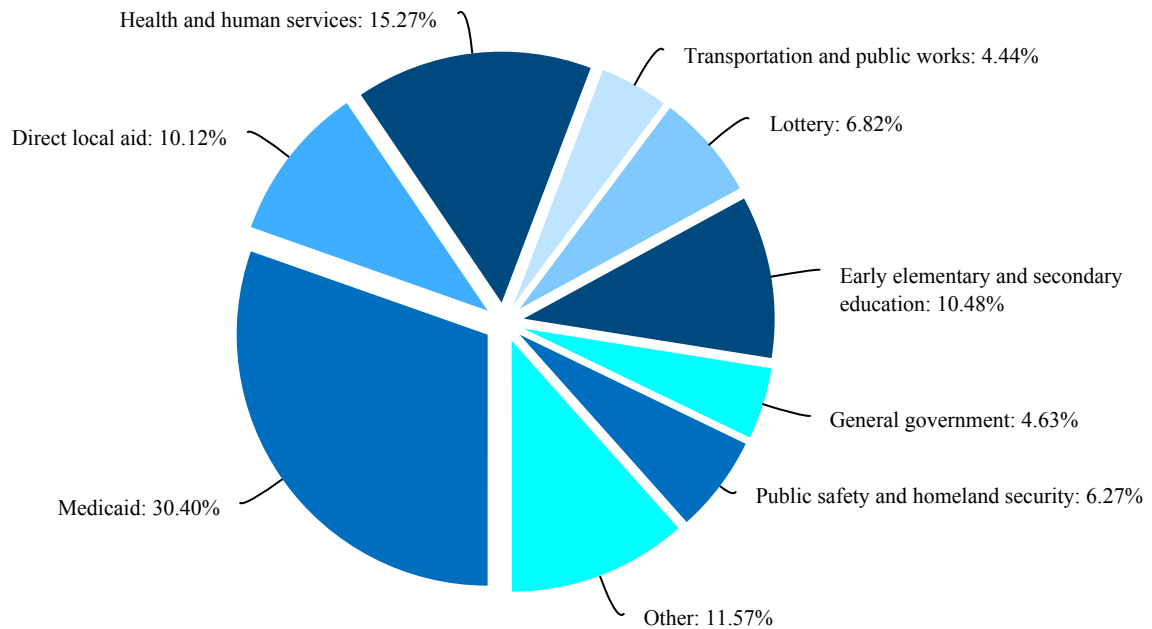
***Revenue—Governmental Activities
Fiscal Year Ending June 30, 2020***



Medicaid expenses of \$19.207 billion accounted for 30.4% of the Commonwealth's governmental activities expenses. Historically, approximately half of Medicaid expenses have been reimbursed by the federal government, although under the Affordable Care Act some Medicaid expenditures are reimbursed at higher rates. The largest expense that is not subsidized by program revenues is direct local aid to the municipalities of the Commonwealth of approximately \$6.390 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$9.645 billion, accounting for 15.3% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$6.618 billion, accounting for 10.5% of governmental expenses and public safety and homeland security costs of approximately \$3.962 billion, accounting for 6.3% of governmental expenses. State employees' pensions and other post-employment benefits, which are included in the department spending amounts above, were \$4.423 billion.

Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2020

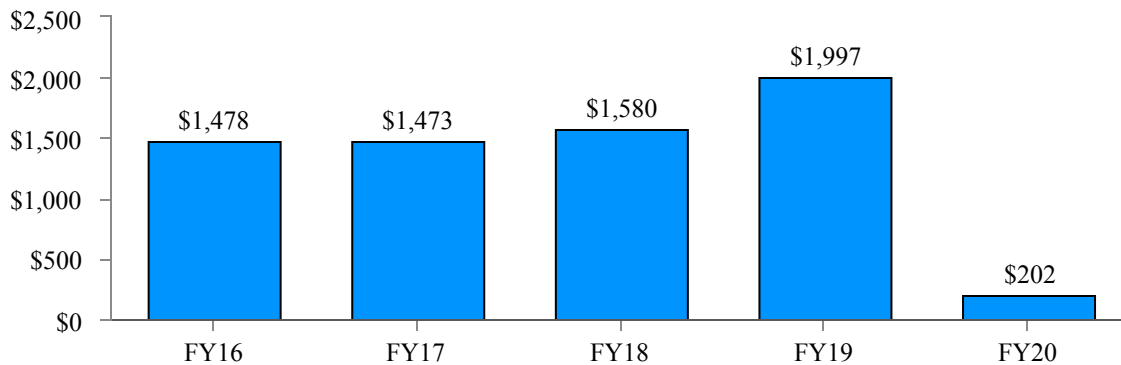


Business-Type Activities

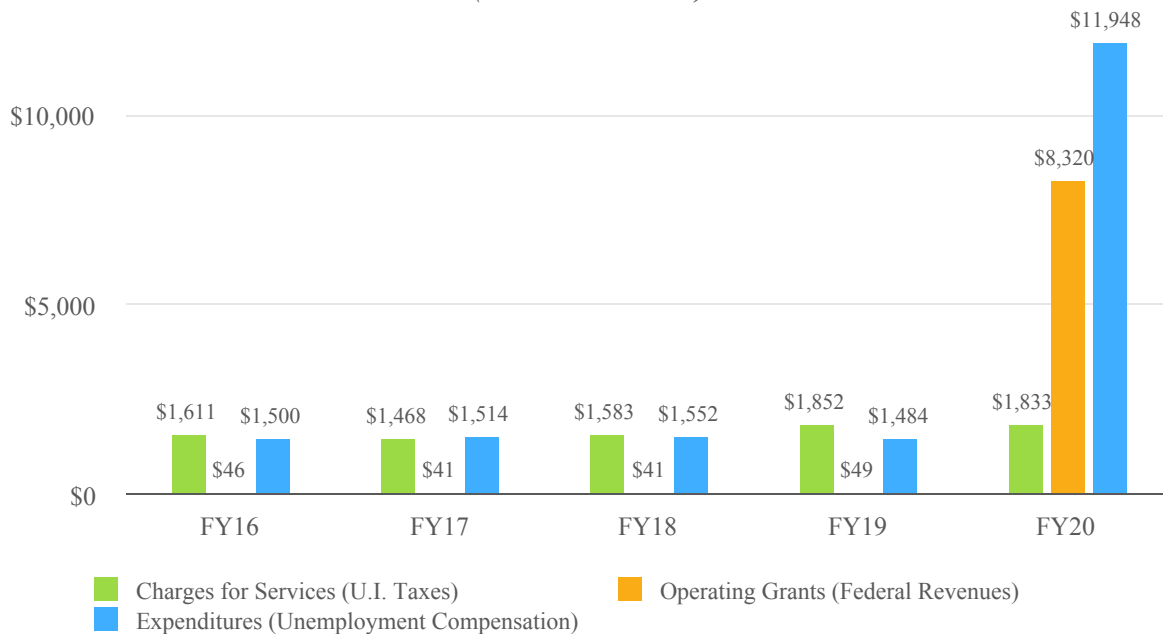
Business-type activities are functions that are similar to activities of a private enterprise. In the Commonwealth, the Family and Employment Security Trust Fund and the Institutions of Higher Education are deemed to be business-type activities because of their lack of separate taxation and GASB standards mandate that the Unemployment Compensation Trust Fund be reported as a business-type activity.

As of June 30, 2020, business-type activities' net position totaled \$4.677 billion, a decrease of \$919 million, or 16.3%, from FY19, with the net position of the Institutions of Higher Education decreasing by \$7 million, to \$3.646 billion, and the net position of the Unemployment Insurance program decreasing by \$1.795 billion, to \$202 million, as a result of increased expenditures for unemployment insurance due to the coronavirus pandemic that were not fully offset by increased federal aid. These decreases in net position were partly offset by revenues in the Family and Employment Security Trust Funds, which receives revenues from the newly implemented Paid Family and Medical Leave (PFML) program, which had a net position of \$830 million, having begun to receive revenues mid-way through the fiscal year, with benefit expenses for the PFML program not scheduled to begin until January 2021. Program revenues of business-type activities totaled \$14.781 billion an increase of \$9.063 billion, or 158.5%, resulting from increased charges for services totaling \$5.385 billion, an increase of \$755 million, or 16.3%, with the increase driven by \$830 million in new assessments for the new Paid Family and Medical Leave (PFML) program which offset reductions in Unemployment Insurance and Higher Education, which decreased by \$19 million, or 1.0%, and \$67 million, or 2.4%, respectively, due to the decline in economic and campus activity caused by the pandemic. Operating grants and contributions totaled \$9.251 billion, an increase of \$8.275 billion, or 847.7%, entirely a result of increase federal aid for unemployment insurance benefits due to the pandemic, and capital grants and contributions totaled \$146 million, an increase of \$34 million, or 30.0%. The two charts on the following page show fiscal year ending balances of the Unemployment Compensation Trust Fund as well as revenue and expenses of the Fund over the past five fiscal years.

***Unemployment Compensation Trust Fund
Net Position
Fiscal Years 2016 - 2020
(amounts in millions)***



***Unemployment Insurance Compensation Revenues and Expenses
(amounts in millions)***



FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

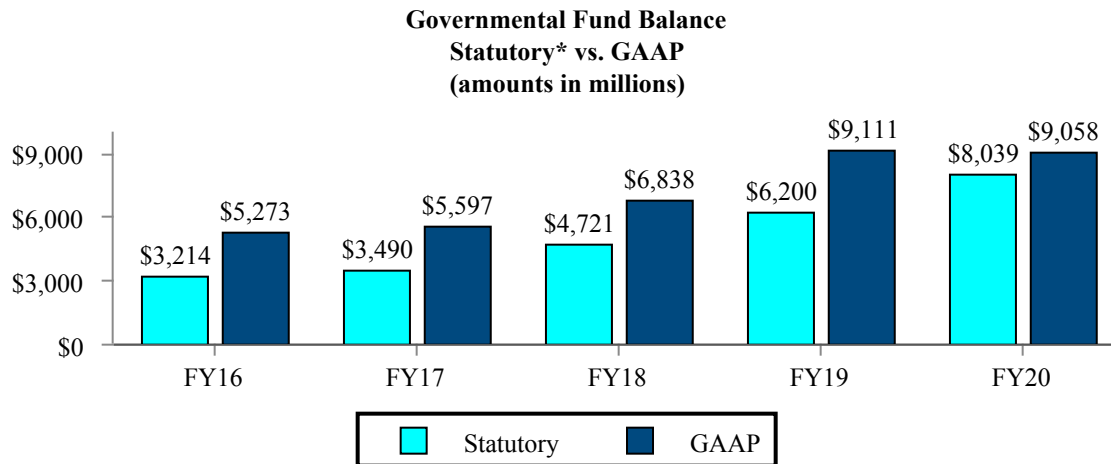
The Commonwealth uses fund accounting to demonstrate inter-period equity and the extent to which current resources are financing the full cost of services that citizens are receiving. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

Governmental Funds

Governmental funds account for the near term inflows, outflows, and balances of expendable resources of the Commonwealth's core functions and services. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in

fund balances.

The General Fund is the primary operating fund of the Commonwealth. At the end of FY20, the fund balance of the General Fund was \$5.930 billion. Of this amount, \$3.501 billion represents the balance in the Commonwealth's Stabilization Fund. \$732 million was classified as assigned for continuing appropriations from FY20 into FY21 and \$1.697 billion was unassigned.



*Statutory basis includes the Massachusetts Department of Transportation (MassDOT) and excludes expendable trust funds

**Governmental Fund Operations - GAAP Basis - Fund Perspective
(amounts in thousands)**

	FY20*	FY19	FY18	FY17	FY16
Beginning fund balances.....	\$ 9,165,887	\$ 6,838,444	\$ 5,597,382	\$ 5,273,746	\$ 5,305,565
Revenues and other financing sources.....	72,506,995	69,775,850	68,990,424	68,437,190	67,749,681
Expenditures and other financing uses.....	72,615,366	67,502,959	67,749,362	68,113,554	67,781,500
Excess/(deficiency).....	(108,371)	2,272,891	1,241,062	323,636	(31,819)
Ending fund balances.....	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>	<u>\$ 5,273,746</u>

* - Beginning balance restated due to early implementation new accounting standards

FY20 governmental fund revenues and other financing sources totaled \$72.507 billion, an increase of \$2.731 billion, or 3.9%, from FY19, with an increase of \$845 million in Massachusetts School Building Authority (MSBA) long term debt and commercial paper issuance, an increase of \$1.744 billion, or 2.5%, in non-MSBA revenues and other financing sources. Tax revenues totaled \$30.266 billion, a decrease of \$352 million, or 1.1%, due to the recession caused by the coronavirus pandemic. Federal grants and reimbursements totaled \$18.475 billion, an increase of \$2.147 billion, mainly due to increases in Medicaid reimbursements, including revenues from the 6.2% increase in the federal reimbursement rate implemented to provide states with an infusion of cash to offset the fiscal impacts of the pandemic. It should be noted that while federal aid from the Coronavirus Aid Relief, and Economic Security (CARES) Act totaled \$2.461 billion, GAAP requirements specify that only the \$761 million of such revenues that were expended in FY20 be recognized on the Statement of Revenues and Expenditures, with the balance of \$1.700 billion classified on the balance sheet as "unearned revenue". Assessments, fees, and investment earnings totaled \$12.814 billion, a decrease of \$575 million, or 4.3%. Revenues from other financing sources totaled \$10.951 billion, an increase of \$1.511 billion, or 16.0%, due to net growth of \$992 million in new and refunding bond issuance at the MSBA and by the Commonwealth generally and \$426 million in other transfers in, due primarily to

transfers among the major budgeted such that balances in funds with surpluses are used to eliminate deficits in other funds prior to closing the fiscal year, as required by state finance law.

FY20 governmental fund expenditures and other financing uses totaled \$72.615 billion, an increase of \$5.112 billion, or 7.6% from FY19, with the \$3.101 billion of that growth in programmatic spending (as opposed to "other financing uses). Medicaid expenditures totaled \$19.207 billion, an increase of \$1.113 billion or 6.2%, from FY19. Other changes in programmatic expenditures include increases of \$763 million, or 9.5%, in Health and Human Services expenditures, due primarily to \$111 million in new Coronavirus Relief Fund expenditures, an increase of \$264 million, or 23.2% in food stamp expenditures (both in response to the pandemic), as well as an increase of \$118 million, or 22.30% in Medical Assistance Trust Fund (MATF) payments to Massachusetts hospitals that care for higher than average lower-income patients, and \$117 million, or 27.6% increase in payments to the federal government for recoveries of payments by Medicare to Medicaid patients, \$603 million, or 41.2%, in Public Safety and Homeland Security, with the entire increase due to coronavirus-related expenditures by the Massachusetts Emergency Management Agency (MEMA) for protective equipment and other relief spending, \$352 million, or 8.9%, in Executive Office of Education spending, and \$301 million, or 4.9% in direct local aid. Other financing uses totaled \$9.721 billion, an increase of \$2.011 billion, or 26.1%, with \$1.777 billion of that amount due to debt service-related expenditures, of which \$1.655 billion was payments to an escrow agent in support of an advanced bond refunding.

As of June 30, 2020 the Commonwealth's governmental funds reported combined ending fund balance of \$9.058 billion, a decrease of \$(108) million, or (1.2)%, from the previous year.

Governmental Funds - Fund Balance Classification
(amounts in thousands)

	2020	2019	Change	% Change
Restricted.....	\$ 1,294,124	\$ 1,316,707	\$ (22,583)	(1.7)%
Unrestricted:				
Committed.....	5,325,797	5,007,488	318,309	6.4%
Assigned.....	1,682,922	1,256,717	426,205	33.9%
Unassigned.....	754,673	1,530,423	(775,750)	(50.7)%
Total Unrestricted.....	7,763,392	7,794,628	(31,236)	(0.4)%
Total fund balances.....	\$ 9,057,516	\$ 9,111,335	\$ (53,819)	(0.6)%

GAAP requires that fund balances be classified by the degree of restriction placed upon their use by constitutional, statutory, or contractual requirements, and these classifications are shown in the table above. Restricted fund balances represent amounts restricted for Commonwealth and MSBA debt service or restricted by bond covenants, funds that are restricted in capital projects and special revenue funds, balances in the federal grants funds, and some balances held in expendable trusts. Unrestricted amounts include fund balances classified as committed, including those generated by revenue sources directed to specific purposes but with a lower level of constraint on their use than restricted balances, as well the fund balance of the Stabilization Fund. Unrestricted amounts also included prior appropriations continued, and residual balances in the General Fund, both of which are classified as unassigned. The \$318 million, or 6.4%, increase in committed balances results primarily from growth in balances in numerous non-budgetary funds which Legislature has designated for specific purposes. Assigned fund balance increased by \$426 million or 33.9%, due primarily to \$286 million growth in budgetary fund "prior appropriations continued", or PACs, where the Legislature allocated FY20 funding for expenditure in FY21, as well as an increase in funds the MSBA reserved for grants and loans to local cities and towns for school construction projects, and the \$776 million, or 50.7%, decline in unassigned balances is due mainly to a \$487 million deficit in the capital projects funds, where the Commonwealth issues its bonds in arrears subsequent to expenditures being made, partially offset by increased balance in the General Fund between FY19 and FY20. A full discussion of the Commonwealth's fund balance classification policy under GASB 54 and a table of fund balances by program type can be found in [Note 1](#) to the basic financial statements, on [pages 68-73](#).

In FY20, the Commonwealth implemented [GASB Statement No. 84, Fiduciary Activities](#), which resulted in

reclassifying certain fiduciary funds as governmental funds, and vice versa. Those reclassifications resulted in a net increase of approximately \$55 million in the beginning fund balance of the other governmental funds. See [Footnote 1T](#) for further details.

Proprietary Funds

Proprietary Funds report activities of the Commonwealth that are structured similar to for-profit businesses. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in greater detail.

As discussed on pages 29–30, the business-type activities decreased the Commonwealth’s net position by approximately \$919 million.

BUDGETARY HIGHLIGHTS

The FY20 budget enacted by the Legislature (the General Appropriation Act) included an FY20 tax revenue estimate of \$29.893 billion, an increase from the FY20 consensus estimate of \$29.299 billion, which the Legislature adjusted upward by \$594 million after tax revenue ended FY19 well above forecast, and was further increased to \$30.170 billion as a result of enacted tax law changes and an assumption of \$100 million in tax settlements included in the General Appropriation Act. \$27.655 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.515 billion was to be deposited into non-budgeted funds for transfers of sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.100 billion) and the Massachusetts School Building Authority (\$940 million), revenue deposited in the non-budgeted Workforce Training Fund (\$25 million), and the Stabilization Fund on account of capital gains tax revenues that was estimated to exceed an annual threshold (\$452 million).

In October 2019, with tax revenues tracking estimates assumed in the FY20 enacted budget, the Secretary of Administration and Finance affirmed the FY20 tax revenue estimate. In January 2020, the Secretary of Administration and Finance revised the Fiscal Year 2020 state tax revenue estimate upward to \$30.339 billion (including \$49 million in projected judgment and settlement revenue), to reflect strong growth in year-to-date income tax collections, primarily due to a surge in capital gains taxes.

FY20 budgetary fund tax revenues ended the year at \$29.633 billion (including \$49 million in tax settlements exceeding \$10 million each), of which \$27.613 billion was deposited in the budgeted funds. Tax revenue deposited in the budgeted funds declined by \$156 million, or 0.6%, from FY19, and was \$211 million below the final FY20 tax estimate.

The FY20 General Appropriation Act (GAA) authorized approximately \$44.706 billion in spending, exclusive of approximately \$2.842 billion in required pension contributions and \$506 million in FY19 spending authorized to be continued into FY20 as part of the FY19 and FY20 general appropriation acts and various FY19 supplemental budgets.

Approximately \$1.726 billion in supplemental appropriations were authorized during FY20, \$1.303 billion of which were enacted by June 30, 2020. Subsequent to year end, a supplemental budget was enacted totaling approximately \$423 million in new appropriations, \$422 million of which funded FY20 Medicaid expenses. In addition to the year-end FY20 supplemental appropriations just described, the year’s significant supplemental appropriation activity included:

- \$1.156 billion for COVID-related spending in various accounts, virtually all of which has been or will be reimbursed by the federal government;
- \$25 million for the Medical Assistance Trust Fund payments to hospitals that care for low-income patients;
- \$16 million to fund FY20 collective bargaining costs;
- \$15 million for heating assistance subsidies to low income residents;

- \$15 million to fund legal services for indigent defendants;
- \$12 million for the Safety Net Provider Trust Fund;
- \$10 million to fund information technology costs within the Executive Office of Health and Human services;
- \$10 million to capitalize the Twenty-First Century Education Trust Fund.

Budgeted revenues and other financing sources (before transfers between the budgeted funds, which are included in both spending and revenue and thus have no effect on fund balances) totaled \$47.316 billion, an increase of \$934 million, or 2.0%, from FY19. As tax revenues grew at a healthy rate in the first three quarters of FY20, but as the Massachusetts economy contracted due to the coronavirus pandemic, tax revenue slowed in the fourth quarter of the fiscal year, and ended up declining by only \$156 million, or 0.6% from FY19. Personal income tax withholding increased by \$528 million, or 4.0%, capital gains revenue (part of the personal income tax) decreased by \$391 million, or 19.1%, from FY19, sales and use tax was virtually unchanged from FY19 (up \$2 million, or 0.03%, with 5.0% growth in regular sales tax offset by 11.4% and 7.0% declines in meals and motor vehicle sales taxes, respectively), corporate and business taxes declined by \$399 million, or 11.9% as the waiving of late payment penalties resulted in many business taxpayers delaying tax year 2019 final payments until July, and estate and inheritance taxes increased by \$98 million, or 16.3%. Federal reimbursements totaled \$12.795 billion, an increase of \$1.023 billion, or 8.7%, primarily due to an increase in the federal reimbursement rate for Medicaid program spending that was implemented in response to the pandemic as a method for quickly providing federal aid to state governments (with Medicaid reimbursements up \$700 million, or 11.4%, from FY19) and \$350 million recorded as a receivable for the estimated value of FEMA reimbursements to be claimed after the close of FY20. Departmental revenue, which consists primarily of assessments and fees for state licenses and state services, totaled \$4.920 billion, an increase of \$88 million, or 1.8%, from FY19. Interfund transfers from non-budgeted funds totaled \$1.988 billion, a decrease of \$22 million, or 1.1%, from FY19, due primarily to a \$123 million, or 27.2% increase in fringe benefit assessments resulting from a higher fringe benefit rate and increased federal expenditures in non-budgeted coronavirus-related accounts, which was offset by a \$121 million, or 11.1% decrease in Lottery Fund transfers to the General Fund due to a decline in Lottery profits.

FY20 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$46.980 billion, an increase of \$2.170 billion, or 4.8%, from FY19, with the increase primarily attributable to coronavirus relief expenditures, higher spending on Medicaid and other health care, pension contributions, and Local Aid.

Spending on programs and services totaled \$39.866 billion, an increase of \$1.935 billion, or 5.1%, from FY19. Medicaid expenditures totaled \$17.023 billion, an increase of \$502 million, or 3.0%, from FY19. Expenditures by the Massachusetts Emergency Management Agency (MEMA) increased from \$4 million in FY19 to \$344 million in FY20 to fund purchases of personal protective equipment (PPE) and for other coronavirus-related responses. Spending for direct local aid (both education aid and unrestricted aid), at \$6.376 billion, was up \$302 million, or 5.0%, from FY19.

Spending on state employee health benefits paid through the Group Insurance Commission (excluding benefits paid to retirees) increased by \$16 million, or 1.0%, increasing from \$1.646 billion to \$1.662 billion, as utilization of non-COVID-19-related health services declined, offsetting trend growth in general health care spending. Budgeted debt service totaled \$2.410 billion, up \$83 million, or 3.6%, from FY19.

Interfund transfers from budgeted to non-budgeted funds totaled \$1.399 billion, a decrease of \$42 million or 2.9%. Transfers to the Medical Assistance Trust Fund (where expenditures vary greatly from year-to-year, depending on the timeliness of federal government approval of certain reimbursements) grew by \$143 million, or 39.3% from FY19, but this was offset by reductions due to non-recurring transfers made in FY19 but not FY20, including FY19 transfers of \$46 million from the General Fund to the Commonwealth Care Trust Fund, \$85 million in FY19 capital gains taxes transferred to the state pension and OPEB funds, and an FY19 transfer of \$46 million related to the defeasance of Commonwealth debt.

CAPITAL ASSETS

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to approximately \$23.729 billion, with accumulated depreciation of approximately \$10.846 billion, leaving a net book value of \$12.883 billion. Infrastructure includes assets that are normally immovable and of value only to the Commonwealth, such as roads, bridges, piers and dams (the investments in capital assets noted above do not include capital assets owned by MassDOT). The total increase in the Commonwealth's net investment in capital assets from 2019 to 2020 was approximately \$168 million, with a \$115 million increase in governmental activities and a \$53 million increase in business-type activities. The major increase in the net value of capital assets was in construction in process and machinery and equipment.

The following table details the capital assets for the Commonwealth.

Capital Assets at Year - End						
(net of depreciation)						
(amounts in thousands)						
	Governmental Activities		Business - Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land.....	\$ 941,961	\$ 933,152	\$ 228,778	\$ 228,778	\$ 1,170,739	\$ 1,161,930
Historical treasures.....	—	—	19,429	1,019	19,429	1,019
Construction in process.....	713,719	608,149	536,054	518,842	1,249,773	1,126,991
Buildings.....	2,634,834	2,672,109	6,895,081	6,865,744	9,529,915	9,537,853
Machinery and equipment.....	462,852	435,180	240,247	243,480	703,099	678,660
Infrastructure, excluding central artery.....	169,473	158,940	—	—	169,473	158,940
Library collections.....	—	—	40,787	49,044	40,787	49,044
Total.....	\$ 4,922,839	\$ 4,807,530	\$ 7,960,376	\$ 7,906,907	\$ 12,883,215	\$ 12,714,437

Additional detail on the Commonwealth's FY20 capital asset activity can be found in [Note 5](#) to the basic financial statements ("Capital Assets") on pages 95–96.

DEBT ADMINISTRATION

The Commonwealth issues short-term and long-term debt. Debt that is general obligation in nature is backed by the full faith and credit of the Commonwealth and paid from governmental funds. Additionally, short-term notes are issued and redeemed annually.

To fund the FY20 capital budget, the Commonwealth borrowed by issuing \$1.518 billion in long-term bonds, which was new money general obligation debt and \$254 million was special obligation debt secured by motor fuel taxes and motor vehicle license and registration fees. All new bond sales were either for general government purposes, for road and bridge repair, or unallocated as of year-end and assumed to be for general purposes, including for construction and equipment purchases. In addition, the Commonwealth issued \$1.225 billion in debt to refund already existing debt, taking advantage of continued low interest rates in FY20. During the year, the Commonwealth also issued \$1.4 billion in Revenue Anticipation Notes (RANs) in two separate \$500 million series and one \$400 million series. The two \$500 million notes were retired in April and May, 2020 while the \$400 million note was retired in June 2020. In addition, during FY20 the Commonwealth drew down \$500 million from working capital agreements. This was repaid in August 2020. Finally, to meet cash needs the Department of Unemployment borrowed \$160 million under [Title XII of the Social Security Act](#) which was outstanding as of June 30, 2020.

Approximately 8.3% of the Commonwealth's \$23.953 billion in general obligation debt outstanding as of June 30, 2020 was issued as variable rate bonds. During fiscal 2020 there were no changes to credit ratings on any of the Commonwealth's outstanding debt.

The following table details the Commonwealth's debt by type for the fiscal year compared to the prior fiscal year, excluding premiums and discounts.

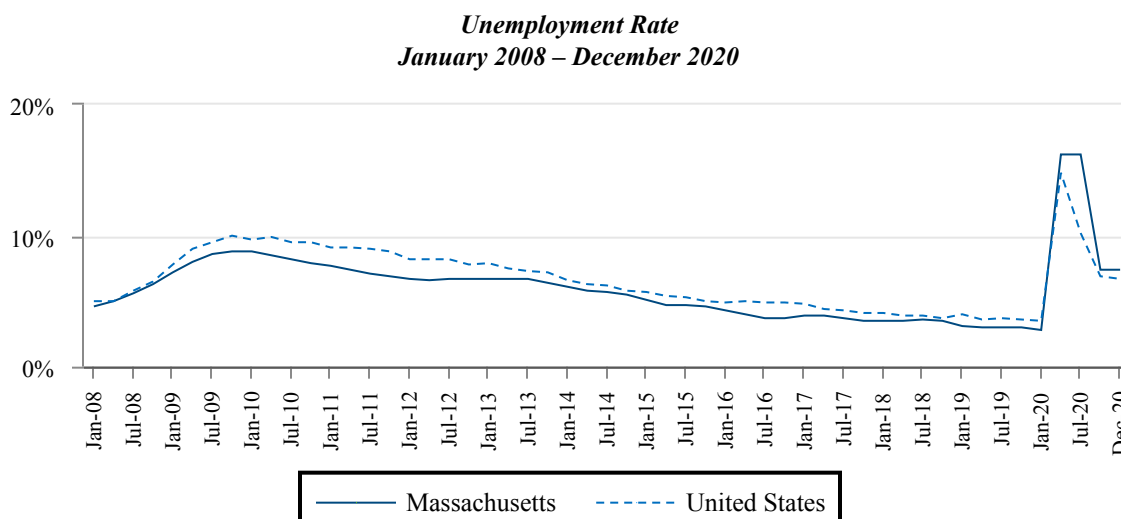
Outstanding Long - Term Debt Obligations						
(amounts in thousands)						
	Governmental Activities		Business - Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 23,953,160	\$ 23,676,096	\$ —	\$ —	\$ 23,953,160	\$ 23,676,096
Special obligation bonds (excluding GANs)....	3,483,460	3,378,380	—	—	3,483,460	3,378,380
Revenue obligation bonds	—	—	4,508,010	4,284,704	4,508,010	4,284,704
Federal unemployment insurance borrowing ..	—	—	159,907	—	159,907	—
Grant anticipation notes	662,270	684,745	—	—	662,270	684,745
Subtotal	28,098,890	27,739,221	4,667,917	4,284,704	32,766,807	32,023,925
Massachusetts School Building Authority	6,053,947	6,054,994	—	—	6,053,947	6,054,994
Total	\$ 34,152,837	\$ 33,794,215	\$ 4,667,917	\$ 4,284,704	\$ 38,820,754	\$ 38,078,919

Additional detail on the Commonwealth's short-term debt can be found in [Note 6](#) ("Short-Term Financing and Credit Arrangements") on pages 96–97 and [Note 7](#) ("Long-Term Obligations") on pages 97–112.

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2021 BUDGET

The Commonwealth, with an international reputation for medical, cultural, historical and educational institutions remains the economic and educational hub of New England. The Commonwealth's economy remains diversified, but its strongest component is its knowledge-based technology and service industries and consequently the State relies heavily on a highly educated workforce. The Commonwealth is home to sixteen S&P 500 companies, among them thirteen Fortune 500 headquarters.

The Massachusetts economy, along with the rest of the nation, was adversely affected by the recession caused by the coronavirus pandemic, after many years performing better than the U.S. economy as a whole. In January 2020 the Massachusetts unemployment rate was 2.8%, compared to the national rate of 3.5%, but by July 2020, the Massachusetts rate was 16.2% versus a national rate of 10.2%. Since then the two rates have converged with the Massachusetts rate only slightly higher than the national rate in December 2020, 7.4% versus 6.7%.



The FY21 General Appropriation Act (GAA) is based on an FY20 tax revenue estimate of approximately \$27.976 billion, an increase of \$363 million, or 1.3%, from FY20 actual tax collections. Of that amount, \$22.712 billion represents taxes available for budget after adjusting for \$5.264 billion in tax revenue that is allocated to state pension contributions (\$3.115 billion), sales tax revenue dedicated to the Massachusetts Bay Transportation Authority (\$1.142 billion), the Massachusetts School Building Authority (\$982 million), and revenue allocated to the non-budgetary Workforce Training Fund (\$25 million).

With tax revenues through December 2020 \$372 million above the year-to-date tax revenue benchmark, on January 15, 2021, the Secretary of Administration and Finance raised the FY21 tax revenue estimate by \$700 million. Through January 31, 2020, FY21 year-to-date tax collections totaled \$17.653 billion, up \$764 million, or 4.5%, from the same period in FY20, \$429 million above the upwardly revised year-to-date benchmark.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commonwealth's finances and accountability for all of the Commonwealth's citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed via email to comptroller.info@state.ma.us or mail to: Commonwealth of Massachusetts, Office of the Comptroller, 1 Ashburton Place, 9th Floor, Boston, MA 02108. This report may also be downloaded at: <https://www.macomptroller.org/comprehensiveannualfinancialreportr>.

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position

Statement of Activities

Statement of Net Position

June 30, 2020

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
ASSETS AND DEFERRED OUTFLOWS				
Current assets:				
Cash and cash equivalents	\$ 6,403,652	\$ 1,476,524	\$ 7,880,176	\$ 3,836,399
Restricted cash with fiscal agent	268,599	—	268,599	—
Short-term investments	302,134	731,564	1,033,698	—
Assets held in trust	—	—	—	80,282
Receivables, net of allowance for uncollectibles:				
Taxes	6,015,929	—	6,015,929	—
Federal grants and reimbursements receivable	2,051,828	25,839	2,077,667	267,789
Loans	7,037	6,321	13,358	692,631
Other receivables	767,672	1,019,754	1,787,426	315,671
Due from cities and towns	24,631	—	24,631	—
Due from component units	12,545	345	12,890	—
Due from primary government	—	—	—	503,635
Other current assets	—	56,641	56,641	74,006
Total current assets	15,854,027	3,316,988	19,171,015	5,770,413
Noncurrent assets:				
Cash and cash equivalents - restricted	—	323,098	323,098	914,308
Long-term investments	—	993,588	993,588	1,375,555
Investments, restricted investments and annuity contracts	1,998,576	893	1,999,469	66,439
Receivables, net of allowance for uncollectibles:				
Taxes	442,901	—	442,901	—
Federal grants and reimbursements receivable	495	—	495	—
Loans	80,010	39,165	119,175	4,107,847
Other receivables	140,790	16,041	156,831	39,726
Due from component units	6,795	—	6,795	—
Due from primary government	—	—	—	2,029
Non-depreciable capital assets	1,655,680	784,261	2,439,941	15,815,246
Depreciable capital assets, net	3,267,159	7,176,115	10,443,274	23,185,924
Other noncurrent assets	73,767	139,094	212,861	109,861
Other noncurrent assets - restricted	1,850	197,980	199,830	—
Total noncurrent assets	7,668,023	9,670,235	17,338,258	45,616,935
Total assets	23,522,050	12,987,223	36,509,273	51,387,348
Deferred outflows of resources:				
Deferred change in fair value of interest rate swaps	133,001	54,572	187,573	171,424
Deferred loss on refunding	133,318	110,001	243,319	247,528
Deferred outflows related to pension	6,608,381	228,166	6,836,547	360,647
Deferred outflows related to OPEB	1,213,790	363,953	1,577,743	335,948
Certain asset retirement obligations	—	1,780	1,780	—
Total deferred outflows of resources	8,088,490	758,472	8,846,962	1,115,547
Total assets and deferred outflows	31,610,540	13,745,695	45,356,235	52,502,895
LIABILITIES AND DEFERRED INFLOWS				
Current liabilities:				
Accounts payable and other liabilities	3,154,191	624,315	3,778,506	1,151,259
Accrued payroll	169,372	184,522	353,894	2,411
Compensated absences	485,510	156,880	642,390	32,430
Accrued interest payable	447,255	22,099	469,354	191,179
Tax refunds and abatements payable	1,321,468	72,556	1,394,024	—
Due to component units	489,050	53	489,103	—
Due to primary government	—	—	—	12,890
Due to federal government	348,606	—	348,606	—
Claims and judgments	14,117	—	14,117	—
Unearned revenue	1,699,889	36,728	1,736,617	253,232

Statement of Net Position

June 30, 2020

(Amounts in thousands)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Government Wide Total	
Deposits and unearned revenue	—	119,304	119,304	—
School construction grants payable	163,129	—	163,129	—
Capital leases	3,180	2,670	5,850	—
Massachusetts School Building Authority bonds and unamortized premiums	178,935	—	178,935	—
Notes payable	500,000	—	500,000	—
Bonds payable and unamortized premiums	1,559,888	184,951	1,744,839	688,769
Environmental remediation liability	9,166	—	9,166	—
Total current liabilities	10,543,756	1,404,078	11,947,834	2,332,170
Noncurrent liabilities:				
Compensated absences	202,816	61,255	264,071	20,278
Accrued interest payable	—	—	—	182,868
Due to component units	2,029	—	2,029	—
Due to primary government	—	—	—	6,795
Due to federal government - grants	—	4,420	4,420	—
Claims and judgments	20,000	—	20,000	—
Unearned revenue	—	—	—	70,996
Prizes payable	855,323	—	855,323	—
Capital leases	13,934	6,172	20,106	78,332
Bonds payable and unamortized premiums	29,141,534	4,482,966	33,624,500	10,125,229
Massachusetts School Building Authority bonds and unamortized premiums	6,391,406	—	6,391,406	—
School construction grants payable	72,115	—	72,115	—
Environmental remediation liability	551,214	—	551,214	—
Liability for derivative instruments	133,001	74,574	207,575	217,408
Net pension liability	40,836,685	806,467	41,643,152	2,222,374
Net OPEB liability	15,972,171	1,514,489	17,486,660	3,193,816
Other noncurrent liabilities	347,935	149,950	497,885	219,166
Total noncurrent liabilities	94,540,163	7,100,293	101,640,456	16,337,262
Total liabilities	105,083,919	8,504,371	113,588,290	18,669,432
Deferred inflows of resources:				
Deferred service concession arrangements	—	14,533	14,533	305
Deferred gain on refunding	791,108	260	791,368	149
Deferred advance subsidies	—	—	—	45,391
Deferred inflows related to pension	829,076	111,201	940,277	122,955
Deferred inflows related to OPEB	2,583,802	372,080	2,955,882	583,505
Sale of future revenues	—	66,099	66,099	—
Total deferred inflows of resources	4,203,986	564,173	4,768,159	752,305
Total liabilities and deferred inflows	109,287,905	9,068,544	118,356,449	19,421,737
NET POSITION				
Net investment in capital assets	(1,705,745)	3,938,922	2,233,177	36,603,554
Restricted for:				
Unemployment benefits	—	201,698	201,698	—
Family and employment security	—	829,714	829,714	—
Retirement of indebtedness	987,287	—	987,287	—
Higher education endowment funds	—	22,692	22,692	—
Higher education academic support and programs	—	5,253	5,253	—
Higher education scholarships and fellowships:				
Nonexpendable	—	3,841	3,841	—
Expendable	—	9,589	9,589	—
Capital projects - expendable purposes	—	4,755	4,755	—
Other purposes	555,977	242,387	798,364	4,341,875
Unrestricted (deficits)	(77,514,884)	(581,700)	(78,096,584)	(7,864,271)
Total net position	\$ (77,677,365)	\$ 4,677,151	\$ (73,000,214)	\$ 33,081,158

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

(concluded)

Statement of Activities

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

(Amounts in thousands)								
Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Discretely Presented Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$ 2,923,397	\$ 926,889	\$ 1,856,487	\$ —	\$ (140,021)	\$ —	\$ (140,021)	\$ —
Judiciary	1,396,370	69,737	3,294	—	(1,323,339)	—	(1,323,339)	—
Direct local aid	6,390,233	—	—	—	(6,390,233)	—	(6,390,233)	—
Medicaid	19,206,749	1,388,195	11,232,280	—	(6,586,274)	—	(6,586,274)	—
Group health insurance	1,651,357	822,420	—	—	(828,937)	—	(828,937)	—
Energy and environmental affairs	824,062	280,252	67,652	—	(476,158)	—	(476,158)	—
Housing and economic development	1,599,085	225,908	555,053	—	(818,124)	—	(818,124)	—
Health and human services	9,645,198	822,920	3,326,477	74,009	(5,421,792)	—	(5,421,792)	—
Transportation and public works	2,806,861	568,028	1,172	3,955	(2,233,706)	—	(2,233,706)	—
Early elementary and secondary education	6,618,282	7,365	1,311,696	—	(5,299,221)	—	(5,299,221)	—
Public safety and homeland security	3,962,024	370,568	148,511	—	(3,442,945)	—	(3,442,945)	—
Labor and workforce development	342,418	203,992	159,218	—	20,792	—	20,792	—
Lottery	4,306,512	5,391,167	—	—	1,084,655	—	1,084,655	—
Interest (unallocated)	1,491,983	—	—	—	(1,491,983)	—	(1,491,983)	—
Total governmental activities	63,164,531	11,077,441	18,661,840	77,964	(33,347,286)	—	(33,347,286)	—
Business-Type Activities:								
Unemployment Compensation	11,948,319	1,833,362	8,320,121	—	—	(1,794,836)	(1,794,836)	—
Family and Employment Security Trust	5,434	840,600	102	—	—	835,268	835,268	—
Higher Education:								
University of Massachusetts	3,446,910	1,844,180	588,624	51,525	—	(962,581)	(962,581)	—
State Universities	1,150,987	644,932	91,613	24,290	—	(390,152)	(390,152)	—
Community Colleges	886,593	221,732	250,254	69,831	—	(344,776)	(344,776)	—
Total business-type activities	17,438,243	5,384,806	9,250,714	145,646	—	(2,657,077)	(2,657,077)	—
Total primary government	\$ 80,602,774	\$ 16,462,247	\$ 27,912,554	\$ 223,610	(33,347,286)	(2,657,077)	(36,004,363)	—
Discretely Presented Component Units:								
Massachusetts Department of Transportation	\$ 5,668,693	\$ 1,426,893	\$ 2,282,170	\$ 2,958,874	—	—	—	999,244
Commonwealth Health Insurance Connector	953,487	924,846	79,202	—	—	—	—	50,561
Massachusetts Clean Water Trust	140,815	137,877	32,172	135,141	—	—	—	164,375
Other nonmajor component units	466,489	320,861	45,179	70,589	—	—	—	(29,860)
Total discretely presented component units	\$ 7,229,484	\$ 2,810,477	\$ 2,438,723	\$ 3,164,604	—	—	—	1,184,320

(continued)

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
General revenues:				
Taxes:				
Income.....	17,413,948	—	17,413,948	—
Sales taxes.....	6,957,732	—	6,957,732	—
Corporate taxes.....	2,727,215	—	2,727,215	—
Motor and special fuel taxes.....	694,464	—	694,464	—
Other taxes.....	2,688,681	—	2,688,681	—
Miscellaneous:				
Investment earnings/(loss).....	154,644	(86,113)	68,531	56,336
Tobacco settlement.....	222,355	—	222,355	—
Contribution from municipalities.....	44,273	—	44,273	—
Other revenue.....	748,144	419,721	1,167,865	428,735
Transfers.....	(1,404,336)	1,404,336	—	—
Total general revenues and transfers.....	30,247,120	1,737,944	31,985,064	485,071
Change in net position.....	(3,100,166)	(919,133)	(4,019,299)	1,669,391
Net position/(deficits) - beginning, as restated.....	(74,577,199)	5,596,284	(68,980,915)	31,411,767
Net position/(deficits) - ending.....	\$ (77,677,365)	\$ 4,677,151	\$ (73,000,214)	\$ 33,081,158

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

(concluded)



Governmental Fund Financial Statements

Balance Sheet
Governmental Funds
June 30, 2020
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Other Governmental Funds	Total
ASSETS						
Cash and cash equivalents	\$ 1,681,557	\$ 112,412	\$ 472,685	\$ 1,861,686	\$ 2,275,312	\$ 6,403,652
Restricted cash with fiscal agent	—	—	1,072	—	267,527	268,599
Investments and restricted investments	302,134	—	1,143,253	—	—	1,445,387
Receivables, net of allowance for uncollectibles:						
Taxes	6,194,588	—	88,410	—	175,832	6,458,830
Due from federal government	1,562,567	—	—	—	489,756	2,052,323
Loan receivable	—	—	74,229	—	12,818	87,047
Other receivables	780,733	3,634	4,713	—	84,822	873,902
Due from cities and towns	24,631	—	—	—	—	24,631
Due from other funds	523,066	—	—	—	67,685	590,751
Due from component units	12,545	—	—	—	—	12,545
Total assets	\$ 11,081,821	\$ 116,046	\$ 1,784,362	\$ 1,861,686	\$ 3,373,752	\$ 18,217,667
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,012,693	\$ 108,437	\$ 14,530	\$ 146,257	\$ 847,835	\$ 3,129,752
Accrued payroll	138,607	—	—	15,540	15,225	169,372
Tax refunds and abatements payable	1,320,601	—	365	—	502	1,321,468
Due to other funds	—	—	—	—	590,751	590,751
Due to component units	19,435	—	—	—	469,615	489,050
Due to federal government	348,606	—	—	—	—	348,606
Unearned revenue	—	—	—	1,699,889	—	1,699,889
Claims and judgments	14,117	—	—	—	—	14,117
School construction grants payable	—	—	52,142	—	—	52,142
Notes payable	500,000	—	—	—	—	500,000
Other accrued liabilities	1,366	—	—	—	23,073	24,439
Total liabilities	4,355,425	108,437	67,037	1,861,686	1,947,001	8,339,586
Deferred inflows of resources	796,307	6,065	—	—	18,193	820,565
Total liabilities and deferred inflows of resources	5,151,732	114,502	67,037	1,861,686	1,965,194	9,160,151
Fund balances:						
Restricted	—	—	950,855	—	343,269	1,294,124
Committed	3,501,181	1,544	—	—	1,823,072	5,325,797
Assigned	731,696	—	766,470	—	184,756	1,682,922
Unassigned (deficits)	1,697,212	—	—	—	(942,539)	754,673
Fund balances	5,930,089	1,544	1,717,325	—	1,408,558	9,057,516
Total liabilities, deferred inflows of resources and fund balances	\$ 11,081,821	\$ 116,046	\$ 1,784,362	\$ 1,861,686	\$ 3,373,752	\$ 18,217,667

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

Reconciliation of Governmental Fund Balances to the Statement of Net Position

June 30, 2020

(Amounts in thousands)

Total fund balances - governmental funds	\$ 9,057,516
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Capital assets not being depreciated	1,655,680	
Capital assets being depreciated, net	3,267,159	
		4,922,839

Revenues are not available soon enough after year end to pay for the current period's expenditures and therefore are unavailable deferred inflows of resources in the governmental funds	820,565
--	---------

Deferred inflows of resources are not reported in the governmental funds:

Gain on refunding	(791,108)	
Pension related	(829,076)	
OPEB related	(2,583,802)	
		(4,203,986)

Deferred outflows of resources are not reported in the governmental funds:

Loss on refunding	133,318	
Pension related	6,608,381	
OPEB related	1,213,790	
		7,955,489

Massachusetts School Building Authority assets	82,177
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Long-term receivables	28,000
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Lottery annuity contracts	855,323
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Due from component units	6,795
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Certain liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. These liabilities include:

Retirement systems' net pension liability	(40,836,685)	
Net OPEB liability	(15,972,171)	
Commonwealth bonded debt	(28,098,890)	
Unamortized bond premiums	(2,602,532)	
Accrued interest on bonds	(447,255)	
Massachusetts School Building Authority bonded debt	(6,570,341)	
Massachusetts School Building Authority grants to municipalities	(183,102)	
Prizes payable	(855,323)	
Capital leases	(17,114)	
Environmental remediation liability	(560,380)	
Claims and judgments	(20,000)	
Employee benefits, including compensated absences, health insurance benefits and other compensation claims	(1,038,290)	
		(97,202,083)

Total net (deficit) - governmental activities	<u>\$ (77,677,365)</u>
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The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	General	Lotteries	Massachusetts School Building Authority	Coronavirus Relief	Other Governmental Funds	Total
REVENUES						
Taxes	\$ 26,403,631	\$ 320	\$ 924,504	\$ —	\$ 2,938,005	\$ 30,266,460
Assessments	412,577	—	—	—	965,257	1,377,834
Federal grants and reimbursements	12,343,183	—	—	760,953	5,371,231	18,475,367
Departmental	3,532,002	5,390,281	—	—	1,326,761	10,249,044
Miscellaneous	459,912	4,338	214,311	—	508,428	1,186,989
Total revenues	43,151,305	5,394,939	1,138,815	760,953	11,109,682	61,555,694
EXPENDITURES						
Current:						
Legislature	70,381	—	—	—	—	70,381
Judiciary	1,019,021	—	—	—	3,241	1,022,262
Inspector General	5,762	—	—	—	6	5,768
Governor and Lieutenant Governor	7,330	—	—	—	102	7,432
Secretary of the Commonwealth	50,065	—	—	—	12,759	62,824
Treasurer and Receiver-General	225,309	4,305,369	13,565	2,004	1,414,712	5,960,959
Auditor of the Commonwealth	19,472	—	—	—	26	19,498
Attorney General	54,788	—	—	—	53,367	108,155
Ethics Commission	2,360	—	—	—	—	2,360
District Attorney	140,682	—	—	—	9,036	149,718
Office of Campaign and Political Finance	1,723	—	—	—	—	1,723
Sheriff's Departments	624,609	—	—	76,757	16,477	717,843
Disabled Persons Protection Commission	4,878	—	—	—	922	5,800
Board of Library Commissioners	30,382	—	—	—	2,555	32,937
Massachusetts Gaming Commission	—	—	—	—	44,222	44,222
Comptroller	14,498	—	—	—	2,400	16,898
Administration and Finance	2,006,507	—	—	153,470	330,018	2,489,995
Energy and Environmental Affairs	268,742	—	—	—	197,345	466,087
Health and Human Services	6,508,047	—	—	110,883	2,198,162	8,817,092
Executive Office of Technology Services	134,900	—	—	—	5,417	140,317
Massachusetts Department of Transportation	900	—	—	3,834	2,480,965	2,485,699
Office of the Child Advocate	1,521	—	—	—	59	1,580
Cannabis Control Commission	—	—	—	—	12,597	12,597
Executive Office of Education	3,232,771	—	—	19,832	1,070,896	4,323,499
Center for Health and Information Analysis	19,930	—	—	—	8	19,938
Massachusetts School Building Assistance	—	—	712,790	—	—	712,790
Public Safety and Homeland Security	1,531,678	—	—	302,441	231,836	2,065,955
Housing and Economic Development	626,860	—	—	7,310	589,224	1,223,394
Labor and Workforce Development	61,189	—	—	—	218,986	280,175
Medicaid	16,949,934	—	—	—	2,256,815	19,206,749
Post employment benefits	1,371,440	—	2,576	—	9,618	1,383,634
Direct local aid	6,263,459	—	—	—	126,774	6,390,233
Capital outlay:						
Capital acquisition and construction	—	—	—	—	1,051,302	1,051,302
Debt service/commercial paper repayments	—	—	567,901	—	2,617,974	3,185,875
Principal on current refundings	—	—	—	—	408,891	408,891
Total expenditures	41,249,138	4,305,369	1,296,832	676,531	15,366,712	62,894,582
Excess/(deficiency) of revenues over/(under) expenditures	1,902,167	1,089,570	(158,017)	84,422	(4,257,030)	(1,338,888)
OTHER FINANCING SOURCES						
Bonds premium	—	—	52,801	—	223,683	276,484
Issuance of general and special obligation bonds	—	—	1,015,420	—	1,771,886	2,787,306
Issuance of current refunding bonds	—	—	—	—	366,675	366,675
Issuance of advance refunding bonds	—	—	—	—	858,435	858,435
Issuance of capital leases	574	—	—	—	—	574
Transfers in for debt service	—	—	—	—	2,578,425	2,578,425
Transfers in	1,983,854	—	—	—	2,099,548	4,083,402
Total other financing sources	1,984,428	—	1,068,221	—	7,898,652	10,951,301
OTHER FINANCING USES						
Payments to refunding bond escrow agent	—	—	798,890	—	855,731	1,654,621
Transfers out	992,117	1,089,484	—	84,422	1,642,483	3,808,506
Transfers of appropriations	1,519,070	—	—	—	14,006	1,533,076
Transfers of bond proceeds	—	—	—	—	146,155	146,155
Transfers out for debt service	1,315,529	—	—	—	1,262,897	2,578,426
Total other financing uses	3,826,716	1,089,484	798,890	84,422	3,921,272	9,720,784
Total other financing sources and (uses)	(1,842,288)	(1,089,484)	269,331	(84,422)	3,977,380	1,230,517
Net change in fund balances/(deficits)	59,879	86	111,314	—	(279,650)	(108,371)
Fund balances at beginning of year, as restated	5,870,210	1,458	1,606,011	—	1,688,208	9,165,887
Fund balances at end of year	\$ 5,930,089	\$ 1,544	\$ 1,717,325	\$ —	\$ 1,408,558	\$ 9,057,516

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the fiscal year ended June 30, 2020

(Amounts in thousands)

Net change in fund balances - total governmental funds	\$ (108,371)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlays including increases to construction in process, but excluding reductions and dispositions	370,075
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Current year depreciation expense	(254,766)
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Amounts presented in the statement of activities, but not in the change in fund balances due to differences in revenue and expense recognition under different bases of accounting	486,062
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized as part of the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	(715,210)
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Change in capital leases	2,721
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Massachusetts School Building Authority	191,681
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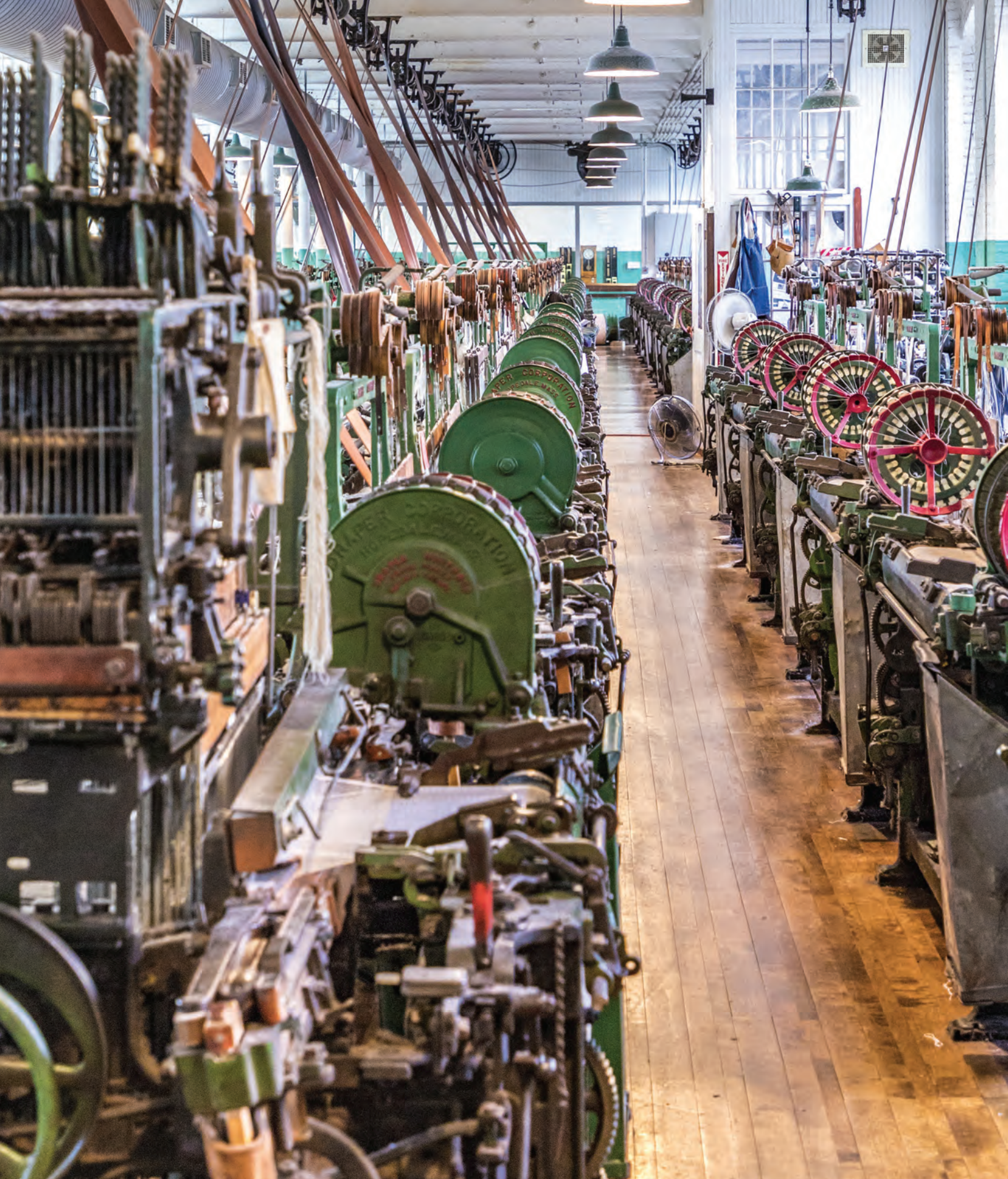
Net pension costs	(2,677,100)
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Net OPEB costs	(284,312)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. These expenses include accrued interest, lottery prizes, claims and benefits that are reported in the statement of activities, but not in funds	(110,946)
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Change in net position of governmental activities	<u><u>\$ (3,100,166)</u></u>
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The notes to the financial statements are an integral part of this statement



Proprietary Fund Financial Statements

Statement of Net Position
Proprietary Funds
June 30, 2020
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
ASSETS AND DEFERRED OUTFLOWS:						
Current assets:						
Cash and cash equivalents	\$ 218,632	\$ 601,548	\$ 163,027	\$ 309,868	\$ 183,449	\$ 1,476,524
Short-term investments	—	—	620,771	51,553	59,240	731,564
Receivables, net of allowance for uncollectibles:						
Federal grants and reimbursements receivable	—	—	18,626	4,106	3,107	25,839
Loans	—	—	5,176	1,145	—	6,321
Other receivables	396,095	238,566	235,007	32,603	49,076	951,347
Due from affiliates	—	—	68,070	37	300	68,407
Due from foundation	—	—	—	345	—	345
Other current assets	—	—	46,159	5,695	4,787	56,641
Total current assets	614,727	840,114	1,156,836	405,352	299,959	3,316,988
Noncurrent assets:						
Cash and cash equivalents - restricted	—	—	299,569	23,484	45	323,098
Long-term investments	—	—	748,689	196,874	48,025	993,588
Restricted investments	—	—	—	893	—	893
Other receivables, net	—	—	15,745	296	—	16,041
Loans receivable, net	—	—	34,644	4,521	—	39,165
Non-depreciable capital assets	—	—	525,094	117,110	142,057	784,261
Depreciable capital assets, net	—	—	4,681,475	1,812,845	681,795	7,176,115
Other noncurrent assets	—	—	126,897	10,827	1,370	139,094
Other noncurrent assets - restricted	197,980	—	—	—	—	197,980
Total noncurrent assets	197,980	—	6,432,113	2,166,850	873,292	9,670,235
Total assets	812,707	840,114	7,588,949	2,572,202	1,173,251	12,987,223
Deferred outflows of resources:						
Deferred change in fair value of interest rate swaps	—	—	52,979	—	1,593	54,572
Deferred outflows related to pensions	—	—	158,057	48,224	21,885	228,166
Deferred outflows related to OPEB	—	—	238,807	86,064	39,082	363,953
Loss on debt refunding	—	—	79,648	30,353	—	110,001
Certain asset retirement obligations	—	—	1,780	—	—	1,780
Total deferred outflows of resources	—	—	531,271	164,641	62,560	758,472
Total assets and deferred outflows	812,707	840,114	8,120,220	2,736,843	1,235,811	13,745,695
LIABILITIES AND DEFERRED INFLOWS:						
Current liabilities:						
Accounts payable and other liabilities	385,219	3,697	165,729	34,752	34,918	624,315
Accrued payroll	—	30	109,330	47,703	27,459	184,522
Compensated absences	—	—	88,722	35,281	32,877	156,880
Accrued interest payable	—	—	21,843	110	146	22,099
Tax refunds and abatements payable	65,883	6,673	—	—	—	72,556
Unearned revenue	—	—	—	32,414	4,314	36,728
Student deposits and unearned revenues	—	—	91,037	6,721	21,546	119,304
Due to foundation	—	—	—	—	53	53
Capital leases	—	—	768	1,303	599	2,670
Bonds, notes payable and other obligations	—	—	124,404	55,897	4,650	184,951
Total current liabilities	451,102	10,400	601,833	214,181	126,562	1,404,078
Noncurrent liabilities:						
Compensated absences	—	—	25,170	20,397	15,688	61,255
Due to federal government - grants	—	—	—	4,420	—	4,420
Capital leases	—	—	1,422	3,681	1,069	6,172
Bonds, notes payable and other obligations	159,907	—	3,069,509	1,204,729	48,821	4,482,966
Liability for derivative instruments	—	—	72,981	—	1,593	74,574
Net pension liability	—	—	526,739	196,920	82,808	806,467
Net OPEB liability	—	—	992,991	365,394	156,104	1,514,489
Other noncurrent liabilities	—	—	139,882	6,391	3,677	149,950
Total noncurrent liabilities	159,907	—	4,828,694	1,801,932	309,760	7,100,293
Total liabilities	611,009	10,400	5,430,527	2,016,113	436,322	8,504,371

Statement of Net Position
Proprietary Funds
June 30, 2020
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Deferred inflows of resources:						
Deferred service concession arrangements	—	—	—	14,318	215	14,533
Deferred inflows related to pensions	—	—	39,778	28,855	42,568	111,201
Deferred inflows related to OPEB	—	—	151,049	115,597	105,434	372,080
Gain on refunding	—	—	—	260	—	260
Sale of future revenues	—	—	66,099	—	—	66,099
Total deferred inflows of resources	—	—	256,926	159,030	148,217	564,173
Total liabilities and deferred inflows	611,009	10,400	5,687,453	2,175,143	584,539	9,068,544
NET POSITION:						
Net investment in capital assets	—	—	2,376,333	793,706	768,883	3,938,922
Restricted for:						
Unemployment benefits	201,698	—	—	—	—	201,698
Family and employment benefits	—	829,714	—	—	—	829,714
Higher education endowment funds	—	—	22,252	33	407	22,692
Higher education academic support and programs	—	—	—	1,114	4,139	5,253
Higher education scholarships and fellowships:						
Nonexpendable	—	—	—	3,841	—	3,841
Expendable	—	—	—	6,383	3,206	9,589
Capital projects - expendable purposes	—	—	—	962	3,793	4,755
Other purposes	—	—	223,803	16,139	2,445	242,387
Unrestricted	—	—	(189,621)	(260,478)	(131,601)	(581,700)
Total net position	\$ 201,698	\$ 829,714	\$ 2,432,767	\$ 561,700	\$ 651,272	\$ 4,677,151

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

(concluded)

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
Operating revenues:						
Unemployment compensation contribution	\$ 1,805,907	\$ —	\$ —	\$ —	\$ —	\$ 1,805,907
Family and employment security contribution	—	840,600	—	—	—	840,600
Net tuition and fees	—	—	917,876	413,182	199,839	1,530,897
Grants and reimbursements	—	—	581,850	91,613	247,064	920,527
Auxiliary enterprises	—	—	378,314	105,477	2,895	486,686
Sales & services	—	—	431,786	98,167	6,185	536,138
Miscellaneous	27,455	—	116,204	28,106	12,813	184,578
Total operating revenues	1,833,362	840,600	2,426,030	736,545	468,796	6,305,333
Operating expenses:						
Unemployment compensation	11,948,319	—	—	—	—	11,948,319
Family and employment security	—	5,434	—	—	—	5,434
Instruction	—	—	960,548	373,050	323,374	1,656,972
Research	—	—	485,759	185	16	485,960
Academic support	—	—	200,928	106,276	100,515	407,719
Student services	—	—	157,842	121,659	136,105	415,606
Scholarships and fellowships	—	—	65,469	42,652	60,059	168,180
Public service	—	—	84,248	6,914	4,712	95,874
Operation and maintenance of plant	—	—	241,880	114,055	75,183	431,118
Institutional support	—	—	303,100	124,836	135,705	563,641
Other operating expenses	—	—	312,504	3,727	—	316,231
Depreciation	—	—	288,667	104,034	45,319	438,020
Auxiliary operations	—	—	336,497	151,999	3,484	491,980
Total operating expenses	11,948,319	5,434	3,437,442	1,149,387	884,472	17,425,054
Operating income/(loss)	(10,114,957)	835,166	(1,011,412)	(412,842)	(415,676)	(11,119,721)
Nonoperating revenues/(expenses):						
Other federal revenues	8,284,079	—	6,774	—	3,190	8,294,043
Other revenues	—	—	346,894	72,827	—	419,721
Other expenses	—	—	(9,468)	(1,600)	(2,121)	(13,189)
Investment income/(loss)	36,042	102	(55,627)	(33,402)	2,916	(49,969)
Total nonoperating revenues/(expenses)	8,320,121	102	288,573	37,825	3,985	8,650,606
Income/(loss) before capital grants and contributions and transfers	(1,794,836)	835,268	(722,839)	(375,017)	(411,691)	(2,469,115)
Capital grants and contributions	—	—	51,525	24,290	69,831	145,646
Transfers, net	—	(5,554)	631,699	343,215	434,976	1,404,336
Total capital grants and contributions and transfers	—	(5,554)	683,224	367,505	504,807	1,549,982
Change in net position	(1,794,836)	829,714	(39,615)	(7,512)	93,116	(919,133)
Total net position - beginning	1,996,534	—	2,472,382	569,212	558,156	5,596,284
Total net position - ending	\$ 201,698	\$ 829,714	\$ 2,432,767	\$ 561,700	\$ 651,272	\$ 4,677,151

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

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Unemployment Compensation Trust Fund	Family and Employment Security Trust Fund	University of Massachusetts	State Universities	Community Colleges	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Collection of unemployment contributions	\$ 3,197,714	\$ —	\$ —	\$ —	\$ —	\$ 3,197,714
Collection of family and employment security contributions	—	608,707	—	—	—	608,707
Tuition, residence, dining and other student fees	—	—	1,019,554	413,145	195,428	1,628,127
Research grants and contracts	—	—	615,384	202,934	241,471	1,059,789
Payments to suppliers	—	—	(932,122)	(276,857)	(157,592)	(1,366,571)
Payments to employees	—	—	(1,615,385)	(572,219)	(521,608)	(2,709,212)
Payments to students	—	—	(90,488)	(32,027)	(60,048)	(182,563)
Payments for unemployment benefits	(11,585,714)	—	—	—	—	(11,585,714)
Payments for family and employment security benefits	—	(1,707)	—	—	—	(1,707)
Collection of loans to students and employees	—	—	3,925	1,087	—	5,012
Income from contract services	—	—	—	1,641	(269)	1,372
Maintenance costs	—	—	—	(1,254)	—	(1,254)
Auxiliary enterprise charges	—	—	377,585	59,717	272	437,574
Other receipts/(payments)	27,455	—	(637,138)	(318,372)	(411,136)	(1,339,191)
Net cash provided by/(used in) operating activities	(8,360,545)	607,000	(1,258,685)	(522,205)	(713,482)	(10,247,917)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	—	—	810,518	293,432	308,741	1,412,691
Grants and contracts	8,284,079	—	167,482	8,981	13,412	8,473,954
Student organizations agency transactions	—	—	(619)	—	(197)	(816)
Net transfers in/(out)	—	(5,554)	631,699	343,215	434,976	1,404,336
Assignment of Perkins loans	—	—	—	(388)	—	(388)
Net cash provided by/(used in) non-capital financing activities	8,284,079	(5,554)	1,609,080	645,240	756,932	11,289,777
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital appropriations	—	—	51,525	20,170	10,992	82,687
Purchases of capital assets	—	—	(341,247)	(63,787)	(30,778)	(435,812)
Proceeds from debt issuance	159,907	—	720,188	25,017	—	905,112
Other capital asset activity	—	—	4,405	(234)	790	4,961
Advance payment related to service concession arrangement	—	—	—	1,500	—	1,500
Principal paid on capital debt and leases	—	—	(549,788)	(69,770)	(2,338)	(621,896)
Payment of debt issuance costs and mortgage insurance premium	—	—	(3,596)	—	—	(3,596)
Interest paid on capital debt and leases	—	—	(132,467)	(56,622)	(2,702)	(191,791)
Net cash provided by/(used in) capital financing activities	159,907	—	(250,980)	(143,726)	(24,036)	(258,835)
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sales and maturities of investments	—	—	1,652,556	136,831	17,981	1,807,368
Purchases of investments	—	—	34,383	(146,681)	(16,950)	(129,248)
Investment earnings	36,042	102	(1,641,650)	6,269	1,881	(1,597,356)
Net cash provided by/(used in) investing activities	36,042	102	45,289	(3,581)	2,912	80,764
Net increase/(decrease) in cash and cash equivalents	119,483	601,548	144,704	(24,272)	22,326	863,789
Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year	99,149	—	317,892	357,624	161,168	935,833
Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year	\$ 218,632	\$ 601,548	\$ 462,596	\$ 333,352	\$ 183,494	\$ 1,799,622
Reconciliation of net operating revenues and expenses to cash used by operating activities:						
Operating income/(loss)	\$ (10,114,957)	\$ 835,166	\$ (1,011,412)	\$ (412,842)	\$ (415,676)	\$ (11,119,721)
Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities:						
Depreciation expense	—	—	288,667	104,034	45,319	438,020
Fringe benefits paid by the Commonwealth	—	—	—	92,460	107,269	199,729
Changes in assets and liabilities:						
Accounts receivable, prepaids and other assets	(41,492)	(238,566)	(657,862)	(330,414)	(441,139)	(1,709,473)
Accounts payable, accrued liabilities and benefits	362,605	10,400	(2,300)	(2,413)	1,651	369,943
Student deposits and other unearned and deferred revenues	—	—	32,806	25,857	(1,879)	56,784
Other noncurrent assets - restricted and liabilities	1,433,299	—	91,416	1,113	(9,027)	1,516,801
Net cash provided by/(used in) operating activities	\$ (8,360,545)	\$ 607,000	\$ (1,258,685)	\$ (522,205)	\$ (713,482)	\$ (10,247,917)

Non-cash investing, capital and financing activities:

The University System, the State Universities and Community Colleges had approximately \$42 million, \$147 million and \$165 million, respectively, of non-cash activities.

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



Fiduciary Fund Financial Statements

Statement of Net Position

Fiduciary Funds

June 30, 2020

(Amounts in thousands)

	Post- Employment Benefits and OPEB Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds	Total
ASSETS					
Cash and cash equivalents.....	\$ 205,810	\$ 6,284,230	\$ 1,215	\$ 475,279	\$ 6,966,534
Short-term investments.....	—	41,892	—	—	41,892
Net investment in PRIT at fair value.....	58,914,538	16,066,756	—	—	74,981,294
Investments, restricted investments and annuity contracts.....	—	—	—	1,388,263	1,388,263
Receivables, net of allowance for uncollectibles:					
Taxes.....	—	—	—	34,132	34,132
Other receivables.....	214,360	2,060	—	250,619	467,039
Due from federal government.....	—	—	—	3,816	3,816
Other assets.....	836	—	—	—	836
Total assets.....	59,335,544	22,394,938	1,215	2,152,109	83,883,806
LIABILITIES					
Accounts payable and other accrued liabilities.....	35,935	19,703	—	54,427	110,065
Due to cities and towns.....	—	—	—	20,575	20,575
Due to federal government.....	—	—	—	1	1
Lottery prizes payable.....	—	—	—	855,323	855,323
Other liabilities.....	—	—	—	19,495	19,495
Total liabilities.....	35,935	19,703	—	949,821	1,005,459
NET POSITION					
Restricted for:					
Employees' post-employment benefits.....	59,299,609	—	—	—	59,299,609
External investment trust fund participants.....	—	22,375,235	—	—	22,375,235
Individuals, organizations, and other governments.....	—	—	1,215	1,202,288	1,203,503
Total net position.....	\$ 59,299,609	\$ 22,375,235	\$ 1,215	\$ 1,202,288	\$ 82,878,347

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

Statement of Changes in Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Post-Employment Benefits and OPEB Trust Funds	External Investment Trust Funds	Private Purpose Trust Funds	Custodial Funds	Total
ADDITIONS					
Contributions:					
Employer contributions - Commonwealth.....	\$ 1,551,439	\$ —	\$ —	\$ —	\$ 1,551,439
Non-employer contributions - Commonwealth.....	1,591,814	—	—	—	1,591,814
Employer contributions - other employers.....	9,718	—	—	—	9,718
Employee contributions.....	1,480,120	—	—	—	1,480,120
ERIP funding contribution - Commonwealth.....	28,724	—	—	—	28,724
Boston teachers' contribution from Commonwealth.....	157,041	—	—	—	157,041
Proceeds from sale of units.....	—	31,845,776	—	—	31,845,776
Sales tax collections for other governments.....	—	—	—	596,237	596,237
Child support collections.....	—	—	—	736,677	736,677
Other additions.....	167,247	1,384,408	8	1,539,095	3,090,758
Total contributions.....	4,986,103	33,230,184	8	2,872,009	41,088,304
Net investment gain/(loss):					
Investment gain/(loss).....	1,473,597	713,447	—	37,305	2,224,349
Less: investment expense.....	(301,250)	(313,686)	—	(21,107)	(636,043)
Net investment gain/(loss).....	1,172,347	399,761	—	16,198	1,588,306
Total additions.....	6,158,450	33,629,945	8	2,888,207	42,676,610
DEDUCTIONS					
Administration.....	40,655	—	—	—	40,655
Retirement benefits and refunds.....	6,254,185	1,218,295	—	—	7,472,480
Payments to State Boston Retirement System.....	157,041	—	—	—	157,041
Cost of units redeemed.....	—	30,764,859	—	—	30,764,859
Distribution to unit holders.....	—	102,991	—	—	102,991
Sales tax payments to other governments.....	—	—	—	596,237	596,237
Child support payments to individuals.....	—	—	—	665,999	665,999
Other deductions.....	76,284	—	—	1,612,154	1,688,438
Total deductions.....	6,528,165	32,086,145	—	2,874,390	41,488,700
Change in net position.....	(369,715)	1,543,800	8	13,817	1,187,910
Net position - beginning, as restated.....	59,669,324	20,831,435	1,207	1,188,471	81,690,437
Net position - ending.....	\$ 59,299,609	\$ 22,375,235	\$ 1,215	\$ 1,202,288	\$ 82,878,347

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



***Discretely Presented
Component Unit
Financial Statements***

Statement of Net Position
Discretely Presented Component Units
June 30, 2020

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
ASSETS AND DEFERRED OUTFLOWS					
Current assets:					
Cash and cash equivalents	\$ 460,893	\$ 87,255	\$ 655,275	\$ 279,739	\$ 1,483,162
Short-term investments	—	—	206,298	281,816	488,114
Restricted cash and investments	1,601,517	—	—	263,606	1,865,123
Assets held in trust	—	—	42,430	37,852	80,282
Receivables, net of allowance for uncollectibles:					
Federal grants and reimbursement receivable	226,126	—	41,663	—	267,789
Loans	—	—	620,814	71,817	692,631
Other receivables	207,387	9,500	48,478	50,306	315,671
Due from primary government	456,124	28,023	—	19,488	503,635
Inventory	—	—	—	70	70
Other current assets	64,005	1,404	—	8,527	73,936
Total current assets	3,016,052	126,182	1,614,958	1,013,221	5,770,413
Noncurrent assets:					
Cash and cash equivalents - restricted	890,733	—	—	23,575	914,308
Long-term investments	—	—	504,316	871,239	1,375,555
Restricted investments and annuity contracts	—	—	—	66,439	66,439
Other receivables, net	24,570	—	—	15,156	39,726
Loans receivables, net	—	—	3,468,903	638,944	4,107,847
Due from primary government	2,029	—	—	—	2,029
Non-depreciable capital assets	15,549,004	18,825	—	247,417	15,815,246
Depreciable capital assets, net	22,425,647	—	—	760,277	23,185,924
Other noncurrent assets	87,948	—	—	21,913	109,861
Total noncurrent assets	38,979,931	18,825	3,973,219	2,644,960	45,616,935
Total assets	41,995,983	145,007	5,588,177	3,658,181	51,387,348
Deferred outflows of resources:					
Deferred change in fair value of interest rate swaps	145,581	—	4,644	21,199	171,424
Deferred loss on refunding	209,713	—	37,815	—	247,528
Deferred outflows related to pension	354,301	—	—	6,346	360,647
Deferred outflows related to OPEB	334,723	118	—	1,107	335,948
Total deferred outflows of resources	1,044,318	118	42,459	28,652	1,115,547
Total assets and deferred outflows	43,040,301	145,125	5,630,636	3,686,833	52,502,895
LIABILITIES AND DEFERRED INFLOWS					
Current liabilities:					
Accounts payable and other liabilities	996,065	30,233	49,604	75,357	1,151,259
Accrued payroll	—	218	—	2,193	2,411
Compensated absences	28,323	753	—	3,354	32,430
Accrued interest payable	141,026	—	48,081	2,072	191,179
Due to primary government	—	—	—	12,890	12,890
Unearned revenue	115,381	48,454	15,901	73,496	253,232
Bonds, notes payable and other obligations	436,158	—	213,180	39,431	688,769
Total current liabilities	1,716,953	79,658	326,766	208,793	2,332,170
Noncurrent liabilities:					
Compensated absences	18,332	—	—	1,946	20,278
Accrued interest payable	182,868	—	—	—	182,868
Due to primary government	—	—	—	6,795	6,795
Unearned revenue	54,825	—	—	16,171	70,996
Capital leases	78,332	—	—	—	78,332
Bonds, notes payable and other obligations	7,015,187	—	2,511,164	598,878	10,125,229
Net pension liability	2,179,537	—	—	42,837	2,222,374
Net OPEB liability	3,186,988	5,902	—	926	3,193,816
Liability for derivative instruments	194,141	—	4,644	18,623	217,408
Other noncurrent liabilities	128,442	—	—	90,724	219,166
Total noncurrent liabilities	13,038,652	5,902	2,515,808	776,900	16,337,262
Total liabilities	14,755,605	85,560	2,842,574	985,693	18,669,432
Deferred inflows of resources:					
Deferred gain on refundings	149	—	—	—	149
Deferred advance subsidies	—	—	45,391	—	45,391
Deferred service concession arrangements	—	—	—	305	305
Deferred inflows related to pension	119,145	—	—	3,810	122,955
Deferred inflows related to OPEB	577,609	4,422	—	1,474	583,505
Total deferred inflows of resources	696,903	4,422	45,391	5,589	752,305
Total liabilities and deferred inflows	15,452,508	89,982	2,887,965	991,282	19,421,737
NET POSITION					
Net investment in capital assets	35,610,401	11,184	—	981,969	36,603,554
Restricted for:					
Other purposes	979,210	—	2,144,965	1,217,700	4,341,875
Unrestricted	(9,001,818)	43,959	597,706	495,882	(7,864,271)
Total net position	\$ 27,587,793	\$ 55,143	\$ 2,742,671	\$ 2,695,551	\$ 33,081,158

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

Statement of Revenues, Expenses and Changes in Net Position

Discretely Presented Component Units

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Massachusetts Department of Transportation	Commonwealth Health Insurance Connector	Massachusetts Clean Water Trust	Nonmajor Component Units	Total
Operating revenues:					
Charges for services.....	\$ 1,426,893	\$ 924,833	\$ 5,537	\$ 241,930	\$ 2,599,193
Other.....	—	13	132,340	78,931	211,284
Total operating revenues.....	1,426,893	924,846	137,877	320,861	2,810,477
Operating expenses:					
Cost of services.....	3,633,208	883,116	137,552	240,481	4,894,357
Administration costs.....	966,475	70,367	3,263	160,470	1,200,575
Depreciation.....	1,069,010	4	—	65,538	1,134,552
Total operating expenses.....	5,668,693	953,487	140,815	466,489	7,229,484
Operating income/(loss).....	(4,241,800)	(28,641)	(2,938)	(145,628)	(4,419,007)
Nonoperating revenues/(expenses):					
Operating grants.....	2,282,170	79,202	32,172	45,179	2,438,723
Interest income/(loss).....	40,181	845	—	15,310	56,336
Other nonoperating revenue/(expense).....	420,418	(31,455)	—	39,772	428,735
Nonoperating revenues/(expenses), net.....	2,742,769	48,592	32,172	100,261	2,923,794
Income/(loss) before contributions.....	(1,499,031)	19,951	29,234	(45,367)	(1,495,213)
Capital contributions.....	2,958,874	—	135,141	70,589	3,164,604
Change in net position.....	1,459,843	19,951	164,375	25,222	1,669,391
Net position - beginning.....	26,127,950	35,192	2,578,296	2,670,329	31,411,767
Net position - ending.....	\$ 27,587,793	\$ 55,143	\$ 2,742,671	\$ 2,695,551	\$ 33,081,158

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



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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

The accompanying financial statements of the Commonwealth of Massachusetts (the Commonwealth) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The Commonwealth's significant accounting policies are described below.

The Commonwealth is comprised of three branches: the Executive Branch, with the Governor as the chief executive officer; the Legislative Branch, consisting of a Senate of 40 members and a House of Representatives of 160 members; and the Judicial Branch, made up of the Supreme Judicial Court, the Appeals Court, and the Trial Court. In addition, the Legislature has established 57 independent authorities and agencies. Below the level of state government are 351 cities and towns exercising the functions of local governments. The cities and towns of the Commonwealth are also organized into 14 counties.

For financial reporting purposes, the Commonwealth has included all funds, organizations, agencies, boards, commissions, and institutions. The Commonwealth has also considered all potential component units for which it is financially accountable, as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth (the primary government) and its component units. The Commonwealth has included 41 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Additional information related to the component units is found in [Note 14](#) to the basic financial statements.

Blended Component Units – Blended component units are entities that are legally separate from the Commonwealth but are so closely related to the Commonwealth, that they are, in substance, the same as the Commonwealth or entities providing services entirely or almost entirely to the Commonwealth. The net position and results of operations of the following legally separate entities are presented as part of the Commonwealth's operations:

The Massachusetts School Building Authority (MSBA) is charged with administering the Commonwealth's school construction and renovation program. The MSBA's revenues are derived almost entirely from dedicated sales taxes from the Commonwealth which is 1% of applicable sales tax in the Commonwealth. The MSBA's bonded debt is secured by these sales tax revenues. Expenditures by the MSBA are made on behalf of the Commonwealth as a successor to a long-standing Commonwealth program of school construction. The MSBA's operations and results thereon are blended with the Commonwealth and as such are reported as a major governmental fund.

The Pension Reserves Investment Trust Fund (PRIT) is the investment portfolio for the pension assets of the Commonwealth and as such, is presented as a blended component unit. PRIT is managed by the Pension Reserves Investment Management (PRIM) Board. Certain portions of PRIT's net position totaling approximately \$16.067 billion relate to holdings on behalf of cities and towns that participate in the Pool and are reported as an external investment trust within the fiduciary fund type.

The Massachusetts Municipal Depository Trust (MMDT) is an investment pool of the Commonwealth and its political subdivisions. The various local governments and other political subdivisions share of net position is approximately \$6.308 billion at June 30, 2020, and is reported as an external investment trust within the fiduciary fund type.

Departments Audited Separately from the Commonwealth but not legally separate from the Commonwealth - the following entities are audited separately from the Commonwealth but are not legally separate from the

Commonwealth:

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver-General, operates the Commonwealth's lottery. The net position of the Commission and results thereon are presented as a major governmental fund.

The Institutions of Higher Education of the Commonwealth are also not legally separate from the Commonwealth and have operations and net position that are presented as part of the Commonwealth's business-type activities. These systems include:

The University of Massachusetts System including the University of Massachusetts Building Authority, and the Worcester City Campus Corporation. The Worcester City Campus Corporation includes a not-for-profit subsidiary, the Worcester Foundation for Biomedical Research, Inc.

The State University and Community College Systems including the 9 state universities and 15 community colleges located throughout the Commonwealth and the Massachusetts State College Building Authority.

Other Discretely Presented Component Units that are Separately Audited – Discrete component units are entities that are legally separate (often called Authorities) but financially accountable to the Commonwealth, or whose relationships with the Commonwealth are such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. The component units column of the basic financial statements includes the financial data of the following entities:

Major component units:

The Massachusetts Department of Transportation (MassDOT) incorporates the former Massachusetts Turnpike Authority and has jurisdiction over the Massachusetts Bay Transportation Authority (MBTA) and the Regional Transit Authorities. MassDOT has attributes of a state department as well as an authority. It operates like a state department for purposes of state finance law and is reported as part of the Commonwealth for compliance with federal and state tax law. In this unique relationship all road and bridge assets of the Commonwealth (including the former Turnpike Authority (MTA)) have been transferred to MassDOT, while the Commonwealth will continue to hold current and future debt for the construction repair, improvement, and replacement of these assets.

The Massachusetts Clean Water Trust provides a combination of federal and Commonwealth funds for water and sewer projects around the Commonwealth as operator of the Commonwealth's State Revolving Fund. The Trust's three member Board is comprised of Commonwealth Officials and the Commonwealth provides annual contract assistance and matching grants to fund the operations of the Trust.

Commonwealth Insurance Connector Authority administers the Commonwealth health insurance programs to facilitate subsidized health insurance for individuals without access to employer-sponsored health insurance as well as offer an affordable commercial health insurance product named Commonwealth Care for small businesses that are eligible for the program. The Authority's 11 member governing board has four members who are Commonwealth Officials, four who are appointed by the Governor with the final three appointed by the Attorney General and is legally accountable to the Commonwealth.

Fiduciary Component Units – hold funds in trust for the benefit of others and are not available to fund activities or obligations of the primary government. The Commonwealth reports the following fiduciary component units:

State Employees' Retirement System (SERS) – is a public employee retirement system (PERS), that administers a cost-sharing multiple employer defined benefit pension plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of SERS upon the creation of MassDOT. Other employees who transferred to MassDOT have been, and remain, members of SERS. The assets and liabilities of the former

MTA have been transferred to SERS.

Management of the SERS is vested in the SRB, which consists of five members—two elected by current and active SERS members, one by the remaining members of the SRB, one who is appointed by the State Treasurer, and the State Treasurer, who serves as ex-officio and is the Chairman of the SRB.

Massachusetts Teachers' Retirement System (MTRS) – is a PERS that administers a cost-sharing multiple employer defined benefit pension plan managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributing entity and is legally responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts and Quincy College.

Management of the MTRS is vested in the MTRB, which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves as ex-officio and is the Chairman of the MTRB.

State Retirees' Benefit Trust (SRBT) – is a single employer defined benefit Other Post-Employment Benefit (OPEB) plan administered by the Commonwealth. Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by PRIM. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust (SRBT).

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is administered by the board of trustees and is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report.

Management of the SRBT is vested with a board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. The members elect one person to serve as chair of the board.

The Commonwealth reports these fiduciary component units with other fiduciary funds and therefore are omitted from the government-wide financial statements.

Related Organizations

The following are “related organizations” under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14* and Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*: Massachusetts Port Authority, Massachusetts Housing Finance Agency, MassVentures, and Massachusetts Educational Finance Authority. The Commonwealth is responsible for appointing a voting majority of the members of each entity’s board, but the Commonwealth’s authority does not extend beyond the appointments. These entities do not meet the criteria for inclusion as component units of the Commonwealth and therefore are not part of these financial statements.

Availability of Financial Statements

The separately audited financial statements of the Commonwealth’s component units and funds may be obtained from the various entities, or by contacting the Statewide Financial Reporting Team in the Office of the Comptroller at (617) 973-2660 for component unit contact information.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are defined as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*Government-Wide Financial Statements*

The **Statement of Net Position** presents all of the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

- **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- **Restricted net position** results when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through enabling legislation.
- **Unrestricted net position** consists of net position which does not meet the definition of the two preceding categories.

Resources from restricted net position are used prior to those from unrestricted net position.

The **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue and offset or supplant the net operating deficit or surplus from governmental or business-type operations.

Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with non-major funds being combined into a single column.

The Commonwealth reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

Governmental Activities – Government-wide financial statements are reported using the economic resources management focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental Funds – Fund financial statements account for the general governmental activities of the Commonwealth. Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual and are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Significant revenues susceptible to accrual include income, sales and use, corporation, and other taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services which are recognized in the year the materials are received, the grants are expended, or services are provided. The measurement period for accrual for taxes earned is generally one year for income, corporate and other taxes and within thirty days for sales and use taxes. For federal and other reimbursements, the measurement period for accrual is generally sixty days if the related expenditures being reimbursed occurred prior to year-end. Expenditures are recorded in the period in which the related fund liability is incurred. Principal and interest on general long-term obligations are recorded as fund liabilities when due. Compensated absences, claims and judgments, termination benefits and similar activities are recognized to the extent that they are normally expected to be liquidated with expendable available financial resources. Amounts incurred but not reported for Medicaid are reported to the extent that services are rendered before June 30th.

Business-Type Activities – Government-wide financial statements account for activities for which a fee is charged to external users for goods or services. In these services, debt may be issued backed solely by these fees and charges.

There may be also a legal requirement or a policy decision to recover costs. As such, these funds account for operations similarly to a for-profit business. The operations of the Commonwealth's Institutions of Higher Education are reported as systems within the proprietary funds. Proprietary fund types are described in more detail below.

Proprietary and Fiduciary Funds – Fund financial statements are presented on the same basis of accounting as the business-type activities in the government-wide financial statements. For fiduciary funds, post-employment benefits and refunds are recognized when due and payable.

The Commonwealth reports the following fund types:

Governmental Fund Types:

General Fund, a governmental fund, is the primary operating fund of the Commonwealth. It is used to account for all governmental transactions except those required to be accounted for in another fund.

Special Revenue Funds account for specific revenue sources that have been aggregated according to Commonwealth general laws to support specific governmental activities.

Debt Service Funds account for the accumulation of resources for and the payment of debt.

Capital Projects Funds account for the acquisition or construction of major Commonwealth capital facilities financed primarily from bonds and federal reimbursements.

Within the governmental fund types, the Commonwealth has established the following major funds, in addition to the General Fund:

Lottery Funds are governmental funds and account for the operations of the State and Arts Lotteries, which primarily reimburse the General Fund for local aid to cities and towns.

The Massachusetts School Building Authority is presented as a governmental fund, reflecting the activity of the blended component unit, the Massachusetts School Building Authority, accounting for grants to cities, towns and regional school districts for school construction and renovation projects.

The Coronavirus Relief Fund is a special revenue fund to account for activities under the Federal Coronavirus Aid,

Relief and Economic Security (CARES) Act to combat the global Covid-19 pandemic.

Proprietary Fund Types:

Business-Type Activities account for programs financed in whole or in part by fees charged to external parties for goods and services.

The proprietary funds include the following:

Unemployment Compensation Fund reports the taxes collected from employers and held by the United States Treasury in the Federal Unemployment Trust Fund, from which funds are drawn for the payment of benefits to the unemployed.

Family and Employment Security Trust Fund accounts for taxes collected from employers which are used to provide up to 26 weeks of paid leave for medical or family reasons.

College and University Information, is presented here, aggregated by the University's activity, the State Universities' activity and the Community Colleges' activity.

Fiduciary Fund Types:

Post-Employment Benefit and OPEB Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's post-employment and OPEB benefit plans. These funds recognize employer contributions when legally due and employee contributions in the period when due. Further information on the significant accounting policies for post-employment and OPEB benefit trust funds may be found in [Notes 9 and 10](#) to the basic financial statements on [pages 113-130](#).

External Investment Trust Funds account for the portion of pooled cash and pension assets held under the custodianship of the Commonwealth for the benefit of entities outside the Commonwealth's financial reporting entity, including cities, towns and other political subdivisions of the Commonwealth.

Private Purpose Trust Funds account for various gifts and bequests held in trust by the Commonwealth of which only the income is expendable for purposes specified by the donor. The majority of the individual accounts are for perpetual cemetery care endowments on behalf of deceased individuals.

Custodial Funds account for assets held by the Commonwealth on behalf of other governmental entities, other organizations or individuals. These funds include, but are not limited to, fines, forfeitures, tax collections, and payroll withholding taxes.

Fund Balances:

Governmental fund balances are considered nonspendable, restricted, committed, assigned, and unassigned, based on the relative strength of spending constraints.

Nonspendable fund balances are those that cannot be spent because they are either: (a) not in spendable form; or (b) legally or contractually required to be maintained intact, such as balances in the form of inventories, permanent funds, and notes receivable. As of June 30, 2020, there were no nonspendable fund balances.

Restricted fund balances are those where constraints on their use are: a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or b) imposed by constitutional provisions or enabling legislation such that there is a legally enforceable requirement that those resources be used only for the specific purposes stipulated. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the stipulated purposes.

Committed fund balances are those that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which in the case of the Commonwealth is the Legislature and Governor. Committed amounts cannot be used for other than the specified purposes unless the Governor and Legislature remove or change the specified use through legislation. The authorization specifying the purposes for which amounts can be used must have the consent of both the legislative and executive branches of the government prior to the end of the reporting period.

Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by: (a) the governing body itself; or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Massachusetts Legislature has the authority to assign or modify previously assigned fund balance. In distinction to restricted and committed balances, the authority for making an assignment is not required to be the government's highest level of decision-making authority, i.e., the Legislature and Governor, and the action to assign fund balance can occur after the end of the year. Furthermore, the nature of the actions necessary to remove or modify an assignment is not as prescriptive as it is with committed fund balances—constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed. Per [GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions](#), (GASB 54) assigned balances include those funds remaining at the end of the fiscal year that are reappropriated for the following fiscal year. Assigned balances also include administratively established accounts whose purpose is defined by the Secretary of Administration and Finance and other cabinet secretaries.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes in the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In addition, in accordance with GASB No. 54, negative balances in other governmental funds are classified as unassigned.

While the Commonwealth has not announced a formal policy governing the priority of spending fund balances, in conformance with GASB 54 requirements, when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, restricted resources are spent first, followed by committed resources, assigned resources, and unassigned resources.

Details of FY20 governmental fund balances are shown below (amounts in thousands);

	Restricted Purposes	Committed Purposes	Assigned Purposes	Unassigned Purposes	Totals
General Fund					
General Government	\$ —	\$ —	\$ —	\$ 1,697,212	\$ 1,697,212
Stabilization Fund	—	3,501,181	—	—	3,501,181
FY20 Authorizations Reappropriated in FY21	—	—	731,696	—	731,696
Subtotals, General Fund	—	3,501,181	731,696	1,697,212	5,930,089
Lottery Funds					
Lottery Operations	—	1,544	—	—	1,544
Massachusetts School Building Authority (MSBA)					
Debt Service	950,629	—	—	—	950,629
OPEB	226	—	—	—	226
Grants to Cities, Towns and Local School Districts	—	—	766,470	—	766,470
Subtotals, MSB A	950,855	—	766,470	—	1,717,325
Other Governmental Funds					
Restricted by Federal Grantors	110,463	—	—	—	110,463
Environmental	—	15,645	11,400	—	27,045
Regional Greenhouse Gas Auction and Mitigation	—	47,209	—	—	47,209
Dam and Seawall Repair	—	20,389	—	—	20,389
Public Safety - Enhanced 911 Services	—	198,296	—	—	198,296
Public Safety - Other	—	25,401	—	—	25,401
Health Care	—	405,961	—	—	405,961
Marijuana Regulation	—	7,707	—	—	7,707
Social Innovation Financing	—	8,231	—	—	8,231
Workforce Training	—	53,478	—	—	53,478
Department of Industrial Accidents	—	29,242	—	—	29,242
Convention Centers	8,393	314,945	—	—	323,338
General Government Capital Projects Fund	—	—	—	(174,241)	(174,241)
Highway Capital Projects Fund	—	—	—	(711,523)	(711,523)
General Government Debt Service	7,439	24,695	—	—	32,134
Transportation (GANS*/Commonwealth Transportation Fund)	20,366	54,843	—	—	75,209
Gaming Administration	—	1,059	—	—	1,059
Gaming -- Community Mitigation	—	23,107	—	—	23,107
Race Horse Development	—	17,041	—	—	17,041
Housing Preservation	—	11,488	—	—	11,488
Expendable Trusts	196,608	302,566	160,369	—	659,543
Education	—	9,956	—	—	9,956
Other	—	251,813	12,987	(56,775)	208,025
Subtotals, Other Governmental Funds	343,269	1,823,072	184,756	(942,539)	1,408,558
Totals	\$ 1,294,124	\$ 5,325,797	\$ 1,682,922	\$ 754,673	\$ 9,057,516

*Federal Grant Anticipation Notes

The Commonwealth does not have a formally adopted minimum fund balance policy. However, most governmental funds cannot end a fiscal year in deficit. Those funds that are authorized to end a fiscal year in deficit are discussed in [Note 8](#) to the basic financial statements, "Individual Fund Deficits" on [page 113](#).

Stabilization Fund Arrangements:

In accordance with Section 2H of Chapter 29 of the Massachusetts General Laws, the Commonwealth maintains a Stabilization ("Rainy Day") Fund. Per Chapter 29, balances in the Stabilization Fund can be expended only when non-routine budget shortfalls occur and upon appropriation by the Legislature and approval by the Governor. Chapter 29 requires that after calculating the Commonwealth's "consolidated net surplus" (the sum of the "undesigned" balances in certain specific state budgeted funds, equal to balances that are neither restricted nor reappropriated for the following fiscal year) any remaining surplus be transferred to the Stabilization Fund. In addition, withholding taxes on certain Lottery transfers are required to be transferred to the Stabilization Fund. Starting in FY10, statute requires the Comptroller, after certification by the Commissioner of Revenue, to transfer any capital gains tax revenues in excess of \$1 billion (adjusted annually for economic growth) during a fiscal year to the Stabilization Fund. Starting in FY12, statute requires the Comptroller, after certification by the Commissioner of Revenue and the Attorney General, to transfer to the Stabilization Fund all revenue from individual settlements and

judgments greater than \$10 million each that exceeds the five year rolling annual average of such settlements and judgments. During FY20, the settlements and judgments revenue did not reach the five year average threshold and all such revenue was retained in the General Fund.

Historically, balances in the Stabilization Fund have been used almost exclusively during recessionary periods to offset budget shortfalls after other budgetary measures have been taken. Per Chapter 29, the Commonwealth is required to maintain a balanced budget, and if a revenue shortfall is projected, the Secretary of Administration and Finance is required to reduce state agencies' spending authorizations in an amount equal to any projected shortfall.

The Stabilization Fund ended FY20 with a balance of \$3.501 billion. For the fiscal year ending June 30, 2020, the Stabilization Fund's balance increased by \$62 million from investment income, approximately \$362 thousand in statutorily mandated deposits of withholding taxes on certain Lottery proceeds, and \$15 million from gaming tax revenue. In accordance with GASB 54 requirements, balances in the Stabilization Fund are classified as committed.

Fiscal Year-End

All funds and component units are reported using fiscal years, which end on June 30.

Program Revenue

Program revenue is defined by the Commonwealth to be the revenue from fees and assessments collected by departments that are directly applicable to that department's operations.

Operating and non-operating revenues and expenses

Revenues and expenses of business-type activities and proprietary funds are classified as operating or non-operating and are sub-classified by object. Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as non-operating.

D. CASH, CASH EQUIVALENTS, SHORT-TERM INVESTMENTS AND INVESTMENTS

The Commonwealth follows the practice of pooling cash and cash equivalents. Cash equivalents consist of short-term investments with an original maturity of three months or less and are stated at cost. Interest earned on pooled cash is allocated to the General Fund and, when so directed by law, to certain other Governmental Funds.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term external mixed investment pool, the Massachusetts Municipal Depository Trust (MMDT), which is comprised of two portfolios: a Cash Portfolio and a Short Term Bond Portfolio. The Cash Portfolio is a money-market-like investment pool; its investments are carried at amortized cost. As of June 30, 2020, the MMDT's entire cash fund is included as cash equivalents in the accompanying financial statements. The Short Term Bond Portfolio investments are carried at fair value. As of June 30, 2020, the MMDT's entire bond fund is included as short-term investments in the accompanying financial statements.

Investors in MMDT are not allowed to overdraw their shares. For a complete copy of MMDT's separately issued financial statements, please contact the Office of the State Treasurer's Cash Management Department, at (617) 367-9333 or download the statements from the Cash Management section of the Office of the State Treasurer's website at www.mass.gov/treasury. Massachusetts General Law Chapter 29, Section 38 enumerates the Commonwealth's investment policy for non-pension assets.

The post-employment and OPEB benefit trust funds invest in the Pension Reserves Investment Trust (PRIT) Fund, a diversified external investment pool managed by the Pension Reserves Investment Management (PRIM) Board and are reported at fair value in the accompanying financial statements. The State Employees', Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 37.8%, 38.9% and 1.9% respectively, of the net position of the PRIT Fund.

For a complete copy of PRIT's separately issued financial statements, contact the PRIM Board at 84 State Street, Boston, MA 02109.

Other Commonwealth investments are comprised of equities (marketable securities) and fixed income securities, as well as interests in alternative investment funds such as private equity, debt and real estate. Marketable securities are reported at fair value based upon quoted market prices. Investments in fixed income securities, including U.S. government agency obligations, are reported at fair value using independent pricing services. In determining the price, the services may reflect such factors as market prices, yields, maturities, and ratings, supplemented by deal quotations. Alternative investments are generally reported at net asset values (NAV) reported by the investment manager for the respective securities, which are used as a practical expedient to estimate the fair value of the Commonwealth's interests therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2020, the Commonwealth had no plans or intentions to sell investments at amounts different from NAV.

Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

Investments also include pooled investment funds with Commonfund which are valued at fair value based upon estimated net asset values provided by the management of Commonfund. These pooled investment funds are invested in marketable debt and equity securities.

Certificates of deposit and guaranteed investment/annuity contracts are carried at amortized cost.

E. RECEIVABLES AND UNEARNED REVENUE

In general, tax revenue is recognized on the government-wide statements when assessed or levied and on the governmental financial statements to the extent that it is both measurable and available, based upon collection experience. If revenue is not received within the availability period, receivables are deferred. Receivables are stated net of estimated allowances for uncollectible accounts.

Reimbursements due to the Commonwealth for its expenditures on federally-funded-reimbursement and grant programs are reported as "Federal grants and reimbursements" or "Due from federal government" in the statement of net position.

Federal grants received in advance are recorded as unearned revenue until all eligibility requirements of the grant have been met. In FY20, the Commonwealth received \$2.461 billion of Coronavirus Relief of which \$1.700 billion is recorded as unearned revenue.

"Other Receivables" represent amounts due to the Commonwealth including Lottery revenues and Higher Education receivables from students, amounts due to the University of Massachusetts from related organizations and other items. Also included in other receivables for FY20 are amounts due to the Commonwealth under provisions of the Master Settlement Agreement among five tobacco companies and 46 states, including the Commonwealth. Pursuant to provisions of GASB Technical Bulletin No. 2004-1 "Tobacco Settlement Recognition and Financial Reporting Entity Issues", a receivable has been recorded in the general fund for approximately \$126 million, representing 50% of the amounts expected to be received during FY21. Also, included as a long-term receivable is approximately \$28 million representing the Commonwealth's share of the Nonparticipating Manufacturer (NPM) adjustment for 2004 tobacco sales which were not contested by the manufacturers.

"Loans Receivables" - The MSBA has entered into various loan agreements with municipalities at a 2.0% interest rate with principal to be paid in equal installments for varying terms. Currently, the longest repayment schedule has a final payment in FY43. This program is designed to assist a limited number of school districts with unanticipated inflationary construction costs over the district's original project budget. The loans outstanding as of June 30, 2020 were \$74 million, of which \$6 million is due in FY21. During FY20, the MSBA collected \$6 million of scheduled principal payments.

F. DUE FROM CITIES AND TOWNS

“Due from Cities and Towns” represents reimbursements due to the Commonwealth for its expenditures on certain programs for the benefit of cities and towns.

G. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements.

Methods used to value capital assets

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

Capitalization policies

All land, non-depreciable land improvements and donated historical treasures or works of art are capitalized. Single pieces of equipment, vehicles, computer equipment and software that equal or exceed \$50,000 are capitalized. Buildings and infrastructure projects with a cost that equals or exceeds \$100,000 are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

Capital assets of the component units are capitalized upon purchase and depreciated on a straight-line basis over the estimated useful lives of the assets.

Depreciation and useful lives

Applicable capital assets are depreciated using the straight-line method. Unless unallocable, depreciation expense is charged to the function of the capital asset being depreciated. Estimated useful lives are as follows:

<i>Type of Asset</i>	Estimated Useful Life (in years)
Buildings	40
Infrastructure	20 to 50
Library collections that are not historical treasures	15
Equipment, office equipment and furniture, and life safety equipment	10
Computer hardware and software	3 to 7
Vehicles	5

Construction in process

Construction in process includes all associated cumulative costs of a constructed capital asset. Construction in process is relieved at the point at which an asset is placed in service for its intended use.

H. INTERFUND / INTRAFUND TRANSACTIONS

As a general rule, the effect of interfund activity has been eliminated in the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

I. STATEWIDE COST ALLOCATION PLAN – FRINGE BENEFIT COST RECOVERY

The Commonwealth has elected not to present its cost allocation and recovery separately on the Statement of Activities. Certain costs of nine “central service” agencies of the Commonwealth are recovered from the remaining agencies in a federally approved statewide cost allocation plan. These costs that are allocated are based upon benefits received by the user agency that benefit from these services. The Commonwealth also appropriates and pays the fringe benefit costs of its employees and retirees, as well as MassDOT employees and retirees, through the General Fund. These fringe benefits include the costs of employees’ group health insurance, pensions, unemployment compensation, and other costs necessary to support the workforce. As directed by Massachusetts General Laws, these costs are assessed to other funds based on payroll costs, net of credits for direct payments. Since fringe benefit costs are not separately appropriated or otherwise provided for in these funds, the required assessment creates an unfavorable budget variance in the budgeted funds. The employees’ group health insurance and workers’ compensation activity is accounted for in the governmental funds.

J. SCHOOL CONSTRUCTION GRANTS, CONTRACT ASSISTANCE AND OTHER PAYABLES

Under the former school building assistance program (prior to the creation of the MSBA) the Commonwealth reimbursed 50% to 90% of approved eligible construction and borrowing costs for school construction and renovation to municipalities and regional school districts for 728 previously approved projects noted by MSBA as Prior Grant projects. The MSBA has assumed responsibility for these projects under its enabling statute. The MSBA records a liability for its share of total eligible project costs differently depending on the type of project. However, for all projects, the MSBA recognizes a liability for its estimated share of total eligible project costs when the applicable eligibility requirements have been met.

Prior Grants - All of the 728 Prior Grant projects had been receiving an annual payment under the former program. The liability for these projects will be reduced over time through annual payments, and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. As of June 30, 2020, the liability for prior grant projects is approximately \$80 million.

Waiting List - The MSBA funds Waiting List projects using two different methods, lump sum and progress payments. Each funding method has different eligibility requirements.

Waiting List projects that are under the lump sum method were recognized as a liability once construction started. The liability for these projects will be reduced over time through annual payments and savings from debt refundings by the local communities in which the MSBA shares in the savings based on the reimbursement rate of the project. These projects operate similar to Prior Grant projects. As of June 30, 2020, the liability outstanding for Waiting List projects under the lump sum method is \$43 million.

Under the progress payment method, the MSBA's shares of costs incurred are generally recognized as a liability once a grantee requests reimbursement from the MSBA. As of June 30, 2020, there is no remaining liability related to the progress payment method.

Waiting List projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2020, there are no commitments outstanding for the Waiting List projects.

New Program - The MSBA funds New Program projects on a progress payment basis. Under this process, communities may submit reimbursement requests no more frequently than once per month. Upon review, audit, and approval, the MSBA processes payment for its share of eligible costs incurred. The MSBA's share of costs incurred for New Program projects are recognized as a liability once a grantee's request for reimbursement is reviewed, audited, and approved by the MSBA. The MSBA has recorded a liability of \$52 million in the governmental funds for reimbursements received, reviewed, and approved for payment by June 30, 2020. Additionally, a liability of \$60 million was recorded for the reimbursements not reviewed or approved for payment prior to June 30, 2020, as well as final project hold back payments subject to final audit and Board approval after year end. The long-term portion of this liability is estimated at \$15 million. New Program projects that are not currently recognized as a liability are considered commitments of the MSBA. As of June 30, 2020, the amount of commitments outstanding for the New Program projects is \$1.6 billion, and will be funded under the progress payment method.

For all projects, regardless of the funding mechanism, costs incurred by the grantees are subject to audit by the MSBA. Completion of these audits will allow the MSBA to determine the final approved cost of these projects, and the MSBA will adjust the payments it makes for these projects, as necessary, in accordance with the results of those audits.

As of June 30, 2020, MSBA had an outstanding liability of \$112 million, and \$1.6 billion of commitments outstanding, for the New Program projects. The Commonwealth dedicates a 1% statewide sales tax (drawn from the existing statewide 6.25% sales tax), excluding sales tax revenues on meals and from certain additional statutorily exempted revenues from sales, to the School Modernization and Reconstruction Trust Fund (the "SMART Fund"), in support of these grant programs and for all other operations of the MSBA, including debt service.

The Massachusetts Clean Water Trust (the Trust) loans to its borrowers are subsidized by interest earnings on its pledged assets which include debt service reserve funds, direct loans and contract assistance provided to the Trust by the Commonwealth. Although borrowers are obligated to the Trust to make scheduled payments, these subsidies are expected to be available for the duration of the loan financing agreements. The Commonwealth has committed to provide contract assistance in the amount of \$202 million over 30 years. This obligation of the Commonwealth to the Trust is a general obligation of the Commonwealth, for which its full faith and credit are pledged. Annual appropriations are made each year by the Commonwealth to fund the current year's obligation.

Accounts payable includes amounts due to vendors of the Commonwealth for goods and services delivered before June 30th but paid for after year-end, the largest of which is Medicaid for \$543 million.

K. COMPENSATED ABSENCES

Compensated absences are recorded as a long-term liability in the Statement of Net Position. For the governmental fund statements, accumulated vacation and sick leave are reported as expenditures and fund liabilities when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2020 but paid after the fiscal year ends are also reported in the funds.

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements and state laws. Upon retirement, termination or death, certain employees are compensated for unused vacation and sick leave (subject to certain limitations) at their current rate of pay.

Compensated absences in the governmental funds are liquidated from the same sources that fund the personnel expenses of the employees who are compensated for unused vacation and sick leave pay. In most cases, this is the General Fund, but also includes non-General Fund sources to the extent that personnel expenses are charged to those funding sources.

In the business-type activity and the discretely presented component units, employees' accumulated vacation and

sick leave are recorded as an expense and liability as the benefits accrue.

L. DEDICATED REVENUES AND PLEDGES

The Commonwealth has a number of pledges of revenue streams for its own bonds and various other bond issues of other authorities. Commonwealth debt supported by dedicated revenue streams include special obligation bonds for road and bridge construction secured by motor fuels taxes and federal grant anticipation notes (GANS) secured by federal grants for highway construction. Detailed information on pledges for the Commonwealth's own debt is included in sections [B](#) and [C](#) of [Note 7](#), on pages 102-103.

The Commonwealth dedicates receipts from the sales tax (other than the tax on meals) to the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts School Building Authority (MSBA). Each entity receives 1.0% of the sales tax. The MBTA's portion is subject to an inflation-adjusted floor.

The amount dedicated to the MBTA is accounted for in a nonbudgeted special revenue fund and is subject to adjustment equal to the lesser of the annual increase in the Boston consumer price index or prior calendar year annual sales taxes, with a floor of 0.0% and a ceiling of 3.0%. Legislation approved by the Governor on October 31, 2014 increased the amount statutorily required to be credited to the MBTA by \$160 million annually, starting in fiscal 2015. The \$160 million increase in the dedicated sales tax revenue amount and the amount included in the inflation-adjusted floor was intended to replace the \$160 million annual state appropriation the MBTA received from fiscal 2010 through fiscal 2014.

In FY20, approximately \$1.096 billion and \$925 million of the dedicated sales tax revenue stream was directed to the MBTA and the MSBA, respectively.

The Commonwealth has also pledged sales tax revenue and rooms tax surcharges from areas contiguous to convention centers and the Worcester DCU Arena and Convention Center to support such centers' operations. As of June 30, 2020, taxes within the Convention Center districts support approximately \$504 million of outstanding principal and approximately \$232 million of interest on debts related to these Convention Centers. Taxes collected in FY20 were approximately \$131 million, while debt service on the bonds was approximately \$52 million.

Under additional transportation finance reform effective July 1, 2013, motor vehicle sales tax collections were shifted from the General Fund to the Commonwealth Transportation Fund (CTF), while also eliminating a 0.385% pledge of regular and meals sales tax to the CTF. During FY20, approximately \$515 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$127 million was dedicated to funding the operations of the MBTA while an additional \$90 million was dedicated to funding the operations of the regional transit authorities. These amounts are transferred through the CTF.

M. LOTTERY REVENUE AND PRIZES

Ticket revenues and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held. For certain prizes payable in installments, the Commonwealth purchases annuities and principal-only and interest-only Treasury strips in the Commonwealth's name, which are recorded as annuity contracts and prizes payable in the agency fund and on the Statement of Net Position. Though the annuities are in the Commonwealth's name in the case of a default, they are solely for the benefit of the prizewinner. The Commonwealth retains the risk related to such annuities.

N. RISK FINANCING

The Commonwealth self-insures for employees' workers' compensation, casualty, theft, tort claims and other losses. Such losses, including estimates of amounts incurred but not reported, are included as accrued liabilities in the accompanying financial statements when the loss is incurred. For employees' workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers health care and other insurance for the Commonwealth's employees and retirees.

O. DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

P. NET POSITION

The Commonwealth reports net position as restricted where legally segregated for a specific future use by enabling legislation. Otherwise, these balances are considered unrestricted.

Net position has been restricted as follows:

"Restricted for unemployment benefits" – identifies amounts solely for the payment of unemployment compensation under federal labor laws.

"Restricted for retirement of indebtedness" – identifies amounts held by fiscal agents to fund future debt service obligations pertaining to Special Obligation Revenue Bonds authorized under Section 20 of Chapter 29 of the Massachusetts General Laws and Chapter 33 of the Acts of 1991. It also includes amounts held for Grant Anticipation Notes authorized by Chapter 11 of the Acts of 1997 and Chapter 121 of the Acts of 1998.

"Restricted for other purposes" – identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments.

The net position of the Post-Employment Benefit and OPEB Trust Funds and the Pension Reserves Investment Trust portion of the External Investment Trust Funds are restricted for post-employment benefits. These restrictions identify resources held in trust for the members and beneficiaries of the Commonwealth's post-employment benefit plans. The Pension Reserves Investment Trust portion of the External Investment Trust Funds also includes pooled cash and pension assets held under the custodianship of the Commonwealth for the benefits of cities, towns and other political subdivisions of the Commonwealth.

Q. SERVICE CONCESSION AGREEMENTS

The higher education institutions of the Commonwealth (State Universities and Colleges) enter in to services concession agreements for campus dining facilities and bookstores. In exchange for these agreements the vendors provide contributions to the institutions to improve the facilities as well as revenue sharing arrangements. All improvements and equipment purchased with the payments remain the property of institutions. The contracts range from five to eighteen years in duration. These agreements generate deferred inflows of resources, and liability for the unamortized portion of assets transferred. Per terms of the agreements, either party can terminate the agreement

at any time, without cause, by providing a written notice. In the event of termination, the unamortized portion is to be returned. Following is a summary of amounts of the arrangements as of June 30, 2020 (amounts in thousands):

State Universities.....	\$ 14,318
Community Colleges.....	215
Total.....	<u>\$ 14,533</u>

Approximately \$21 million in the carrying value of capital assets, \$47 thousand in other assets and \$7 million in liabilities associated with these service concession agreements are reported in the business-type activities in these financial statements.

R. ESTIMATES

The preparation of the Comprehensive Annual Financial Report requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial report.

Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

S. PENSIONS AND OPEB

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

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the Commonwealth's requirement to contribute to the Boston Retirement System (BRS) for Boston teachers, information about BRS's fiduciary net position and additions to/deductions from BRS's fiduciary net position have been determined on the same basis as they are reported by BRS. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retiree Benefit Trust (SRBT) and additions to/deductions from the SRBT fiduciary net position have been determined on the same basis as they are reported by the SRBT. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

T. SIGNIFICANT NEW ACCOUNTING PRONOUNCEMENTS/IMMATERIAL CORRECTIONS

During FY20 the Commonwealth early implemented GASB Statement No. 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments and introduces a Statement of Changes in Net Position for the renamed fiduciary activity, custodial funds. This resulted in restatements for funds that were reclassified under the new standard. As a result, the beginning fund balance of the governmental activities were restated by approximately \$55 million for the adoption of a new accounting principle.

In addition, the Commonwealth corrected the beginning net position for immaterial errors identified in the GASB

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits - Other Than Pensions*, actuarial valuation as of the June 30, 2018 measurement date. Further the Commonwealth Corporation, a discretely presented component unit, reclassified a prior year transaction from fund balance to a liability.

The details of the impact of the restatement and the immaterial error corrections on the fund level and government-wide financial statements are detailed below (amounts in thousands):

	Governmental Funds	Proprietary Funds			Fiduciary Funds	
	Other Governmental Funds	University of Massachusetts	State Universities	Community Colleges	Private Purpose Trust	Custodial/ Agency
Fund balance/net position/agency liabilities as of June 30, 2019 as previously reported.....	\$ 1,633,656	2,502,903	\$ 583,889	\$ 566,152	\$ 766	\$ 1,252,355
Implementation of GASB 84:						
Reclassification of fiduciary funds to governmental funds.....	71,830	—	—	—	—	(71,830)
Reclassification of governmental funds to fiduciary funds.....	(17,278)	—	—	—	441	16,837
Reclassification of agency liabilities to custodial fund balance.....	—	—	—	—	—	(12,162)
Reclassification of agency fund balance to custodial fund liabilities.....	—	—	—	—	—	3,271
Immaterial corrections of prior year GASB 75 (OPEB) error.....	—	(30,521)	(14,677)	(7,996)	—	—
Fund balance as of July 1, 2019.....	<u>\$ 1,688,208</u>	<u>\$ 2,472,382</u>	<u>\$ 569,212</u>	<u>\$ 558,156</u>	<u>\$ 1,207</u>	<u>\$ 1,188,471</u>

	Governmental Activities	Business-Type Activities	Primary Government	Discretely Presented Component Units
Net position as of June 30, 2019, as previously reported.....	\$ (74,080,352)	\$ 5,649,478	\$ (68,430,874)	\$ 31,440,309
Implementation of GASB 84:				
Reclassification of fiduciary funds to governmental funds.....	71,830	—	71,830	—
Reclassification of governmental funds to fiduciary funds.....	(17,278)	—	(17,278)	—
Immaterial corrections of prior year balances:				
Reclassification of a prior year transaction recorded as fund balance to a liability.....	—	—	—	(222)
Correction of GASB 75 (OPEB) error.....	(551,399)	(53,194)	(604,593)	(28,320)
Net position as of July 1, 2019.....	<u>\$ (74,577,199)</u>	<u>\$ 5,596,284</u>	<u>\$ (68,980,915)</u>	<u>\$ 31,411,767</u>

2. DEPOSITS, SHORT-TERM INVESTMENTS AND INVESTMENTS

Primary Government

The Commonwealth's cash and cash equivalents and restricted cash is comprised of the following (amounts in thousands):

	Governmental Activities	Business-Type Activities	Government Wide Total	Fiduciary Funds
Cash	\$ 81,347	\$ 1,268,628 (1)	\$ 1,349,975	\$ 66,199
MMDT - cash fund	6,322,305	530,994 (1)	6,853,299	6,900,335
Restricted cash with fiscal agent	268,599	—	268,599	—
Total	<u>\$ 6,672,251</u>	<u>\$ 1,799,622</u>	<u>\$ 8,471,873</u>	<u>\$ 6,966,534</u>

(1) of which \$323,098 (in thousands) is presented as restricted cash in the accompanying financial statements.

Lottery Annuity Contracts and U.S. Treasury Strips

The Massachusetts State Lottery Commission, a division of the Office of the State Treasurer and Receiver-General, purchases annuity contracts from insurance companies and United States treasury strips to fund the Commonwealth's liability for future installment prize obligations. These annuities and treasury strips represent obligations of the insurance companies and the custodial banks, respectively, to provide a fixed series of payments over a specified period. Only the annuity investments are subject to credit risk. For the annuity contracts, risk is controlled by purchasing these investments only from insurance companies with the top two ratings issued by a national recognized ratings organization. However, due to the nature of these annuity contracts, the credit quality of the insurance company issuer is subject to change. As of June 30, 2020, the amortized cost of annuities was approximately \$106 million. At June 30, 2020, the U.S. Treasury Strips have a fair value of approximately \$749 million. Approximately 87.6% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 5.7% of the overall portfolio.

MSBA Deposits and Investments

The MSBA is authorized to invest in obligations of the US Treasury, its agencies and instrumentalities, bonds or notes of public agencies or municipalities, bank time deposits, guaranteed investment contracts, money market accounts and repurchase agreements. These investments are recorded at fair value. The MSBA has an investment policy that establishes the minimum credit quality for certain instruments, outlines investment procedures and updates for periodic reporting. The MSBA investment policy does not specifically limit the amount the MSBA may invest in any one issuer.

As of June 30, 2020, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

Cash and cash equivalents	\$ 472,685
Restricted cash with fiscal agent	1,072
Restricted investments	<u>1,143,253</u>
Total	<u>\$ 1,617,010</u>

Custodial Credit Risk – Pooled Cash

Custodial credit risk is the risk that in the event of a bank failure, deposits and investments may not be returned to the Commonwealth. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk.

The Commonwealth requires all bank deposits in excess of insurance coverage by the Federal Deposit Insurance

Corporation (FDIC) to be collateralized with a perfected pledge of eligible collateral or a letter of credit. For programs created by the Treasury, such as the Small Business Banking Program, eligible collateral must be pledged in an amount equal to 102% of the amount of the deposits that exceed FDIC insurance. Sufficient collateral to cover total Commonwealth deposits in excess of the FDIC insured amount must be pledged and held in safekeeping by a custodian that is approved by and under the control of the Treasurer and Receiver General.

Membership by a financial institution in the Depositors Insurance Fund (DIF) or the Share Insurance Fund (SIF) will be accepted by the Treasurer and Receiver General's Office as alternative security, provided that the financial institution submits proof of membership in the DIF or the SIF. Membership in the DIF is limited to Massachusetts chartered savings banks while membership in the SIF is limited to Massachusetts cooperative banks.

Custodial Credit Risk – Higher Education

The Institutions of Higher Education have investment policies that may vary by institution for custodial credit risk. Each institution carries deposits that are fully insured by the FDIC, as well as uninsured deposits. As of June 30, 2020, the bank balances of uninsured deposits totaled approximately \$224 million.

Custodial Credit Risk – MSBA

The MSBA does not have a formal investment policy for custodial credit risk. The MSBA carries deposits that are fully insured by the Federal Deposit Insurance Corporation (FDIC) insurance, as well as deposits that are fully collateralized. As of June 30, 2020, all MSBA bank balances were fully protected against loss.

Interest Rate Risk – MMDT

Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. These investments include certain short-term cash equivalents, various long-term items and restricted assets by maturity in years. The Treasury cash portfolio minimizes the risk of the fair value of securities falling due to changes in interest rates by maintaining a dollar-weighted average portfolio maturity of 60 days or less. The Treasury cash portfolio's assets are managed to maintain a dollar-weighted average life to maturity of 120 days or less. The Cash Portfolio is operated in compliance with Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*.

The MMDT Cash Portfolio's dollar-weighted average maturity fluctuated from 33 days on July 1, 2019 to 52 days on June 30, 2020.

Investments in the MMDT Short Term Bond Portfolio are made in investment-grade securities as defined by national statistical rating agencies. The Commonwealth assesses risk for the Short Term Bond Portfolio by using duration. Duration is the weighted maturity of the security's cash flows, where the present values of the cash flows serve as weights.

For the MMDT Short Term Bond Portfolio, the duration fluctuated from 2.50 to 2.67 years. At June 30, 2020, investments in the MMDT Short Term Bond Portfolio had a total net position of \$824 million with investment maturities ranging from less than one year to ten years. At June 30, 2020, the Short Term Bond Portfolio's effective maturity schedule was as follows:

Securities with an Effective Maturity of	Percentage of Total Net Position
Less than one year.....	13.6 %
One to five years.....	85.7 %
Six to ten years.....	0.1 %
Total*.....	<u>99.4 %</u>

*The remaining 0.6% consists of cash equivalents and other assets.

Interest Rate Risk – Higher Education

As of June 30, 2020, the Institutions of Higher Education had debt investments stated at fair value of approximately \$346 million and had investment maturities ranging from less than one year to more than ten years, with approximately 24.9% of the investment's fair values maturing in less than 1 year, approximately 54.1% from one to five years, approximately 12.1% from six to ten years, and approximately 8.9% more than ten years.

Interest Rate Risk - MSBA

The MSBA's investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from interest rates. As of June 30, 2020, the MSBA had approximately \$200 million invested in a collateralized guaranteed investment contract and approximately \$539 million invested in U.S. Treasury Bonds. These investments are included in restricted investments on the balance sheet. The guaranteed investment contract matures on July 25, 2022 while the U. S. Treasury Bonds mature from May 2027 to February 2045. These investments represent approximately 77.1% of the MSBA's total investments in debt service funds and debt service reserve funds.

Interest Rate Risk – Custodial Funds

The custodial funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 2020, these investments had a fair value of approximately \$533 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 33.6% has maturities of less than one year, 38.2% from one to five years, 17.3% from six to ten years and 10.8% greater than ten years.

Credit Risk – MMDT

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth, exclusive of Pension Trust Funds, minimizes concentration of credit risk, the risk attributed to the magnitude of the investment in a single issuer. The Commonwealth's investment policy prohibits the Treasury from investing more than 5% of the total investment portfolio in any single financial institution or issuer, excluding various public entity securities and repurchase agreements. However, there are no restrictions on the amount that can be invested in public entity securities and the portfolio may be invested in U.S. Treasury and other Government Sponsored Enterprises (GSE's) obligations and repurchase agreements.

The Treasury cash portfolio is invested only in First Tier Securities as defined by the Securities and Exchange Commission's Rule 2A-7 of the [Investment Company Act of 1940](#). The Treasury does have additional policies regarding credit ratings of investments as detailed in the Investment Circulars which can be found in the documents tab at <https://www.mymmdt.com/mmdt/pools.do>. At June 30, 2020, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2020, the Short Term Bond Portfolio's follows:

Portfolio Composition	Percentage of Total Net Position
AAA.....	67.7 %
AA.....	5.5 %
A.....	11.4 %
BBB.....	14.8 %
Total*.....	99.4 %

* The remaining 0.6% consists of cash equivalents and other assets.

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were approximately \$102 million at AAA, approximately \$85 million from AA+ to A- and approximately \$159 million either unrated, BBB+ or less.

Credit Risk – MSBA

The MSBA's investment policy generally limits investments in fixed income products with institutions that have an investment grade rating as determined by one of the nationally recognized rating agencies. The MSBA's policy requires issuers of investment contracts to be rated AA or above by at least two of the nationally recognized rating agencies or A with pledged collateral equal to 102% of the principal balance. As of June 30, 2020, the guaranteed investment contracts were not rated; however, the issuer was rated AA by Standard & Poor's and A2 by Moody's and the guaranteed investment contracts were collateralized.

As of June 30, 2020, the MSBA's investments in municipal bonds were rated AA+ or above.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$533 million, of which approximately \$330 million were in U.S Government securities. Of the remaining \$203 million, the majority were investment grade or above.

Interest Rate Risk – PRIT Funds

As pension and OPEB trust funds have a longer investment horizon than many of the Commonwealth's other investments, the PRIM Board manages PRIT's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its fixed income investment managers. The guidelines with each individual manager require that the effective duration of the domestic fixed income investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have a duration with a band ranging from three to eight years. Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments and other factors.

The PRIM Board compares the effective duration of a manager's portfolio to their relevant benchmark including Bloomberg Barclays Capital Aggregate index, US Treasury STRIPS 20+ Year index, Bloomberg Barclays Capital Treasury 1-3 Year index, Bloomberg Barclays Capital US TIPS index, Barclays Capital Inflation Linked Bonds index, S&P LSTA Leveraged Loan index, JP Morgan Global Emerging Markets Bond index, and the Intercontinental Exchange Bank of America Merrill Lynch (ICE BofAML) High Yield index. The PRIT Fund had fixed income and short-term investments totaling approximately \$24.129 billion at fair value with an effective weighted average duration range from 0.19 to 16.28 years at June 30, 2020.

Credit Risk – PRIT Funds

The PRIM Board establishes credit investment guidelines with each of its fixed income securities investment managers in establishing a diversified portfolio. These guidelines vary depending on the manager's strategy and the role of its portfolio to the overall diversification of the PRIT fund. The guidelines for the PRIT Fund's core fixed income portfolio establish the minimum credit rating for any security in the portfolio and the overall weighted average credit rating of the portfolio. The guidelines for the PRIT Fund's high yield, fixed income portfolio establish a market value range of securities to be held with a specific minimum credit rating and the overall weighted average credit rating of the portfolio.

Credit risk for derivative instruments held by PRIT results from counterparty risk. PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements.

The weighted average quality rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was BBB+ at June 30, 2020.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately \$3.763 billion, BBB+ to B- investments with a fair value of approximately \$3.206 billion, \$696 million rated CCC+ to D, \$8.999 billion are unrated, and the remaining \$7.941 billion are investments that are explicitly backed by the U. S. Government.

Foreign Currency Risk – PRIT Funds

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The Treasury does not have a policy regarding foreign currency risk for the Pension Trust. The PRIM Board manages PRIT's exposure to foreign currencies by hedging a percentage of PRIT's non-U.S. dollar denominated investments through forward foreign currency contracts. The PRIT Fund's investments in foreign currency denominated investments as of June 30, 2020 were approximately \$191 million in cash and short-term investments, \$12.761 billion in equities, \$734 million in fixed income investments, \$515 million in portfolio completion strategies, \$1.161 billion in private equity investments and \$311 million in timberland investments. An additional \$3.443 billion is invested in international investments denominated in U. S. dollars.

Concentration of Credit Risk – PRIT

The PRIM Board manages PRIT's exposure to concentration of credit risk by establishing guidelines with each investment manager that limit the percent of investment in any single issue or issuer. PRIT has no investments, at fair value, that exceed 5% of PRIT's net position held in trust for pool participants as of June 30, 2020.

A. DERIVATIVE INSTRUMENTS

PRIT may invest in derivative instruments. In accordance with GASB Statement No 53, *Accounting and Financial Reporting for Derivative Instruments*, PRIT's derivatives are accounted for as investment derivatives and are reported at fair value.

Forward Currency Contracts

PRIT enters into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The fair value of the contracts will fluctuate with changes in currency exchange rates. Risks may arise from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

The contracts are marked-to-market daily and the change in fair value is recorded as an unrealized gain or loss by PRIT.

When a contract is closed, PRIT records a realized gain or loss equal to the difference between the cost of the contract at the time it was opened and the value at the time it was closed.

As of June 30, 2020, PRIT had open foreign exchange contracts with combined net unrealized gain of approximately \$9 thousand with various delivery dates.

Further information on derivative instruments can be found in the notes to PRIT's basic financial statements.

Futures Contracts

PRIT may purchase and sell financial futures contracts to hedge against changes in the values of securities the fund owns or expects to purchase.

Upon entering such contracts, they must pledge to the broker an amount of cash or securities equal to a percentage of the contract amount.

The potential risk is that the change in the value of futures contracts may not correspond to the change in the value of underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that PRIT may not be able to close out its future positions due to a non-liquid secondary market. Risks may also arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.

PRIT may also invest in financial futures contracts for non-hedging purposes.

PRIT held contracts outstanding at June 30, 2020 with various expirations from FY21 to FY24. These contracts are for cash and cash equivalents, fixed income, equities and commodities. A portion of the contracts were short contracts. The aggregated notional exposure amount as of June 30, 2020 was approximately \$1.166 billion with a fair value of \$1.172 billion, yielding an unrealized net gain of approximately \$6 million.

Payments are made or received by PRIT each day, depending on the daily fluctuations in the value of the underlying security and are recorded as unrealized gains or losses. When the contracts are closed, the PRIT Fund recognizes a realized gain or loss.

Swaps – PRIT

PRIT has entered into swap agreements to gain exposure to certain markets and actively hedge other exposures to market and credit risk. The swap contracts are reported at fair value, which represents their estimated liquidation values on costs. PRIT either receives cash from the swap counterparties or pays the swap counterparties monthly depending on whether the fixed-rate interest is lower or higher than the variable-rate interest. Changes in fair value are included as part of investment income.

As of June 30, 2020, PRIT had contracts in effect with an aggregated notional amount of approximately \$1.279 trillion to various investment banks that had maturity dates from FY21 to FY73. The contracts have an aggregate fair value loss of approximately \$83 million. PRIT values these contracts using standard methods and techniques including the discounted cash flow analysis and option pricing models.

PRIT's counterparty exposure was with various major investment companies with ratings ranging from AA- to A and various other banks with other ratings. Open swap contracts as of June 30, 2020 were as follows (amounts in thousands):

Counterparty	Credit Ratings	Interest Rate Swaps		Credit Default Swaps		Total Return and Other Swaps	
		Gross Notional	Fair Value	Gross Notional	Fair Value	Gross Notional	Fair Value
Bank of America	A+	\$ 1,341,555	\$ 1,445	\$ 219,387	\$ (5,590)	\$ 34,912	\$ (564)
BNP Paribas Securities Corp.....	A+	—	—	420,112	4,409	—	—
Citibank NA	A+	—	—	2,300	(1)	479,153	(1,590)
Credit Suisse	A	—	—	710,099	2,875	19,697	287
Goldman Sachs	A+	—	—	515,441	(19,010)	—	—
JPMorga	A+	—	—	2,200	37	5,329	(2,860)
LCH Ltd	AA-	898,712	16,858	—	—	222,620	(1,083)
Merrill Lynch International.....	A+	—	—	4,800	48	1,063,288	(3,226)
Morgan Stanley	A+	102,684	72	437,319	(19,169)	1,962,300	1,713
SMBC Capital Markets Inc.....	A+	250,000	(31,176)	—	—	—	—
U.S. Bank National Association...	A+	500,000	(11,208)	—	—	—	—
All others	Various	1,266,087,444	4,182	1,016,423	(4,845)	2,460,128	(14,477)
Totals		<u>\$1,269,180,395</u>	<u>\$ (19,827)</u>	<u>\$ 3,328,081</u>	<u>\$ (41,246)</u>	<u>\$ 6,247,427</u>	<u>\$ (21,800)</u>

B. DISCRETELY PRESENTED COMPONENT UNIT INVESTMENTS

Component units invest in derivative transactions. Detailed information on those transactions is found in the notes to the basic financial statements of those component units.

C. FAIR VALUE MEASUREMENTS OF INVESTMENTS

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, the Commonwealth categorizes the fair value measurements of its investments within the fair value hierarchy established by GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 - Inputs are quoted prices for identical investments in active markets.
- Level 2 - Observable inputs other than quoted market prices.
- Level 3 - Unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair measurement.

Level 2 investments are categorized using various inputs that include, but are not limited to, pricing models, independent third party evaluated services, benchmarking yields, reported trades, broker-dealer quotes, issuer spreads and benchmarking securities among others.

The following tables present a summary of the fair value hierarchy of investments at June 30, 2020 (amounts in thousands):

<i>Primary government</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury and agency securities.....	\$ 674,212	\$ 661,927	\$ 12,285	\$ —
Municipal securities.....	30,820	28,883	1,937	—
Institutional money market funds.....	324,443	319,680	4,763	—
Corporate debt/bonds.....	107,806	1,016	106,748	42
Corporate stock.....	24,299	24,299	—	—
Asset backed securities.....	19,613	—	19,613	—
Registered investment companies.....	41,261	37,601	3,660	—
Mortgage backed securities.....	22,656	—	22,332	324
Other fixed income.....	20,882	19,155	1,727	—
Total debt securities.....	1,265,992	1,092,561	173,065	366
Equity securities.....	183,914	182,329	1,585	—
Investments measured at the Net Asset Value (NAV):				
Commonfund (pooled investment funds).....	418,342			
Private equity.....	32,420			
Private debt.....	11,148			
Private real estate.....	8,847			
Other.....	16,337			
Total investments measured at the NAV.....	487,094			
Other investments at fair value:				
MMDT - bond fund.....	386,272			
Subtotal investments at fair value.....	2,323,272	\$ 1,274,890	\$ 174,650	\$ 366
Other investments:				
Guaranteed investment contracts.....	200,099			
Certificates of deposit.....	10,178			
Other.....	641,570			
Total other investments.....	851,847			
Total investments - primary government.....	\$ 3,175,119			
Derivative instruments:				
Interest rate swaps (liabilities).....	\$ 133,001	\$ —	\$ 133,001	\$ —

Included in the preceding schedule is approximately \$4 million of various money market mutual fund investments related to the business type activities which are classified as cash equivalents in the accompanying financial statements.

Lottery annuity contracts and U.S. Treasury Strips of approximately \$855 million as of June 30, 2020 is presented in governmental activities on the Statement of Net Position and also in the fiduciary funds as further explained in the Reconciliation of Fund Balances to the Statement of Net Position. In these fair value tables, the Lottery annuity contracts and U.S. Treasury Strips are presented solely in the fiduciary funds.

<i>Fiduciary funds:</i>	Total	Level		
		1	2	3
Debt securities:				
US Treasury securities	\$ 1,098,179	\$ 1,098,179	\$ —	\$ —
Bonds	115,286	37,705	77,581	—
Total debt securities	1,213,465	1,135,884	77,581	—
Investments measured at the Net Asset Value (NAV):				
Mutual funds	68,837			
Other investments at fair value:				
MMDT - bond fund	41,892			
Net investment in PRIT	74,981,294			
Total other investments at fair value	75,023,186			
Subtotal investments at fair value	76,305,488	\$ 1,135,884	\$ 77,581	\$ —
Other investments:				
Annuity contracts	105,961			
Total investments - fiduciary funds	\$ 76,411,449			

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

Taxes, federal reimbursements, loans and other receivables are presented in the statement of net position, exclusive of amounts due from cities and towns and component units as follows (amounts in thousands):

<i>Primary Government</i>	Taxes Receivable	Federal Grants and Reimbursements	Loans	Other Receivables	Total
<u>Governmental Activities:</u>					
Gross receivables	\$ 7,793,547	\$ 2,152,360	\$ 87,047	\$ 1,490,522	\$ 11,523,476
Less: allowance for uncollectibles	(1,334,717)	(100,037)	—	(582,060)	(2,016,814)
Receivables, net allowance for uncollectibles	6,458,830	2,052,323	87,047	908,462	9,506,662
Less: current portion	(6,015,929)	(2,051,828)	(7,037)	(767,672)	(8,842,466)
Noncurrent receivables	\$ 442,901	\$ 495	\$ 80,010	\$ 140,790	\$ 664,196
<u>Business-Type activities:</u>					
Gross receivables	\$ —	\$ 25,839	\$ 49,049	\$ 1,769,756	\$ 1,844,644
Less: allowance for uncollectibles	—	—	(3,563)	(733,961)	(737,524)
Receivables, net allowance for uncollectibles	—	25,839	45,486	1,035,795	1,107,120
Less: current portion	—	(25,839)	(6,321)	(1,019,754)	(1,051,914)
Noncurrent receivables	\$ —	\$ —	\$ 39,165	\$ 16,041	\$ 55,206

B. TAX ABATEMENTS

As of June 30, 2020, the Commonwealth provided tax abatements through the following three programs: the Massachusetts Economic Development Incentive Program Credit (EDIP), Life Sciences Tax Incentive Program and the Film Tax Credit.

Economic Development Incentive Program

Under the Economic Development Incentive Program (EDIP), companies receive state and local tax incentives in exchange for job creation, manufacturing job retention and private investment commitments. On or after January 1, 2010 and before January 1, 2017, the Economic Assistance Coordination Council (EACC) may award to taxpayers up to 40% of the cost of qualifying properties as credits to certain certified projects ("expansion project", "enhanced expansion project", or a "manufacturing retention project"). The EACC may also award EDIP credits of up to \$1,000 per job (\$5,000 per job in gateway municipalities) to certified job creation projects. The total award for a project may not exceed \$1 million. On or after January 1, 2017, the credit is instead determined by the EACC based on factors set out in M.G.L. c. 23A, § 3D.

For tax years beginning on or after January 1, 2019, the EACC is authorized to establish a program to incentivize businesses to occupy vacant storefronts in downtown areas. Pursuant to this program, the EACC may award up to \$500,000 of available EDIP tax credits annually to businesses that occupy previously vacant storefronts. The businesses must commit to occupying the previously vacant storefront for a period of not less than one year.

The total dollar amount of the EDIP credit that may be used in a calendar year is \$30 million.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

For projects certified before January 1, 2017, if a project's certification is revoked, or if property upon which a certification is based is sold prior to the end of its useful life, the difference between the credit taken and the credit allowed for actual use must be added back as additional taxes due in the year of disposition, except if the property had been in qualified use for more than twelve consecutive years. For an expansion project where the actual number of permanent full-time employees employed by the controlling business at the project is less than 50% of the number of such permanent full-time employees projected in the project proposal, this shall be deemed a material variance for the purpose of a revocation determination. Upon such a revocation, all tax credits available to the controlling business as a result of project certification shall be revoked and forfeited for the year in which revocation occurred and all subsequent years, and the Commonwealth, in the case of a certified expansion project, shall recover the value of any tax credits received by the controlling business prior to or subsequent to such revocation.

For projects certified on or after January 1, 2017, recapture is required only if the EACC revokes certification. The amount of credit subject to recapture shall be proportionate to the corporation's job creation requirements applicable to the certified project. The corporation's proportion of compliance will be determined by the EACC as part of the revocation process and reported to DOR and the taxpayer at time of revocation.

Life Sciences Tax Incentive Program

The Massachusetts Life Sciences Center (MLSC) certifies and awards five types of tax credits to life sciences companies, with the purpose of creating and retaining jobs in the Massachusetts life sciences sector. Unless stated otherwise, if one of these tax credits is claimed by a taxpayer and exceeds the tax otherwise due, 90% of the balance of such credit may, at the option of the taxpayer and to the extent authorized by the MLSC, be refundable to the taxpayer. These tax credits, together with other life sciences tax incentives, are subject to an aggregate \$30 million annual cap.

- The Life Sciences Investment Tax Credit is equal to 10% of the cost of qualifying property acquired, constructed, reconstructed or erected during the taxable year and used exclusively in Massachusetts.
- The Life Sciences User Fees Tax Credit is equal to 100% of the user fees paid to the U.S. Food and Drug Administration (USFDA) upon submission of an application to manufacture a human drug in Massachusetts, and may be claimed in the taxable year in which the application for licensure of an establishment to manufacture the drug is approved by the USFDA. To be eligible for the credit, more than 50% of the research and development costs for the drug must have been incurred in Massachusetts.
- The Life Sciences Refundable Jobs Tax Credit is available to life sciences companies that commit to the creation of a minimum of 50 net new permanent full-time positions in Massachusetts. The amount of the credit is determined by the MLSC.
- The Life Sciences Research Tax Credit is equal to 10% of excess qualified research expenses, including expenditures for legally mandated clinical trial activities performed both inside and outside of Massachusetts, and 15% of basic research payments. The Life Sciences Research Tax Credit is not refundable.

The MLSC may also authorize life sciences companies to obtain refunds of the Research Credit authorized by M.G.L. c. 63, § 38M. Generally, the Research Credit authorized by M.G.L. c. 63, § 38M provides a credit for research expenses incurred in Massachusetts based on a formula that measures a taxpayer's year-to-year increases in Massachusetts research expenses. See the regulations and public written statements cited below for a more detailed description of the formula.

- The Angel Investor Tax Credit is equal to 20% of the amount of qualifying investments in a qualifying business, and 30% of the amount of qualifying investments made by a taxpayer investor in a qualifying business located in a "Gateway municipality," as defined in M.G.L. c. 23A, § 3A. A taxpayer cannot claim more than \$50,000 of the credit for a single calendar year. The Angel Investor Tax Credit is not refundable.

Recipients of these tax credits agree to increase or maintain their employee headcount in Massachusetts, compared to their "baseline" employee headcount at the time of the award and the company's projected net increase in headcount in the tax year following the award. Baseline and projected headcounts are summed to create a "total projected headcount" metric that is used for MLSC agreement and compliance purposes.

A life sciences company that has received tax incentives from the MLSC and subsequently fails to achieve the minimum net new headcount thresholds as specified in the MLSC's Annual Tax report and Multiple Awards policy will have the award terminated and must return the amount of the tax credit claimed to the Commonwealth, although the company may be given an additional year to achieve the employment goals if the MLSC determines that it has the potential to meet those goals. The MLSC is required by statute to de-certify any life sciences company that fails to achieve at least 70% of its job target for two consecutive years. The MLSC has decided through administrative action that any life sciences company failing to achieve at least 80% of its job target by the end of any extension period and, in the case of the Life Sciences Refundable Jobs Tax Credit, failing to create at least 50 net new jobs, will be de-certified. More information on these job creation and recapture requirements is available on the MLSC's website, <http://www.masslifesciences.com/programs/tax/>.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated.

Film Tax Incentive

M.G.L. c. 62, § 6(l) and M.G.L. c. 63, § 38X, provide tax credits to encourage the production in Massachusetts of films, television shows, commercials, and other motion pictures. Entities that fund such productions (known under the statute as “motion picture production companies”) may claim (1) a credit equal to 25% of the total qualifying aggregate payroll for employing persons within the Commonwealth in connection with filming and production of a motion picture and (2) a credit equal to 25% of their Massachusetts production expenses (not including the qualifying aggregate payroll expenses). Each credit has its own qualification requirements and a taxpayer is allowed to qualify for and claim both credits. The production companies must incur a minimum of \$50,000 in total Massachusetts production expenses during a consecutive twelve-month period to be eligible for the credits. The credits are either transferable or 90% refundable to the motion picture production companies to the extent that the credits exceed the companies’ Massachusetts tax liability. Transferees do not qualify for the 90%-refundability option.

The taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, insurance premiums excise and personal income tax, with tax payments reduced by applying the amount of the credits directly against the relevant calculation of tax liability as determined by the rules governing the particular tax to be abated. There is no cap on the amount of the credits.

There are no provisions in the statutes to recapture the film tax credits.

In addition to the tax credit, M.G.L. c. 64H, § 6(ww) provides that sales of tangible personal property to a qualifying motion picture production company or to an accredited film school student for the production expenses related to a school film project are exempt from the sales tax. In order to qualify for the sales tax exemption, a motion picture production company must incur at least \$50,000 in total production costs in Massachusetts during a consecutive 12 month period and must be conditionally pre-approved as a qualifying company by the Commissioner of Revenue. Any taxpayer that has been conditionally pre-approved for the sales tax exemption that then fails to expend the requisite \$50,000 within a consecutive 12 month period shall be liable for the sales taxes that would have been due had the conditional pre-approval not been granted.

The following is the total revenue estimated to be reduced under these programs for fiscal year 2020 (amounts in thousands):

Tax abatement program	Total estimated revenue reduced by
Economic Development Incentive Program (EDIP).....	\$ 1,735 ⁽¹⁾
Life Sciences Tax Incentive Program.....	18,570 ⁽²⁾
Film Tax Incentive Program:	
Film Tax Credit.....	75,115 ⁽³⁾
Sales Tax Exemption.....	322 ⁽⁴⁾
Total.....	<u>\$ 95,742</u>

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2020.

(2) <https://www.masslifesciences.com/baker-polito-administration-announces-18-6-million-in-job-creation-incentives-for-31-massachusetts-life-sciences-companies/>, incentives awarded in FY2020.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2020.

(4) Massachusetts Department of Revenue, FY2021 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2020 (<https://www.mass.gov/doc/2021-tax-expenditure-budget/download>).

4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS BETWEEN FUNDS

The purposes of interfund receivables, payables and transfers between funds vary by legislative authority. Transfers include the following: intergovernmental services, fringe benefit cost assessments, the year-end Stabilization Fund transfer, certain license fees collected by the Registry of Motor Vehicles that fund various highway project initiatives, fund closure transfers, and various other transfers for operations, largely for Institutions of Higher Education.

Activity between funds reflected as due to/from primary government in the various statements is summarized as follows (amounts in thousands):

	General	Lotteries	Coronavirus Relief	Other Governmental Funds	Total
Governmental funds:					
<u>Transfers in:</u>					
Debt service	\$ —	\$ —	\$ —	\$ 2,578,425	\$ 2,578,425
Transfers in	1,983,854	—	—	2,099,548	4,083,402
Subtotal	1,983,854	—	—	4,677,973	6,661,827
<u>Transfers out:</u>					
Appropriations	(1,519,070)	—	—	(14,006)	(1,533,076)
Transfer of bond proceeds	—	—	—	(146,155)	(146,155)
Debt service	(1,315,529)	—	—	(1,262,897)	(2,578,426)
Transfers out	(992,117)	(1,089,484)	(84,422)	(1,642,483)	(3,808,506)
Subtotal	(3,826,716)	(1,089,484)	(84,422)	(3,065,541)	(8,066,163)
Total governmental funds	\$ (1,842,862)	\$ (1,089,484)	\$ (84,422)	\$ 1,612,432	(1,404,336)
	Family and Employment Security Trust	University of Massachusetts	State Universities	Community Colleges	Total
<u>Transfers in:</u>					
Transfers in from governmental funds	\$ —	\$ 800,917	\$ 399,797	\$ 478,517	1,679,231
<u>Transfers out:</u>					
Transfers out to the General Fund	(5,554)	(169,218)	(56,582)	(43,541)	(274,895)
Total proprietary funds	\$ (5,554)	\$ 631,699	\$ 343,215	\$ 434,976	1,404,336
Net transfers in/(out) between funds					\$ —

Due to/from component units on the Statement of Net Position reflects a timing difference for payments of approximately \$15 million at year end.

Remaining receivables and payables between funds as of June 30, 2020 largely occur due to the timing of accruals and the funding of escrows. The University of Massachusetts also reported unremitted benefits costs as of June 30, 2020. The amount due to the General Fund largely represents deficits funded by the General Fund. The following is a summary of receivables and payables between funds remaining as of June 30, 2020 (amounts in thousands):

Receivable Fund	Payable Fund	Amount
Governmental Funds:		
General	Non-major Governmental Funds	\$ 523,066
Non-major Governmental Funds	Non-major Governmental Funds	67,685
Total Governmental Funds		\$ 590,751

5. CAPITAL ASSETS

Capital asset activities for both governmental and business-type activities were as follows (amounts in thousands):

<i>Governmental Activities</i>	Beginning Balance July 1, 2019	Increases	Decreases and Reclassifications	Ending Balance June 30, 2020
Capital assets not being depreciated:				
Land	\$ 933,152	\$ 8,977	\$ (168)	\$ 941,961
Construction in process	608,149	233,203	(127,633)	713,719
Total capital assets not being depreciated	1,541,301	242,180	(127,801)	1,655,680
Capital assets being depreciated:				
Buildings	6,144,333	95,452	(41,267)	6,198,518
Machinery and equipment	1,795,846	190,047	(265,964)	1,719,929
Infrastructure non - central artery/tunnel project	437,003	19,541	—	456,544
Total capital assets being depreciated	8,377,182	305,040	(307,231)	8,374,991
Less, accumulated depreciation:				
Buildings	(3,472,224)	(118,985)	27,525	(3,563,684)
Machinery and equipment	(1,360,666)	(126,773)	230,362	(1,257,077)
Infrastructure non - central artery/tunnel project	(278,063)	(9,008)	—	(287,071)
Total accumulated depreciation	(5,110,953)	(254,766)	257,887	(5,107,832)
Total capital assets being depreciated, net	3,266,229	50,274	(49,344)	3,267,159
Governmental activities capital assets, net	4,807,530	292,454	(177,145)	4,922,839
<i>Business - Type Activities</i>				
Capital assets not being depreciated:				
Land	228,778	—	—	228,778
Construction in process	518,842	311,613	(294,401)	536,054
Historical treasures	1,019	18,674	(264)	19,429
Total capital assets not being depreciated	748,639	330,287	(294,665)	784,261
Capital assets being depreciated:				
Buildings	11,260,322	403,329	(13,157)	11,650,494
Machinery and equipment	1,187,460	65,812	(46,038)	1,207,234
Library collections, not including historical treasures	64,666	261	(8,385)	56,542
Total capital assets being depreciated	12,512,448	469,402	(67,580)	12,914,270
Less, accumulated depreciation:				
Buildings	(4,394,578)	(373,290)	12,455	(4,755,413)
Machinery and equipment	(943,980)	(64,502)	41,495	(966,987)
Library collections, not including historical treasures	(15,622)	(228)	95	(15,755)
Total accumulated depreciation	(5,354,180)	(438,020)	54,045	(5,738,155)
Total capital assets being depreciated, net	7,158,268	31,382	(13,535)	7,176,115
Business - type activities capital assets, net	7,906,907	361,669	(308,200)	7,960,376
Total Primary Government capital assets, net	\$ 12,714,437	\$ 654,123	\$ (485,345)	\$ 12,883,215

Depreciation expense was charged to the various functions of governmental and business-type activities as follows (amounts in thousands):

Function	Amount
General government.....	\$ 123,121
Judiciary.....	20,750
Health and human services.....	26,310
Early elementary and secondary education.....	2,609
Public safety and homeland security.....	73,757
Housing and economic development.....	43
Labor and workforce development.....	8,176
Total depreciation, governmental activities.....	<u>\$ 254,766</u>
University of Massachusetts.....	\$ 288,667
State universities.....	104,034
Community colleges.....	45,319
Total depreciation, business-type activities.....	<u>\$ 438,020</u>

6. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. Short-term borrowing may be issued as fixed rate notes, floating rate notes or through a commercial paper program supported by bank liquidity facilities maintained by the Commonwealth. Per the State Constitution, revenue anticipation notes (RANs) issued for cash flow purposes are required to be paid within the same fiscal year. Temporary financings for capital needs, such as bond anticipation notes, may be outstanding for up to three years, per statute.

A. GENERAL FUND

The balance of revenue anticipation notes (RANs) and commercial paper outstanding may fluctuate during a fiscal year, but all short-term borrowing for cash flow purposes must be reduced to zero by June 30. For short-term borrowing for cash flow purposes, the Commonwealth borrowed \$1.4 billion by selling RANs in October, 2019 in two separate \$500 million series and one \$400 million series. The two \$500 million notes were retired in April and May, 2020 while the \$400 million note was retired in June, 2020.

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth has entered into a line of credit with a syndicate of commercial banks in an amount up to \$1.75 billion. The Commonwealth also has enacted special legislation to authorize the Commonwealth to issue notes in anticipation of revenues or for which revenues are not otherwise available, which notes will mature no later than June 30, 2021. During FY20, the Commonwealth drew down \$500 million, which is recorded as a note payable in the general fund. The note was repaid in August, 2020.

The following schedule details short-term financing for all funds for the fiscal year (amounts in thousands):

	Beginning Balance July 1, 2019	Issued/ Drawn	Redeemed/ Repaid	Ending Balance June 30, 2020
General Fund:				
Revenue anticipation notes.....	\$ —	\$ 1,400,000	\$ (1,400,000)	\$ —
Notes payable.....	—	500,000	—	500,000
Total.....	<u>\$ —</u>	<u>\$ 1,900,000</u>	<u>\$ (1,400,000)</u>	<u>\$ 500,000</u>

B. CREDIT FACILITIES

During FY20, the Commonwealth maintained a credit facility to provide liquidity support for commercial paper notes totaling \$200 million with TD Bank which expires on April 18, 2023. Additionally, in lieu of issuing commercial paper, the Commonwealth has the capacity under a note purchase agreement to issue general obligation tax exempt bonds or revenue anticipation notes up to \$200 million with RBC Capital Markets, LLC, which will expire on February 8, 2024. In addition to credit facilities for commercial paper, the Commonwealth maintained standby bond purchase agreements for outstanding Variable Rate Demand Bonds (VRDBs) sold from (FY01 through FY06). These VRDBs require external liquidity support because bond-holders have the right to tender the bonds back to the Commonwealth at par at any time. As of June 30, 2020, these agreements totaled \$419 million, were unused and will expire on various dates in FY21 through FY23. Agreements which expired in FY21 were not renewed or replaced by new liquidity agreements as the underlying VRDBs were refunded by fixed rate debt.

7. LONG-TERM OBLIGATIONS

Section 1 of Article 62 of the Massachusetts Constitution empowers the State Legislature to borrow money on the credit of the Commonwealth for various public purposes. Under the State Constitution, the Commonwealth may pledge its credit to borrow money only by a vote of two-thirds of each house of the Legislature. Borrowed funds may be used for defense of the State or of the United States, and in anticipation of receipts from taxes or other sources, “any such loan to be paid out of the revenue of the year in which the loan is made.” The Legislature may not in any manner allow the Commonwealth’s credit to be given or loaned to or in aid of any individual, or of any private association, or of any corporation, which is privately owned or managed. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan.

Statutorily, the authority to borrow is delegated to the Massachusetts State Treasurer & Receiver General pursuant to Chapter 29 of the Massachusetts General Laws. Section 49 of Chapter 29 of the Massachusetts General Laws is the primary statute governing the issuance of Commonwealth debt and contains a number of provisions spelling out the process for the issuance of bonds.

The issuance of bonds to fund the Commonwealth’s capital needs must be authorized by the Legislature. Pursuant to legislative authorizations to borrow, the Governor determines the amount and timing of any authorized borrowing to fund capital investments. At the request of the Governor, the State Treasurer & Receiver General borrows by issuing bonds to the public or through direct placement. The Governor approves the use of the bond proceeds by agencies to pay for authorized and budgeted capital projects.

Massachusetts General Law provides for the allocation of bond proceeds to bond authorizations and capital spending in arrears (as needed), as expenditures are made, or at the time of issuance of the bonds. In general, bond proceeds are primarily allocated to capital spending that has already occurred. When allocating in arrears, the allocation of segregated bond proceeds is a reimbursement to the General Fund.

Bond proceeds that are awaiting allocation are typically invested by the State Treasurer in the Commonwealth’s primary investment vehicle, the Massachusetts Municipal Depository Trust (MMDT) (for more information please

see the notes on the Commonwealth's short-term investments). Bond proceeds are segregated from other funds until they are allocated to capital expenditures, a process that requires review by the Commonwealth's bond counsel.

The Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including bonds and notes issued by it and all claims with respect hereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for the payment of principal or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, enacted to extend the time for payment or impose other constraints upon enforcement. The Commonwealth cannot file for bankruptcy under the United States Bankruptcy Code.

As of June 30, 2020, the Commonwealth had issued two types of long-term debt obligations: general obligation bonds and special obligation bonds. General obligation bonds, which account for the large majority of outstanding Commonwealth bonds, are backed by the full faith and credit of the Commonwealth. Special obligation bonds, however, are bonds secured by all or a portion of a specific revenue source that are pledged to bondholders and are not general obligations of the Commonwealth. For this type of securities, bondholders rely on pledged revenue only for repayment of principal and interest.

The following is a summary of the Commonwealth's outstanding debt, exclusive of capital leases, (amounts in thousands):

Type of Bond	Amount Outstanding
General obligation bonds - public offering, net proceeds	\$ 25,620,142
General obligation bonds - direct placement, net proceeds	468,615
Special obligation bonds (including GANs) - public offering, net proceeds	4,612,665
Outstanding Commonwealth bonds, net proceeds	30,701,422
MSBA bonds, - public offering, net proceeds	6,570,341
Total governmental activities, net proceeds	37,271,763
Less:	
Unamortized premiums on general obligation bonds - public offering*	(2,135,597)
Unamortized premiums on special obligation bonds	(466,935)
Unamortized premiums on MSBA bonds	(516,394)
Total governmental activities, principal	\$ 34,152,837

* - As of June 30, 2020 there were no unamortized premiums on direct placement GO bonds.

The general obligation (GO) bonds listed in the table above include outstanding tax-exempt bonds, taxable bonds including Build America Bonds, College Opportunity Bonds, and debt assumed from former counties. The special obligation (SO) bonds listed above include outstanding tax-exempt and taxable bonds (including Build America Bonds and Recovery Zone Economic Development Bonds) secured by indentures that legally define the specific revenues pledged to bondholders, as defined in the trust agreement. This includes outstanding bonds or notes secured by Federal Highway funds to be received by the Commonwealth, certain portions of the Commonwealth's motor fuel excise taxes and Registry of Motor Vehicle fees, and dedicated taxes and fees levied in certain geographic areas of the state to support the Commonwealth's convention center facilities. As of June 30, 2020, there were four different special obligation bond programs with bonds outstanding. It should be noted that one of the four bond programs has a closed lien, meaning that no additional new-money bonds will be issued under that specific special obligation bond indenture.

The following is a table of GO bonds principal outstanding as of June 30, 2020, (amounts in thousands):

General Obligation Bonds	Principal Outstanding	Percent of Total GO
Fixed rate bonds.....	\$ 21,966,379	91.7 %
Variable rate bonds.....	1,986,781	8.3 %
Total.....	<u>\$ 23,953,160</u>	<u>100.0 %</u>

The following is a table of the different types of outstanding variable rate GO bonds, (amounts in thousands):

Variable Rate GO Bonds	Principal Outstanding	Percent of Total GO
LIBOR index bonds.....	\$ 507,025	2.1 %
Direct purchase bonds.....	468,615	2.0 %
Variable rate demand bonds.....	418,950	1.7 %
Multi-Modal.....	400,000	1.7 %
College opportunity bonds.....	154,096	0.6 %
CPI-index bonds.....	38,095	0.2 %
Total.....	<u>\$ 1,986,781</u>	<u>8.3 %</u>

The following is a table of hedged and unhedged variable rate GO bonds, (amounts in thousands):

	Principal Outstanding	Percent of Total GO
Hedged variable rate GO bonds.....	\$ 785,680	3.3 %
Unhedged variable rate GO bonds...	1,201,101	5.0 %
Total variable rate GO bonds.....	<u>\$ 1,986,781</u>	<u>8.3 %</u>

The following is a table of SO bond principal, by rate structure, outstanding as of June 30, 2020, (amounts in thousands):

Special Obligation Bonds	Principal Outstanding	Percent of Total SO
Fixed rate bonds.....	\$ 4,117,345	99.3 %
Variable rate bonds.....	28,385	0.7 %
Total.....	<u>\$ 4,145,730</u>	<u>100.0 %</u>

All of the variable rate special obligation bonds are hedged as of June 30, 2020.

The following is a table of the different types of outstanding Special Obligation bonds (amounts in thousands):

Special Obligation Bonds	Amount Outstanding
Special obligation dedicated tax revenue bonds, net proceeds:	
Fixed rate convention center bonds	\$ 504,255
Special obligation revenue bonds, net proceeds:	
Fixed rate gas tax bonds	26,905
CPI variable rate gas tax bonds	28,385
Total gas tax bonds, net proceeds	55,290
Special obligation revenue bonds, net proceeds:	
Accelerated bridge program	1,800,062
Rail enhancement program	1,447,797
Total revenue bonds, net proceeds	3,247,859
Special obligation GANS, net proceeds:	
Federal highway grant anticipation notes and accelerated bridge program	810,071
Total special obligation bonds, net proceeds	4,617,475
Less: unamortized premiums	(471,745)
Outstanding special obligation principal	<u>\$ 4,145,730</u>

A. GENERAL OBLIGATION BONDS

General obligation bonds are authorized and issued primarily to provide funds for the Commonwealth's five-year capital improvement program (CIP), including capital infrastructure projects throughout the state as well as Commonwealth- supported local government capital improvements. The five-year plan is developed by the Executive Office for Administration and Finance (A&F) and updated annually. The CIP is primarily funded through the issuance of bonds that are sold by the State Treasurer and Receiver General. The Commonwealth borrows from the capital markets by selling GO bonds and notes pursuant to Chapter 29 of the Massachusetts General Laws. GO bonds are backed by the full faith and credit of the Commonwealth and are paid from the Governmental Funds, to which debt service principal and interest payments are appropriated in the state's operating budget.

In addition to GO bonds issued to fund the state's capital needs, certain bonds are approved by the Legislature to be issued for a specific program. These bonds, known as College Opportunity Bonds, are issued pursuant to statute directly to the Massachusetts Educational Financing Authority for its pre-paid tuition program called the "U.Plan". As of June 30, 2020, the Commonwealth had approximately \$154 million in "U. Plan" bonds (at accreted value) outstanding. Pursuant to statute, all of the outstanding bonds are variable rate bonds. Interest on the bonds is based on the percentage change in the consumer price index plus 2.0% together with current interest at the rate of 0.5%.

In terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2020, approximately 91.7% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 8.3% of outstanding GO debt is in the form of variable rate bonds – bonds whose rate of interest fluctuate based on market or market index changes. The outstanding GO variable rate debt consists of several different variable rate structures. These structures include floating rate notes in various interest rate modes, direct purchase agreements in various interest rate modes, multi-modal bonds currently in the Term Mode, and variable rate demand bonds. Variable rate demand bonds, or "VRDBs", are long-term bonds whose interest rates re-set daily or weekly through an active remarketing process. Because these bonds provide bondholders with a "put" or tender feature enabling the bonds to be sold back to the Commonwealth at par at any time by an investor, they are supported by standby liquidity facilities provided by third-party commercial banks which require the applicable bank to purchase any bonds that are tendered by investors and not successfully remarketed. As of June 30, 2020, the

Commonwealth had approximately \$419 million in outstanding VRDBs. This accounts for approximately 1.7% of total GO debt and approximately 21.1% of total GO variable-rate debt. All of these bonds are uninsured. As of June 30, 2020, none of the Commonwealth's outstanding VRDBs have been subject to failed remarketing and "put" back to the Commonwealth; consequently, there have not been any draws on any of the outstanding bank liquidity facilities.

A portion of the Commonwealth's outstanding bonds have been directly purchased by banks (or "direct purchase bonds"). These variable rate, direct purchase bonds bear interest at an index rate and are payable on the first business day of each month until maturity. As of June 30, 2020, the Commonwealth had \$469 million direct purchase bonds outstanding.

The following table details the general obligation direct purchase bonds (amounts in thousands):

Series	Par Outstanding	Final Maturity	Reset Mode/ Payment Frequency	Direct Purchase Bank	Direct Purchase Agreement Date	Direct Purchase Expiration Date
2016 Series C.....	\$ 200,000	4/1/2046 ⁽¹⁾	1 Month LIBOR/ Monthly Pay	State Street	5/12/2016	4/1/2021 ⁽³⁾
2001 Series B Refunding Bonds.....	48,250	1/1/2021 ⁽²⁾	1 Month LIBOR/ Monthly Pay	TD Bank	8/1/2017	1/1/2021 ⁽²⁾
2016 Series B.....	100,000	4/1/2036 ⁽¹⁾	1 Month LIBOR/ Monthly Pay	TD Bank	5/10/2016	4/1/2021 ⁽³⁾
2018 Series A Refunding Bonds.....	120,365	2/1/2021 ⁽²⁾	1 Month SIFMA/ Monthly Pay	RBC Capital	1/30/2018	2/1/2021 ⁽²⁾
Total.....	<u>\$ 468,615</u>					

(1) These issuances have a mandatory tender prior to their final maturity Put dates.

(2) These issuances were refunded prior to their final maturity dates and the liquidity facilities were no longer needed.

(3) The Commonwealth plans to extend or replace these agreements upon expiration.

The remaining outstanding GO variable-rate debt pays interest to bondholders based on certain indices. For example, as of June 30, 2020, the Commonwealth had approximately \$38 million of bonds that pay interest based on the consumer price index (CPI); \$507 million of bonds that pay interest based on the three-month London Interbank Offered Rate (LIBOR), and \$400 million in Multi-Modal bonds. These bonds make up approximately 0.2%, 2.1%, and 1.7% of total outstanding general obligation indebtedness, respectively.

To fund the FY20 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$1.772 billion in new money long-term bonds; \$1.518 billion of which was general obligation debt and \$254 million of which was special obligation debt secured by federal highway reimbursements and/or motor fuels taxes and motor vehicle license and registration fees. In addition, \$1.225 billion in refunding bonds were issued in three separate transactions. Two of these transactions were executed as current refundings with the remaining executed as an advance refunding; all of which were executed for savings. The cash and present value savings of the refunding transactions are immaterial to these financial statements.

MSBA Debt

As of June 30, 2020, the MSBA had outstanding approximately \$6.570 billion of Dedicated Sales Tax bonds, which includes approximately \$516 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 3.00% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY48. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$6.054 billion of debt outstanding as of June 30, 2020, \$450 million is taxable Build America Bonds for which the MSBA is eligible to receive a 35% interest subsidy directly from the United States Treasury. In addition, \$293 million of the Subordinated Dedicated Sales Tax Bonds was issued as "Qualified School Construction Bonds" for which the MSBA is eligible to receive a 100% interest subsidy

payment directly from the United States Treasury. During FY20, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. On September 30, 2013, the IRS published a notice indicating that subsidy payments processed on or after October 1, 2013 and on or before September 30, 2014 will be reduced by the FY14 sequestration rate of 7.2%. The notice was updated in September 2014 to announce that subsidy payments processed on or after October 1, 2014 and on or before September 30, 2015 will be reduced by the FY15 sequestration rate of 7.3%. The subsidy payments made between October 1, 2015 and September 30, 2016 were reduced by the FY16 sequestration rate of 6.8%. The subsidy payments made between October 1, 2016 and September 30, 2017 were reduced by the FY16 sequestration rate of 6.9%. The subsidy payments made between October 1, 2017 and September 30, 2018 were reduced by the FY17 sequestration rate of 6.6%. The IRS announced that the sequestration rate for the federal fiscal year ending September, 2019 would be 6.2%. The notice states that the sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise modifies the sequester. The reductions were approximately \$2 million on the 2009 Series B Bonds, 2010 Series A Bonds and 2011 Series A Bonds in FY19.

B. SPECIAL OBLIGATION BONDS

Commonwealth Transportation Fund (CTF)

The largest amount of special obligation bonds outstanding (by par) are bonds secured by certain revenues of the Commonwealth Transportation Fund. During FY20, the Commonwealth issued approximately \$15 million in special obligation bonds under the Accelerated Bridge Program (ABP) and \$185 million under the Rail Enhancement Program (REP). These bonds mature from FY21 to FY49 and are secured by a senior lien on 17 cents of the total 24 cents per gallon gasoline tax, the full 24 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), and the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited into the CTF. These bonds also have a subordinate lien on 6.86 cents of the 24 cent per gallon gasoline tax not included in the senior lien. As of June 30, 2020, approximately \$1.663 billion and \$1.261 billion in principal was outstanding on the ABP and REP bonds, respectively, and approximately \$1.071 billion and \$1.178 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the ABP and REP bonds, respectively.

Motor Fuels Tax Bonds

Other special obligation bonds for highway construction purposes are secured by a senior lien on 6.86 cents of the 24 cent per gallon gasoline tax. As of June 30, 2020 bonds secured by these pledged funds totaled approximately \$55 million of principal. These bonds mature from FY21 to FY22 and were issued in multiple series. Principal and interest paid during FY20 amounted to approximately \$26 million and \$4 million, respectively.

Convention Center Fund

Chapter 152 of the Acts of 1997, as amended, authorized \$694 million of special obligation bonds to be issued for the purpose of building a new convention center in Boston (\$609 million), the Springfield Civic Center (\$66 million) and the Worcester Convention Center (\$19 million). The bonds are payable from monies credited to the Convention Center Fund created by that legislation, which include certain hotel tax receipts from hotels in Boston, Cambridge, Springfield and Worcester, a surcharge on car rentals in Boston, a parking surcharge at all three facilities, a surcharge on sightseeing tours and cruises in Boston, and sales tax receipts from certain hotels and other retail establishments in Boston, Cambridge, and Springfield. The trust agreement requires a capital reserve fund to be maintained at a level equal to maximum annual debt service and provides that if the fund falls below its required balance, the 2.75% convention center financing fee in Boston is to be increased (though the overall hotel tax in Boston, including the fee, cannot exceed 14%). As of June 30, 2020, taxes within the Convention Center districts support approximately \$504 million of outstanding principal and approximately \$232 million of interest on debts related to these Convention Centers. Taxes collected in FY20 were approximately \$131 million, while debt service on the bonds was approximately \$52 million.

C. FEDERAL GRANT ANTICIPATION NOTES

All federal highway reimbursements are dedicated to funding the principal portion only of federal grant anticipation notes (GANs) issued in fiscal 2011, 2014, 2015, 2017 and 2018. During FY20, the Commonwealth issued approximately \$54 million in GANs for new money needs under the Commonwealth's Accelerated Bridge Program (ABP). As of June 30, 2020, total principal remaining to be paid is approximately \$662 million. Maturities are from FY21 through FY27. Debt service paid during FY20 was approximately \$112 million.

The legislation authorizing such notes contains a statutory covenant that as long as any such GANs remain outstanding, the Commonwealth will deposit all federal highway reimbursements into the Grant Anticipation Note Trust Fund, to be released to the Commonwealth once all the debt service and reserve funding obligations of the trust agreement securing the GANs have been met. Principal amortization of the notes will continue through FY27. Such notes and the interest thereon are secured by the pledge of federal highway construction reimbursement payments and by a contingent pledge of certain motor fuels excises. In practice, the interest on such notes has been paid from Commonwealth appropriations.

D. THE BUILD AMERICA BOND PROGRAM

As part of the federal America Recovery and Reinvestment Act (ARRA) in 2009, municipal issuers were authorized to issue taxable bonds to fund new capital expenditures and receive an interest rate subsidy from the U.S. Treasury. As part of the temporary Build America Bond (BABs) program issuers, including the Commonwealth, issued taxable bonds in calendar years 2009 and 2010 in return for a subsidy from the federal government equal to 35% to 45% of the interest costs on the bonds, depending on whether the proceeds were used for projects in economically distressed areas. Between the GO bond program and the special obligation bond programs, the Commonwealth issued a total of \$2.791 billion in Build America Bonds and Recovery Zone Economic Development Bonds in six separate financings over the two-year period of the program. All of the bonds were issued as "direct pay to issuer", meaning that the interest rate subsidies would be paid to the Commonwealth from the U.S. Treasury and not pledged to bondholders. As of June 30, 2020, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$562 million. The Commonwealth's repayment obligation to bondholders is based on the gross interest rate. From a budgetary perspective, the bonds' debt service is net of the interest-rate subsidy.

Given the interest rate subsidy from the U.S. Treasury and given market conditions at the time of the Commonwealth's BABs sales, this program resulted in borrowings whose net interest costs will be significantly lower than the interest on traditional tax-exempt bonds. The BABs program expired on December 31, 2010.

E. INTEREST RATE SWAP AGREEMENTS – OBJECTIVES AND RISKS

Prior to 2008, the Commonwealth had periodically entered into interest rate swap agreements for the sole purpose of hedging interest-rate risk on a portion of its outstanding variable rate bonds. By synthetically fixing the interest rates via the swap agreement this generally resulted in lower interest costs than traditional fixed rate bonds. Of the Commonwealth's variable-rate debt (including special obligation bonds) outstanding of approximately \$2.015 billion, approximately \$814 million was hedged via floating-to-fixed interest rate swap agreements. Of this amount, \$786 million are for G.O. bonds and the remainder on outstanding special obligation bonds.

In connection with the issuance of variable rate GO refunding bonds in 1998, 2001, 2003, 2005, 2006, and 2007, the Commonwealth entered into interest rate swap hedge agreements with certain counterparties to hedge against the volatility of the interest rates on certain bonds whose interest costs were floating and not fixed. Additional swap agreements were entered into to hedge this same volatility on certain special obligation bonds, including the Commonwealth's Series 2005 Special Obligation Tax Revenue (Gas Tax) Bonds. Since 2008, the Commonwealth has not entered into any new swap agreements and has restructured its swap portfolio to novate or transfer several outstanding swap agreements to new counterparties with stronger credit ratings following the financial crisis of 2008. In many cases, the original bonds that were hedged by the swap agreements have been refinanced with new

variable rate bonds. In all cases, the new bonds that were issued are effective hedges pursuant to GASB Statement No. 53.

In addition, a floating-to-fixed rate swap agreement was novated or transferred to the Commonwealth from the Route 3 North Transportation Improvements Association (secured by Commonwealth Contract Assistance) in November 2008 after the lease revenue bonds associated with that swap experienced remarketing failure. The swap was assigned to a portion of the Commonwealth's previously unhedged variable rate bonds that were outstanding.

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

Objective of the Interest Rate Swap Agreements

The intended effect of these agreements is essentially to fix the Commonwealth's interest rate obligations with respect to its variable-rate bonds in order to hedge or mitigate the Commonwealth's exposure to changes in interest rates on these bonds. For example, during a period when interest rates rise, the Commonwealth would receive higher payments from swap counterparties that would be used to offset higher payments to bondholders of the outstanding variable rate bonds. During a period when interest rates decline, the reduction in interest payments to bondholders would offset the higher payments made to swap counterparties. But in both scenarios, the net obligation of the Commonwealth is essentially fixed through the life of the swap and bonds. As of June 30, 2020, all of the Commonwealth's interest rate swaps were floating-to-fixed rate agreements and were deemed effective hedges pursuant to GASB Statement No. 53.

Terms of the Interest Rate Swap Agreements

The variable rate bonds and their related swap agreements have final maturities ranging from 2021 to 2033. The swaps' total notional value of approximately \$814 million effectively matches the par amount of the related variable-rate bonds.

Under the swap agreements, the Commonwealth pays the relevant counterparties fixed rates ranging from 3.85% to 5.059% and receives variable-rate payments equal to or approximately equal to the amount of variable rate payments the Commonwealth pays on the related variable-rate refunding bonds which are generally based on a market index. For almost all of the outstanding swap agreements, the Commonwealth receives an interest rate based on changes to LIBOR, the SIFMA index, or the CPI index. In some of these agreements, the variable rate payment to bondholders is exactly equal to the variable rate payment received from the swap counterparty. In other agreements, there is a slight differential in the payments resulting from refinancing of variable rate bonds. One of the agreements is a which is not linked to a variable rate index is a Cost of Funds swap where the swap counterparty pays the exact cost of the funds of the underlying variable rate bond.

Credit Risk of the Interest Rate Swap Agreements

As of June 30, 2020, the Commonwealth is not exposed to credit risk because the swaps had a negative fair value. Should interest rates change and the fair value of the swaps become positive, the Commonwealth would be exposed to credit risk in the amount of the swaps fair value. All of the Commonwealth's counterparties are required to post collateral in certain circumstances, including credit rating downgrades. The Commonwealth is not required to post collateral in any of its existing swap agreements.

The chart below details the Commonwealth's outstanding swaps and related bond issuances (amounts in thousands except for percentages).

Associated Bond Issue	Notional Amounts Outstanding	Effective Date	Replacement Agreement Effective Date	Terms		Fair value at June 30			Final Termination Date	Counterparty	Counterparty Credit Rating Moody's/S&P/Fitch
				Fixed Rate Paid (Range)	Variable Rate Received	2020	2019	Change in Fair Value			
<i>General Obligation Bonds:</i>											
Series 2001B & C refunding	\$ —	2/20/2001	2/20/2001	4.15%	Cost of Funds	\$ —	\$ (6,009)	\$ 6,009	6/26/2020	Morgan Stanley Capital Services	NR/WR/-
Series 2016C, portion of Series 2016B	254,450	4/2/2009	4/2/2009	4.515%	67% 3-Month LIBOR	(78,452)	(64,493)	(13,959)	6/15/2033	Barclays Bank PLC	A-/A1/A+
Series 2006C refunding	38,095	1/1/2007	1/1/2007	3.85%	CPI-based formula	(410)	(920)	510	11/1/2020**	Wells Fargo Bank	A+/-Aa2/AA-
Series 2007A refunding	26,250	10/8/2008	10/8/2008	3.936%	67% 3-Month LIBOR + 0.46%	(414)	(890)	476	11/1/2020**	Wells Fargo Bank	A+/-Aa2/AA-
Series 2007A refunding	348,380	10/8/2008	10/8/2008	4.083%	67% 3-Month LIBOR + 0.55%	(42,464)	(36,679)	(5,785)	11/1/2025	Bank of NY Mellon	AA-/Aa2/AA
Series 2018A refunding*	118,505	3/15/2005	3/15/2005	3.843% - 3.903%	SIFMA	(9,866)	(10,304)	438	2/1/2023	Wells Fargo Bank	A+/-Aa2/AA-
Subtotal	785,680					(131,606)	(119,295)	(12,311)			
<i>Special Obligation Dedicated Tax Revenue Bonds:</i>											
Series 2005A (Gas Tax)	28,385	1/12/2005	1/12/2005	4.937% - 5.059%	CPI-based formula	(1,395)	(1,691)	296	6/1/2022	Merrill Lynch Capital Services	A-/A2/A+
Total	\$ 814,065					\$ (133,001)	\$ (120,986)	\$ (12,015)			

* - \$1.860 million is unhedged from SIFMA roll due February, 2021

** - Swaps associated with the Series 2006C refunding and the Series 2007A refunding bonds matured and expired on November 1, 2020.

Fair value of the Interest Rate Swap Agreements

The aggregate fair value balance of interest rate swaps at June 30, 2020 was negative \$133 million and is reflected on the statement of net position as a liability for derivative instruments which is offset by deferred outflows from derivative instruments. The fair values of the interest rate swaps are estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. Because all of the interest rate swaps were deemed effective hedges, changes in fair value of the interest rate swaps during the fiscal year ended June 30, 2020 were recognized as deferred outflows resulting in no impact on the Statement of Activities.

If all the Commonwealth's swap agreements had been terminated as of the end of FY20, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the amount estimated above if certain termination events occurred, as described below. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swap agreements due to an event of the Commonwealth is remote. In the case of a voluntary termination due to an event of a counterparty, the Commonwealth would likely seek to maintain the existing hedge by replacing that counterparty with another.

Basis and Market-Access Risk of the Interest Rate Swap Agreements

Because the terms on most of the interest rate swap hedge agreements require the Commonwealth's counterparties to make variable rate payments equal or approximately equal to those the Commonwealth makes on the related variable rate bonds, the Commonwealth is not subject to significant basis risk as a result of the terms of these agreements. Under certain circumstances, such as a downgrade of the credit rating of the bonds being hedged or the enactment of tax-related legislation which causes the related bonds to trade differently, certain of the swap

agreements provide that the Commonwealth's counterparties, may, at their option, pay a variable rate that is based on one or more market indices such as LIBOR or the SIFMA swap index. Under these circumstances, the Commonwealth would be subject to basis risk if these indices varied from the basis for the variable rates that were paid to bondholders that were determined for the Commonwealth's variable-rate demand bonds through the associated remarketing process. For certain other interest rate swap agreements, the variable rate on the swap is based on a market index that differs from the variable rate on the hedged bonds, which is generally remarketed or auction rate. The Commonwealth is subject to basis risk on these agreements.

All but one of the swap contracts outstanding have the same or shorter maturity dates and amortizations as the related bonds. The 2018A refunding bonds that are hedged by the \$119 million notional swap with Wells Fargo Bank comes due before the swap termination date. For one of the swap agreements, the underlying bonds have mandatory tender dates that come due before the termination date of the associated swaps. This applies to the 2016B and 2016C bonds being hedged by the \$254 million notional swap with Barclays Bank. The Commonwealth's stated debt plan is to either identify other variable rate bonds the swap may hedge upon the mandatory tender date or to re-market or issue bonds in the same variable rate index mode as the swap agreement to ensure hedge effectiveness pursuant to GASB Statement No. 53. If the Commonwealth is unable to identify other variable rate bonds the swaps may hedge, the Commonwealth would be required to make net settlement payments on the swaps without the offsetting effects of changes in variable rate bond settlement payments.

On January 17, 2019, the Commonwealth issued \$318 million General Obligation Refunding Bonds 2019 Series A to refund the (SIFMA Index Bonds) 2015 Series C, 2017 Series A and 2006 (VRDB) Series B bonds. In addition, approximately \$78 million General Obligation Refunding Bonds 2019 Series B (Delayed Delivery) were issued to refund the (SIFMA Index Bonds) 2017 Series B, 2009 Series B and 2009 Series C on May 3, 2019. The Commonwealth selected to refinance the SIFMA floating rate bonds and terminated the mini-swaps associated with each maturity on February 5, 2019. The 2018 Series A refunding bonds are the only outstanding bonds that are being hedged by \$120 million notional swap with Wells Fargo Bank.

Termination Risk of the Interest Rate Swap Agreements

The swap agreements are based on the International Swap Dealers Association (ISDA) Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap agreements include termination events additional to those in the standard ISDA master agreement based on credit ratings. The swap agreements are not otherwise subject to termination except at the Commonwealth's option. The swap agreements require that the Commonwealth's counterparties maintain certain ratings levels. If they fail to maintain such ratings, the Commonwealth would have the option to terminate the related swap agreement and receive or pay a termination payment depending on the interest rates at the time. Similarly, the Commonwealth is required to maintain certain credit ratings under the agreements, generally 'BBB-' or above, well above the current credit rating of 'AA-' (based on long-term ratings assigned by Standard & Poor's). If the Commonwealth's rating fell below the defined threshold levels, the Commonwealth's counterparties would have the option to terminate the related swap agreements or for certain agreements choose to make variable rate payments based on a market index (instead of the actual bond rate) which would subject the Commonwealth to basis risk, as previously described. If one or more of the swap agreements were terminated, then the related variable rate bonds would no longer be hedged and the Commonwealth would no longer be paying a synthetic fixed rate with respect to the bonds. In addition, if at the time of termination, the swap had a negative fair value, the Commonwealth would incur a loss and would be required to settle with the related counterparty or counterparties at the swaps' fair market values. However, to avoid a termination payment and to maintain the interest rate hedge, when the terminating event is an event of the counterparty, the Commonwealth would likely seek to replace counterparties to the swap agreement. Based on the terms and provisions of the swap agreements and the Commonwealth's current bond ratings, an involuntary termination of the swaps due to an event of the Commonwealth is remote.

F. OUTSTANDING SWAPPED DEBT*Security for Interest Rate Swap Agreements*

Under legislation approved by the then Governor on August 11, 2008, scheduled, periodic payments to be made by the Commonwealth pursuant to swap agreements in existence on August 1, 2008 or entered into after such date shall constitute general obligations of the Commonwealth for which its full faith and credit is pledged.

Future bond interest payments are calculated using rates applicable to the scheduled payment nearest to June 30, 2020 for variable rate bonds. The net swap payments are calculated by subtracting the projected future variable rate interest payment per the swap agreement from the projected future fixed rate payment per the swap agreement. Projected future variable rate payments on the swap agreements are based on variable rates applicable to the scheduled payment nearest to June 30, 2020. The actual amount of variable rate interest paid to bondholders and net swap payments made to counterparties are affected by changes in variable interest rates, changes in inflation (CPI), as well as changes in the London Interbank Offered Rate (LIBOR) and the Securities Industry and Financial Markets Association (SIFMA) floating rate indices. Changes in the amounts paid to bondholders versus amounts paid to counterparties are largely offsetting.

Debt service requirements to maturity for variable-rate bonds hedged by interest rate swap agreements and projected future net settlement payments on interest rate swap agreements at June 30, 2020 are provided below (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2021	\$ 78,905	\$ 9,658	\$ 23,195	\$ 111,758
2022	126,575	8,775	20,676	156,026
2023	142,290	6,950	16,304	165,544
2024	126,385	5,264	12,060	143,709
2025	131,780	3,176	8,803	143,759
2026 - 2030	135,010	5,789	23,260	164,059
2031 - 2033	73,120	980	4,075	78,175
Total	<u>\$ 814,065</u>	<u>\$ 40,592</u>	<u>\$ 108,373</u>	<u>\$ 963,030</u>

Business - Type Activities – Swapped Debt

The business-type activities have various swaps. At June 30, 2020, the fair value liability of the outstanding interest rate swaps was \$75 million.

Component Unit – Swapped Debt

At June 30, 2020, the majority of interest rate swaps outstanding are held by MassDOT, which in aggregate have a negative fair value of approximately \$194 million. For complete details, see separate MassDOT financial statements.

G. OUTSTANDING LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT

The amount of long-term debt authorized but unissued is measured in accordance with the statutory basis of accounting.

Long-term debt principal outstanding and debt authorized and unissued at June 30, 2020 is as follows (amounts in thousands):

Purpose	Principal Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs.....	\$ 662,270	2021 - 2027	\$ —
Capital projects:			
General.....	13,613,926	2021 - 2050	16,657,883
Highway.....	12,620,034	2021 - 2050	9,728,722
Local aid.....	698,405	2021 - 2039	11,105
Other.....	504,255	2021 - 2034	—
Subtotal.....	27,436,620		26,397,710
Subtotal - governmental activities debt (exclusive of MSBA).....	28,098,890		<u>\$ 26,397,710</u>
MSBA debt.....	6,053,947		
Governmental activities debt.....	<u>\$ 34,152,837</u>		

Interest rates on the Commonwealth's outstanding debt at the end of FY20 ranged from 0.5% to 6.6%.

Changes in long-term debt outstanding (excluding discount and premium) and bonds authorized - unissued for the year ended June 30, 2020 are as follows (amounts in thousands):

	Governmental Funds (excluding MSBA)	MSBA	Total Governmental Funds Bonded Debt	Authorized and Unissued
Balance July 1, 2019.....	\$ 27,739,221	\$ 6,054,994	\$ 33,794,215	\$ 28,417,839
Plus: Increases in bonds authorized.....	—	—	—	32,618
General and special obligation bonds:				
Proceeds, defined as principal, plus premium,				
less discount.....	3,227,232	1,068,221	4,295,453	(2,052,747)
Less: Premium/discount.....	(223,684)	(52,801)	(276,485)	—
Less: Principal on refunded bonds.....	(1,260,210)	(747,690)	(2,007,900)	—
Less: Bonds retired.....	(1,383,669)	(268,777)	(1,652,446)	—
Outstanding principal June 30, 2020.....	<u>\$ 28,098,890</u>	<u>\$ 6,053,947</u>	<u>\$ 34,152,837</u>	<u>\$ 26,397,710</u>

Business - Type Activities – Colleges and University Debt

Building authorities related to the University of Massachusetts and the state universities have issued bonds for construction of higher education facilities and equipment. Such bonds are guaranteed by the Commonwealth in an aggregate amount not to exceed \$200 million. The bond agreements generally provide that revenues from student fees are pledged as collateral on the bonds and establish bond reserve funds, bond funds, and maintenance reserve funds. The University of Massachusetts and state universities have also entered into various loan agreements as participants in the MassDevelopment's ongoing capital asset program to finance construction projects and equipment.

At June 30, 2020, debt service requirements to maturity for principal and interest are as follows (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities									Business - Type Activities	
	Excluding MSBA Debt						MSBA Debt			Revenue Obligation	
	Public Offering Debt		Direct Placement Debt		Total Non MSBA Debt				Interest subsidies (1)		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		Principal	Interest
2021	\$ 1,319,753	\$ 1,224,463	\$ 168,615	\$ 14,180	\$ 1,488,368	\$ 1,238,643	\$ 133,478	\$ 278,671	\$ (22,833)	\$ 184,951	\$ 185,296
2022	1,416,547	1,160,964	—	9,000	1,416,547	1,169,964	136,642	272,567	(24,213)	340,868	178,722
2023	1,263,346	1,096,067	—	9,000	1,263,346	1,105,067	163,281	266,835	(24,213)	187,543	172,178
2024	1,278,221	1,024,711	—	9,000	1,278,221	1,033,711	144,835	260,148	(24,213)	190,494	165,016
2025	1,298,600	964,017	—	9,000	1,298,600	973,017	183,205	253,592	(24,213)	180,578	158,668
2026 - 2030	5,503,237	3,994,958	80,000	41,000	5,583,237	4,035,958	1,216,151	1,109,455	(85,862)	947,830	677,127
2031 - 2035	4,573,414	2,788,390	100,000	26,500	4,673,414	2,814,890	1,434,410	774,970	(37,910)	925,000	457,213
2036 - 2040	4,321,038	1,839,109	60,000	13,500	4,381,038	1,852,609	1,411,045	451,502	(13,821)	915,098	262,284
2041 - 2045	4,341,465	932,496	50,000	5,450	4,391,465	937,946	907,350	191,576	—	591,343	96,864
2046 - 2050	2,314,654	209,951	10,000	250	2,324,654	210,201	323,550	32,971	—	180,124	21,507
2050 - 2054	—	—	—	—	—	—	—	—	—	24,088	507
Total long - term debt	27,630,275	15,235,126	468,615	136,880	28,098,890	15,372,006	6,053,947	3,892,287	(257,278)	4,667,917	2,375,382
Less: current portion	(1,319,753)	(1,224,463)	(168,615)	(14,180)	(1,488,368)	(1,238,643)	(133,478)	(278,671)	22,833	(184,951)	(185,296)
Long - term debt	<u>\$ 26,310,522</u>	<u>\$ 14,010,663</u>	<u>\$ 300,000</u>	<u>\$122,700</u>	<u>\$ 26,610,522</u>	<u>\$ 14,133,363</u>	<u>\$ 5,920,469</u>	<u>\$ 3,613,616</u>	<u>\$ (234,445)</u>	<u>\$ 4,482,966</u>	<u>\$ 2,190,086</u>

(1) FY20 interest subsidies reflect announced sequestration reductions. There may be sequestration reductions in future years as well.

H. PRIOR DEFEASANCE

The Commonwealth defeased certain general and special obligation bonds by purchasing securities from the proceeds of advance refunding bonds or from surplus operating funds and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust account assets and the liabilities for the defeased bonds are not included in the financial statements. As of June 30, 2020, approximately \$2.538 billion of bonds outstanding from advance refunding activities is considered defeased.

Business - Type Activities

The University of Massachusetts (UMass) and the Massachusetts State College Building Authority (MSCBA) defeased various bonds by issuing refunding bonds and placing the proceeds in irrevocable trusts to provide for all future debt service payments on the defeased bonds. The trust assets and the liabilities of the defeased bonds are not included in the business type activity financial statements. As of June 30, 2020, approximately \$281 million and \$337 million of bonds outstanding from advanced refunding transactions are considered defeased for UMass and MSCBA, respectively.

I. STATUTORY DEBT LIMIT

The Massachusetts General Laws, as recently amended, establishes limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, a control is established on annual capital spending. The direct debt limit for FY20 was approximately \$25.220 billion. Outstanding debt subject to the limit at June 30, 2020 was approximately \$22.510 billion.

For purposes of determining compliance with the limit, outstanding direct debt is defined by statute, as amended on June 10, 2013 (effective January 1, 2013), as principal outstanding. It excludes BANs and associated discount or premium, if any, special obligation bonds, GANs, refunded bonds, certain refunding bonds, debt issued by counties, debt issued in conjunction with the MBTA Forward Funding, certain Central Artery/Tunnel debt, debt issued for the SMART program and effective August 10, 2016 bonds issued under the Rail Enhancement Program. The amounts excluded from the debt limit are as follows (amounts in thousands):

	Principal Outstanding
Statutory debt June 30, 2020.....	\$ 28,098,890
Less amounts excluded:	
Central artery project bonds.....	(945,574)
Accelerated bridge program.....	(2,325,620)
MBTA forward funding.....	(207)
SMART bonds.....	(496,936)
Convention center bonds.....	(504,255)
Special obligation gas tax bonds.....	(55,290)
Rail enhancement program bonds.....	(1,260,565)
Outstanding direct debt June 30, 2020.....	<u>\$ 22,510,443</u>

J. ADMINISTRATION DEBT LIMIT

During FY09, the Administration announced a policy that sets the annual borrowing limit at a level designed to keep debt service at a maximum of 8% of budgeted revenues. For this purpose, debt service includes principal and interest payments on all general obligation debt, special obligation gas tax debt, interest on federal grant anticipation notes, general obligation contract assistance payment obligations, and budgetary contract assistance payment obligations on certain capital lease financings. Debt of the Massachusetts School Building Authority and of the Massachusetts Bay Transportation Authority that is supported by the portion of the sales tax legally dedicated to such entities is not included for purposes of this analysis, as the Commonwealth is not liable for such debt; similarly, the sales tax revenues legally dedicated to such entities are not included in the budgeted revenue projections.

In addition to keeping debt service at a maximum of 8% of budgeted revenues, the debt management policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2020. This additional constraint is designed to ensure that projected growth in the bond cap will be held to stable and sustainable levels.

The current Administration intends to treat all debt and debt-like obligations of the Commonwealth as subject to the bond cap for purposes of developing the annual capital budget, except in limited circumstances when there is a sound policy justification for not including a particular debt issue. Debt may be excluded from the bond cap, for example, where there is a new, dedicated source of project-related revenues supporting the payment of debt service on such debt. In such cases, the dedicated revenue would also be excluded from projected budgeted revenues for purposes of determining the bond cap as described above.

The following table shows the annual bond cap, the resulting total annual debt service payment obligations and debt service as a percentage of statutory basis budgeted revenues, (amounts in thousands):

	Fiscal 2020
Bond cap as approved by the Governor.....	\$ 2,430,000
Total annual debt service obligations.....	3,026,865
Statutory basis budgeted fund revenues.....	48,329,410
Debt service as % of budgeted revenues.....	6.3%

K. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities for both governmental activities and business-type activities (amounts in thousands):

Changes in Long Term Liabilities - Governmental Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences.....	\$ 616,343	\$ 688,326	\$ (616,343)	\$ 688,326	\$ 485,510
Claims and judgments.....	33,241	8,288	(7,412)	34,117	14,117
Prizes payable.....	908,737	84,868	(138,282)	855,323	—
School construction grants payable.....	384,994	511,361	(661,111)	235,244	163,129
Environmental remediation liability.....	517,415	48,604	(5,639)	560,380	9,166
Lottery instant grand prizes.....	2,782	995	—	3,777	—
Workers' compensation.....	261,387	64,511	(61,028)	264,870	42,379
Arbitrage rebate - MSBA.....	1,727	132	—	1,859	—
Group insurance claims.....	151,273	1,651,080	(1,661,726)	140,627	137,819
Cost of living adjustment.....	130,000	—	(13,000)	117,000	—
Net pension liability.....	38,065,014	5,899,194	(3,127,523)	40,836,685	—
Net OPEB liability.....	16,181,676	1,269,991	(1,479,496)	15,972,171	—
Total other long-term obligations.....	57,254,589	10,227,350	(7,771,560)	59,710,379	852,120
Liability for derivative instruments.....	120,986	133,001	(120,986)	133,001	—
Bonded debt:					
Bonds and notes payable - non MSBA.....	27,739,221	3,003,548	(2,643,879)	28,098,890	1,488,368
Unamortized bond and note premiums - non MSBA.....	2,480,095	223,683	(101,246)	2,602,532	71,520
MSBA bonds and notes payable excluding premiums.....	6,054,994	1,015,420	(1,016,467)	6,053,947	133,478
Unamortized bond and note premiums - MSBA.....	586,526	52,801	(122,933)	516,394	45,457
MSBA other liabilities.....	668	244	(83)	829	514
Other financing arrangements:					
Capital leases.....	19,835	574	(3,295)	17,114	3,180
Total bonded debt and other financing arrangements.....	36,881,339	4,296,270	(3,887,903)	37,289,706	1,742,517
Long-term liabilities, governmental activities.....	\$ 94,256,914	\$ 14,656,621	\$ (11,780,449)	\$ 97,133,086	\$ 2,594,637

Governmental long-term liabilities, other than debt, are typically liquidated by general fund resources.

Changes in Major Long Term Liabilities - Business-Type Activities:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Other long-term obligations:					
Compensated absences.....	\$ 208,400	\$ 33,521	\$ (23,786)	\$ 218,135	\$ 156,880
Net pension liability.....	717,493	192,754	(103,780)	806,467	—
Net OPEB liability.....	1,562,365	233,202	(281,078)	1,514,489	—
Total other long-term obligations.....	2,488,258	459,477	(408,644)	2,539,091	156,880
Liability for derivative instruments.....	56,884	17,690	—	74,574	—
Bonded Debt:					
Bonds and notes payable, including MSCBA.....	4,284,704	941,593	(718,287)	4,508,010	184,951
Federal unemployment insurance borrowing.....	—	159,907	—	159,907	—
Other financing arrangements:					
Capital leases.....	9,589	2,307	(3,054)	8,842	2,670
Total bonded debt and other financing arrangements.....	4,294,293	1,103,807	(721,341)	4,676,759	187,621
Long-term liabilities, business - type activities.....	\$ 6,839,435	\$ 1,580,974	\$ (1,129,985)	\$ 7,290,424	\$ 344,501

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2020, net of unamortized discounts and premiums, compensated absences, net pension and net OPEB liabilities are as follows (amounts in thousands):

	Interest Rates	Maturities	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Major component units:							
MassDOT.....	0.00 - 7.15%	2021 - 2047	\$ 7,550,440	\$ 1,341,837	\$ (1,440,932)	\$ 7,451,345	\$ 436,158
MCWT.....	2.00 - 5.25%	2021 - 2047	2,762,192	348,595	(386,443)	2,724,344	213,180
Nonmajor component units...	3.00 - 6.11%	2021 - 2040	669,573	29,594	(60,858)	638,309	39,431
Total bonds and notes payable.....			10,982,205	1,720,026	(1,888,233)	10,813,998	688,769
Compensated absences, net.....			42,589	33,307	(23,188)	52,708	32,430
Net pension liability.....			2,227,990	473,546	(479,162)	2,222,374	—
Net OPEB liability.....			3,357,000	291,655	(454,839)	3,193,816	—
Total long term liabilities.....			<u>\$ 16,609,784</u>	<u>\$ 2,518,534</u>	<u>\$ (2,845,422)</u>	<u>\$ 16,282,896</u>	<u>\$ 721,199</u>

The net pension liability of the discretely presented component units of \$2.222 billion includes \$1.555 billion related to the MBTA and RTAs and \$667 million related to entities that participate in SERS. See the MassDOT financial statements for further information regarding the MBTA and RTA pension plans and see pages [113-123](#) of this report for the SERS pension disclosures.

Further information on debt is found in the notes to the basic financial statements for the various component units.

8. INDIVIDUAL FUND DEFICITS

Certain funds within the Governmental Fund Type had fund deficits at June 30, 2020. None of these funds were in deficit due to finance-related contractual provisions and all were allowed to be in deficit by General Law. The amounts are as follows (amounts in thousands):

Other Governmental Funds	Amount
Other Special Revenue Funds:	
Community Preservation Trust Fund.....	\$ (14,230)
Government Land Bank Fund	(35,033)
General Capital Projects Fund	(174,241)
Highway Capital Projects Fund	(711,523)
Federal Highway Construction Program Capital Projects Fund	(9,180)

9. PENSIONS

The Commonwealth is statutorily responsible for the pension benefits for Commonwealth employees (members of the State Employees' Retirement System) and for teachers of the cities, towns, regional school districts throughout the Commonwealth and Quincy College (members of the Teachers' Retirement System). The members of the retirement systems do not participate in the Social Security System.

A. PLAN DESCRIPTIONS

Plan administration

The Massachusetts *State Employees' Retirement System* (SERS) is a public employee retirement system (PERS), that administers a cost-sharing multiple employer defined benefit pension plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of SERS upon the creation of MassDOT. Other employees who transferred to MassDOT have been, and remain, members of SERS. The assets and liabilities of the former MTA have been transferred to SERS. SERS is administered by the Massachusetts State Retirement Board (the SRB) and is part of the reporting entity as a fiduciary component unit and does not issue a stand-alone audited financial report.

Management of the SERS is vested in the SRB, which consists of five members—two elected by current and active SERS members, one by the remaining members of the SRB, one who is appointed by the State Treasurer, and the State Treasurer, who serves as ex-officio and is the Chairman of the SRB.

The Massachusetts *Teachers' Retirement System* (MTRS) is a PERS that administers a cost-sharing multiple employer defined benefit pension plan managed by the Commonwealth on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a non-employer contributing entity and is legally responsible for all contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts and Quincy College. The MTRS is administered by the Massachusetts Teachers' Retirement Board (the MTRB) and is part of the reporting entity as a fiduciary component unit and does not issue a stand-alone audited financial report.

Management of the MTRS is vested in the MTRB, which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves as ex-officio and is the Chairman of the MTRB.

The *Boston Retirement System* (BRS) is a PERS that administers a cost-sharing multiple employer defined benefit pension plan managed by the City of Boston Retirement Board covering all City of Boston departments and agencies as well as the School Department, the Boston Planning and Development Agency, the Boston Housing Authority, the Public Health Commission and the Boston Water and Sewer Commission. The BRS is not administered by the Commonwealth and is not part of the reporting entity of the Commonwealth.

Chapter 112 of the Acts of 2010, signed on May 22, 2010, changed the methodology for the Commonwealth funding of Boston teachers in the BRS (hereafter referred to as BRS-Teachers) and created a special funding situation for the Commonwealth. The cost of pension benefits of the other participants of the BRS is the responsibility of the City of Boston. Chapter 112 clarified that the Commonwealth is legally responsible for all contributions and future benefit requirements for BRS-Teachers. The net pension liability related to the BRS-Teachers is included in the Commonwealth's net pension liability in this report.

Management of the BRS is vested with in a Board of Trustees, which consists of five members—two elected by the active and retired members of the system, the City Auditor as ex-officio, one member appointed by the Mayor of Boston, and one member who is elected by the other four members. The BRS issues a stand-alone audited financial report. For a complete copy of BRS's separately issued financial statements, please contact the City of Boston Retirement Board at (617) 635-4305, or you may download this report at <http://www.cityofboston.gov/retirement/investment.asp>.

Plan membership. As of January 1, 2019, for SERS and MTRS, the dates of the most recent valuations, plan membership consisted of the following:

	SERS	MTRS
Retirees and beneficiaries currently receiving benefits.....	64,758	67,110
Terminated employees entitled to benefits but not yet receiving them.....	4,119	—
Subtotal.....	68,877	67,110
Current members.....	87,969	94,103
Total.....	<u>156,846</u>	<u>161,213</u>

Benefits provided. SERS, MTRS and BRS provide retirement, disability, survivor, and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire and receive benefits prior to age 60.

The policy for post-retirement benefit increases for all retirees of the SERS, MTRS and for those participants who serve in the City of Boston's School Department in a teaching capacity is subject to legislative approval.

Contributions. The retirement systems' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS and MTRS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Chapter 32 of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to

meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current schedule adopted in January 2017, the amortization payments increase 8.94% per year to FY36 with a final amortization payment in FY36 (four years before the statutory deadline of FY40). The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

Member contributions for SERS, MTRS and BRS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975.....	5% of regular compensation
1975 - 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation except for State Police, which is 12% of regular compensation
7/1/2001 to present.....	11% of regular compensation (for teachers hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000)
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

Members who joined the system on or after April 2, 2012 will have their withholding rate reduced as follows after achieving 30 years of creditable service:

- SERS:
 - Members of Group 1 will have their withholding rate reduced to 6%.
- MTRS:
 - Members participating in Retirementplus will have their withholdings reduced to 8% otherwise their withholdings are reduced to 6% plus 2% on earnings over \$30,000 a year.

B. INVESTMENTS

Investment Policy. SERS and MTRS are required to invest in the Pension Reserves Investment Trust (PRIT) Fund, which is managed by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board seeks to maximize the total return on investments, within acceptable levels of risk and cost for an approximately 60% funded public pension fund. The PRIM Board recognizes that over the long term, asset allocation is the single greatest contributor of return and risk to the PRIT Fund. The investment policy statement adopted by the PRIM Board requires a comprehensive review of the PRIM Board's asset allocation plan and its underlying assumptions at reasonable intervals of not more than three to five years. In addition, the investment policy statement requires that the PRIM Board conduct an annual evaluation of the PRIT Fund's asset allocation. The PRIM Board's last comprehensive review of the PRIT Fund asset allocation was conducted during FY2019.

The following was the PRIT Fund asset allocation as of June 30, 2020:

Asset Class	Target Allocation
Global Equity	39.0 %
Core Fixed Income	15.0 %
Private Equity	13.0 %
Portfolio Completion Strategies	11.0 %
Real Estate	10.0 %
Value Added Fixed Income	8.0 %
Timber/Natural Resources	4.0 %
Total	<u>100.0 %</u>

The annual money-weighted return on pension plan investments calculated as the internal rate of return on pension plan investments net of pension plan expenses for FY2020 were 2.01% and 2.00% for SERS and MTRS, respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

C. NET PENSION LIABILITY OF THE SYSTEMS REQUIRED BY GASB 67

The components of the net pension liability for SERS and MTRS at June 30, 2020 are as follows (amounts in thousands):

	SERS	MTRS
Total pension liability	\$ 45,725,000	\$ 57,862,841
Plan fiduciary net position	(28,567,300)	(29,317,997)
Net pension liability	<u>\$ 17,157,700</u>	<u>\$ 28,544,844</u>
Fiduciary net position as a percentage of the total pension liability	62.5%	50.7%

Additional information regarding changes in the net pension liability can be found in the Required Supplementary Information section of these financial statements.

Actuarial assumptions. The total pension liability, for both SERS and MTRS, was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2020, using the following actuarial assumptions:

- The actuarial assumptions included: (a) 7.15% investment rate of return; (b) 3.5% interest rate credited to the annuity savings fund; and (c) 3.0% cost of living increase on the first \$13,000 of allowance per year.
- Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
- Experience studies were performed as follows:
 - SERS:**
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2016 for post-retirement mortality.
 - MTRS:**
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017.

4. Mortality rates were as follows:

a. SERS:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

b. MTRS:

- Pre-retirement mortality reflects Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct)
- Post-retirement mortality reflects Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct)
- For disabled members, the mortality rate is assumed to be in accordance with the Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These assumptions are converted into nominal assumptions by adding inflation, then combined by weighting them by the target asset allocation percentages. Finally, the arithmetic portfolio expected return is converted into a geometric expected return using assumed asset class standard deviations and correlations. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy in [Note 9\(B\)](#)) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Private Equity.....	8.2%
Global Equity.....	4.8%
Value Added Fixed Income.....	4.2%
Timberland/Natural Resources.....	4.1%
Real Estate.....	3.5%
Portfolio Completion Strategies.....	3.2%
Core Fixed Income.....	0.7%

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS was 7.15%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the SERS and MTRS net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for SERS and MTRS.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of SERS and MTRS, calculated using the discount rate of 7.15%, as well as what the SERS and MTRS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (amounts in thousands):

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
SERS net pension liability.....	\$ 22,606,331	\$ 17,157,700	\$ 12,679,351
MTRS net pension liability.....	35,411,955	28,544,844	22,908,510

D. NET PENSION LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 68

Proportionate Share of Net Pension Liability

As of the respective measurement dates below, the net pension liability for SERS, MTRS and BRS were \$14.634 billion, \$25.214 billion, and \$4.558 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2019. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2019 and rolled forward to December 31, 2019. The SERS, MTRS and BRS actuarial valuations were rolled forward to their respective measurement dates using generally accepted actuarial procedures.

The Commonwealth (the primary government) reported the following net pension liabilities for its proportionate share of the SERS, MTRS and BRS-Teachers net pension liabilities (amounts in thousands):

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System.....	June 30, 2019	94.7%	\$ 13,856,209
Massachusetts Teachers' Retirement System.....	June 30, 2019	100.0%	25,214,020
Boston Retirement System - Teachers.....	December 31, 2019	56.5%	2,572,923
Total net pension liability.....			<u>\$ 41,643,152</u>

Certain of the Commonwealth's discretely presented component units (the Massachusetts Convention Center Authority [MCCA] and the Massachusetts Department of Transportation [MassDOT]) participate in SERS. As of the measurement date the proportionate share of the SERS net pension liability for the discretely presented component units was as follows (amounts in thousands):

System	Measurement Date	Proportionate Share	Net Pension Liability
State Employees' Retirement System.....	June 30, 2019	4.6%	<u>\$ 667,050</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension

As of the measurement dates, the Commonwealth (primary government) recognized pension expense of approximately \$5.472 billion and the discretely presented component units recognized approximately \$328 million of pension expense. The following details the components of deferred outflows of resources and deferred inflows of resources related to pensions (amounts in thousands):

	Primary Government						Discretely Presented Component Units	
	SERS		MTRS		BRS-Teachers			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions.....	\$ 1,027,083	\$ —	\$ 2,255,228	\$ —	\$ 205,818	\$ —	\$ 178,880	\$ 4,150
Changes in proportion.....	164,321	129,340	—	—	—	—	1,404	37,635
Net difference between projected and actual earnings on pension plan investments....	—	206,685	—	225,238	—	65,095	—	62,666
Differences between expected and actual experience.....	460,165	180,206	158,508	26,267	—	107,446	78,799	18,504
Payments made after the measurement date.....	1,011,991	—	1,553,433	—	—	—	101,564	—
Totals.....	<u>\$ 2,663,560</u>	<u>\$ 516,231</u>	<u>\$ 3,967,169</u>	<u>\$ 251,505</u>	<u>\$ 205,818</u>	<u>\$ 172,541</u>	<u>\$ 360,647</u>	<u>\$ 122,955</u>

The \$2.565 billion and \$102 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resource related to pension will be recognized in pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30	Primary Government			Discretely Presented Component Units
	SERS	MTRS	BRS-Teachers	
2021.....	\$ 571,486	\$ 962,653	\$ 14,374	\$ 85,663
2022.....	30,662	261,223	(15,164)	45,535
2023.....	235,938	422,774	36,367	24,587
2024.....	263,416	386,985	(22,239)	(21,167)
2025.....	33,836	118,302	19,939	1,581
Thereafter.....	—	10,294	—	(71)
Totals.....	<u>\$ 1,135,338</u>	<u>\$ 2,162,231</u>	<u>\$ 33,277</u>	<u>\$ 136,128</u>

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019, using the following actuarial assumptions:

- The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase on the first \$13,000 of allowance per year.
- Salary increases are based on analyses of past experience but range from 4.00% to 9.00% (SERS) and 4.0% to 7.50% (MTRS) depending on group and length of service.
- Experience studies were performed as follows:
SERS:
 - Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011

MTRS:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect post-retirement mortality through January 1, 2017

4. Mortality rates were as follows:

SERS:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016, set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year for females
- Disability - the mortality rate reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016, set forward 1 year.

MTRS:

- Pre-retirement - reflects RP-2014 White Collar Employees Table projected generationally with Scale MP-2016 (gender distinct).
- Post-retirement - reflects RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).
- Disability - assumed to be in accordance with the RP-2014 White Collar Healthy Annuitant Table projected generationally with Scale MP-2016 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2018 rolled forward to December 31, 2019 using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.15% investment rate of return, (b) 3.25% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase on the first \$14,000 of allowance per year.
2. Salary increases range from 4.0% to 7.5% depending on length of service.
3. Mortality rates were as follows:
 - Healthy - reflects Pub-2010 Teacher Employee, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2019.
 - Disabled - reflects Pub-2010 Teacher, Healthy Retiree and Contingent Survivor Headcount-Weighted Mortality Tables projected generationally using Scale MP-2019.

Investments

The Massachusetts legislature enacted Section 17 of Chapter 112 of the Acts of 2010, which requires the SBRS to invest all assets, current and future, related to BRS-Teachers in the PRIT pooled fund.

The following was the PRIT Fund target asset allocation and best estimates of geometric rates of return for each major asset class as of June 30, 2019:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Global Equity.....	39.00%	4.90%
Core Fixed Income.....	15.00%	1.30%
Private Equity.....	13.00%	8.20%
Portfolio Completion Strategies.....	11.00%	3.90%
Real Estate.....	10.00%	3.60%
Value Added Fixed Income.....	8.00%	4.70%
Timber/Natural Resources.....	4.00%	4.10%
Total.....	<u>100.00%</u>	

* - BRS does not separately provide the long-term expected real rate of return for BRS-Teachers assets invested in the PRIT Fund as of the BRS measurement date.

Because SERS, MTRS and BRS-Teachers are all required to invest in the PRIT Fund, the long-term expected real rate of return was determined on that same basis as described in [Note 9C](#).

The discount rate used to measure the pension liabilities was 7.25% for SERS and MTRS as of the June 30, 2019 measurement date and 7.15% for BRS-Teachers as of the December 31, 2019 measurement date.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Commonwealth calculated using the discount rate of 7.25% for SERS and MTRS and 7.15% for BRS-Teachers, as well as what the Commonwealth's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% for SERS and MTRS and 6.15% for BRS-Teachers) or 1-percentage-point higher (8.25% for SERS and MTRS and 8.15% for BRS-Teachers) than the current rate (amounts in thousands):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SERS net pension liability.....	\$ 18,446,234	\$ 13,856,209	\$ 9,938,670
MTRS net pension liability.....	31,232,100	25,214,020	20,062,500
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
BRS-Teachers net pension liability.....	\$ 3,091,677	\$ 2,572,923	\$ 2,142,147

E. STATEMENTS OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and the Statement of Changes in Net Position for the SERS, and the MTRS as of June 30, 2020 (amounts in thousands):

	Pension Trust Funds		
	State Employees' PERS	Teachers' PERS	Total
ASSETS			
Cash and cash equivalents	\$ 93,951	\$ 88,086	\$ 182,037
Net investment in PRIT at fair value	28,375,373	29,148,613	57,523,986
Other receivables	127,358	87,002	214,360
Other assets	14	822	836
Total assets	28,596,696	29,324,523	57,921,219
LIABILITIES			
Accounts payable	29,396	6,526	35,922
Net position available for post-employment benefits	\$ 28,567,300	\$ 29,317,997	\$ 57,885,297
ADDITIONS			
Contributions:			
Employer contributions - Commonwealth and MassDOT	\$ 1,003,828	\$ —	\$ 1,003,828
Non-employer contributions - Commonwealth	38,381	1,553,433	1,591,814
Employer and non-employer contributions - other	9,718	—	9,718
Employee contributions	659,015	821,105	1,480,120
ERIP funding contribution - Commonwealth	28,724	—	28,724
Boston teachers' contributions from Commonwealth	—	157,041	157,041
Other additions	90,944	76,181	167,125
Total contributions	1,830,610	2,607,760	4,438,370
Net investment gain/(loss):			
Investment gain/(loss)	712,391	730,609	1,443,000
Less: investment expense	(145,072)	(148,961)	(294,033)
Net investment gain/(loss)	567,319	581,648	1,148,967
Total additions	2,397,929	3,189,408	5,587,337
DEDUCTIONS			
Administration	18,089	22,391	40,480
Retirement benefits and refunds	2,539,198	3,189,813	5,729,011
Payments to State Boston Retirement System	—	157,041	157,041
Other deductions	37,138	39,146	76,284
Total deductions	2,594,425	3,408,391	6,002,816
Change in net position	(196,496)	(218,983)	(415,479)
Net position available for post-employment benefits at beginning of year	28,763,796	29,536,980	58,300,776
Net position available for post-employment benefits at end of year	\$ 28,567,300	\$ 29,317,997	\$ 57,885,297

F. RESERVES

Chapter 32 of the MGL establishes certain legally required reserve accounts for both SERS and MTRS. These reserves are used to account for the accumulation of resources according to purpose for which they are received, acquired or held. The reserve accounts can only be modified or changed by legislation.

The balances of legally required reserves at June 30, 2020 were as follows (amounts in thousands):

	SERS	MTRS	Purpose
Annuity Savings Fund.....	\$ 6,834,769	\$ 8,820,631	Active members' contribution balance
Annuity Reserve Fund.....	1,946,022	1,715,843	Retired members' contribution account
Special Military Service Fund..	34	314	Members' contribution account while on military leave
Pension Reserve Fund.....	19,786,475	18,781,209	Amounts appropriated to fund future retirement benefits
Total.....	<u>\$ 28,567,300</u>	<u>\$ 29,317,997</u>	

10. OTHER POST EMPLOYMENT BENEFITS**A. PLAN DESCRIPTIONS****Plan administration**

The Commonwealth administers a single employer defined benefit Other Post-Employment Benefit (OPEB) plan. Benefits are managed by the Group Insurance Commission (GIC) and investments are managed by PRIM. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust (SRBT).

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is administered by the board of trustees and is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report.

Management of the SRBT is vested with a board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. The members elect one person to serve as chair of the board.

Plan membership. As of January 1, 2020 the date of the most recent actuarial valuation, plan membership consisted of the following:

	SRBT
Inactive plan members or beneficiaries currently receiving benefit payments.....	86,091
Inactive plan members entitled to but not yet receiving benefit payments.....	3,351
Active plan members.....	70,071
Total.....	<u>159,513</u>

Benefits provided. Under Chapter 32A of the Massachusetts General Laws (MGL) the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for

the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs, which are comparable to contributions required from employees.

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2020 and as of the valuation date (January 1, 2020), Commonwealth participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status. As part of the FY10 General Appropriation Act, all active employees pay an additional 5% of premium costs. Normal costs paid for OPEB to retirees during FY20 totaled approximately \$525 million.

Effective beginning FY14, the Commonwealth by statute is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in FY14 to 100% by FY23. In FY20, 10% of tobacco settlement proceeds or approximately \$23 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in FY20 was set at 10%, overriding existing statute.

B. INVESTMENTS

Investment Policy. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2020, are the same as discussed in [Notes 9 \(B\)](#) and [\(C\)](#).

The annual money-weighted return on OPEB plan investments calculated as the internal rate of return on OPEB plan investments net of OPEB plan expenses for fiscal 2020 was 1.75%. A money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

C. NET OPEB LIABILITY OF THE OPEB PLAN REQUIRED BY GASB 74

The components of the net OPEB liability at June 30, 2020 are as follows (amounts in thousands):

	SRBT
Total OPEB liability.....	\$ 22,105,511
Plan fiduciary net position.....	(1,414,312)
Net OPEB liability.....	<u>\$ 20,691,199</u>
Fiduciary net position as a percentage of the total OPEB liability.....	6.4%

Additional information regarding changes in the net OPEB liability can be found in the Required Supplementary Information Section of these financial statements.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of January 1, 2020 rolled forward to June 30, 2020, using the following actuarial assumptions:

1. The annual healthcare cost trend rates were developed based on the most recently published GAO-Getzen trend rate model, version 2020_b. The short-term trend assumptions were based on a review of the plan's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. The industry surveys were used to predict short-term future per capita cost increases. The most recently published SAO-Getzen model was then used to determine the trend rates beginning in 2024 and thereafter, based on the plan's long-term inflation assumption and reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

Year	Medicare Benefits	Non-Medicare Benefits
2020.....	4.90%	6.70%
2021.....	4.80%	6.60%
2022.....	4.70%	6.50%
2023.....	4.60%	6.40%
2024.....	4.70%	6.20%
2030.....		5.18%
2040.....		5.18%
2050.....		5.18%
2060.....		4.84%
2070.....		4.38%
2075+.....		4.04%

Getzen long run growth factors assumptions:

- Inflation: 2.5%
 - Real GDP Growth: 1.5%
 - Excess Medical Growth: 1.1%
2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.
 3. Participation rates:
 - a. 100% of employees currently electing healthcare coverage are assumed to elect coverage at retirement.
 - b. 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
 - c. 85% of current and future vested terminated participants will elect health care benefits at age 55, or if later, the participant's current age.
 - d. Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
 - e. 100% of spouses are assumed to elect to continue coverage after the retiree's death.
 - f. Current non-Medicare eligible retirees and spouses (if covered) under age 65 who are in a POS/PPO plan are assumed to move to an Indemnity plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity/POS/PPO/HMO).

Future retirees are assumed to enroll in the existing plans in the same proportion as the current retiree mix, as show in the table below. These proportions are established separately for non-Medicare and Medicare coverage for each product type.

	Retirement Age	
	Under 65	Age 65+
Indemnity.....	28.0%	96.0%
POS/PPO.....	60.0%	—%
HMO.....	12.0%	4.0%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Commonwealth and those non-Commonwealth governments that participate in the GIC) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs on a premium basis between the Commonwealth and those non-Commonwealth governments that participate in the GIC to that

point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Discount rate. The discount rate used to measure the OPEB liability was 2.28%. This rate was based on a blend of the Bond Buyer Index rate (2.21%) as of the measurement date and the long-term expected rate of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2028. Therefore, the long-term expected rate of return on plan investments of 7.15% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2020.

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the OPEB plan's net OPEB liability calculated using the discount rate of 2.28%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.28%) or 1-percentage-point higher (3.28%) than the current rate (amounts in thousands):

	1% Decrease (1.28%)	Current Discount Rate (2.28%)	1% Increase (3.28%)
Net OPEB liability.....	\$ 24,865,040	\$ 20,691,199	\$ 17,393,357

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the OPEB plan's net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate disclosed above (amounts in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability.....	\$ 16,806,045	\$ 20,691,199	\$ 25,852,967

D. NET OPEB LIABILITY OF THE COMMONWEALTH REQUIRED BY GASB 75

The Commonwealth's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019.

The Commonwealth's reporting entity reported the following net OPEB liability (amounts in thousands):

	Net OPEB Liability	
Primary government.....	\$ 17,486,660	(A)
Discretely presented component unit.....	3,193,816	(B)
Total net OPEB liability.....	\$ 20,680,476	

(A) - Of this amount \$1,585 (thousand) relates to business-type activities not participating in the Commonwealth's OPEB plan.

(B) - Of this amount \$2,385,333 (thousand) relates to discretely presented component units not participating in the Commonwealth's OPEB plan.

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

As of June 30, 2019, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$891 million and \$145 million, respectively. The following details the components of deferred outflows of resources and deferred inflows of resources related to

OPEB (amounts in thousands):

	Primary Government		Discretely Presented Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion.....	\$ 336,081	\$ 288,892	\$ —	\$ 46,846
Differences between expected and actual experience.....	701,424	22,616	35,398	323,798
Change of assumptions.....	13,539	2,636,325	228,677	211,014
Net difference between projected and actual earnings on OPEB plan investments.....	205	8,049	1,107	1,847
Payments made after the measurement date.....	526,494	—	70,766	—
Totals.....	<u>\$ 1,577,743</u>	<u>\$ 2,955,882</u>	<u>\$ 335,948</u>	<u>\$ 583,505</u>

The \$526 million and \$71 million reported as deferred outflows of resources in the primary government and the discretely presented component units, respectively, are the contributions made subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the next fiscal year. Other amounts reported above as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (amounts in thousands):

	Primary Government	Discretely Presented Component Unit
2021.....	\$ (564,912)	\$ (88,227)
2022.....	(564,912)	(88,226)
2023.....	(472,551)	(82,100)
2024.....	(159,225)	(47,129)
2025.....	(139,862)	(10,328)
Thereafter.....	(3,171)	(2,313)
Total.....	<u>\$ (1,904,633)</u>	<u>\$ (318,323)</u>

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019 used the following actuarial assumptions:

1. The following annual healthcare cost trend rates: (1) 7.5%, decreasing by 0.5% each year to 5.5% in 2023 and 2024 and then decreasing 0.5% to an ultimate rate of 4.5% in 2026 for medical and (2) 4.5% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver Plans (EGWP), which are assumed to increase 5.0% per year until 2025, then decrease to 4.5% in 2026.
2. The mortality rate was in accordance with RP2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.
3. Participation rates:
 - a. 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.
 - b. All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.

- c. 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- d. Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity	25.0 %	85.0 %
POS/PPO	60.0 %	— %
HMO	15.0 %	15.0 %

Discount Rate

The discount rate used to measure the OPEB liability as of June 30, 2019 was 3.63%. This rate was based on a blend of the Bond Buyer Index rate of 3.51% as of the measurement date and the long-term expected rate of return on plan investments of 7.25%. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2029. Therefore, the long-term expected rate of return on plan investments was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2019.

Investments

The long-term expected rate of return as of June 30, 2019 was 7.25%. Investment assets of the Plan are held by the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term
		Expected Real Rate of Return
Global Equity	39.0 %	4.9 %
Core Fixed Income	15.0 %	1.3 %
Private Equity	13.0 %	8.2 %
Portfolio Completion Strategies	11.0 %	3.9 %
Real Estate	10.0 %	3.6 %
Value Added Fixed Income	8.0 %	4.7 %
Timber/Natural Resources	4.0 %	4.1 %
Total	<u>100.0 %</u>	

Changes in Net OPEB liability

The following presents the changes in the net OPEB liability of entities participating in the Commonwealth's OPEB plan (including MassDOT, a discretely presented component unit) as of June 30, 2019 (amounts in thousands):

	Increase/(Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018.....	\$ 19,761,333	\$ 1,187,569	\$ 18,573,764
Changes for the year:			
Service cost.....	806,023	—	806,023
Interest.....	796,880	—	796,880
Differences between expected and actual experience.....	715,192	—	715,192
Changes of assumptions.....	(1,935,139)	—	(1,935,139)
Contributions-employer.....	—	594,916	(594,916)
Net investment income.....	—	68,229	(68,229)
Benefit payments.....	(482,183)	(482,183)	—
Administrative expense.....	—	(171)	171
Other additions.....	—	188	(188)
Net changes.....	(99,227)	180,979	(280,206)
Balances at June 30, 2019.....	<u>\$ 19,662,106</u>	<u>\$ 1,368,548</u>	<u>\$ 18,293,558</u>

Sensitivity Analysis of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT) calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in thousands):

	1% Decrease 2.63%	Current Rate 3.63%	1% Increase 4.63%
Net OPEB liability.....	<u>\$ 20,871,529</u>	<u>\$ 17,485,075</u>	<u>\$ 14,807,572</u>

Sensitivity Analysis of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of entities participating in the Commonwealth's OPEB plan (excluding MassDOT), as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate, as disclosed on pages 124-125 of this report (amounts in thousands):

	1% Decrease	Current Rate	1% Increase
Net OPEB liability.....	<u>\$ 14,409,911</u>	<u>\$ 17,485,075</u>	<u>\$ 21,542,425</u>

MSBA

The MSBA, a blended component unit, sponsors its own single-employer defined benefit OPEB plan. The disclosures related to the net OPEB asset of the MSBA are not included in these notes to the financial statements due to immateriality (approximately \$2 million).

E. STATEMENT OF NET POSITION AND CHANGES IN NET POSITION

The following table displays the Statement of Net Position and Statement of Changes in Net Position for the State Retirees' Benefit Trust as of June 30, 2020 (amounts in thousands):

	OPEB Trust Fund
	State Retiree Benefits
ASSETS	
Cash and cash equivalents.....	\$ 23,773
Net investment in PRIT at fair value.....	1,390,552
Total assets	1,414,325
LIABILITIES	
Accounts payable.....	13
Net position available for other post-employment benefits	\$ 1,414,312
ADDITIONS	
Contributions:	
Employer contributions - Commonwealth.....	\$ 547,611
Other additions.....	122
Total contributions	547,733
Net investment gain/(loss):	
Investment gain/(loss).....	30,597
Less: investment expense.....	(7,217)
Net investment gain/(loss)	23,380
Total additions	571,113
DEDUCTIONS	
Administration.....	175
Retirement benefits and refunds.....	525,174
Total deductions	525,349
Change in net position	45,764
Net position available for other post-employment benefits at beginning of year.....	1,368,548
Net position available for other post-employment benefits at end of year	\$ 1,414,312

11. LEASES**Primary Government**

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease/purchase agreements, including tax-exempt lease purchase (TELP) agreements, which are accounted for as capital leases. Included in the capital assets of the Commonwealth are additions financed by capital leases. For FY20, these additions are approximately \$574 thousand. Lease agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature.

The Commonwealth has numerous operating lease agreements for real property and equipment with varying terms.

These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature.

The Institutions of Higher Education lease real property and equipment under numerous operating lease agreements for varying terms. The following schedule summarizes future minimum payments under non-cancelable leases for governmental activities and for the Institutions of Higher Education – reported as a business-type activity, for the fiscal year ended June 30, 2020 (amounts in thousands):

Fiscal Year Ended June 30	Governmental Activities					Business - Type Activities				
	Capital Leases		Operating Leases	MSBA Operating Leases	Governmental Activities Total	Capital Leases		Operating Leases	Business - Type Activities Total	
	Principal	Interest				Principal	Interest			
2021	\$ 3,180	\$ 486	\$ 228,493	\$ 1,141	\$ 233,300	\$ 2,670	\$ 296	\$ 36,191	\$ 39,157	
2022	3,133	479	165,626	1,166	170,404	2,322	215	30,727	33,264	
2023	3,097	473	149,142	1,191	153,903	1,268	157	27,228	28,653	
2024	3,115	475	130,580	1,215	135,385	920	109	22,132	23,161	
2025	2,551	390	105,511	1,240	109,692	653	72	21,636	22,361	
2026 - 2030	2,038	311	282,601	—	284,950	1,009	49	74,323	75,381	
2031 - 2035	—	—	48,684	—	48,684	—	—	66,714	66,714	
2036 - 2040	—	—	44,225	—	44,225	—	—	38,281	38,281	
2041 - 2045	—	—	42,970	—	42,970	—	—	19,096	19,096	
2046 - 2050	—	—	37,867	—	37,867	—	—	8,737	8,737	
2051 - 2055	—	—	—	—	—	—	—	8,846	8,846	
2056 - 2060	—	—	—	—	—	—	—	5,199	5,199	
2061 - 2065	—	—	—	—	—	—	—	2,628	2,628	
Total lease obligations	17,114	2,614	1,235,699	5,953	1,261,380	8,842	898	361,738	371,478	
Less: current portion	(3,180)	(486)	(228,493)	(1,141)	(233,300)	(2,670)	(296)	(36,191)	(39,157)	
Long-term lease obligations	\$ 13,934	\$ 2,128	\$ 1,007,206	\$ 4,812	\$ 1,028,080	\$ 6,172	\$ 602	\$ 325,547	\$ 332,321	

Capital assets acquired under capital lease (amounts in thousands):

Asset type:	Primary Government	
	Governmental Activities	Business - Type Activities
Buildings.....	\$ —	\$ 11,376
Machinery and equipment.....	27,587	14,844
Total assets.....	27,587	26,220
Less: accumulated depreciation.....	(10,426)	(16,779)
Total.....	<u>\$ 17,161</u>	<u>\$ 9,441</u>

12. OTHER LONG-TERM LIABILITIES

A. WORKERS' COMPENSATION AND GROUP INSURANCE LIABILITIES

Workers' Compensation is managed as part of the course of the Commonwealth's general operations. No separate fund for workers' compensation is provided for in Massachusetts General Laws (MGL). Claims for compensation are not separately insured and are funded by the Commonwealth only when incurred. Such losses, including estimates of amounts incurred, but not reported, are included as accrued liabilities in the accompanying financial

statements when the loss is incurred. The Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury, MGL limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

Workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2020 is estimated to be \$265 million of which approximately \$42 million is expected to be paid during FY20.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY20 and FY19 were (amounts in thousands):

	FY20	FY19
Claims liability, beginning of year	\$ 261,387	\$ 260,904
Increase in liability estimate	64,511	62,782
Payments and decreases in liability estimate	(61,028)	(62,299)
Claims liability, end of year	<u>\$ 264,870</u>	<u>\$ 261,387</u>

The Group Insurance Commission (GIC), a department of the Commonwealth, manages health insurance claims of the Commonwealth's active and retired employees. The Commonwealth is self-insured and various health insurance providers provide health care services to the employees. The accrued liability is estimated based on data provided to the GIC by the insurance companies who participate in the self-insured plans.

Changes in the Commonwealth's liability relating to group insurance claims in FY20 and FY19 were (amounts in thousands):

	FY20	FY19
Claims liability, beginning of year	\$ 151,273	\$ 130,736
Increase in liability estimate	1,651,080	1,665,999
Payments and decreases in liability estimate	(1,661,726)	(1,645,462)
Claims liability, end of year	<u>\$ 140,627</u>	<u>\$ 151,273</u>

B. OTHER CLAIMS & JUDGMENTS

A number of lawsuits are pending or threatened against the Commonwealth, which arise from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. The Commonwealth records a liability for those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid.

The following amounts were recognized for claims and judgments in FY20 and FY19 (amounts in thousands):

	FY20	FY19
Unpaid claims, beginning of year	\$ 33,241	\$ 22,498
Incurred claims	8,288	28,466
Claim payments and reductions	(7,412)	(17,723)
Unpaid claims end of year	<u>\$ 34,117</u>	<u>\$ 33,241</u>

C. ENVIRONMENTAL REMEDIATION

Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* (GASB 49) provides guidance in estimating and reporting the potential costs of pollution remediation. While GASB 49 does not require the Commonwealth to search for pollution, it does require the Commonwealth to reasonably estimate and report a remediation liability when any of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the Commonwealth is compelled to take action;
- The Commonwealth is found in violation of a pollution-related permit or license;
- The Commonwealth is named, or has evidence that it will be named, as a responsible party by a regulator;
- The Commonwealth is named, or has evidence that it will be named, in a lawsuit to enforce a cleanup;
- The Commonwealth commences or legally obligates itself to conduct remediation activities.

Site investigation, planning and design, cleanup and site monitoring are typical remediation activities underway across the Commonwealth. Several Commonwealth agencies have dedicated programs, rules and regulations that routinely deal with remediation related issues; others become aware of pollution conditions in the fulfillment of their missions. The Commonwealth has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities.

The standard requires the Commonwealth to calculate pollution remediation liabilities using the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. Where the Commonwealth cannot reasonably estimate a pollution remediation obligation it does not report a liability. Several state departments perform continual monitoring of polluted sites. Since the monitoring for such sites is perpetual, undiscounted multi-year costs for such sites have not been estimated. Because of a lack of information about the type and extent of the remediation effort that could be required, no range of outlays for the overall remediation effort for such sites could be developed at this time.

The remediation obligation estimates that appear in this report are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the Commonwealth's obligation. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

During FY20, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

	Governmental Activities
Environmental remediation liability, beginning of year.....	\$ 517,415
Expected additional future outlays, changes in liability estimates.....	48,604
FY20 outlays for environmental remediation.....	(5,639)
Environmental remediation liability, end of year.....	<u>\$ 560,380</u>

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

of dollars. In 2013, the state and federal trustees reopened preliminary discussions per a Trustee Council resolution on a potential settlement framework.

Closed State Facilities. The Commonwealth has 17 facilities that contain a total of 235 buildings, mainly in closed state hospitals that may have varying degrees of asbestos, polychlorinated biphenyl (PCB's) and other compounds that are currently in a dormant state. The Commonwealth typically sells these facilities at minimal cost to private developers who assume full responsibility for all cleanup activity. Cost estimates are only performed during the sale process. At this time, the Commonwealth has no estimate of any potential asset that would be developed from these activities that would ready these sites for sale.

D. COST OF LIVING ADJUSTMENTS

The Commonwealth is financially responsible for the cost of living adjustment (COLA) granted to participants in various retirement systems of cities, towns and counties in fiscal years 1981 to 1997. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to their respective systems. Any future COLA granted by the Legislature to employees of these plans will be the responsibility of the individual system, assuming approval by the local board. The individual employer governments are also responsible for the basic pension benefits.

During fiscal year 2020, there was a decrease of approximately \$13 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2020, the Commonwealth's liability for COLA was approximately \$117 million.

13. CONTINGENCIES/COMMITMENTS

The Commonwealth receives significant financial assistance from the federal government. Entitlement to these resources is generally contingent upon compliance with terms and conditions of the grant or reimbursement agreements and with applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal financial assistance is subject to financial and compliance audits.

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY20 totaled approximately \$101 million. A portion of accumulated claims since the law's enactment represent a contingency, because claims for refunds can be made by the owners of the property.

Drug Testing Laboratory disputes. On August 28, 2012, a chemist formerly employed at the Department of Public Health's drug testing laboratory in Boston admitted to several types of misconduct involving her handling of laboratory samples, which were used in criminal cases. The Governor was informed and ordered the immediate closure of the laboratory. The Governor established a central office to identify individuals who may have been affected by the chemist's alleged malfeasance, which the office has estimated as possibly tens of thousands of criminal drug cases. The Governor also announced that the Inspector General is conducting an independent assessment of the laboratory's operations. In addition, the Attorney General's Office is conducting a criminal investigation. On December 17, 2012, the former chemist was indicted by a Statewide Grand Jury on 27 charges in connection with altering drug evidence during the testing process and obstructing justice. She was arraigned on December 20, 2012 in Suffolk Superior Court and pled guilty in 2013. There likely will be significant, but as yet undetermined, state costs required to investigate and respond to the chemist's alleged malfeasance. Supplemental appropriations totaling \$30 million were approved during fiscal 2013 to create a fund to reimburse agencies and cities for costs associated with investigating and responding to misconduct at the state drug testing laboratory. In addition, there may be substantial costs to defend civil complaints alleging state liability in both state and federal court and for potential judgments. As the number of specific cases affected by the chemist's misconduct has not been definitively determined, there is not sufficient information to fully estimate these additional state costs.

A. PRIMARY GOVERNMENT

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2020, totaling approximately \$142 million.

The MBTA's Forward Funding legislation of 1999 provides for the MBTA to issue general obligation, revenue or other debt secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the MBTA. Accordingly, all MBTA debt issued after this legislation is not backed by the full faith and credit of the Commonwealth.

Additional commitments of the Commonwealth remain for the University of Massachusetts Building Authority. As of June 30, 2020, the University of Massachusetts Building Authority has approximately \$3.171 billion, of outstanding debt, of which approximately \$109 million is guaranteed by the Commonwealth.

B. TOBACCO SETTLEMENT

A Master Settlement Agreement (MSA) was executed in November of 1998 between five tobacco companies and 46 states, including the Commonwealth. Several additional tobacco companies have joined the MSA and are bound by its terms.

The MSA called for, among other things, annual payments to the states in perpetuity. These payments have been estimated to total more than \$200 billion over the first 25 years, subject to various offsets, reductions and adjustments.

In FY20, the Commonwealth received approximately \$230 million, or 63.2% of the estimated amounts shown in the MSA. Amounts received in FY20 continued to be less than had previously been projected as payments under the MSA, primarily because the payment amounts are related to national tobacco sales volumes, which have continued to decline since the settlement. The Commonwealth's allocable share of the base amounts payable under the MSA is approximately 4.04% or approximately \$8.962 billion through 2025, which is subject to adjustments, reductions and offsets. However, in pending litigation, tobacco manufacturers are claiming that because of certain developments, they are entitled to reduce future payments under the MSA and, from FY06 to the present, certain manufacturers have withheld portions of the payments due to the states. The Commonwealth continues to pursue legal action to compel the payment of these additional funds and to obtain a legal determination that the Commonwealth is immune from any downward adjustment to its settlement payments.

In FY04, a Suffolk Superior Court jury rejected the claims of the Commonwealth's private tobacco attorneys that they should be paid a fee amounting to 25% of the Commonwealth's tobacco settlement money. The jury awarded the plaintiffs 10.5% of the amount the Commonwealth receives under the MSA through 2025, minus an offset for amounts received by the attorneys from the tobacco companies pursuant to an arbitration award. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2020, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

C. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2020, the Commonwealth had commitments of approximately \$505 million related to ongoing construction projects.

D. CONTRACTUAL ASSISTANCE TO AUTHORITIES

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

General obligation contract assistance obligations arise from statutory requirements for payments by the Commonwealth to the Massachusetts Clean Water Trust, the Massachusetts Department of Transportation and the Massachusetts Development Finance Agency that are used by such entities to pay a portion of the debt service on certain of their outstanding bonds. Such assistance constitutes a pledge of the Commonwealth's credit for which a two-thirds vote of the Legislature is required.

Budgetary contract assistance liabilities do not constitute a pledge of the Commonwealth's credit. Contingent liabilities relate to debt obligations of independent authorities and agencies of the Commonwealth, or payment obligations of such entities on hedging transactions related to such debt, that are expected to be paid without Commonwealth assistance, but for which the Commonwealth has some kind of liability if expected payment sources do not materialize. These contingent liabilities consist of guarantees and similar obligations with respect to which the Commonwealth's credit has been or may be pledged. Under legislation approved by the Governor during FY09, the Commonwealth may pledge its credit to guarantee payment obligations of the Massachusetts Turnpike Authority (succeeded by MassDOT in FY10) with respect to certain hedging transactions or provide financial support subject to annual appropriation and without a pledge of the Commonwealth's credit. The same legislation authorizes the Commonwealth to provide credit support to the Turnpike Authority (succeeded by MassDOT) in connection with the issuance of certain refunding bonds, subject to annual appropriation and without a pledge of the Commonwealth's credit. In addition, the Commonwealth has certain statutorily contemplated payment obligations with respect to which the Commonwealth's credit has not been pledged, as in the case of the Commonwealth's obligation to replenish the capital reserve funds securing certain debt obligations of the Massachusetts Housing Finance Agency and the Commonwealth's obligation to fund debt service, solely from monies otherwise appropriated for the affected institution, owed by certain community colleges and state universities on bonds issued by the Massachusetts Health and Educational Facilities Authority and the Massachusetts State College Building Authority.

E. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2020 to be \$1.6 billion.

F. SOCIAL IMPACT BONDS

In January 2014, the Commonwealth entered into a "pay for success contract" (Social Impact Bonds) with a nonprofit intermediary organization and a nonprofit social service agency to reduce the recidivism rate of young men in the juvenile justice system or on probation. The Commonwealth is obligated to make success payments totaling \$28 million through calendar year 2019 and the Commonwealth's obligation to make such payments is a general obligation for which the Commonwealth's full faith and credit are pledged. Payments are only made based upon successful achievement of specified outcomes based on defined performance targets contained in the contract. The Commonwealth entered into a second such contract in December 2014 to address chronic individual homelessness. The contract obligates the Commonwealth to make up to \$6 million in success payments, in the aggregate, through fiscal 2021. In June, 2016 the Commonwealth entered into a third contract to assist individuals in Adult Basic Education (ABE) or English for Speakers of Other Languages (ESOL) programs to transition to employment, higher wage jobs, and higher education. The contract obligates the Commonwealth to make up to \$15 million in success payments, in the aggregate, through fiscal 2023. The total amount of payments backed by the full faith and credit of the Commonwealth under such contracts may not exceed, in the aggregate, \$50 million. As the

amount required to be paid as of June 30, 2020 cannot be determined until performance targets have been achieved as determined by independent evaluators, no liability has been accrued in these financial statements for these contracts.

G. PENSIONS

The Massachusetts State Employees' Retirement System (MSERS) and the Massachusetts Teachers' Retirement System (MTRS) (collectively referred to as the Retirement Systems), in conjunction with the Commonwealth, have evaluated whether certain of the statutes or practices governing the systems may have been in conflict with the exclusive benefit rule of Section 401(a)(2) of the Internal Revenue Code or other federal tax law requirements relating to the operation of tax-exempt pension plans.

The activities reviewed included (i) the statutorily directed funding of the budget for the Public Employees' Retirement Administration Commission (PERAC) solely from the investment income accounts of MSERS and MTRS, (ii) the statutorily directed contributions made from the MSERS account in the PRIT Fund to a separate optional retirement plan available to certain employees of the Commonwealth's higher education system, (iii) the statutorily mandated reimbursements paid by the MSERS to local retirement systems for local cost-of-living allowances for certain participants of those systems, (iv) the deposit of reimbursement revenues received from local retirement systems to the Commonwealth's General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund, and (v) the deposit of federal grant fringe payments to the General Fund rather than to the MTRS and MSERS accounts in the PRIT Fund.

The Commonwealth, PERAC, MSERS and the MTRS each engaged outside tax counsel to review these activities.

On March 28, 2017, the Governor approved legislation to address prospectively certain aspects of the issues described above. Additional corrective legislation was approved as part of the Commonwealth's General Appropriations Act for Fiscal Year 2018, approved on July 17, 2017. The Executive Office for Administration and Finance submitted to the Internal Revenue Service, for its consideration, a request for a closing agreement which in the Commonwealth describes the activities listed above, explains the corrective actions already taken by legislation, and requests an affirmation that these activities do not adversely affect the tax qualification of the MSERS and MTRS in light of the corrections already made.

The Internal Revenue Service issued an initial request for additional information on April 28, 2020 and a further request for additional information on June 23, 2020. The Commonwealth, the MSERS and MTRS submitted responses to such requests on June 3, 2020 and July 31, 2020, respectively. After further discussions with the IRS, on August 20, 2020, the Commonwealth submitted to the IRS a proposal in connection with the withdrawal of its request for a closing agreement. The withdrawal was agreed to by the IRS, as the proposed corrective action would not be completed until 2021 or later. A response from the IRS on the related proposal is currently pending.

14. COMPONENT UNITS AND DETAILS OF DEPARTMENTS AND ENTITIES THAT ARE SEPARATELY AUDITED

The Commonwealth has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Commonwealth is such that exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. As required by GAAP, these financial statements present the Commonwealth of Massachusetts (the primary government) and its component units. The Commonwealth has included 40 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Details of those entities' operations can be found in those entities' basic financial statements and notes to those entities' basic financial statements.

The following entities are presented in the basic financial statements (all having a June 30, 2020 fiscal year end) (entities marked with an * are not legally separate from the Commonwealth but have separately audited financial statements). Entities that are marked with a § also were not audited in accordance with *Governmental Auditing Standards* as promulgated by the Comptroller General of the United States.

Entities Audited by KPMG LLP:

The Pension Reserves Investment Trust Fund (PRIT)
 *The Massachusetts State Lottery Commission
 The Massachusetts Department of Transportation (MassDOT)
 The Massachusetts Clean Water Trust
 Commonwealth Health Insurance Connector Authority
 *§The Massachusetts Municipal Depository Trust (MMDT)
 *The University of Massachusetts System
 University of Massachusetts Foundation, Inc.

Entities Audited by Other Auditors:

The Massachusetts School Building Authority (MSBA)

***State Universities:**

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

***Community Colleges:**

Berkshire Community College
 Bristol Community College
 Bunker Hill 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

Nonmajor Discretely Presented Component Units:

Massachusetts Convention Center Authority (MCCA)
 Massachusetts Development Finance Agency (MassDevelopment)
 §Massachusetts Technology Park Corporation (MTPC)
 Massachusetts Clean Energy Center (CEC)
 Massachusetts Housing Partnership (MHP)

Economic Development Entities (5 separate entities):

Massachusetts Growth Capital Corporation (MGCC)
 Commonwealth Corporation
 Community Economic Development Assistance Corporation (CEDAC)
 §Massachusetts Life Sciences Center
 Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (25 separate entities):

Bridgewater State University Foundation:
 The Bridgewater State University Foundation
 The Bridgewater Alumni Association of Bridgewater State University
 Fitchburg State University Foundation, Inc.
 Framingham State University Foundation, Inc.
 Massachusetts College of Art Foundation, Inc.
 Massachusetts College of Liberal Arts Foundation, Inc.
 The Massachusetts Maritime Academy Foundation, Inc.
 Salem State University Foundation:
 The Salem State University Foundation, Inc.
 Salem State University Assistance Corporation
 Westfield State University Foundation, Inc.
 Worcester State Foundation

Berkshire Community College Foundation
 Bristol Community College Foundation
 Bunker Hill Community College Foundation
 Cape Cod Community College Educational Foundation, Inc.
 Greenfield Community College Foundation, Inc.
 Holyoke Community College Foundation
 Massachusetts Bay Community College Foundation, Inc.
 Massasoit Community College Foundation
 Middlesex Community College Foundation, Inc.
 North Shore Community College Foundation
 Springfield Technical Community College Foundation
 Springfield Technical Community College Assistance Corporation
 The Mount Wachusett Community College Foundation, Inc.
 The Northern Essex Community College Foundation, Inc.
 The Quinsigamond Community College Foundation, Inc.
 The Roxbury Community College Foundation, Inc.

15. SUBSEQUENT EVENTS

SUBSEQUENT BOND ISSUANCES

On July 1, 2020, the Massachusetts State College Building Authority (MSCBA) closed on approximately \$396 million of Refunding Revenue Bonds Series 2020A (Federally Taxable) for the purpose of providing budgetary relief to the nine State Universities in FY21 and FY22. These bonds were issued to refund/restructure approximately \$338 million of debt outstanding from multiple series of bonds. Since the transaction included advance refunding for series of bonds which must be issued on a taxable basis, no premium was generated. In addition to the advance refunded series, the May 1, 2021 principal and a portion of the May 1, 2022 principal from sixteen other series of bonds were included in the refunding escrow to provide budgetary relief. The reduction of the FY21 debt service assessment is approximately \$53 million. The reduction of the FY22 debt service assessment is approximately \$28 million. The overall impact through FY49 was an increase in gross debt service costs of approximately \$933 thousand. The refunding resulted in present value savings of approximately \$27 million or 7.9% of the par amount of the refunded bonds. The first principal payment is due on May 1, 2024, and the final term bond maturity is on May 1, 2049, which matches the final maturity of the Authority's outstanding debt prior to the 2020A. Interest is due semiannually each May 1st and November 1st. The bonds carry interest rates ranging from 1.044% in 2024 to 3.072% in 2049. The refunding escrow is invested in Treasuries and State and Local Government Series ("SLGS") to the various call dates or maturity dates for non-callable maturities. On August 18, 2020, the Authority's board approved the release of approximately \$16 million currently held in the Debt Service Reserve Fund to pay the November 1, 2020 interest payment on behalf of the State Universities. This distribution combines with the 2020A refunding and other reductions in assessments as a multi-faceted plan to reduce expenses in response to the impact of COVID-19 on the nine State Universities. As a result of the 2020A refunding, on July 1, 2020, a forward delivery agreement termination payment from SunTrust for \$4 million was deposited to the debt service fund. As part of the agreement, the Authority also retained the security held in the debt service reserve fund, which matures in October 2020.

On July 9, 2020, the Commonwealth issued approximately \$171 million in GO Refunding Bonds 2020, Series B. The bonds were issued to refund, on a current basis, approximately \$218 million of various GO bonds and carries interest rates of 4.00% to 5.00% with final maturity on July 1, 2034. The refunding resulted in reduced debt service of approximately \$39 million and a present value savings of approximately \$35 million over the life of the bonds.

On July 9, 2020, the Commonwealth issued approximately \$457 million in federally taxable GO Refunding Bonds 2020, Series C. The bonds were issued to advance refund approximately \$428 million of various GO bonds and carries interest rates of 0.386% to 2.514% with final maturity on July 1, 2041. The refunding resulted in reduced debt service of approximately \$117 million and a present value savings of approximately \$112 million over the life of the bonds.

On July 9, 2020, the Commonwealth issued \$775 million in GO Bonds, Consolidated Loan of 2020, Series D. These bonds carry an interest rate of 3.00% to 5.00%. The first principal payment is due on June 30, 2027 with final maturity on July 1, 2048.

On July 15, 2020, the MSBA issued \$350 million of Senior Dedicated Sales Tax Bonds (2020 Series A Bonds) (Social Bonds) for the purpose of funding school construction and renovation projects. The market generated premiums of approximately \$91 million on the bond issuance. The Bonds mature at various dates through August 2050 and interest is due semi-annually each February 15th and August 15th. The bonds carry an interest rates ranging from 3.00% to 5.00%.

On July 15, 2020, the MSBA advance refunded \$302 million of 2012 Series A Dedicated Sales Tax Refunding Bonds, \$591 million of 2012 Series B Dedicated Sales Tax Refunding Bonds, and \$96 million of 2013 Series A Dedicated Sales Tax Bonds by issuing \$1.1 billion of Senior Dedicated Sales Tax Refunding Bonds 2020 Series B Bonds (Federally taxable) (Social Bonds). The Bonds mature at various dates through August 15, 2035 and the interest is payable semi-annually February 15th and August 15th. The coupons on the bonds range from 0.349% to 2.103%. The refunding resulted in reduced debt service of approximately \$241 million and a net present value savings of \$198 million over the life of the debt.

On September 25, 2020, the MSBA executed an escrow restructure of the assets held in trust for refunding escrows related to the 2013 A Bonds. The MSBA sold approximately \$29 million par value of open market securities and replaced them with \$31 million par value of SLGS. The net portfolio cost of the restructure was \$146 thousand. This transaction results in \$29 million of the 2013 Series A Bonds being considered defeased.

On October 8, 2020, the MSBA advance refunded \$395 million of 2013 Series A Dedicated Sales Tax Bonds by issuing \$389 million of Senior Dedicated Sales Tax Refunding Bonds 2020 Series C Bonds (Federally taxable). The Bonds mature at various dates through May 15, 2043 and the interest is payable semi-annually May 15th and November 15th. The coupons on the bonds range from 0.45% to 2.95%. The refunding resulted in reduced debt service of \$126 million and a net present value savings of \$81 million over the life of the debt.

On October 28, 2020, the University of Massachusetts Building Authority issued federally taxable Revenue Refunding Bonds, Series 2020-4 for \$330 million to refund \$234 million of existing debt for Series 2013-1, 2014-1 2014-3 and 2015-1 and defer the November 2020 principal payment on outstanding debt. Principal and interest payments are due each May 1 and November 1, commencing May 2021, with interest rates varying between 0.43% and 3.01%.

On November 10, 2020, the Commonwealth issued approximately \$7 million in GO Bonds, Consolidated Loan of 2020 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2025 with final maturity on August 1, 2040.

On December 3, 2020, the Commonwealth issued approximately \$405 million in GO Refunding Bonds 2020, Series D. The bonds were issued to refund, on a current basis, approximately \$469 million of various GO bonds and carries interest rates of 3.00% to 4.00% with final maturity on November 1, 2042. The refunding resulted in reduced debt service of approximately \$51 million and a present value savings of approximately \$60 million over the life of the bonds.

On December 3, 2020, the Commonwealth issued \$600 million in GO Bonds, Consolidated Loan of 2020, Series E. These bonds carry a 5.00% interest rate. The first principal payment is due on November 1, 2022 with final maturity on November 1, 2050.

On December 3, 2020, the Commonwealth issued approximately \$444 million in federally taxable GO Refunding Bonds 2020, Series E. The bonds were issued to advance refund approximately \$432 million of various GO bonds and carries interest rates of 0.277% to 1.970% with final maturity on November 1, 2034. The refunding resulted in reduced debt service of approximately \$107 million and a present value savings of approximately \$90 million over the life of the bonds.

On December 16, 2020, the Commonwealth issued approximately \$1.5 billion in GO Revenue Anticipation Notes (RANS) in three separate series; 2020 Series A for \$500 million, 2020 Series B (Federally taxable) for \$400 million and 2020 Series C (Federally taxable) for \$600 million. The Series A notes carries an interest rate of 2.0% and matures on April 21, 2021, the Series B notes carries a 0.23% interest rate and matures on May 20, 2021 and the Series C notes carries a 0.25% interest rate and matures on June 17, 2021.

Between July 1, 2020 and March 12, 2021, the Department of Unemployment Insurance drew down an additional \$2.052 billion under Title XII of the Social Security Act.

All debt issues were sold as tax exempt, except as noted.



Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

*Schedule of Revenue, Expenditures and Changes in Fund Balances – Statutory Basis – Budget and Actual –
General Fund*

*Explanation of Differences Between Revenues, Expenditures and Other Financing Sources/(Uses) for the
General Fund on a Budgetary Basis and GAAP Basis*

*Notes to Required Supplementary Information – Budgetary Reporting
Required OPEB and Pension Schedules*

Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

General Fund*

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes	\$ 26,569,100	\$ 26,569,100	\$ 26,310,990	\$ (258,110)
Assessments	461,659	461,659	408,928	(52,731)
Federal grants and reimbursements	11,657,530	11,657,530	12,785,622	1,128,092
Tobacco settlement revenue	251,241	251,241	229,690	(21,551)
Departmental	3,222,141	3,222,141	3,658,139	435,998
Miscellaneous	479,615	479,615	384,855	(94,760)
Total revenues	42,641,286	42,641,286	43,778,224	1,136,938
Other financing sources:				
Fringe benefit cost recovery	468,841	468,841	573,874	105,033
Lottery reimbursements	121,075	121,075	110,928	(10,147)
Lottery distributions	1,022,477	1,022,477	967,263	(55,214)
Operating transfers in	196,749	196,749	216,386	19,637
Stabilization transfer	—	477,024	14,914	(462,110)
Other fund deficit support	—	—	207,606	207,606
Total other financing sources	1,809,142	2,286,166	2,090,971	(195,195)
Total revenues and other financing sources	44,450,428	44,927,452	45,869,195	941,743
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature	113,462	113,462	70,381	43,081
Judiciary	1,029,154	1,044,151	1,018,791	25,360
Inspector General	5,856	5,856	5,762	94
Governor and Lieutenant Governor	8,523	8,523	7,330	1,193
Secretary of the Commonwealth	52,143	53,286	50,064	3,222
Treasurer and Receiver-General	2,453,779	252,018	237,778	14,240
Auditor of the Commonwealth	20,333	20,333	19,472	861
Attorney General	56,235	56,234	53,912	2,322
Ethics Commission	2,397	2,397	2,360	37
District Attorney	141,567	141,783	140,682	1,101
Office of Campaign & Political Finance	1,817	1,817	1,723	94
Sheriff's Departments	681,835	681,521	624,547	56,974
Disabled Persons Protection Commission	4,892	4,892	4,878	14
Massachusetts Gaming Commission	721	—	—	—
Board of Library Commissioners	30,493	30,493	30,382	111
Comptroller	16,018	16,018	14,498	1,520
Administration and Finance	9,548,094	3,292,980	2,359,299	933,681
Energy and Environmental Affairs	291,132	296,332	268,714	27,618
Health and Human Services	23,634,240	6,899,777	6,655,211	244,566
Executive Office of Technology Services and Security	161,948	161,942	135,079	26,863
Office of the Child Advocate	1,899	1,899	1,521	378
Cannabis Control Commission	1,000	—	—	—
Executive Office of Education	2,765,142	2,741,798	2,673,086	68,712
Center for Health Information and Analysis	30,070	20,070	19,930	140
Massachusetts Department of Transportation	900	900	900	—
Public safety and Homeland Security	1,779,544	1,778,824	1,531,677	247,147
Housing and Economic Development	658,457	672,614	626,860	45,754
Labor and Workforce Development	90,152	76,715	60,960	15,755
Direct local aid	—	6,250,677	6,249,547	1,130
Medicaid	—	17,022,818	17,022,624	194
Post employment benefits	—	3,295,332	3,295,357	(25)
Debt service:				
Principal retirement	26,193	759,614	728,949	30,665
Interest and fiscal charges	—	610,754	586,580	24,174
Total expenditures	43,607,996	46,315,830	44,498,854	1,816,976
Other financing uses:				
Fringe benefit cost assessment	—	—	5,676	(5,676)
Operating transfers out	—	485,436	495,595	(10,159)
Medical assistance transfer	—	505,785	505,785	—
Stabilization transfer	—	451,500	—	451,500
Total other financing uses	—	1,442,721	1,007,056	435,665
Total expenditures and other financing uses	43,607,996	47,758,551	45,505,910	2,252,641
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 842,432	\$ (2,831,099)	363,285	\$ 3,194,384
Fund balances/(deficits) at beginning of year			3,869,592	
Fund balances/(deficits) at end of year			<u>\$ 4,232,877</u>	

* Includes the General Fund, the Commonwealth Stabilization Fund and the Intragovernmental Services Fund, which are presented separately in the Statutory Basis Financial Report (SBFR)

See Independent Auditors' Report and notes to required supplementary information.

**Explanation of Differences between Revenues, Expenditures and Other Financing Sources/(Uses)
for the General Fund* on a Budgetary Basis and GAAP Basis (in thousands):**

REVENUES

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 43,778,224
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Tax receivable, net	99,034
Tax refunds and abatements payable, net	(6,393)
Federal reimbursements and other receivables	(564,399)
Reclassifications:	
Higher education revenue is reclassified for GAAP reporting	(88,193)
Inflows from component units and other miscellaneous financing sources	12,671
Certain revenue is reclassified to fiduciary funds for GAAP reporting	(74,639)
Certain revenue is reclassified for GAAP reporting	(5,000)
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 43,151,305

OTHER FINANCING SOURCES

Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule	\$ 2,090,971
Adjustments and Reclassifications:	
Proceeds of capital lease on GAAP basis	574
Consolidation of transfers between funds	(13,268)
Inflows from component units and other miscellaneous financing sources	(98,849)
Certain revenue is reclassified for GAAP reporting	5,000
Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 1,984,428

EXPENDITURES

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 44,498,854
Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis:	
Medicaid payments	(542,649)
Compensated absences and other accrued liabilities	311,539
Reclassifications:	
Capital lease additions are additions to expenditures for GAAP purposes on a fund perspective	574
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	(1,315,529)
Higher education expenditures are reclassified for GAAP reporting	(1,607,262)
Expenditures to component units reported on a GAAP basis	(21,750)
Certain expenditures are reclassified to fiduciary funds for GAAP reporting	(74,639)
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 41,249,138

OTHER FINANCING USES

Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule	\$ 1,007,056
Adjustments and Reclassifications:	
Consolidation of transfers between funds	(13,268)
Budgetary higher education amounts are reclassified to transfers under the modified accrual basis	1,519,068
Budgetary debt service are reclassified to transfers out to a debt service fund for GAAP purposes as the Commonwealth does not have a statutory debt service fund	1,315,529
Transfers to component units reported on a GAAP basis	(1,669)
Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 3,826,716

* Includes the General Fund, the Commonwealth Stabilization Fund and the Intragovernmental Services Fund, which are presented separately in the Statutory Basis Financial Report (SBFR)

See Independent Auditors' Report and notes to required supplementary information.

Note to Required Supplementary Information – Budgetary Reporting

The Commonwealth passes a combined budget for all budgeted operations. State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act. Generally, expenditures may not exceed the level of spending authorized for an appropriation account.

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

In addition, Massachusetts General Laws authorize the Secretary of Administration and Finance, with the approval of the Governor, upon determination that available revenues will be insufficient to meet authorized expenditures, to withhold allotments of appropriated funds which effectively reduce the account's expenditure budget. The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs which are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

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

The FY04 General Appropriation Act (Chapter 26, Section 167 of the Acts of 2003), amended section 9C, directing the Governor to notify the Legislature in writing as to the reasons for and the effect of any reductions in spending. Alternatively, the Governor may propose specific additional revenues to fund the deficiency. The Governor may also propose to transfer funds from the Stabilization Fund to cure the deficiency. This proposal must be delivered to the Legislature 15 days before any reductions take effect.

The following table summarizes budgetary activity for FY20 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 41 of the Acts of 2019:		
Direct appropriations.....	\$ 44,339,800	\$ 42,894,259
Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY2019.....	—	1,811,582
Total original budget.....	44,339,800	44,705,841
Supplemental Acts of 2019:		
Chapter 142.....	—	24,525
Supplemental Acts of 2020:		
Chapter 31.....	—	122,994
Chapter 39.....	—	15,000
Chapter 124.....	—	1,140,793
Chapter 201.....	—	423,143
Total budgeted revenues and expenditures per Legislative action.....	—	1,726,455
Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending.....	3,293,029	3,578,302
Budgeted revenues and expenditures as reported.....	<u>\$ 47,632,829</u>	<u>\$ 50,010,598</u>

As the budget is not passed taking into account the structure of funds, but of appropriations, reports contained within the Commonwealth's MMARS accounting system demonstrate budgetary compliance by appropriation. Those reports are available upon request at the Office of the State Comptroller, Statewide Financial Reporting Team, at (617) 973-2660 or can be downloaded directly at <https://www.macomptroller.org/fiscal-year-budgetary-reports>.

Schedule of Changes in the State Employees' Retirement System (SERS) Net Pension Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2020	2019	2018	2017
Total pension liability, July 1	\$ 43,398,000	\$ 41,225,000	\$ 39,107,000	\$ 37,760,000
Service cost	963,828	897,600	856,200	855,440
Interest	3,124,187	2,965,890	2,852,239	2,813,374
Change in benefit terms	—	—	—	10,000
Differences between expected and actual experience	336,183	303,066	102,008	(428,232)
Changes of assumptions	442,000	434,000	622,000	304,000
Benefit payments, including refunds of member contributions	(2,539,198)	(2,427,556)	(2,314,447)	(2,207,582)
Net change in total pension liability	2,327,000	2,173,000	2,118,000	1,347,000
Total pension liability, June 30 (a)	<u>\$ 45,725,000</u>	<u>\$ 43,398,000</u>	<u>\$ 41,225,000</u>	<u>\$ 39,107,000</u>
Plan fiduciary net position, July 1	\$ 28,763,796	\$ 27,995,021	\$ 26,282,232	\$ 23,971,156
Contributions:				
Employers - Commonwealth and MassDOT	1,003,828	919,545	842,864	716,266
Non-employer contributions - Commonwealth	38,381	37,359	33,310	28,455
Employer and non-employer contributions - other	9,718	10,191	9,564	7,999
ERIP funding contribution - Commonwealth	28,724	28,724	28,724	29,093
Plan members	659,015	632,730	600,705	604,772
Other additions	90,944	104,765	118,124	232,548
Total contributions	1,830,610	1,733,314	1,633,291	1,619,133
Net investment income	567,319	1,543,398	2,460,748	2,987,632
Benefit payments, including refunds of member contributions	(2,539,198)	(2,427,556)	(2,314,447)	(2,207,582)
Administrative expense	(18,089)	(15,853)	(16,369)	(30,030)
Other changes	(37,138)	(64,528)	(50,434)	(58,077)
Net change in plan fiduciary net position	(196,496)	768,775	1,712,789	2,311,076
Plan fiduciary net position, June 30 (b)	<u>\$ 28,567,300</u>	<u>\$ 28,763,796</u>	<u>\$ 27,995,021</u>	<u>\$ 26,282,232</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 17,157,700</u>	<u>\$ 14,634,204</u>	<u>\$ 13,229,979</u>	<u>\$ 12,824,768</u>
Plan fiduciary net position as a percentage of the total pension liability	62.5%	66.3%	67.9%	67.2%
Covered payroll (as of the actuarial valuation date) *	\$ 6,354,473	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Net pension liability as a percentage of covered employee payroll	270.0%	230.3%	214.9%	216.4%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

2016	2015	2014
\$ 35,425,414	\$ 31,355,000	\$ 29,988,000
813,975	700,012	631,634
2,638,929	2,411,551	2,405,204
400,000	230,302	—
589,009	275,000	—
—	2,330,000	102,000
(2,107,327)	(1,876,451)	(1,771,838)
2,334,586	4,070,414	1,367,000
<u>\$ 37,760,000</u>	<u>\$ 35,425,414</u>	<u>\$ 31,355,000</u>
\$ 24,042,585	\$ 23,930,895	\$ 21,084,958
660,818	601,931	550,483
21,830	18,040	21,293
16,642	15,808	6,048
29,093	—	—
591,948	549,493	501,106
397,077	92,503	68,967
1,717,408	1,277,775	1,147,897
422,938	800,886	3,551,012
(2,107,327)	(1,876,451)	(1,771,838)
(20,624)	(15,966)	(12,705)
(83,824)	(74,554)	(68,429)
(71,429)	111,690	2,845,937
<u>\$ 23,971,156</u>	<u>\$ 24,042,585</u>	<u>\$ 23,930,895</u>
<u>\$ 13,788,844</u>	<u>\$ 11,382,829</u>	<u>\$ 7,424,105</u>
63.5%	67.9%	76.3%
\$ 5,792,288	\$ 5,591,911	\$ 5,344,510
238.1%	203.6%	138.9%

NOTES TO THE SERS SCHEDULE

FY2020 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$442 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$434 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$613 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members - would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year.

This change resulted in an increase to the total pension liability of approximately \$9 million.

FY2017 Changes in Actuarial Assumptions

Changes of Benefit Terms:

Chapter 79 of the Acts 2014 established an early retirement incentive (ERI) program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during FY2017. As a result, the total pension liability of SERS increased by approximately \$10 million.

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2017 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).
- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

(Continued)

NOTES TO THE SERS SCHEDULE

- Disabled members - is assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct), and is unchanged from the prior valuation.

These changes resulted in an increase to the total pension of approximately \$304 million.

FY2016 Changes in Actuarial Assumptions

Changes in Benefit Terms:

Chapter 176 of the Acts of 2011 created a one time election for eligible members of the Optional Retirement Plan (ORP) to transfer to the State Employee's Retirement System (SERS) and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS has increased by approximately \$400 million.

FY2015 Changes in Actuarial Assumptions

Changes in Benefit Terms:

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (ERI) for certain members of SERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability has increased by approximately \$230 million.

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$933 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Employees table projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP-2000 Healthy Annuitant table projected 17 years with Scale AA.
- Disabled members - was changed to be assumed to be in accordance with RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from RP-2000 Healthy Annuitant table projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.397 billion.

FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$102 million.

See Independent Auditors' Report

**Schedule of Changes in the Massachusetts Teachers' Retirement
System (MTRS) Net Pension Liability and Related Ratios**

(Amounts in thousands, except for percentages)

	2020	2019	2018	2017
Total pension liability, July 1	\$ 54,751,000	\$ 52,503,000	\$ 50,024,000	\$ 47,300,000
Service cost	1,019,331	949,262	901,234	891,760
Interest	3,927,724	3,763,191	3,633,027	3,505,761
Differences between expected and actual experience	495,599	50,910	92,317	47,046
Changes of assumptions	859,000	577,000	845,000	1,176,000
Benefit payments, including refunds of plan member contributions	(3,189,813)	(3,092,363)	(2,992,578)	(2,896,567)
Net change in total pension liability	3,111,841	2,248,000	2,479,000	2,724,000
Total pension liability, June 30 (a)	<u>\$ 57,862,841</u>	<u>\$ 54,751,000</u>	<u>\$ 52,503,000</u>	<u>\$ 50,024,000</u>
Plan fiduciary net position, July 1	\$ 29,536,980	\$ 28,791,711	\$ 27,138,609	\$ 24,942,072
Contributions:				
Non-employer	1,553,433	1,443,710	1,314,783	1,235,515
Plan members	821,105	782,431	755,688	730,212
Other additions	233,222	234,532	231,734	223,746
Total contributions	2,607,760	2,460,673	2,302,205	2,189,473
Net investment income	581,648	1,584,770	2,542,576	3,100,352
Benefit payments, including refunds of plan member contributions	(3,189,813)	(3,092,363)	(2,992,578)	(2,896,567)
Administrative expense	(22,391)	(18,324)	(19,528)	(24,053)
Other changes	(196,187)	(189,487)	(179,573)	(172,668)
Net change in plan fiduciary net position	(218,983)	745,269	1,653,102	2,196,537
Plan fiduciary net position, June 30 (b)	<u>\$ 29,317,997</u>	<u>\$ 29,536,980</u>	<u>\$ 28,791,711</u>	<u>\$ 27,138,609</u>
Plan net pension liability - June 30 (a) - (b)	<u>\$ 28,544,844</u>	<u>\$ 25,214,020</u>	<u>\$ 23,711,289</u>	<u>\$ 22,885,391</u>
Plan fiduciary net position as a percentage of the total pension liability	50.7%	53.9%	54.8%	54.3%
Covered payroll (as of actuarial valuation date)	\$ 7,074,960	\$ 7,074,960	\$ 6,829,012	\$ 6,583,871
Net pension liability as a percentage of covered employee payroll	403.5%	356.4%	347.2%	347.6%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

2016	2015	2014
\$ 45,918,711	\$ 41,435,000	\$ 39,931,000
843,800	768,032	720,712
3,402,525	3,166,728	3,227,025
(74,025)	153,000	—
—	3,080,000	108,000
(2,791,011)	(2,684,049)	(2,551,737)
1,381,289	4,483,711	1,504,000
<u>\$ 47,300,000</u>	<u>\$ 45,918,711</u>	<u>\$ 41,435,000</u>
\$ 25,429,068	\$ 25,538,646	\$ 22,697,302
1,124,583	1,021,930	937,379
699,422	669,941	653,328
202,796	190,925	150,522
2,026,801	1,882,796	1,741,229
441,363	845,503	3,771,883
(2,791,011)	(2,684,049)	(2,551,737)
(24,220)	(23,444)	(20,499)
(139,929)	(130,384)	(99,532)
(486,996)	(109,578)	2,841,344
<u>\$ 24,942,072</u>	<u>\$ 25,429,068</u>	<u>\$ 25,538,646</u>
<u>\$ 22,357,928</u>	<u>\$ 20,489,643</u>	<u>\$ 15,896,354</u>
52.7%	55.4%	61.6%
\$ 6,388,732	\$ 6,204,274	\$ 5,962,650
350.0%	330.3%	266.6%

NOTES TO THE MTRS SCHEDULE

FY2020 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.15% from 7.25%. This change resulted in an increase to the total pension liability of approximately \$559 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2020 Actuarial Valuation:

- Pre-retirement - was changed to Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct).
- Post-retirement - was changed to Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct) from RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct).
- Disabled members - was changed to be in accordance with Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2018 (gender distinct).

These changes resulted in an increase to the total pension liability of approximately \$300 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.25% from 7.35%. This change resulted in an increase to the total pension liability of approximately \$577 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.35% from 7.50%. This change resulted in an increase to the total pension liability of approximately \$845 million.

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2017 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 White Collar Employees table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Employees table projected generationally with Scale BB).

(Continued)

NOTES TO THE MTRS SCHEDULE

- Post-retirement - was changed to RP-2014 White Collar Healthy Annuitant table projected generationally with Scale MP-2016 (gender distinct) from RP-2014 Healthy Annuitant table projected generationally with Scale BB).
- Disabled members - is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years and is unchanged from the prior valuation.

These changes resulted in an increase to the total pension liability of approximately \$1.176 billion.

FY2015 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.50% from 7.75%. This change resulted in an increase to the total pension liability of approximately \$1.190 billion.

Change in mortality

The following mortality assumption changes were made in the January 1, 2015 Actuarial Valuation:

- Pre-retirement - was changed to RP-2014 Employees table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Employees table adjusted for "white-collar" employment projected 22 years with Scale AA.
- Post-retirement - was changed to RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 (gender distinct) from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 17 years with Scale AA.
- Disabled members - was changed to be assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale BB and a base year of 2014 set forward 4 years from RP-2000 Healthy Annuitant table adjusted for large annuity amounts and projected 7 years with Scale AA set forward 3 years for males.

These changes resulted in an increase to the total pension liability of approximately \$1.890 billion.

FY2014 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in Experience

An updated experience study was issued on February 27, 2014 and encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover, and mortality. This study adjusted the mortality assumption which resulted in an increase to the total pension liability of approximately \$108 million.

See Independent Auditors' Report

Schedule of Changes in the State Retirees' Benefit Trust (SRBT)
Net OPEB Liability and Related Ratios

(Amounts in thousands, except for percentages)

	2020	2019	2018	2017
Total OPEB liability, July 1	\$ 19,662,106	\$ 19,761,333	\$ 18,480,936	\$ 19,821,600
Service cost	785,689	806,023	792,135	950,800
Interest	732,808	796,880	691,630	591,900
Differences between expected and actual experience	(600,057)	715,192	218,891	(48,600)
Changes of assumptions	2,050,139	(1,935,139)	21,504	(2,393,700)
Benefit payments, including refunds of member contributions	(525,174)	(482,183)	(443,763)	(441,064)
Net change in total pension liability	2,443,405	(99,227)	1,280,397	(1,340,664)
Total OPEB liability, June 30 (a)	<u>\$ 22,105,511</u>	<u>\$ 19,662,106</u>	<u>\$ 19,761,333</u>	<u>\$ 18,480,936</u>
Plan fiduciary net position, July 1	\$ 1,368,548	\$ 1,187,569	\$ 996,407	\$ 866,043
Contributions:				
Employer	547,611	594,916	542,896	465,449
Other additions	122	188	133	784
Total contributions	547,733	595,104	543,029	466,233
Net investment income	23,380	68,229	93,308	105,822
Benefit payments, including refunds of plan member contributions	(525,174)	(482,183)	(443,763)	(441,064)
Administrative expense	(175)	(171)	(150)	(127)
Other changes	—	—	(1,262)	(500)
Net change in plan fiduciary net position	45,764	180,979	191,162	130,364
Plan fiduciary net position, June 30 (b)	<u>\$ 1,414,312</u>	<u>\$ 1,368,548</u>	<u>\$ 1,187,569</u>	<u>\$ 996,407</u>
Plan net OPEB liability - June 30 (a) - (b)	<u>\$ 20,691,199</u>	<u>\$ 18,293,558</u>	<u>\$ 18,573,764</u>	<u>\$ 17,484,529</u>
Plan fiduciary net position as a percentage of the total OPEB liability	6.4%	7.0%	6.0%	5.4%
Covered payroll (as of actuarial valuation date)	\$ 6,608,652	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Net OPEB liability as a percentage of covered employee payroll	313.1%	287.9%	301.8%	295.0%

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule.

NOTES TO THE SRBT SCHEDULE

FY2020 Changes in Actuarial Assumptions

Change in discount rate

The discount rate was decreased to 2.28% (based on a blend of the Bond Buyer Index rate 2.21%) as of the measurement date and the expected rate of return on assets of 7.15%) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$4.272 billion.

Change in excise tax

The excise tax was removed. This resulted in a decrease in the total OPEB liability of approximately \$502 million.

Change in per capita claims costs

Per capita claims costs were updated based on changes in the underlying claims and benefit provisions. This change resulted in a decrease in the total OPEB liability of approximately \$1.749 billion.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2020_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax. The short-term assumptions were based on a review of the Commonwealth's historical trend rates during fiscal years 2019 and 2020, along with industry surveys, separately for non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$706 million.

Change in salary scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS. This change resulted in a decrease in the total OPEB liability of approximately \$441 million.

Change in future retirees' plan participation rates

The proportion of future retirees cover a spouse was reduced from 80% to 60%. This resulted in a decrease in the total OPEB liability of approximately \$1.117 billion.

35% of employees currently opting out of active employee health coverage are assumed to enroll in retiree coverage. An 8% load was applied to the active liability to estimate the impact of its population. This resulted in an increase in the total OPEB liability of approximately \$531 million.

Change in medical plan election rates

Retirees and spouses (if covered) are assumed to be non-Medicare eligible prior to age 65 and Medicare eligible at age 65, unless their spouse is over age 65 and non-Medicare eligible. This resulted in an increase in the total OPEB liability of approximately \$350 million.

FY2019 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in a decrease to the total OPEB liability of approximately \$1.638 billion.

(Continued)

NOTES TO THE SRBT SCHEDULE

Change in trend on future costs

The healthcare trend rate decreased from 8.0% in FY2018 to 7.5% in FY2019, which impacts the high cost excise tax. This resulted in a decrease to the total OPEB liability of approximately \$1.067 billion.

Change in medical plan election rates

The pre age 65 medical plan election percentages were updated to better reflect plan experience and resulted in a decrease to the total OPEB liability of approximately \$90 million.

Change in future retirees' plan participation rates

Plan participation rate for future retirees was changed from 80% to 85% to better reflect recent plan experience and increased the OPEB liability approximately \$62 million.

Change in discount rate

The discount rate was decreased to 3.69% (based on a blend of the Bond Buyer Index rate (3.51%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This decrease in the discount rate resulted in an increase in the total OPEB liability of approximately \$798 million.

FY2018 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in base OPEB rates for medical and prescriptions

Annually, a recalibration of the underlying healthcare costs is performed using healthcare cost experience from the GIC and developing new per person annual costs under the different health plan options. The expectation is that the new rates will be equal to the prior year rates plus one year of healthcare trend (medical inflation).

This resulted in an increase to the total OPEB liability of approximately \$937 million.

Change in trend on future costs

The healthcare trend rate decreased from 8.5% in FY2017 to 8.0% in FY2018, which impacts the high cost excise tax. This resulted in an increase to the total OPEB liability of approximately \$88 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members - would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year.

This change resulted in a decrease to the total OPEB liability of approximately \$2 million.

Change in discount rate

The discount rate was increased to 3.95% (based on a blend of the Bond Buyer Index rate (3.87%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$1.001 billion.

(Continued)

FY2017 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased to 3.63% (based on a blend of the Bond Buyer Index rate (3.58%) as of the measurement date and the expected rate of return on assets) as required by GASB Statement No. 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease to the total OPEB liability of approximately \$2.394 billion.

See Independent Auditors' Report

Schedule of Investment Returns

	Fiscal Year Ending June 30						
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense - SERS	2.01 %	5.63 %	9.58 %	12.74 %	1.79 %	3.40 %	17.13 %
Annual money-weighted rate of return, net of investment expense - MTRS	2.00 %	5.62 %	9.58 %	12.75 %	1.78 %	3.40 %	17.12 %
Annual money-weighted rate of return, net of investment expense - SRBT	1.75 %	5.87 %	9.46 %	12.90 %	(1)	(1)	(1)

(1) - GASB 74 implemented in FY2017.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report



Schedule of Proportionate Share of the Net Pension Liability and Contributions
State Employees' Retirement System

Last 10 Years
(amounts in thousands)

Proportionate Share of the Net Pension Liability	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)
Proportion of the net pension liability.....	94.7%	94.6%	94.5%	94.3%
Proportionate share of the net pension liability.....	\$ 13,856,209	\$ 12,520,028	\$ 12,122,363	\$ 12,996,818
Plan net position as a percentage of the total pension liability.....	66.3%	67.9%	67.2%	63.5%
Covered payroll.....	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985
Net pension liability as a percentage of covered payroll.....	245.6%	230.1%	224.6%	247.6%

Contributions	Fiscal Year Ending June 30				
	2020	2019	2018	2017	2016
Statutorily required contribution.....	\$ 1,042,209	\$ 956,904	\$ 876,174	\$ 744,721	\$ 682,648
Contributions in relation to the statutorily required contribution.....	1,042,209	956,904	876,174	744,721	682,648
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll.....	\$ 5,778,859	\$ 5,641,512	\$ 5,440,103	\$ 5,397,203	\$ 5,249,985
Contributions as a percentage of covered payroll	18.0%	17.0%	16.1%	13.8%	13.0%

The State Employees' Retirement System (SERS) is included in this Annual Report as a pension trust fund in the fiduciary fund type. SERS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
93.8%	93.9%
\$ 10,682,765	\$ 6,972,443
67.9%	76.3%
\$ 5,136,405	\$ 4,975,346
208.0%	140.1%

2015	2014
\$ 619,971	\$ 571,776
619,971	571,776
\$ —	\$ —

\$ 5,136,405	\$ 4,975,346
12.1%	11.5%

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Massachusetts Teachers' Retirement System

Last 10 Years

(amounts in thousands)

Proportionate Share of the Net Pension Liability	2020 (measurement date June 30, 2019)	2019 (measurement date June 30, 2018)	2018 (measurement date June 30, 2017)	2017 (measurement date June 30, 2016)
Proportion of the net pension liability.....	100.0%	100.0%	100.0%	100.0%
Proportionate share of the net pension liability.....	\$ 25,214,020	\$ 23,711,289	\$ 22,885,391	\$ 22,357,928
Plan net position as a percentage of the total pension liability.....	53.9%	54.8%	54.3%	52.7%

Contributions	Fiscal Year Ending June 30				
	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 1,553,433	\$ 1,443,710	\$ 1,314,783	\$ 1,235,515	\$ 1,124,583
Contributions in relation to the statutorily required contribution.....	1,553,433	1,443,710	1,314,783	1,235,515	1,124,583
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The Massachusetts Teachers' Retirement System (MTRS) is included in this Annual Report as a pension trust fund in the fiduciary fund type. MTRS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2016 (measurement date June 30, 2015)	2015 (measurement date June 30, 2014)
100.0%	100.0%
\$ 20,489,643	\$ 15,896,354
55.4%	61.6%
<hr/>	
2015	2014
\$ 1,021,930	\$ 937,379
1,021,930	937,379
\$ —	\$ —

Schedule of Proportionate Share of the Net Pension Liability and Contributions
Boston Retirement System - Teachers

Last 10 Years
(amounts in thousands)

Proportionate Share of the Net Pension Liability	2020 (measurement date December 31, 2019)	2019 (measurement date December 31, 2018)	2018 (measurement date December 31, 2017)	2017 (measurement date December 31, 2016)	2016 (measurement date December 31, 2015)
Proportion of the net pension liability.....	56.5%	55.6%	60.5%	55.9%	54.5%
Proportionate share of the net pension liability.....	\$ 2,572,923	\$ 2,551,190	\$ 2,433,199	\$ 2,325,286	\$ 2,402,267
Plan net position as a percentage of the total pension liability.....	61.9%	58.3%	62.7%	58.4%	55.8%
Fiscal Year Ending December 31					
Contributions	2019	2018	2017	2016	2015
Statutorily required contribution.....	\$ 157,041	\$ 143,146	\$ 131,298	\$ 132,477	\$ 120,434
Contributions in relation to the statutorily required contribution.....	157,041	143,146	131,298	132,477	120,434
Annual contribution deficiency/(excess).....	\$ —	\$ —	\$ —	\$ —	\$ —

The Boston Retirement System (BRS) is included in the City of Boston's Comprehensive Annual Financial Report. The Boston Teachers' portion of the BRS total pension liability is reported in this Annual Report as a part of the total net pension liability.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report and notes to the schedule

2015
(measurement
date December
31, 2014)

53.7%

\$ 2,066,546

59.6%

2014	2013
------	------

\$ 109,485	\$ 99,532
------------	-----------

109,485	99,532
---------	--------

\$ —	\$ —
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NOTES TO THE SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

SERS and MTRS:

In accordance with Chapter 32 of the Massachusetts General Laws (MGL), the Commonwealth's statutorily determined contributions to SERS and MTRS are based on a three-year funding schedule adopted by the legislature based upon the previous year's actuarial valuation. The most recent funding schedule was adopted in January 2017 (for fiscal years 2018 through 2020) based upon the January 1, 2016 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2020 was determined as part of the January 1, 2016 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.50% investment rate of return, (b) 3.50% interest rate credited to the annuity savings fund and (c) 3.00% cost of living increase per year (on the first \$13,000 of an allowance).
3. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.
4. The assumptions do not include post-retirement benefit increases, which are taken into account when granted under amendments to General Laws.
5. The actuarial value of assets was determined using various techniques that smooth the effects of short-term volatility in the market value of investments, with a phased-in approach. Under this approach, 20% of the gains or losses occurring in the prior year are recognized, 40% of those occurring two years prior, etc., so that 100% of gains and losses occurring five years prior are recognized. The actuarial value of assets is adjusted if necessary in order to remain between 90% and 110% of market value.
6. Normal costs are amortized using level percentage of payroll, closed.
7. The remaining amortization period for the unfunded pension liability at January 1, 2016 was 20 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2018. The funding requirements are established for the employers' fiscal year ended June 30, 2019 and later years and are analyzed based on the preceding two years' experience. The following actuarial methods and assumptions were used to determine the required contribution rates:

Actuarial cost method.....	Entry age normal cost method
Amortization method.....	Prior year's contribution increased by 8.94% for Boston Teachers
Remaining amortization period.....	17 years remaining as of January 1, 2019 for Boston Teachers
Asset valuation method.....	Sum of actuarial value at beginning of year, contributions and investment earnings based on the actuarial interest assumption less benefit payments and operating expenses plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.
Inflation.....	3.25%
Salary increases.....	Varies by length of service with ultimate rate of 4.00% for Boston Teachers
Investment rate of return.....	7.15% for Boston Teachers

See Independent Auditors' Report

Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts
Last 10 Years
(amounts in thousands)

Contributions	Fiscal Year Ending June 30			
	2020	2019	2018	2017
Statutorily required contribution.....	\$ 526,494	\$ 572,434	\$ 520,703	\$ 419,932
Contributions in relation to the statutorily required contribution.....	526,494	572,434	520,703	419,932
Annual contribution deficiency/(excess).....	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll*.....	\$ 6,354,473	\$ 6,354,473	\$ 6,155,194	\$ 5,927,012
Contributions as a percentage of covered payroll.....	8.3%	9.0%	8.5%	7.1%

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation.

Note: This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Independent Auditors' Report



Other Supplementary Information

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Combined General Fund

Combining Balance Sheet – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Other Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budgetary Basis – Budget and Actual – Other Budgeted Nonmajor Governmental Funds

Combining Budget to GAAP Reconciliation – Other Budgeted Nonmajor Governmental Funds

Combining Statement of Net Position Available for Post-Employment Benefits – Pension and OPEB Trust Funds

Combining Statement of Changes in Net Position Available for Post-Employment Benefits – Pension and OPEB Trust Funds

Combining Statement of Net Position Held in Trust for Pool Participants – External Investment Trust Funds

Combining Statement of Changes in Net Position Held in Trust for Pool Participants – External Investment Trust Funds

Combining Statement of Fiduciary Net Position - Custodial Funds

Combining Statement of Changes in Fiduciary Net Position - Custodial Funds

Combining Statement of Net Position – Nonmajor Discretely Presented Component Units

Combining Statement of Revenues, Expenses and Changes in Net Position – Nonmajor Discretely Presented Component Units

Combining Statement of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

Combined General Fund
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	General Fund				Stabilization Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ 26,568,800	\$ 26,568,800	\$ 26,310,628	\$ (258,172)	\$ 300	\$ 300	\$ 362	\$ 62
Assessments	461,659	461,659	408,928	(52,731)	—	—	—	—
Federal grants and reimbursements	11,657,530	11,657,530	12,785,622	1,128,092	—	—	—	—
Tobacco settlement revenue	251,241	251,241	229,690	(21,551)	—	—	—	—
Departmental	3,222,141	3,222,141	3,203,982	(18,159)	—	—	—	—
Miscellaneous	435,442	435,442	323,326	(112,116)	44,173	44,173	61,529	17,356
Total revenues	42,596,813	42,596,813	43,262,176	665,363	44,473	44,473	61,891	17,418
Other financing sources:								
Fringe benefit cost recovery	468,841	468,841	573,874	105,033	—	—	—	—
Lottery reimbursements	121,075	121,075	110,928	(10,147)	—	—	—	—
Lottery distributions	1,022,477	1,022,477	967,263	(55,214)	—	—	—	—
Operating transfers in	196,749	196,749	216,386	19,637	—	—	—	—
Stabilization transfer	—	—	—	—	—	477,024	14,914	(462,110)
Other fund deficit support	—	—	207,606	207,606	—	—	—	—
Total other financing sources	1,809,142	1,809,142	2,076,057	266,915	—	477,024	14,914	(462,110)
Total revenues and other financing sources	44,405,955	44,405,955	45,338,233	932,278	44,473	521,497	76,805	(444,692)
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Legislature	113,462	113,462	70,381	43,081	—	—	—	—
Judiciary	1,029,154	1,044,151	1,018,791	25,360	—	—	—	—
Inspector General	5,856	5,856	5,762	94	—	—	—	—
Governor and Lieutenant Governor	8,406	8,406	7,213	1,193	—	—	—	—
Secretary of the Commonwealth	52,127	53,270	50,064	3,206	—	—	—	—
Treasurer and Receiver-General	2,453,779	252,018	237,778	14,240	—	—	—	—
Auditor of the Commonwealth	20,333	20,333	19,472	861	—	—	—	—
Attorney General	56,235	56,234	53,912	2,322	—	—	—	—
Ethics Commission	2,397	2,397	2,360	37	—	—	—	—
District Attorney	141,567	141,783	140,682	1,101	—	—	—	—
Office of Campaign & Political Finance	1,817	1,817	1,723	94	—	—	—	—
Sheriff's Departments	681,835	681,521	624,547	56,974	—	—	—	—
Disabled Persons Protection Commission	4,892	4,892	4,878	14	—	—	—	—
Massachusetts Gaming Commission	721	—	—	—	—	—	—	—
Board of Library Commissioners	30,493	30,493	30,382	111	—	—	—	—
Comptroller	9,485	9,485	9,414	71	—	—	—	—
Administration and finance	9,294,684	3,039,570	2,217,801	821,769	—	—	—	—
Energy and environmental affairs	287,982	293,182	265,648	27,534	—	—	—	—
Health and human services	23,497,410	6,762,947	6,539,351	223,596	—	—	—	—
Executive Office of Technology Services and Security	41,017	41,011	40,057	954	—	—	—	—
Office of the Child Advocate	1,899	1,899	1,521	378	—	—	—	—
Cannabis Control Commission	1,000	—	—	—	—	—	—	—
Executive Office of Education	2,763,282	2,739,938	2,672,996	66,942	—	—	—	—
Center for Health Information and Analysis	30,070	20,070	19,930	140	—	—	—	—
Massachusetts Department of Transportation	900	900	900	—	—	—	—	—
Public safety and homeland security	1,701,824	1,701,104	1,477,754	223,350	—	—	—	—
Housing and economic development	650,773	664,930	625,123	39,807	—	—	—	—
Labor and workforce development	90,152	76,715	60,960	15,755	—	—	—	—
Direct local aid	—	6,250,677	6,249,547	1,130	—	—	—	—
Medicaid	—	17,022,818	17,022,624	194	—	—	—	—
Post employment benefits	—	3,295,332	3,295,357	(25)	—	—	—	—
Debt service:								
Principal retirement	—	733,421	704,392	29,029	—	—	—	—
Interest and fiscal charges	—	610,754	586,580	24,174	—	—	—	—
Total expenditures	42,973,552	45,681,386	44,057,900	1,623,486	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	5,676	(5,676)	—	—	—	—
Operating transfers out	—	485,436	482,327	3,109	—	—	—	—
Medical assistance transfer	—	505,785	505,785	—	—	—	—	—
Stabilization transfer	—	451,500	—	451,500	—	—	—	—
Total other financing uses	—	1,442,721	993,788	448,933	—	—	—	—
Total expenditures and other financing uses	42,973,552	47,124,107	45,051,688	2,072,419	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ 1,432,403	\$ (2,718,152)	286,545	\$ 3,004,697	\$ 44,473	\$ 521,497	76,805	\$ (444,692)
Fund balances/(deficits) at beginning of year			434,247				3,424,376	
Fund balances/(deficits) at end of year			<u>\$ 720,792</u>				<u>\$ 3,501,181</u>	

See Independent Auditors' Report

Intragovernmental Services Fund				Total General Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ 26,569,100	\$ 26,569,100	\$ 26,310,990	\$ (258,110)
—	—	—	—	461,659	461,659	408,928	(52,731)
—	—	—	—	11,657,530	11,657,530	12,785,622	1,128,092
—	—	—	—	251,241	251,241	229,690	(21,551)
—	—	454,157	454,157	3,222,141	3,222,141	3,658,139	435,998
—	—	—	—	479,615	479,615	384,855	(94,760)
—	—	454,157	454,157	42,641,286	42,641,286	43,778,224	1,136,938
—	—	—	—	468,841	468,841	573,874	105,033
—	—	—	—	121,075	121,075	110,928	(10,147)
—	—	—	—	1,022,477	1,022,477	967,263	(55,214)
—	—	—	—	196,749	196,749	216,386	19,637
—	—	—	—	—	477,024	14,914	(462,110)
—	—	—	—	—	—	207,606	207,606
—	—	—	—	1,809,142	2,286,166	2,090,971	(195,195)
—	—	454,157	454,157	44,450,428	44,927,452	45,869,195	941,743
—	—	—	—	113,462	113,462	70,381	43,081
—	—	—	—	1,029,154	1,044,151	1,018,791	25,360
—	—	—	—	5,856	5,856	5,762	94
117	117	117	—	8,523	8,523	7,330	1,193
16	16	—	16	52,143	53,286	50,064	3,222
—	—	—	—	2,453,779	252,018	237,778	14,240
—	—	—	—	20,333	20,333	19,472	861
—	—	—	—	56,235	56,234	53,912	2,322
—	—	—	—	2,397	2,397	2,360	37
—	—	—	—	141,567	141,783	140,682	1,101
—	—	—	—	1,817	1,817	1,723	94
—	—	—	—	681,835	681,521	624,547	56,974
—	—	—	—	4,892	4,892	4,878	14
—	—	—	—	721	—	—	—
—	—	—	—	30,493	30,493	30,382	111
6,533	6,533	5,084	1,449	16,018	16,018	14,498	1,520
253,410	253,410	141,498	111,912	9,548,094	3,292,980	2,359,299	933,681
3,150	3,150	3,066	84	291,132	296,332	268,714	27,618
136,830	136,830	115,860	20,970	23,634,240	6,899,777	6,655,211	244,566
120,931	120,931	95,022	25,909	161,948	161,942	135,079	26,863
—	—	—	—	1,899	1,899	1,521	378
—	—	—	—	1,000	—	—	—
1,860	1,860	90	1,770	2,765,142	2,741,798	2,673,086	68,712
—	—	—	—	30,070	20,070	19,930	140
—	—	—	—	900	900	900	—
77,720	77,720	53,923	23,797	1,779,544	1,778,824	1,531,677	247,147
7,684	7,684	1,737	5,947	658,457	672,614	626,860	45,754
—	—	—	—	90,152	76,715	60,960	15,755
—	—	—	—	—	6,250,677	6,249,547	1,130
—	—	—	—	—	17,022,818	17,022,624	194
—	—	—	—	—	3,295,332	3,295,357	(25)
26,193	26,193	24,557	1,636	26,193	759,614	728,949	30,665
—	—	—	—	—	610,754	586,580	24,174
634,444	634,444	440,954	193,490	43,607,996	46,315,830	44,498,854	1,816,976
—	—	—	—	—	—	5,676	(5,676)
—	—	13,268	(13,268)	—	485,436	495,595	(10,159)
—	—	—	—	—	505,785	505,785	—
—	—	—	—	—	451,500	—	451,500
—	—	13,268	(13,268)	—	1,442,721	1,007,056	435,665
634,444	634,444	454,222	180,222	43,607,996	47,758,551	45,505,910	2,252,641
<u>\$ (634,444)</u>	<u>\$ (634,444)</u>	<u>(65)</u>	<u>\$ 634,379</u>	<u>\$ 842,432</u>	<u>\$ (2,831,099)</u>	<u>363,285</u>	<u>\$ 3,194,384</u>
		10,969				3,869,592	
		<u>\$ 10,904</u>				<u>\$ 4,232,877</u>	

Combining Balance Sheet

Other Governmental Funds

June 30, 2020

(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
ASSETS							
Cash and cash equivalents.....	\$ 849	\$ 32,255	\$ 455,659	\$ 27,159	\$ 2	\$ 3,261	\$ —
Restricted cash with fiscal agent.....	20,366	—	—	—	—	—	—
Receivables, net of allowance for uncollectibles:							
Taxes.....	59,252	—	14,017	68	—	—	—
Due from federal government.....	—	414,246	28	900	—	—	—
Loans receivable.....	—	—	—	—	—	—	—
Other receivables.....	61	—	30,477	263	—	—	—
Due from other funds.....	—	—	—	—	—	—	—
Total assets.....	\$ 80,528	\$ 446,501	\$ 500,181	\$ 28,390	\$ 2	\$ 3,261	\$ —
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable.....	\$ 849	\$ 255,205	\$ 48,942	\$ 971	\$ —	\$ 1,988	\$ —
Accrued payroll.....	—	7,930	176	374	—	214	—
Tax refunds and abatements payable.....	74	—	—	—	—	—	—
Due to other funds.....	—	72,903	—	—	—	—	—
Due to component units.....	4,396	—	28,023	—	—	—	—
Other accrued liabilities.....	—	—	23,073	—	—	—	—
Total liabilities.....	5,319	336,038	100,214	1,345	—	2,202	—
Deferred inflows of resources.....	—	—	18,193	—	—	—	—
Total liabilities and deferred inflows of resources.....	5,319	336,038	118,407	1,345	—	2,202	—
Fund balances:							
Restricted.....	20,366	110,463	—	—	2	—	—
Committed.....	54,843	—	381,774	15,645	—	1,059	—
Assigned.....	—	—	—	11,400	—	—	—
Unassigned (deficits).....	—	—	—	—	—	—	—
Fund balances (deficits).....	75,209	110,463	381,774	27,045	2	1,059	—
Total liabilities and fund balances.....	\$ 80,528	\$ 446,501	\$ 500,181	\$ 28,390	\$ 2	\$ 3,261	\$ —

See Independent Auditors' Report

Special Revenue								
MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Department of Industrial Accidents
\$ 96,827	\$ 39,245	\$ 2,969	\$ 5,893	\$ 215,866	\$ 8,693	\$ 50,514	\$ 60,084	\$ 12,204
—	—	—	—	—	—	—	—	—
88,410	2,209	—	—	—	—	—	3,576	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	104	—	—	17,383
—	—	—	—	—	—	—	—	—
\$ 185,237	\$ 41,454	\$ 2,969	\$ 5,893	\$ 215,866	\$ 8,797	\$ 50,514	\$ 63,660	\$ 29,587
\$ 88,201	\$ 55,684	\$ 204	\$ 74	\$ 17,243	\$ 6,995	\$ 3,209	\$ 10,120	\$ 345
—	—	17	218	327	134	96	—	—
365	—	—	—	—	—	—	62	—
—	—	—	—	—	—	—	—	—
96,671	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
185,237	55,684	221	292	17,570	7,129	3,305	10,182	345
—	—	—	—	—	—	—	—	—
185,237	55,684	221	292	17,570	7,129	3,305	10,182	345
—	—	—	—	—	—	—	—	—
—	—	2,748	5,601	198,296	—	47,209	53,478	29,242
—	—	—	—	—	—	—	—	—
—	(14,230)	—	—	—	1,668	—	—	—
—	(14,230)	2,748	5,601	198,296	1,668	47,209	53,478	29,242
\$ 185,237	\$ 41,454	\$ 2,969	\$ 5,893	\$ 215,866	\$ 8,797	\$ 50,514	\$ 63,660	\$ 29,587

continued

Combining Balance Sheet

Other Governmental Funds

June 30, 2020

(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
ASSETS						
Cash and cash equivalents	\$ 167,299	\$ 3,775	\$ 4,010	\$ 664,815	\$ 297,470	\$ 298
Restricted cash with fiscal agent	159,764	87,153	—	—	—	244
Receivables, net of allowance for uncollectibles:						
Taxes	1,641	—	—	—	6,659	—
Due from federal government	—	67,685	—	—	—	6,897
Loans receivable	—	—	—	—	12,818	—
Other receivables	—	—	—	35,885	649	—
Due from other funds	—	—	—	—	—	—
Total assets	\$ 328,704	\$ 158,613	\$ 4,010	\$ 700,700	\$ 317,596	\$ 7,439
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 13,759	\$ —	\$ 214	\$ 42,478	\$ 13,212	\$ —
Accrued payroll	—	—	27	2,842	1,299	—
Tax refunds and abatements payable	—	—	—	—	1	—
Due to other funds	—	67,685	—	—	—	—
Due to component units	—	—	—	—	—	—
Other accrued liabilities	—	—	—	—	—	—
Total liabilities	13,759	67,685	241	45,320	14,512	—
Deferred inflows of resources	—	—	—	—	—	—
Total liabilities and deferred inflows of resources	13,759	67,685	241	45,320	14,512	—
Fund balances:						
Restricted	—	—	—	196,606	—	7,439
Committed	314,945	90,928	3,769	298,601	324,934	—
Assigned	—	—	—	160,173	13,183	—
Unassigned (deficits)	—	—	—	—	(35,033)	—
Fund balances (deficits)	314,945	90,928	3,769	655,380	303,084	7,439
Total liabilities and fund balances	\$ 328,704	\$ 158,613	\$ 4,010	\$ 700,700	\$ 317,596	\$ 7,439

See Independent Auditors' Report

Capital Projects					
General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Other	Total
\$ 116,368	\$ 8,393	—	\$ 1,404	\$ —	\$ 2,275,312
—	—	—	—	—	267,527
—	—	—	—	—	175,832
—	—	—	—	—	489,756
—	—	—	—	—	12,818
—	—	—	—	—	84,822
—	—	—	67,685	—	67,685
\$ 116,368	\$ 8,393	\$ —	\$ 69,089	\$ —	\$ 3,373,752
\$ 288,141	\$ —	\$ —	\$ 1	\$ —	\$ 847,835
1,571	—	—	—	—	15,225
—	—	—	—	—	502
—	—	450,163	—	—	590,751
897	—	261,360	78,268	—	469,615
—	—	—	—	—	23,073
290,609	—	711,523	78,269	—	1,947,001
—	—	—	—	—	18,193
290,609	—	711,523	78,269	—	1,965,194
—	8,393	—	—	—	343,269
—	—	—	—	—	1,823,072
—	—	—	—	—	184,756
(174,241)	—	(711,523)	(9,180)	—	(942,539)
(174,241)	8,393	(711,523)	(9,180)	—	1,408,558
\$ 116,368	\$ 8,393	\$ —	\$ 69,089	\$ —	\$ 3,373,752

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Special Revenue						
	Commonwealth Transportation	Federal Grants	Universal Health Care	Environmental	Community First Trust	Gaming Control	Gaming Revenue
REVENUES							
Taxes	\$ 1,235,752	\$ —	\$ 134,768	\$ 899	\$ —	\$ —	\$ 187,870
Assessments	22,590	—	629,946	—	—	—	—
Federal grants and reimbursements	—	4,047,816	481,826	8,982	—	—	—
Departmental	598,017	—	303,971	40,514	—	27,957	—
Miscellaneous	853	205	2,050	70	—	—	—
Total revenues	1,857,212	4,048,021	1,552,561	50,465	—	27,957	187,870
OTHER FINANCING SOURCES							
Bonds premium	—	—	—	—	—	—	—
Issuance of general and special obligation bonds	—	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	—	—
Issuance of advance refunding bonds	—	—	—	—	—	—	—
Transfers in for debt service	—	—	—	—	—	—	—
Transfers in	258,543	31,283	719,820	218	—	—	—
Total other financing sources	258,543	31,283	719,820	218	—	—	—
Total revenues and other financing sources	2,115,755	4,079,304	2,272,381	50,683	—	27,957	187,870
EXPENDITURES							
Current:							
Judiciary	—	2,881	—	—	—	—	—
Inspector General	—	—	—	—	—	—	—
Governor and Lieutenant Governor	—	—	—	—	—	—	—
Secretary of the Commonwealth	—	1,078	—	—	—	—	—
Treasurer and Receiver-General	—	1,626	—	—	—	49	—
Auditor of the Commonwealth	—	—	—	—	—	—	—
Attorney General	—	46,791	—	—	—	1,342	—
District Attorney	—	3,434	—	—	—	—	—
Sheriff's Departments	—	5,192	—	—	—	—	—
Disabled Person Protection Commission	—	922	—	—	—	—	—
Board of Library Commissioners	—	2,555	—	—	—	—	—
Massachusetts Gaming Commission	—	—	5,284	—	—	25,467	—
Comptroller	—	—	—	—	—	—	—
Administration and Finance	125,000	7,530	5,179	12,598	—	—	—
Energy and Environmental Affairs	—	42,736	—	16,814	—	—	—
Health and Human Services	—	1,928,384	19,402	—	1	—	—
Executive Office of Technology Services	—	—	—	—	—	—	—
Massachusetts Department of Transportation	583,096	625	—	—	—	—	—
Office of the Child Advocate	—	59	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—
Executive Office of Education	—	1,035,342	—	—	—	—	—
Center for Health and Information Analysis	—	—	—	—	—	—	—
Public Safety and Homeland Security	—	126,210	—	—	—	20	—
Housing and Economic Development	—	544,723	—	—	—	—	—
Labor and Workforce development	—	132,981	—	—	—	—	—
Medicaid	—	—	2,178,812	—	—	—	—
Post employment benefits	9,618	—	—	—	—	—	—
Direct local aid	—	—	—	—	—	—	—
Capital outlay:							
Capital acquisition and construction	—	—	—	—	—	—	—
Debt service	—	—	—	—	—	—	—
Principal on current refundings	—	—	—	—	—	—	—
Total expenditures	717,714	3,883,069	2,208,677	29,412	1	26,878	—
OTHER FINANCING USES							
Payments to refunding bond escrow agent	—	—	—	—	—	—	—
Transfers out	338,472	118,127	29,821	25,691	2	5,805	187,870
Transfers of appropriations	—	—	—	—	—	—	—
Transfers of bond proceeds	—	—	—	—	—	—	—
Transfers out for debt service	1,094,634	—	—	—	—	—	—
Total other financing uses	1,433,106	118,127	29,821	25,691	2	5,805	187,870
Total expenditures and other financing uses	2,150,820	4,001,196	2,238,498	55,103	3	32,683	187,870
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	(35,065)	78,108	33,883	(4,420)	(3)	(4,726)	—
Fund balances/(deficits) at beginning of year, as restated	110,274	32,355	347,891	31,465	5	5,785	—
Fund balances/(deficits) at end of year	\$ 75,209	\$ 110,463	\$ 381,774	\$ 27,045	\$ 2	\$ 1,059	\$ —

See Independent Auditors' Report

Special Revenue								
MBTA State & Local Contribution	Community Preservation Trust	Health Insurance Portability and Accountability Act	Division of Professional Licensure	Enhanced 911	Health Information Technology Trust	Regional Greenhouse Gas Initiative (RGGI) Auction Trust	Workforce Training Trust	Department of Industrial Accidents
\$ 1,096,027	\$ 43,604	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 24,998	\$ —
174,373	—	—	—	—	—	—	—	24,533
—	—	11,909	—	—	54,370	—	—	—
—	—	—	10,765	161,138	536	47,762	—	6,913
—	108	—	—	714	—	—	—	47
1,270,400	43,712	11,909	10,765	161,852	54,906	47,762	24,998	31,493
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	20,000	—	—	—	16,545	—	—	—
—	20,000	—	—	—	16,545	—	—	—
1,270,400	63,712	11,909	10,765	161,852	71,451	47,762	24,998	31,493
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,270,400	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	9,046	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	55,669	—	—	—	—	—	—	—
—	—	—	—	—	—	20,203	—	—
—	—	—	—	45	—	—	—	—
—	—	—	—	2,508	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	91,593	—	—	—	—
—	—	—	7,840	—	—	—	—	—
—	—	12,889	—	—	65,114	—	13,872	3,338
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
1,270,400	55,669	12,889	7,840	103,192	65,114	20,203	13,872	3,338
—	—	—	—	—	—	—	—	—
—	—	72	2,183	6,971	194	—	367	24,436
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—
—	—	72	2,183	6,971	194	—	367	24,436
1,270,400	55,669	12,961	10,023	110,163	65,308	20,203	14,239	27,774
—	8,043	(1,052)	742	51,689	6,143	27,559	10,759	3,719
—	(22,273)	3,800	4,859	146,607	(4,475)	19,650	42,719	25,523
\$ —	\$ (14,230)	\$ 2,748	\$ 5,601	\$ 198,296	\$ 1,668	\$ 47,209	\$ 53,478	\$ 29,242

continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Special Revenue					
	Convention and Exhibition Center	Grant Anticipation Note Trust	Massachusetts Tourism Trust	Expendable Trust	Other	Debt Service
REVENUES						
Taxes	\$ 130,867	\$ —	\$ 10,000	\$ —	\$ 73,220	\$ —
Assessments	—	—	—	73,290	40,525	—
Federal grants and reimbursements	—	637,894	—	11,249	1,292	37,929
Departmental	—	—	—	38,860	88,943	—
Miscellaneous	2,036	2,543	—	470,819	28,487	2
Total revenues	132,903	640,437	10,000	594,218	232,467	37,931
OTHER FINANCING SOURCES						
Bonds premium	—	—	—	—	—	42,783
Issuance of general and special obligation bonds	—	—	—	—	—	—
Issuance of current refunding bonds	—	—	—	—	—	366,675
Issuance of advance refunding bonds	—	—	—	—	—	858,435
Transfers in for debt service	—	—	—	—	—	2,578,425
Transfers in	—	29,745	1,491	45,584	296,939	—
Total other financing sources	—	29,745	1,491	45,584	296,939	3,846,318
Total revenues and other financing sources	132,903	670,182	11,491	639,802	529,406	3,884,249
EXPENDITURES						
Current:						
Judiciary	—	—	—	360	—	—
Inspector General	—	—	—	6	—	—
Governor and Lieutenant Governor	—	—	50	52	—	—
Secretary of the Commonwealth	—	—	—	—	11,681	—
Treasurer and Receiver-General	—	—	—	132,048	810	3,271
Auditor of the Commonwealth	—	—	—	26	—	—
Attorney General	—	—	—	3,725	1,509	—
District Attorney	—	—	—	5,512	90	—
Sheriff's Departments	—	—	—	1,498	741	—
Disabled Person Protection Commission	—	—	—	—	—	—
Board of Library Commissioners	—	—	—	—	—	—
Massachusetts Gaming Commission	—	—	—	—	13,471	—
Comptroller	—	—	—	453	1,947	—
Administration and Finance	51,200	—	—	29,408	43,434	—
Energy and Environmental Affairs	—	—	—	80,944	36,648	—
Health and Human Services	—	—	—	138,921	111,409	—
Executive Office of Technology Services	—	—	—	16	2,893	—
Massachusetts Department of Transportation	—	—	—	—	—	—
Office of the Child Advocate	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	12,597	—
Executive Office of Education	—	—	—	22,998	12,556	—
Center for Health and Information Analysis	—	—	—	8	—	—
Public Safety and Homeland Security	—	—	—	6,247	7,766	—
Housing and Economic Development	—	—	9,827	13,597	13,237	—
Labor and Workforce development	—	—	—	60,534	8,261	—
Medicaid	—	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—
Direct local aid	—	—	—	—	126,774	—
Capital outlay:						
Capital acquisition and construction	—	—	—	—	—	—
Debt service	—	—	—	—	—	2,617,974
Principal on current refundings	—	—	—	—	—	408,891
Total expenditures	51,200	—	9,877	496,353	405,824	3,030,136
OTHER FINANCING USES						
Payments to refunding bond escrow agent	—	—	—	—	—	855,731
Transfers out	—	559,409	466	155,843	35,491	—
Transfers of appropriations	—	—	—	3,381	10,625	—
Transfers of bond proceeds	—	—	—	—	—	—
Transfers out for debt service	52,222	111,218	—	—	4,823	—
Total other financing uses	52,222	670,627	466	159,224	50,939	855,731
Total expenditures and other financing uses	103,422	670,627	10,343	655,577	456,763	3,885,867
Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses	29,481	(445)	1,148	(15,775)	72,643	(1,618)
Fund balances/(deficits) at beginning of year, as restated	285,464	91,373	2,621	671,155	230,441	9,057
Fund balances/(deficits) at end of year	\$ 314,945	\$ 90,928	\$ 3,769	\$ 655,380	\$ 303,084	\$ 7,439

See Independent Auditors' Report

Capital Projects				
General Capital Projects	Convention and Exhibition Center	Highway Capital Projects	Federal Highway Construction Program	Total
\$ —	\$ —	\$ —	\$ —	\$ 2,938,005
—	—	—	—	965,257
74,009	—	—	3,955	5,371,231
—	—	—	1,385	1,326,761
—	—	494	—	508,428
74,009	—	494	5,340	11,109,682
87,359	—	93,541	—	223,683
909,955	—	861,931	—	1,771,886
—	—	—	—	366,675
—	—	—	—	858,435
—	—	—	—	2,578,425
—	—	—	679,380	2,099,548
997,314	—	955,472	679,380	7,898,652
1,071,323	—	955,966	684,720	19,008,334
—	—	—	—	3,241
—	—	—	—	6
—	—	—	—	102
—	—	—	—	12,759
2,821	—	3,687	—	1,414,712
—	—	—	—	26
—	—	—	—	53,367
—	—	—	—	9,036
—	—	—	—	16,477
—	—	—	—	922
—	—	—	—	2,555
—	—	—	—	44,222
—	—	—	—	2,400
—	—	—	—	330,018
—	—	—	—	197,345
—	—	—	—	2,198,162
—	—	—	—	5,417
88,142	—	1,139,918	669,184	2,480,965
—	—	—	—	59
—	—	—	—	12,597
—	—	—	—	1,070,896
—	—	—	—	8
—	—	—	—	231,836
—	—	—	—	589,224
—	—	—	—	218,986
—	—	—	—	2,256,815
—	—	—	—	9,618
—	—	—	—	126,774
1,043,623	—	6,556	1,123	1,051,302
—	—	—	—	2,617,974
—	—	—	—	408,891
1,134,586	—	1,150,161	670,307	15,366,712
—	—	—	—	855,731
18,756	—	119,971	12,536	1,642,483
—	—	—	—	14,006
146,155	—	—	—	146,155
—	—	—	—	1,262,897
164,911	—	119,971	12,536	3,921,272
1,299,497	—	1,270,132	682,843	19,287,984
(228,174)	—	(314,166)	1,877	(279,650)
53,933	8,393	(397,357)	(11,057)	1,688,208
\$ (174,241)	\$ 8,393	\$ (711,523)	\$ (9,180)	\$ 1,408,558

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Commonwealth Transportation Fund				Environmental Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes.....	\$ 1,452,500	\$ 1,452,500	\$ 1,249,176	\$ (203,324)	\$ 1,000	\$ 1,000	\$ 916	\$ (84)
Assessments.....	22,967	22,967	22,623	(344)	—	—	—	—
Federal grants and reimbursements.....	—	—	—	—	7,900	7,900	9,065	1,165
Departmental.....	669,544	669,544	598,017	(71,527)	38,872	38,872	40,428	1,556
Miscellaneous.....	—	—	852	852	60	60	69	9
Total revenues.....	2,145,011	2,145,011	1,870,668	(274,343)	47,832	47,832	50,478	2,645
Other financing sources:								
Operating transfers in.....	245,558	245,558	258,543	12,985	190	190	218	28
Other fund deficit support.....	—	—	—	—	—	—	—	—
Total other financing sources.....	245,558	245,558	258,543	12,985	190	190	218	28
Total revenues and other financing sources.....	2,390,569	2,390,569	2,129,211	(261,358)	48,022	48,022	50,696	2,674
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General.....	311,638	—	—	—	—	—	—	—
Attorney General.....	—	—	—	—	—	8	—	8
Sheriffs' Department.....	—	—	—	—	—	—	—	—
Administration and Finance.....	125,000	—	—	—	25,741	25,741	12,598	13,143
Energy and Environmental Affairs.....	—	—	—	—	20,442	20,442	16,816	3,626
Health and Human services.....	—	—	—	—	—	—	—	—
Executive Office of Technology Services and Security.....	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation.....	127,000	127,000	127,000	—	—	—	—	—
Cannabis Control Commission.....	—	—	—	—	—	—	—	—
Executive Office of Education.....	—	—	—	—	—	—	—	—
Public Safety and Homeland Security.....	—	—	—	—	—	—	—	—
Housing and Economic Development.....	—	—	—	—	—	—	—	—
Labor and Workforce Development.....	—	—	—	—	—	—	—	—
Direct local aid.....	—	—	—	—	—	—	—	—
Post employment benefits.....	—	9,618	9,618	—	—	—	—	—
Debt service:								
Principal retirement.....	—	583,594	552,038	31,556	—	—	—	—
Interest and fiscal charges.....	—	555,886	542,596	13,290	—	—	—	—
Total expenditures.....	563,638	1,276,098	1,231,252	44,846	46,183	46,191	29,414	16,777
Other financing uses:								
Fringe benefit cost assessment.....	—	—	—	—	—	—	4,073	(4,073)
Operating transfers out.....	461,529	616,274	619,590	(3,316)	—	21,617	21,617	—
Other fund deficit support.....	—	—	305,412	(305,412)	—	—	—	—
Total other financing uses.....	461,529	616,274	925,002	(308,728)	—	21,617	25,690	(4,073)
Total expenditures and other financing uses.....	1,025,167	1,892,372	2,156,254	(263,882)	46,183	67,808	55,104	12,704
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ 1,365,402</u>	<u>\$ 498,197</u>	<u>(27,043)</u>	<u>\$ (525,240)</u>	<u>\$ 1,839</u>	<u>\$ (19,786)</u>	<u>(4,408)</u>	<u>\$ 15,378</u>
Fund balances at beginning of year.....			47,409				30,222	
Fund balances at end of year.....			<u>\$ 20,366</u>				<u>\$ 25,814</u>	

See Independent Auditors' Report

Public Safety Trust Fund				Community First Trust Fund				Gaming Local Aid Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,050	1,050	940	(110)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
1,050	1,050	940	(110)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	107,141	107,141	68,556	(38,585)
—	—	—	—	—	—	—	—	—	—	38,549	38,549
—	—	—	—	—	—	—	—	107,141	107,141	107,105	(36)
1,050	1,050	940	(110)	—	—	—	—	107,141	107,141	107,105	(36)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	6	5	1	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	6	6	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	453	447	6	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	107,106	107,105	1
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	465	458	7	—	—	—	—	—	107,106	107,105	1
—	—	68	(68)	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	68	(68)	—	—	—	—	—	—	—	—
—	465	526	(61)	—	—	—	—	—	107,106	107,105	1
<u>\$ 1,050</u>	<u>\$ 585</u>	414	<u>\$ (171)</u>	<u>\$ —</u>	<u>\$ —</u>	—	<u>\$ —</u>	<u>\$ 107,141</u>	<u>\$ 35</u>	—	<u>\$ (35)</u>
		—				—				—	
		<u>\$ 414</u>				<u>\$ —</u>				<u>\$ —</u>	

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Education Fund				Local Aid Stabilization Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Assessments	—	—	—	—	—	—	—	—
Federal grants and reimbursements	—	—	—	—	—	—	—	—
Departmental	—	—	—	—	—	—	—	—
Miscellaneous	—	—	—	—	—	—	—	—
Total revenues	—	—	—	—	—	—	—	—
Other financing sources:								
Operating transfers in	30,163	30,163	20,880	(9,283)	—	—	—	—
Other fund deficit support	—	—	11,103	11,103	—	—	—	—
Total other financing sources	30,163	30,163	31,983	1,820	—	—	—	—
Total revenues and other financing sources	30,163	30,163	31,983	1,820	—	—	—	—
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General	—	—	—	—	—	—	—	—
Attorney General	—	—	—	—	—	—	—	—
Sheriffs' Department	—	—	—	—	—	—	—	—
Administration and Finance	—	—	—	—	—	—	—	—
Energy and Environmental Affairs	—	—	—	—	—	—	—	—
Health and Human services	—	—	—	—	—	—	—	—
Executive Office of Technology Services and Security	—	—	—	—	—	—	—	—
Massachusetts Department of Transportation	—	—	—	—	—	—	—	—
Cannabis Control Commission	—	—	—	—	—	—	—	—
Executive Office of Education	—	10,374	10,374	—	—	—	—	—
Public Safety and Homeland Security	—	—	—	—	—	—	—	—
Housing and Economic Development	—	—	—	—	—	—	—	—
Labor and Workforce Development	—	—	—	—	—	—	—	—
Direct local aid	—	19,669	19,669	—	—	—	—	—
Post employment benefits	—	—	—	—	—	—	—	—
Debt service:								
Principal retirement	—	—	—	—	—	—	—	—
Interest and fiscal charges	—	—	—	—	—	—	—	—
Total expenditures	—	30,043	30,043	—	—	—	—	—
Other financing uses:								
Fringe benefit cost assessment	—	—	3,679	(3,679)	—	—	—	—
Operating transfers out	—	—	—	—	—	—	—	—
Other fund deficit support	—	—	—	—	—	—	—	—
Total other financing uses	—	—	3,679	(3,679)	—	—	—	—
Total expenditures and other financing uses	—	30,043	33,722	(3,679)	—	—	—	—
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses	<u>\$ 30,163</u>	<u>\$ 120</u>	<u>(1,739)</u>	<u>\$ (1,859)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>—</u>	<u>\$ —</u>
Fund balances at beginning of year			1,739				50	
Fund balances at end of year			<u>—</u>				<u>\$ 50</u>	

See Independent Auditors' Report

Gaming Economic Development Fund				Local Capital Projects Fund				Marijuana Regulation Fund			
Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 83,800	\$ 83,800	\$ 51,685	\$ (32,115)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	14,469	14,469	17,058	2,589
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	98,269	98,269	68,743	(29,526)
20,468	20,468	14,168	(6,300)	9,695	9,695	6,711	(2,984)	—	—	3	3
—	—	10,720	10,720	—	—	4,081	4,081	—	—	33,353	33,353
20,468	20,468	24,888	4,420	9,695	9,695	10,792	1,097	—	—	33,356	33,356
20,468	20,468	24,888	4,420	9,695	9,695	10,792	1,097	98,269	98,269	102,099	3,830
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	311	297	14
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	1,869	1,869	455	1,414
—	—	—	—	—	—	—	—	354	90,635	85,567	5,068
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	12,866	13,866	12,597	1,269
—	12,969	10,665	2,304	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	394	394	—
2,000	2,000	99	1,901	2,699	12,390	9,691	2,699	—	133	119	14
—	12,687	5,802	6,885	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
2,000	27,656	16,566	11,090	2,699	12,390	9,691	2,699	15,089	107,208	99,429	7,779
—	—	—	—	—	—	—	—	—	—	2,095	(2,095)
—	7,000	7,000	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
—	7,000	7,000	—	—	—	—	—	—	—	2,095	(2,095)
2,000	34,656	23,566	11,090	2,699	12,390	9,691	2,699	15,089	107,208	101,524	5,684
<u>\$ 18,468</u>	<u>\$ (14,188)</u>	1,322	<u>\$ 15,510</u>	<u>\$ 6,996</u>	<u>\$ (2,695)</u>	1,101	<u>\$ 3,796</u>	<u>\$ 83,180</u>	<u>\$ (8,939)</u>	575	<u>\$ 9,514</u>
		7,462				1,598				1,125	
		<u>\$ 8,784</u>				<u>\$ 2,699</u>				<u>\$ 1,700</u>	

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Behavioral Health Outreach Access and Support Trust Fund				Totals			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
REVENUES AND OTHER FINANCING SOURCES								
Revenues:								
Taxes.....	\$ —	\$ —	\$ —	\$ —	\$ 1,537,300	\$ 1,537,300	\$ 1,301,777	\$ (235,523)
Assessments.....	—	—	—	—	22,967	22,967	22,623	(344)
Federal grants and reimbursements.....	—	—	—	—	7,900	7,900	9,065	1,165
Departmental.....	—	—	—	—	723,935	723,935	656,443	(67,492)
Miscellaneous.....	—	—	—	—	60	60	921	861
Total revenues.....	—	—	—	—	2,292,162	2,292,162	1,990,829	(301,333)
Other financing sources:								
Operating transfers in.....	—	—	2,500	2,500	413,215	413,215	371,579	(41,636)
Other fund deficit support.....	—	—	—	—	—	—	97,806	97,806
Total other financing sources.....	—	—	2,500	2,500	413,215	413,215	469,385	56,170
Total revenues and other financing sources.....	—	—	2,500	2,500	2,705,377	2,705,377	2,460,214	(245,163)
EXPENDITURES AND OTHER FINANCING USES								
Expenditures:								
Treasurer and Receiver-General.....	—	—	—	—	311,638	—	—	—
Attorney General.....	—	—	—	—	—	8	—	8
Sheriffs' Department.....	—	—	—	—	—	317	302	15
Administration and Finance.....	—	—	—	—	150,741	25,741	12,598	13,143
Energy and Environmental Affairs.....	—	—	—	—	22,311	22,311	17,271	5,040
Health and Human services.....	—	—	—	—	354	90,635	85,567	5,068
Executive Office of Technology Services and Security.....	—	—	—	—	—	6	6	—
Massachusetts Department of Transportation.....	—	—	—	—	127,000	127,000	127,000	—
Cannabis Control Commission.....	—	—	—	—	12,866	13,866	12,597	1,269
Executive Office of Education.....	—	—	—	—	—	23,343	21,039	2,304
Public Safety and Homeland Security.....	—	—	—	—	—	847	841	6
Housing and Economic Development.....	—	—	—	—	4,699	14,523	9,909	4,614
Labor and Workforce Development.....	—	—	—	—	—	12,687	5,802	6,885
Direct local aid.....	—	—	—	—	—	126,775	126,774	1
Post employment benefits.....	—	—	—	—	—	9,618	9,618	—
Debt service:								
Principal retirement.....	—	—	—	—	—	583,594	552,038	31,556
Interest and fiscal charges.....	—	—	—	—	—	555,886	542,596	13,290
Total expenditures.....	—	—	—	—	629,609	1,607,157	1,523,958	83,199
Other financing uses:								
Fringe benefit cost assessment.....	—	—	—	—	—	—	9,915	(9,915)
Operating transfers out.....	—	—	—	—	461,529	644,891	648,207	(3,316)
Other fund deficit support.....	—	—	—	—	—	—	305,412	(305,412)
Total other financing uses.....	—	—	—	—	461,529	644,891	963,534	(318,643)
Total expenditures and other financing uses.....	—	—	—	—	1,091,138	2,252,048	2,487,492	(235,444)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses.....	<u>\$ —</u>	<u>\$ —</u>	<u>2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,614,239</u>	<u>\$ 453,329</u>	<u>(27,278)</u>	<u>\$ (480,607)</u>
Fund balances at beginning of year.....			—				89,605	
Fund balances at end of year.....			<u>\$ 2,500</u>				<u>\$ 62,327</u>	

See Independent Auditors' Report



Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Commonwealth Transportation Fund	Environmental Funds	Public Safety Trust Fund*	Community First Trust Fund
Total actual revenues - budgetary basis (pages 182-186).....	\$ 1,870,668	\$ 50,478	\$ 940	\$ —
Adjustments:				
Taxes receivable, net.....	(14,051)	(17)	—	—
Tax refunds and abatements payable, net.....	627	—	—	—
Federal grants receivables, net.....	—	(83)	—	—
Departmental and other receivables, net.....	(32)	87	—	—
Miscellaneous adjustments.....	—	—	—	—
Total actual revenues - GAAP basis (pages 178-181).....	<u>\$ 1,857,212</u>	<u>\$ 50,465</u>	<u>\$ 940</u>	<u>\$ —</u>
 Total actual other financing sources - budgetary basis (pages 182-186).....	 \$ 258,543	 \$ 218	 \$ —	 \$ —
Adjustments:				
Miscellaneous adjustments.....	—	—	—	—
Total actual other financing sources - GAAP basis (pages 178-181).....	<u>\$ 258,543</u>	<u>\$ 218</u>	<u>\$ —</u>	<u>\$ —</u>
 Total actual expenditures- budgetary basis (pages 182-186).....	 \$ 1,231,252	 \$ 29,414	 \$ 458	 \$ —
Adjustment:				
Due to component units accrual, net.....	(5,434)	—	—	—
Miscellaneous adjustments.....	1	(2)	—	1
Reclassification:				
MassDOT transfers out is reclassified to expenditures.....	586,529	—	—	—
Higher education expenditures are reclassified to transfers out.....	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund.....	(1,094,634)	—	—	—
Total actual expenditures - GAAP basis (pages 178-181).....	<u>\$ 717,714</u>	<u>\$ 29,412</u>	<u>\$ 458</u>	<u>\$ 1</u>
 Total actual other financing uses - budgetary basis (pages 182-186).....	 \$ 925,002	 \$ 25,690	 \$ 68	 \$ —
Adjustment:				
Miscellaneous adjustments.....	(1)	1	—	—
Reclassification:				
MassDOT transfers out is reclassified to expenditures.....	(586,529)	—	—	—
Higher education expenditures are reclassified to transfers out.....	—	—	—	—
Debt service principal and interest payments are reclassified to transfers out to the debt service fund.....	1,094,634	—	—	—
Nonbudgeted fund included on a GAAP basis.....	—	—	—	2
Total actual other financing uses - GAAP basis (pages 178-181).....	<u>\$ 1,433,106</u>	<u>\$ 25,691</u>	<u>\$ 68</u>	<u>\$ 2</u>

* On a GAAP basis, the activities for the Public Safety Trust fund, the Gaming Local Aid fund, the Education Fund, the Local Aid Stabilization Fund, the Gaming Economic Development Fund, the Local Capital Projects Fund and the Marijuana Regulation Fund are combined in the other special revenue funds in the combined statement of revenues, expenditures and changes in fund balance. The revenues, other financing sources, expenditures and other financing uses of the other special revenue funds are \$232,467, \$296,939, \$405,824 and \$50,939, respectively (all amounts in thousands).

See Independent Auditors' Report

Gaming Local Aid Fund*	Education Fund*	Local Aid Stabilization Fund*	Gaming Economic Development Fund*	Local Capital Projects Fund*	Marijuana Regulation Fund*	Behavioral Health Outreach, Access and Support Trust Fund*	Totals
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 68,743	\$ —	\$ 1,990,829
—	—	—	—	—	6,007	—	(8,061)
—	—	—	—	—	—	—	627
—	—	—	—	—	—	—	(83)
—	—	—	—	—	—	—	55
—	—	—	—	—	(1)	—	(1)
<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 74,749</u>	<u>\$ —</u>	<u>\$ 1,983,366</u>
\$ 107,105	\$ 31,983	\$ —	\$ 24,888	\$ 10,792	\$ 33,356	\$ 2,500	\$ 469,385
—	—	—	1	1	—	—	2
<u>\$ 107,105</u>	<u>\$ 31,983</u>	<u>\$ —</u>	<u>\$ 24,889</u>	<u>\$ 10,793</u>	<u>\$ 33,356</u>	<u>\$ 2,500</u>	<u>\$ 469,387</u>
\$ 107,105	\$ 30,043	\$ —	\$ 16,566	\$ 9,691	\$ 99,429	\$ —	\$ 1,523,958
—	—	—	—	—	—	—	(5,434)
—	—	—	—	—	(1)	—	(1)
—	—	—	—	—	—	—	586,529
—	(10,374)	—	—	—	—	—	(10,374)
—	—	—	—	—	—	—	(1,094,634)
<u>\$ 107,105</u>	<u>\$ 19,669</u>	<u>\$ —</u>	<u>\$ 16,566</u>	<u>\$ 9,691</u>	<u>\$ 99,428</u>	<u>\$ —</u>	<u>\$ 1,000,044</u>
\$ —	\$ 3,679	\$ —	\$ 7,000	\$ —	\$ 2,095	\$ —	\$ 963,534
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	(586,529)
—	10,374	—	—	—	—	—	10,374
—	—	—	—	—	—	—	1,094,634
—	—	—	—	—	—	—	2
<u>\$ —</u>	<u>\$ 14,053</u>	<u>\$ —</u>	<u>\$ 7,000</u>	<u>\$ —</u>	<u>\$ 2,095</u>	<u>\$ —</u>	<u>\$ 1,482,015</u>

Combining Statement of Net Position Available for Post-Employment Benefits
Pension and OPEB Trust Funds

June 30, 2020

(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ASSETS				
Cash and cash equivalents.....	\$ 93,951	\$ 88,086	\$ 23,773	\$ 205,810
Net investment in PRIT at fair value.....	28,375,373	29,148,613	1,390,552	58,914,538
Other receivables.....	127,358	87,002	—	214,360
Other assets.....	14	822	—	836
Total assets.....	28,596,696	29,324,523	1,414,325	59,335,544
LIABILITIES				
Accounts payable.....	29,396	6,526	13	35,935
Net position available for post-employment benefits.....	\$ 28,567,300	\$ 29,317,997	\$ 1,414,312	\$ 59,299,609

See Independent Auditors' Report

Combining Statement of Changes in Net Position Available for Post-Employment Benefits
Pension and OPEB Trust Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Pension Trust Funds		OPEB Trust Fund	
	State Employees' PERS	Teacher's PERS	State Retiree Benefits	Total
ADDITIONS				
Contributions:				
Employer contributions - Commonwealth and MassDOT.....	\$ 1,003,828	\$ —	\$ 547,611	\$ 1,551,439
Non-employer contributions - Commonwealth.....	38,381	1,553,433	—	1,591,814
Employer and non-employer contributions - other.....	9,718	—	—	9,718
ERIP funding contribution - Commonwealth.....	28,724	—	—	28,724
Employee contributions.....	659,015	821,105	—	1,480,120
Boston teachers' contribution from Commonwealth.....	—	157,041	—	157,041
Other additions.....	90,944	76,181	122	167,247
Total contributions.....	1,830,610	2,607,760	547,733	4,986,103
Net investment gain/(loss):				
Investment gain/(loss).....	712,391	730,609	30,597	1,473,597
Less: investment expense.....	(145,072)	(148,961)	(7,217)	(301,250)
Net Investment gain/(loss).....	567,319	581,648	23,380	1,172,347
Total additions.....	2,397,929	3,189,408	571,113	6,158,450
DEDUCTIONS				
Administration.....	18,089	22,391	175	40,655
Retirement benefits and refunds.....	2,539,198	3,189,813	525,174	6,254,185
Payments to State Boston Retirement System.....	—	157,041	—	157,041
Other deductions.....	37,138	39,146	—	76,284
Total deductions.....	2,594,425	3,408,391	525,349	6,528,165
Change in net position.....	(196,496)	(218,983)	45,764	(369,715)
Net position available for post-employment benefits at beginning of year.....	28,763,796	29,536,980	1,368,548	59,669,324
Net position available for post-employment benefits at end of year.....	\$ 28,567,300	\$ 29,317,997	\$ 1,414,312	\$ 59,299,609

See Independent Auditors' Report

Combining Statement of Net Position Held in Trust for Pool Participants
External Investment Trust Funds

June 30, 2020

(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ASSETS			
Cash and cash equivalents	\$ 6,284,230	\$ —	\$ 6,284,230
Short-term investments	41,892	—	41,892
Net investment in PRIT at fair value	—	16,066,756	16,066,756
Receivables, net of allowance for uncollectibles:			
Other receivables	2,060	—	2,060
Total assets	6,328,182	16,066,756	22,394,938
LIABILITIES			
Accounts payable	19,703	—	19,703
Net position held in trust for pool/pension participants	\$ 6,308,479	\$ 16,066,756	\$ 22,375,235

See Independent Auditors' Report

Combining Statement of Changes in Net Position Held in Trust for Pool Participants
External Investment Trust Funds
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Massachusetts Municipal Depository Trust	Pension Reserves Investment Trust	Total
ADDITIONS			
Contributions:			
Other participant contributions.....	\$ —	\$ 1,384,408	\$ 1,384,408
Proceeds from sale of units.....	31,845,776	—	31,845,776
Total contributions.....	31,845,776	1,384,408	33,230,184
Net investment gain/(loss):			
Investment gain/(loss).....	107,145	606,302	713,447
Less: investment expense.....	(2,716)	(310,970)	(313,686)
Net Investment gain/(loss).....	104,429	295,332	399,761
Total additions.....	31,950,205	1,679,740	33,629,945
DEDUCTIONS			
Cost of units redeemed.....	30,764,859	—	30,764,859
Distributions to unit holders from net interest income.....	102,991	—	102,991
Retirement benefits and refunds.....	45	1,218,250	1,218,295
Total deductions.....	30,867,895	1,218,250	32,086,145
Change in net position.....	1,082,310	461,490	1,543,800
Net position held in trust for pool/participants at beginning of year.....	5,226,169	15,605,266	20,831,435
Net position held in trust for pool/participants at end of year.....	\$ 6,308,479	\$ 16,066,756	\$ 22,375,235

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	Total Custodial Funds
ASSETS						
Cash and cash equivalents	\$ 181,158	\$ 142,544	\$ 39,925	\$ 111,632	\$ 20	\$ 475,279
Investments, restricted investments and annuity contracts	855,323	—	—	532,940	—	1,388,263
Receivables, net of allowance for uncollectibles:						
Taxes	34,132	—	—	—	—	34,132
Other receivables	61,742	—	188,877	—	—	250,619
Due from federal government	—	—	3,816	—	—	3,816
TOTAL ASSETS	<u>1,132,355</u>	<u>142,544</u>	<u>232,618</u>	<u>644,572</u>	<u>20</u>	<u>2,152,109</u>
LIABILITIES						
Accounts payable	49,817	342	4,268	—	—	54,427
Due to cities and towns	20,575	—	—	—	—	20,575
Due to federal government	1	—	—	—	—	1
Other liabilities	19,495	—	—	—	—	19,495
Lottery prizes payable	855,323	—	—	—	—	855,323
TOTAL LIABILITIES	<u>945,211</u>	<u>342</u>	<u>4,268</u>	<u>—</u>	<u>—</u>	<u>949,821</u>
NET POSITION						
Restricted for:						
Individuals, organizations and other governments	<u>\$ 187,144</u>	<u>\$ 142,202</u>	<u>\$ 228,350</u>	<u>\$ 644,572</u>	<u>\$ 20</u>	<u>\$ 1,202,288</u>

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2020

(Amounts in thousands)

	Central Agency Funds	Court Escrow and Client Accounts	Child Support Enforcement	Statutory Bonds and Deposits	Investment Trust Funds	Total Custodial Funds
ADDITIONS						
Sales tax collections for other governments	596,237	—	—	—	—	596,237
Child support collections	—	—	736,677	—	—	736,677
Other additions	759,287	141,240	929	637,639	—	1,539,095
Investment income:						
Interest, dividends and other investment income	—	747	153	36,405	—	37,305
Less: investment expense	—	—	—	(21,107)	—	(21,107)
Net investment income	—	747	153	15,298	—	16,198
TOTAL ADDITIONS	1,355,524	141,987	737,759	652,937	—	2,888,207
DEDUCTIONS						
Sales tax payments to other governments	596,237	—	—	—	—	596,237
Child support payments to individuals	—	—	665,999	—	—	665,999
Other deductions	796,353	151,505	19,791	644,499	6	1,612,154
TOTAL DEDUCTIONS	1,392,590	151,505	685,790	644,499	6	2,874,390
Change in fiduciary net position	(37,066)	(9,518)	51,969	8,438	(6)	13,817
Net position - beginning, as restated	224,210	151,720	176,381	636,134	26	1,188,471
Net position - ending	\$ 187,144	\$ 142,202	\$ 228,350	\$ 644,572	\$ 20	\$ 1,202,288

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2020
(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
ASSETS AND DEFERRED OUTFLOWS								
Current assets:								
Cash and cash equivalents	\$ 18,598	\$ 38,947	\$ 25,291	\$ 1,106	\$ 89,003	\$ 64,798	\$ 41,996	\$ 279,739
Short-term investments	—	89,417	113,127	1,473	26,187	14,825	36,787	281,816
Restricted cash and investments	587	95,559	21,316	20,045	—	122,673	3,426	263,606
Assets held in trust	36,082	—	—	—	—	1,770	—	37,852
Receivables, net of allowance for uncollectibles:								
Loans	451	16,208	2,953	—	33,018	19,187	—	71,817
Other receivables	2,435	8,949	16,502	2,724	2,762	5,263	11,671	50,306
Due from primary government	10,261	1,112	—	3,251	—	4,811	53	19,488
Inventory	—	—	—	—	—	70	—	70
Other current assets	1,920	4,808	306	525	—	371	597	8,527
Total current assets	70,334	255,000	179,495	29,124	150,970	233,768	94,530	1,013,221
Noncurrent assets:								
Cash and cash equivalents - restricted	—	16,861	—	6,714	—	—	—	23,575
Long - term investments	—	67,289	—	—	—	—	803,950	871,239
Restricted investments	—	—	—	—	—	—	66,439	66,439
Accounts receivables, net	—	917	—	111	—	2,154	11,974	15,156
Loans receivables, net	15,130	65,515	—	—	509,146	49,153	—	638,944
Non-depreciable capital assets	208,403	9,329	5,787	—	—	—	23,898	247,417
Depreciable capital assets, net	424,337	81,162	130,833	54,434	1,201	19,896	48,414	760,277
Other noncurrent assets	—	10,525	—	—	1,424	3,635	6,329	21,913
Total noncurrent assets	647,870	251,598	136,620	61,259	511,771	74,838	961,004	2,644,960
Total assets	718,204	506,598	316,115	90,383	662,741	308,606	1,055,534	3,658,181
Deferred outflows of resources:								
Deferred change in fair value of interest rate swaps	—	—	—	—	21,199	—	—	21,199
Deferred outflows related to pension	6,346	—	—	—	—	—	—	6,346
Deferred outflows related to OPEB	1,107	—	—	—	—	—	—	1,107
Total deferred outflows of resources	7,453	—	—	—	21,199	—	—	28,652
Total assets and deferred outflows	725,657	506,598	316,115	90,383	683,940	308,606	1,055,534	3,686,833
LIABILITIES AND DEFERRED INFLOWS								
Current liabilities:								
Accounts payable and other liabilities	5,747	11,013	6,640	4,810	1,010	23,254	22,883	75,357
Accrued payroll	—	—	—	—	1,547	646	—	2,193
Compensated absences	1,164	1,302	229	—	—	659	—	3,354
Accrued interest payable	—	216	—	—	1,856	—	—	2,072
Due to primary government	—	12,545	—	—	—	—	345	12,890
Unearned revenue	11,302	23,313	—	3,397	—	31,232	4,252	73,496
Bonds, notes payable and other obligations	—	425	—	—	28,548	9,602	856	39,431
Total current liabilities	18,213	48,814	6,869	8,207	32,961	65,393	28,336	208,793
Noncurrent liabilities:								
Compensated absences	1,361	—	—	337	—	248	—	1,946
Due to primary government	—	6,795	—	—	—	—	—	6,795
Unearned revenue	—	—	—	—	—	16,171	—	16,171
Bonds, notes payable and other obligations	—	4,854	—	—	496,252	80,767	17,005	598,878
Net pension liability	42,837	—	—	—	—	—	—	42,837
Net OPEB liability	926	—	—	—	—	—	—	926
Liability for derivative instruments	—	—	—	—	18,623	—	—	18,623
Other noncurrent liabilities	—	14,374	—	403	68,167	3,632	4,148	90,724
Total noncurrent liabilities	45,124	26,023	—	740	583,042	100,818	21,153	776,900
Total liabilities	63,337	74,837	6,869	8,947	616,003	166,211	49,489	985,693
Deferred inflows of resources:								
Deferred service concession arrangements	—	—	—	—	—	302	3	305
Deferred inflows related to pension	3,810	—	—	—	—	—	—	3,810
Deferred inflows related to OPEB	1,474	—	—	—	—	—	—	1,474
Total deferred inflows of resources	5,284	—	—	—	—	302	3	5,589
Total liabilities and deferred inflows	68,621	74,837	6,869	8,947	616,003	166,513	49,492	991,282
NET POSITION								
Net investment in capital assets	632,741	80,312	136,619	54,434	1,201	23,502	53,160	981,969
Restricted for:								
Other purposes	36,651	169,719	35,182	23,973	23,002	61,025	868,148	1,217,700
Unrestricted	(12,356)	181,730	137,445	3,029	43,734	57,566	84,734	495,882
Total net position	\$ 657,036	\$ 431,761	\$ 309,246	\$ 81,436	\$ 67,937	\$ 142,093	\$ 1,006,042	\$ 2,695,551

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Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Discretely Presented Component Units
Fiscal Year Ended June 30, 2020
(Amounts in thousands)

	Massachusetts Convention Center Authority	Massachusetts Development Finance Agency	Massachusetts Clean Energy Center	Massachusetts Technology Park Corporation	Massachusetts Housing Partnership	Economic Development Entities	Higher Education Foundations	Total
Operating revenues:								
Charges for services.....	\$ 49,542	\$ 53,071	\$ 4,247	\$ 7,033	\$ 10,611	\$ 97,622	\$ 19,804	\$ 241,930
Other.....	7,087	4,890	21,340	14,765	—	2,498	28,351	78,931
Total operating revenues.....	56,629	57,961	25,587	21,798	10,611	100,120	48,155	320,861
Operating expenses:								
Cost of services.....	43,267	48,306	30,423	19,551	765	98,169	—	240,481
Administration costs.....	44,037	25,677	10,056	—	9,011	18,577	53,112	160,470
Depreciation.....	44,025	7,479	3,928	5,225	197	2,100	2,584	65,538
Total operating expenses.....	131,329	81,462	44,407	24,776	9,973	118,846	55,696	466,489
Operating income/(loss).....	(74,700)	(23,501)	(18,820)	(2,978)	638	(18,726)	(7,541)	(145,628)
Nonoperating revenues/(expenses):								
Operating grants.....	31,228	369	88	—	494	13,000	—	45,179
Interest income/(loss).....	41	8,279	—	561	1,569	997	3,863	15,310
Other nonoperating revenue/(expense).....	2,040	(593)	6,012	—	1,593	(7,697)	38,417	39,772
Nonoperating revenues/(expenses), net.....	33,309	8,055	6,100	561	3,656	6,300	42,280	100,261
Income/(loss) before contributions.....	(41,391)	(15,446)	(12,720)	(2,417)	4,294	(12,426)	34,739	(45,367)
Capital contributions.....	18,968	6,304	13,867	—	—	31,450	—	70,589
Change in net position/(deficits).....	(22,423)	(9,142)	1,147	(2,417)	4,294	19,024	34,739	25,222
Net position - beginning.....	679,459	440,903	308,099	83,853	63,643	123,069	971,303	2,670,329
Net position - ending.....	\$ 657,036	\$ 431,761	\$ 309,246	\$ 81,436	\$ 67,937	\$ 142,093	\$ 1,006,042	\$ 2,695,551

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Statistical Section

(Unaudited)

Schedule of Net Position by Component – Last Ten Fiscal Years
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Massachusetts General Information

Statistical Section Narrative and Table of Contents

This part of the Commonwealth of Massachusetts' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Commonwealth's overall financial health.

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Financial Trends

These schedules contain trend information to help the reader understand how the Commonwealth's financial performance and fiscal health has changed over time. The schedules are presented for the last ten fiscal years, except where noted. Schedules included are:

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Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

	2020	2019	2018	2017	2016
Governmental activities					
Net investment in capital assets	\$ (1,705,745)	\$ (1,433,294)	\$ (1,446,934)	\$ (1,320,834)	\$ (1,067,098)
Restricted	1,543,264	1,270,844	1,546,202	1,926,716	1,538,662
Unrestricted	(77,514,884)	(73,917,902)	(74,253,756)	(63,992,403)	(59,111,068)
Total governmental activities net position.....	<u>\$ (77,677,365)</u>	<u>\$ (74,080,352)</u>	<u>\$ (74,154,488)</u>	<u>\$ (63,386,521)</u>	<u>\$ (58,639,504)</u>
Business-type activities					
Net investment in capital assets	\$ 3,938,922	\$ 3,868,576	\$ 3,777,515	\$ 3,623,966	\$ 3,311,658
Restricted	1,319,929	2,271,721	1,833,109	1,735,575	1,745,840
Unrestricted	(581,700)	(490,819)	(595,311)	722,923	678,667
Total business-type activities net position.....	<u>\$ 4,677,151</u>	<u>\$ 5,649,478</u>	<u>\$ 5,015,313</u>	<u>\$ 6,082,464</u>	<u>\$ 5,736,165</u>
Commonwealth net position					
Net investment in capital assets	\$ 2,233,177	\$ 2,435,282	\$ 2,330,581	\$ 2,303,132	\$ 2,244,560
Restricted	2,863,193	3,542,565	3,379,311	3,662,291	3,284,502
Unrestricted	(78,096,584)	(74,408,721)	(74,849,067)	(63,269,480)	(58,432,401)
Total Commonwealth net position.....	<u>\$ (73,000,214)</u>	<u>\$ (68,430,874)</u>	<u>\$ (69,139,175)</u>	<u>\$ (57,304,057)</u>	<u>\$ (52,903,339)</u>

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2015	2014	2013	2012	2011
\$ (768,411)	\$ (502,370)	\$ (592,483)	\$ (849,338)	\$ (722,469)
1,541,566	1,455,704	1,386,416	1,456,715	1,520,702
(55,626,250)	(53,381,659)	(26,733,592)	(24,904,848)	(23,630,855)
\$ (54,853,095)	\$ (52,428,325)	\$ (25,939,659)	\$ (24,297,471)	\$ (22,832,622)
\$ 3,055,444	\$ 2,794,845	\$ 2,605,263	\$ 2,366,038	\$ 2,026,223
1,539,785	1,590,545	1,209,630	1,576,865	1,364,646
697,056	675,796	1,026,230	969,309	978,043
\$ 5,292,285	\$ 5,061,186	\$ 4,841,123	\$ 4,912,212	\$ 4,368,912
\$ 2,287,033	\$ 2,292,475	\$ 2,012,780	\$ 1,516,700	\$ 1,303,754
3,081,351	3,046,249	2,596,046	3,033,580	2,885,348
(54,929,194)	(52,705,863)	(25,707,362)	(23,935,539)	(22,652,812)
\$ (49,560,810)	\$ (47,367,139)	\$ (21,098,536)	\$ (19,385,259)	\$ (18,463,710)

Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

	2020	2019	2018	2017	2016
EXPENSES					
Governmental Activities:					
General government	\$ 2,923,397	\$ 2,766,272	\$ 2,792,959	\$ 2,764,634	\$ 2,616,051
Judiciary	1,396,370	1,221,969	1,162,698	1,226,221	1,154,038
Direct local aid	6,390,233	6,089,548	5,900,634	5,734,682	5,598,687
Medicaid	19,206,749	18,093,807	18,105,722	17,182,691	16,825,110
Group health insurance	1,651,357	1,670,238	1,648,278	1,668,100	1,632,703
Energy and environmental	824,062	701,950	732,161	720,182	1,069,510
Housing and economic development	1,599,085	1,574,628	1,544,103	1,411,189	1,367,957
Health and human services	9,645,198	8,662,012	8,298,704	8,131,843	7,912,817
Transportation and public works	2,806,861	2,554,289	2,483,768	2,535,121	2,711,910
Early elementary and secondary education	6,618,282	5,607,240	6,101,603	6,243,115	5,420,052
Public safety and homeland security	3,962,024	3,006,893	2,757,266	2,913,849	2,746,612
Labor and workforce development	342,418	298,930	295,061	312,510	324,678
Lottery	4,306,512	4,445,654	4,325,321	4,128,209	4,299,592
Interest (unallocated)	1,491,983	1,522,183	1,419,910	1,384,248	1,250,004
Total governmental activities	63,164,531	58,215,613	57,568,188	56,356,594	54,929,721
Business-type Activities:					
Unemployment compensation	11,948,319	1,483,901	1,552,404	1,514,002	1,499,811
Family and employment security	5,434	—	—	—	—
Higher Education:					
University of Massachusetts	3,446,910	3,282,171	3,307,087	3,167,596	3,151,215
State Universities	1,150,987	1,145,531	1,089,551	1,063,196	1,002,577
Community Colleges	886,593	917,967	887,223	936,241	928,067
Total business-type activities	17,438,243	6,829,570	6,836,265	6,681,035	6,581,670
Total Commonwealth expenses	\$ 80,602,774	\$ 65,045,183	\$ 64,404,453	\$ 63,037,629	\$ 61,511,391
REVENUES					
Program Revenues:					
Governmental Activities:					
Charges for services:					
General government	\$ 926,889	\$ 611,834	\$ 652,138	\$ 594,132	\$ 565,434
Judiciary	69,737	81,567	91,500	95,937	100,568
Medicaid	1,388,195	1,129,343	1,054,698	897,542	841,697
Group health insurance	822,420	808,194	941,946	802,628	799,011
Energy and environmental	280,252	279,267	273,504	249,565	289,738
Housing and economic development	225,908	163,315	213,530	194,940	173,941
Health and human services	822,920	1,411,918	1,292,584	1,359,519	1,224,967
Transportation and public works	568,028	627,941	625,595	596,200	577,292
Early elementary and secondary education	7,365	8,445	7,846	7,919	7,508
Public safety and homeland security	370,568	338,099	248,234	280,400	284,264
Labor and workforce development	203,992	307,506	269,293	40,652	38,581
Lottery	5,391,167	5,644,440	5,436,551	5,254,468	5,405,128
Total charges for services	11,077,441	11,411,869	11,107,419	10,373,902	10,308,129
Operating grants and contributions	18,661,840	16,253,915	16,230,934	15,519,380	15,158,087
Capital grants and contributions	77,964	66,085	99,002	58,354	85,759
Total governmental activities	29,817,245	27,731,869	27,437,355	25,951,636	25,551,975
Business-type Activities:					
Charges for services:					
Unemployment Compensation	1,833,362	1,852,195	1,617,394	1,468,492	1,611,096
Family and employment security	840,600	—	—	—	—
Higher Education:					
University of Massachusetts	1,844,180	1,860,268	1,907,824	1,882,899	1,875,144
State Universities	644,932	679,801	658,608	654,170	616,025
Community Colleges	221,732	237,288	259,156	274,868	274,252
Operating grants and contributions	9,250,714	976,096	931,780	909,228	891,823
Capital grants and contributions	145,646	112,033	160,201	238,621	265,714
Total business-type activities	14,781,166	5,717,681	5,534,963	5,428,278	5,534,054
Total Commonwealth program revenues	\$ 44,598,411	\$ 33,449,550	\$ 32,972,318	\$ 31,379,914	\$ 31,086,029
General Revenues and Other Changes in Net Position (all types consolidated):					
Governmental Activities:					
Taxes (all types)	\$ 30,482,040	\$ 30,609,957	\$ 27,964,093	\$ 25,949,577	\$ 25,676,303
Investment earnings and miscellaneous	1,169,416	1,513,855	1,283,283	995,073	1,161,089
Transfers, net	(1,404,336)	(1,565,932)	(1,123,731)	(1,286,709)	(1,246,055)
Total governmental activities	30,247,120	30,557,880	28,123,645	25,657,941	25,591,337
Business-type Activities:					
Investment earnings and miscellaneous	333,608	145,483	423,379	312,347	245,441
Other losses	—	—	—	—	—
Transfers, net	1,404,336	1,565,932	1,123,731	1,286,709	1,246,055
Total business-type activities	1,737,944	1,711,415	1,547,110	1,599,056	1,491,496
Total Commonwealth general revenues	\$ 31,985,064	\$ 32,269,295	\$ 29,670,755	\$ 27,256,997	\$ 27,082,833
CHANGES IN NET POSITION					
Governmental activities	\$ (3,100,166)	\$ 74,136	\$ (2,007,188)	\$ (4,747,017)	\$ (3,786,409)
Business-type activities	(919,133)	599,526	245,808	346,299	443,880
Total changes in net position including restatements	\$ (4,019,299)	\$ 673,662	\$ (1,761,380)	\$ (4,400,718)	\$ (3,342,529)

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	2015		2014		2013		2012		2011
\$	2,703,519	\$	2,521,454	\$	2,571,881	\$	2,384,167	\$	2,312,298
	1,026,429		1,007,234		983,314		936,113		1,000,902
	5,469,412		5,353,521		5,179,104		4,991,532		4,845,738
	15,086,742		14,034,862		12,286,342		11,708,397		12,124,261
	1,657,018		1,403,590		1,282,661		1,218,079		1,113,544
	671,801		615,854		524,632		568,898		689,258
	1,314,980		1,289,156		1,250,008		1,246,213		1,365,368
	7,605,180		7,308,295		7,737,736		7,619,987		7,139,948
	2,689,975		2,379,178		1,868,020		1,759,589		2,270,136
	4,654,161		4,714,555		4,493,537		4,336,326		3,585,958
	2,486,107		2,451,881		2,391,982		2,323,452		2,295,561
	309,091		352,454		385,757		472,044		498,560
	4,109,611		3,980,980		3,982,700		3,877,305		3,661,834
	1,263,218		1,197,709		1,206,542		1,202,772		1,177,569
	51,047,244		48,610,723		46,144,216		44,644,874		44,080,935
	1,598,084		2,036,431		2,718,447		3,466,500		4,388,360
	—		—		—		—		—
	2,809,062		2,925,013		2,759,488		2,684,039		2,865,015
	994,341		922,383		864,161		851,118		834,453
	891,906		852,946		814,245		801,038		772,883
	6,293,393		6,736,773		7,156,341		7,802,695		8,860,711
\$	57,340,637	\$	55,347,496	\$	53,300,557	\$	52,447,569	\$	52,941,646
\$	634,289	\$	361,105	\$	352,291	\$	458,320	\$	443,869
	105,521		108,766		111,384		114,170		120,293
	1,052,170		1,226,108		471,539		297,566		258,032
	755,712		660,359		619,982		495,377		431,078
	253,856		262,339		228,019		214,340		270,449
	164,438		165,365		150,690		142,320		142,387
	405,710		483,080		1,143,551		931,535		896,328
	577,430		530,853		567,348		505,842		502,004
	7,649		10,067		6,748		6,783		6,645
	256,596		228,730		218,643		205,546		193,983
	175,130		150,394		246,577		237,772		142,731
	5,193,545		5,049,536		5,041,329		4,940,151		4,630,205
	9,582,046		9,236,702		9,158,101		8,549,722		8,038,004
	13,950,227		13,121,648		12,836,122		12,909,908		14,217,481
	81,475		30,699		18,726		79,733		168,912
	23,613,748		22,389,049		22,012,949		21,539,363		22,424,397
	1,492,067		1,897,495		1,923,476		1,982,602		1,945,801
	—		—		—		—		—
	1,602,043		1,697,585		1,640,296		1,519,496		1,685,386
	583,669		558,170		533,347		523,979		530,078
	266,956		270,512		281,428		275,778		250,341
	936,917		1,347,423		1,791,196		2,525,342		3,500,210
	206,128		122,081		123,396		162,271		42,819
	5,087,780		5,893,266		6,293,139		6,989,468		7,954,635
\$	28,701,528	\$	28,282,315	\$	28,306,088	\$	28,528,831	\$	30,379,032
\$	25,209,826	\$	23,319,168	\$	22,599,332	\$	21,403,426	\$	21,066,430
	1,251,288		1,131,848		985,810		1,393,192		991,519
	(1,429,174)		(1,205,141)		(1,096,061)		(1,155,955)		(860,904)
	25,031,940		23,245,875		22,489,081		21,640,663		21,197,045
	7,536		306,690		271,832		214,056		652,489
	—		—		—		—		(10,746)
	1,429,174		1,205,141		1,096,061		1,155,955		860,904
	1,436,710		1,511,831		1,367,893		1,370,011		1,502,647
\$	26,468,650	\$	24,757,706	\$	23,856,974	\$	23,010,674	\$	22,699,692
\$	(2,401,556)	\$	(2,975,800)	\$	(1,642,187)	\$	(1,464,850)	\$	(459,493)
	231,099		668,324		504,691		556,784		596,571
\$	(2,170,457)	\$	(2,307,476)	\$	(1,137,496)	\$	(908,066)	\$	137,078

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

(Amounts in thousands)

	2020	2019	2018	2017	2016
Fund balances:					
Restricted ⁽¹⁾	\$ 1,294,124	\$ 1,316,707	\$ 1,519,833	\$ 1,926,716	\$ 1,377,671
Committed ⁽²⁾	5,325,797	5,007,488	3,302,222	2,351,687	2,422,088
Assigned ⁽³⁾	1,682,922	1,256,717	955,830	684,655	845,567
Unassigned	754,673	1,530,423	1,060,559	634,324	628,420
Total governmental fund balances	<u>\$ 9,057,516</u>	<u>\$ 9,111,335</u>	<u>\$ 6,838,444</u>	<u>\$ 5,597,382</u>	<u>\$ 5,273,746</u>

(1) Restricted fund balance decreased from FY20 mainly due to reclassification of governmental funds to fiduciary funds as a result of the implementation of GASB Statement No. 84.

(2) The increase in the committed fund balance from FY20 is due to an increase of approximately \$77 million in the ending balance of the Commonwealth's stabilization fund, an increase of approximately \$142 million in the other special revenue funds and an increase of approximately \$67 million due to reclassification of fiduciary funds to governmental funds as a result of the implementation of GASB Statement No. 84.

(3) Assigned fund balance increased from FY20 as a result of an increase in authorizations reappropriated from prior years of approximately \$286 million and an approximately \$111 million increase in the amounts held by the Massachusetts School Building Authority (MSBA) for grants and loans to other governmental entities.

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2015	2014	2013	2012	2011
\$ 1,792,461	\$ 1,518,671	\$ 1,558,842	\$ 2,196,201	\$ 1,675,969
2,375,367	2,250,157	2,324,445	2,404,475	2,020,252
576,632	510,353	595,085	574,621	750,462
561,105	340,505	391,795	1,143,978	821,188
<u>\$ 5,305,565</u>	<u>\$ 4,619,686</u>	<u>\$ 4,870,167</u>	<u>\$ 6,319,275</u>	<u>\$ 5,267,871</u>

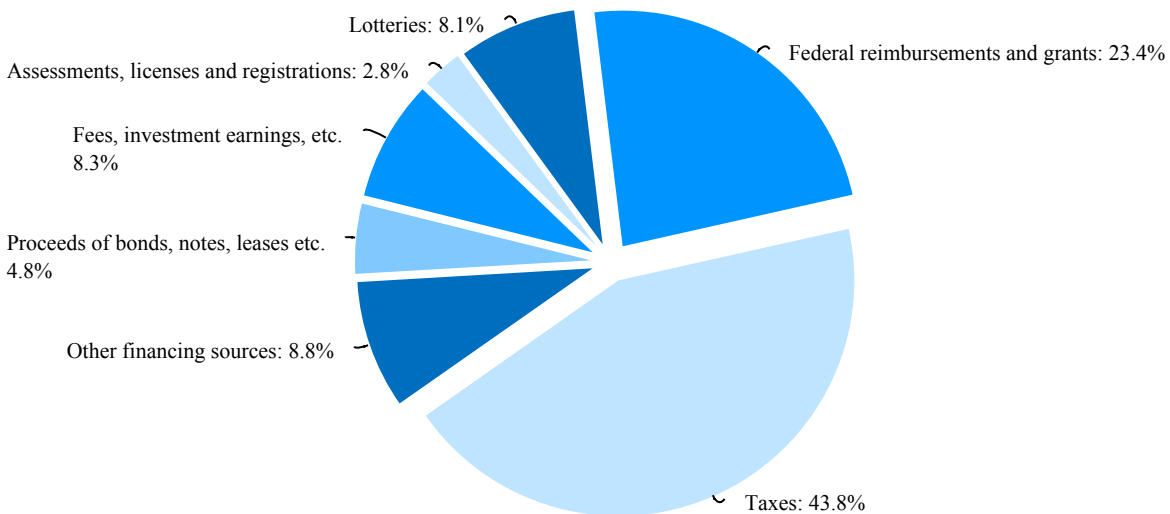
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

		%		%		%		%		%
	2020	Total	2019	Total	2018	Total	2017	Total	2016	Total
Taxes.....	\$ 30,266	41.7	\$ 30,618	43.8	\$ 28,243	41.1	\$ 25,828	37.7	\$ 25,746	38.0
Federal reimbursements.....	14,427	19.9	12,650	18.1	12,647	18.3	11,932	17.4	11,577	17.1
Federal grants.....	4,048	5.6	3,678	5.3	3,684	5.3	3,635	5.3	3,656	5.4
Lotteries.....	5,395	7.4	5,652	8.1	5,442	7.9	5,258	7.7	5,406	8.0
Assessments.....	1,378	1.9	1,377	2.0	1,354	2.0	1,219	1.8	1,104	1.6
Motor vehicle licenses and registrations.....	515	0.7	566	0.8	566	0.8	554	0.8	546	0.8
Fees, investment earnings, etc.....	5,527	7.6	5,794	8.3	5,518	8.0	4,966	7.3	4,957	7.3
Issuance of general and special obligation bonds.....	2,787	3.8	2,008	2.9	2,779	4.0	3,464	5.1	3,969	5.9
Issuance of refunding bonds.....	1,225	1.7	819	1.2	993	1.4	1,853	2.7	1,463	2.2
Bond premiums.....	276	0.4	470	0.7	562	0.8	812	1.2	613	0.9
Proceeds of capital lease.....	1	—	—	—	—	—	1	—	31	—
Other financing sources.....	6,662	9.2	6,143	8.8	7,202	10.4	8,915	13.0	8,682	12.8
Total revenues and other financing sources.....	<u>\$ 72,507</u>	<u>100.0</u>	<u>\$ 69,775</u>	<u>100.0</u>	<u>\$ 68,990</u>	<u>100.0</u>	<u>\$ 68,437</u>	<u>100.0</u>	<u>\$ 67,750</u>	<u>100.0</u>

See Independent Auditors' Report

**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2020**



	%		%		%		%		%
2015	Total	2014	Total	2013	Total	2012	Total	2011	Total
\$ 25,258	41.7	\$ 23,786	41.6	\$ 22,391	40.5	\$ 21,533	39.6	\$ 20,854	38.7
10,462	17.2	9,417	16.5	8,981	16.2	8,934	16.4	10,066	18.8
3,583	5.9	3,730	6.5	3,887	7.0	4,051	7.5	4,311	8.0
5,194	8.6	5,049	8.8	5,042	9.1	4,944	9.1	4,631	8.6
1,026	1.7	1,080	1.8	1,093	2.0	1,024	1.9	980	1.8
546	0.9	495	0.9	487	0.9	474	0.9	461	0.9
4,540	7.5	4,152	7.3	3,750	6.8	3,823	7.0	3,246	6.0
3,761	6.2	2,360	4.1	1,471	2.7	2,902	5.3	2,233	4.1
632	1.0	1,236	2.2	1,913	3.5	388	0.7	888	1.6
379	0.6	193	0.3	398	0.7	260	0.5	130	0.2
31	0.1	11	—	1	—	4	—	12	—
5,247	8.6	5,701	10.0	5,876	10.6	6,033	11.1	6,086	11.3
<u>\$ 60,659</u>	<u>100.0</u>	<u>\$ 57,210</u>	<u>100.0</u>	<u>\$ 55,290</u>	<u>100.0</u>	<u>\$ 54,370</u>	<u>100.0</u>	<u>\$ 53,898</u>	<u>100.0</u>

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

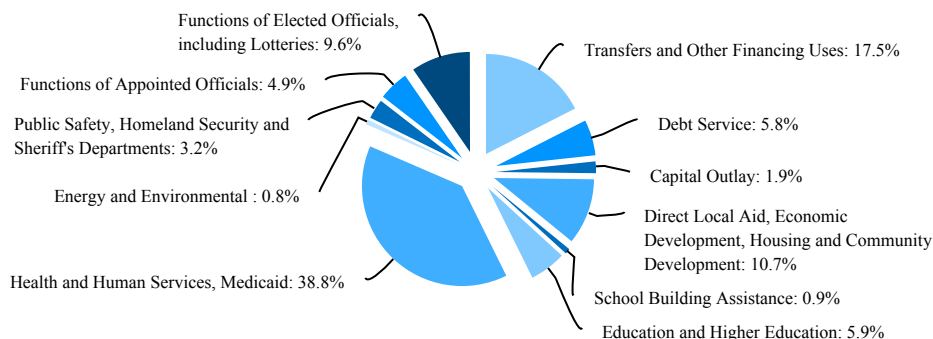
(Amounts in millions)

	2020	% Total	2019	% Total	2018	% Total	2017	% Total	2016	% Total
Legislature	\$ 70	0.1	\$ 68	0.1	\$ 68	0.1	\$ 67	0.1	\$ 61	0.1
Judiciary	1,022	1.4	985	1.5	921	1.4	908	1.3	880	1.3
Inspector General	6	—	5	—	5	—	4	—	5	—
Governor and Lieutenant Governor	7	—	7	—	7	—	7	—	7	—
Secretary of the Commonwealth	63	0.1	55	0.1	45	0.1	51	0.1	44	0.1
Treasurer and Receiver-General	5,961	8.2	6,092	9.0	5,854	8.6	5,657	8.2	5,799	8.7
Auditor of the Commonwealth	19	—	18	—	19	—	18	—	19	—
Attorney General	108	0.2	107	0.2	98	0.1	76	0.1	67	0.1
Ethics Commission	2	—	2	—	2	—	2	—	2	—
District Attorney	150	0.2	138	0.2	129	0.2	130	0.2	124	0.2
Office of Campaign and Political Finance	2	—	3	—	2	—	2	—	2	—
Sheriff's Department	718	1.0	672	1.0	635	0.9	624	0.9	616	0.9
Disabled Persons Protection Commission	6	—	5	—	4	—	3	—	3	—
Board of Library Commissioners	33	—	30	—	28	—	28	—	28	—
Massachusetts Gaming Commission	44	0.1	50	0.1	44	0.1	37	0.1	34	0.1
Comptroller	17	—	16	—	16	—	17	—	17	—
Administration and Finance	2,490	3.4	2,311	3.4	2,475	3.7	2,444	3.6	2,416	3.6
Energy and Environmental	466	0.6	477	0.7	445	0.7	405	0.6	436	0.6
Health and Human Services	8,817	12.1	8,054	12.0	7,813	11.5	7,463	11.0	7,402	10.9
Executive Office of Technology Services	140	0.2	116	0.2	81	0.1	—	—	—	—
Massachusetts Department of Transportation	2,486	3.4	2,349	3.5	2,387	3.5	2,391	3.5	2,595	3.8
Office of the Child Advocate	2	—	1	—	1	—	1	—	1	—
Cannabis Control Commission	13	—	10	—	2	—	—	—	—	—
Executive Office of Education*	4,323	6.0	3,972	5.9	3,723	5.5	3,589	5.3	3,478	5.1
Center for Health and Information Analysis	20	—	20	—	21	—	23	—	27	—
Massachusetts School Building Assistance	713	1.0	572	0.9	550	0.8	621	0.9	626	0.9
Public Safety and Homeland Security	2,066	2.8	1,463	2.2	1,400	2.1	1,374	2.0	1,385	2.0
Housing and Economic Development*	1,223	1.7	1,157	1.7	1,089	1.6	1,021	1.5	1,048	1.5
Labor and Workforce Development*	280	0.4	258	0.4	255	0.4	259	0.4	277	0.4
Medicaid	19,207	26.5	18,094	26.8	18,106	26.9	17,183	25.2	16,825	24.9
Pension	1,384	1.9	1,368	2.0	1,294	1.9	1,127	1.7	1,103	1.6
Direct local aid	6,390	8.8	6,090	9.0	5,901	8.7	5,735	8.4	5,599	8.3
Capital outlay:										
Local aid	—	—	—	—	—	—	—	—	1	—
Capital acquisition and construction	1,051	1.5	1,310	1.9	1,253	1.8	1,202	1.8	1,162	1.7
Debt service:										
Principal/commercial paper repayment	1,948	2.7	1,480	2.2	3,706	5.5	4,676	6.9	4,487	6.6
Interest	1,238	1.7	1,484	2.2	1,381	2.0	1,262	1.9	1,248	1.8
Principal on current refunding	409	0.6	956	1.4	522	0.8	188	0.3	250	0.4
Other financing uses:										
Payments to refunding bond escrow agent	1,655	2.3	—	—	628	0.9	2,304	3.4	2,613	3.9
Transfers	8,067	11.1	7,709	11.4	6,838	10.1	7,215	10.6	7,094	10.5
Total expenditures and other financing uses	\$ 72,616	100.0	\$ 67,503	100.0	\$ 67,748	100.0	\$ 68,114	100.0	\$ 67,781	100.0
Change in Governmental Fund Balance	\$ (108)		\$ 2,273		\$ 1,241		\$ 324		\$ (32)	
Ratio of debt service expenditures to total noncapital expenditures	5.8%		6.7%		9.5%		10.7%		10.5%	

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.

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Apportionment of Expenditures - Fiscal Year Ended June 30, 2020



		%			%			%			
2015	Total		2014	Total	2013	Total	2012	Total	2011	Total	
\$	61	0.1	\$	56	0.1	\$	57	0.1	\$	58	0.1
	845	1.4		816	1.4		792	1.4		771	1.4
	5	—		6	—		6	—		4	—
	6	—		5	—		6	—		5	—
	50	0.1		51	0.1		49	0.1		45	0.1
	5,602	9.6		5,327	9.5		5,307	9.5		5,084	9.6
	18	—		18	—		18	—		18	—
	41	0.1		88	0.2		76	0.1		55	0.1
	2	—		2	—		2	—		2	—
	119	0.2		115	0.2		115	0.2		110	0.2
	3	—		1	—		1	—		1	—
	593	1.0		565	1.0		541	1.0		529	1.0
	3	—		2	—		2	—		2	—
	28	—		25	—		25	—		24	—
	23	—		23	—		14	—		1	—
	16	—		16	—		14	—		14	—
	2,490	4.2		2,296	4.0		2,295	4.1		1,949	3.7
	417	0.7		410	0.7		365	0.6		351	0.7
	7,211	12.0		6,957	12.1		7,384	13.1		7,301	13.6
	—	—		—	—		—	—		—	—
	2,611	4.4		2,296	4.0		1,785	3.1		1,679	3.1
	—	—		—	—		—	—		—	—
	—	—		—	—		—	—		—	—
	3,320	5.5		3,201	5.6		3,008	5.3		3,069	5.8
	28	—		26	—		9	—		—	—
	732	1.2		869	1.5		1,037	1.8		975	1.8
	1,334	2.2		1,274	2.2		1,296	2.3		1,208	2.3
	1,021	1.7		1,035	1.8		988	1.7		999	1.9
	269	0.4		330	0.6		350	0.6		455	0.9
	15,087	25.2		14,035	24.4		12,286	21.7		11,708	22.0
	902	1.5		865	1.5		878	1.5		801	1.5
	5,469	9.1		5,353	9.3		5,179	9.1		4,991	9.4
	—	—		—	—		—	—		—	—
	1,205	2.0		999	1.7		854	1.5		847	1.6
	—	—		—	—		—	—		—	—
	1,781	3.0		1,546	2.7		1,525	2.7		1,297	2.4
	1,187	2.0		1,223	2.1		1,229	2.2		1,207	2.3
	203	0.3		159	0.3		230	0.4		—	—
	615	1.0		562	1.0		2,046	3.6		388	0.7
	6,676	11.1		6,907	12.0		6,972	12.3		7,189	13.5
\$	59,973	100.0	\$	57,461	100.0	\$	56,739	100.0	\$	53,319	100.0
\$	686		\$	(251)		\$	(1,448)		\$	1,051	
6.2%			6.0%			6.4%			5.6%		
									5.0%		

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

	2019	2018	2017	2016	2015
Total personal income.....	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636
Unearned income.....	126,165	118,567	111,017	108,349	97,728
Farm earnings.....	108	103	129	151	195
Nonfarm earnings.....	385,061	364,763	339,816	334,000	317,713
Private earnings.....	369,080	349,476	323,875	319,931	272,533
Agricultural services, forestry, fishing.....	625	659	716	677	406
Mining.....	144	274	608	379	276
Construction.....	23,397	23,177	20,609	19,473	17,197
Manufacturing.....	28,568	27,271	26,550	27,181	26,497
Durable goods.....	20,020	19,239	18,709	18,894	18,193
Nondurable goods.....	8,548	8,032	7,841	8,287	8,304
Transportation and utilities.....	11,724	9,667	8,649	8,330	7,600
Wholesale trade.....	15,254	15,102	14,830	14,621	13,938
Retail trade.....	17,438	16,432	15,982	15,520	14,716
Services.....	271,930	256,894	235,931	233,750	191,903
Government.....	44,549	42,557	42,492	41,130	39,921
Federal, civilian.....	5,647	5,458	5,477	5,427	5,202
Military.....	1,003	900	891	860	860
State and local.....	37,899	36,199	36,124	34,843	33,859
Personal income tax revenue (fiscal year, statutory basis).....	\$ 17,361	\$ 17,109	\$ 16,240	\$ 14,394	\$ 14,449
Total personal income.....	\$ 511,334	\$ 483,433	\$ 450,962	\$ 442,500	\$ 415,636
Average Effective Rate.....	3.40 %	3.54 %	3.60 %	3.25 %	3.48 %
Highest Earned Income Tax Rate.....	5.00 %	5.05 %	5.10 %	5.10 %	5.15 %

Sources: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System and the Massachusetts Department of Revenue. Average effective rate is individual income tax revenue divided by personal income.

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2014	2013	2012	2011	2010
\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243	\$ 336,400
94,494	91,615	87,333	83,338	81,190
178	151	150	136	186
301,534	289,505	276,461	268,769	255,024
262,843	252,939	243,503	236,764	223,785
354	373	426	409	383
270	201	113	124	97
15,481	14,759	13,426	12,526	11,687
25,921	25,341	26,375	25,388	25,108
18,224	17,977	19,223	18,319	18,053
7,697	7,364	7,152	7,069	7,055
7,295	7,083	6,742	6,604	6,208
13,546	13,483	12,979	13,082	12,501
14,137	13,565	13,333	12,891	12,599
185,839	178,134	170,109	165,740	155,202
38,691	36,567	32,959	32,006	31,241
5,007	4,792	5,442	5,426	5,431
874	943	1,221	1,245	1,260
32,810	30,832	26,296	25,335	24,550
\$ 13,202	\$ 12,831	\$ 11,911	\$ 11,576	\$ 10,110
\$ 396,206	\$ 381,271	\$ 363,944	\$ 352,243	\$ 336,400
3.33 %	3.37 %	3.27 %	3.29 %	3.01 %
5.20 %	5.25 %	5.25 %	5.30 %	5.30 %

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2018 and 2009

(Amounts, except income level are in thousands)

Calendar Year 2018 (or Fiscal Year 2019)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher.....	882,231	22.3%	\$ 12,096,957	75.2%
\$75,001 - \$100,000.....	330,998	8.4%	1,224,083	7.6%
\$50,001 - \$75,000.....	530,596	13.4%	1,335,804	8.3%
\$25,001 - \$50,000.....	841,854	21.3%	1,109,661	6.9%
\$10,001 - \$25,000.....	655,358	16.6%	282,342	1.8%
\$10,000 and lower.....	709,323	18.0%	36,980	0.2%
Total.....	<u>3,950,360</u>	<u>100.0%</u>	<u>\$ 16,085,827</u>	<u>100.0%</u>

Calendar Year 2009 (or Fiscal Year 2010)

Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
\$100,001 and higher.....	566,632	16.7%	\$ 6,243,928	64.3%
\$75,001 - \$100,000.....	280,986	8.3%	1,049,714	10.8%
\$50,001 - \$75,000.....	450,828	13.3%	1,146,189	11.8%
\$25,001 - \$50,000.....	750,699	22.2%	991,818	10.2%
\$10,001 - \$25,000.....	633,736	18.7%	251,436	2.6%
\$10,000 and lower.....	704,168	20.8%	28,052	0.3%
Total.....	<u>3,387,049</u>	<u>100.0%</u>	<u>\$ 9,711,137</u>	<u>100.0%</u>

Source: Massachusetts Department of Revenue - 2018 is the most recent tax year for which complete data is available.

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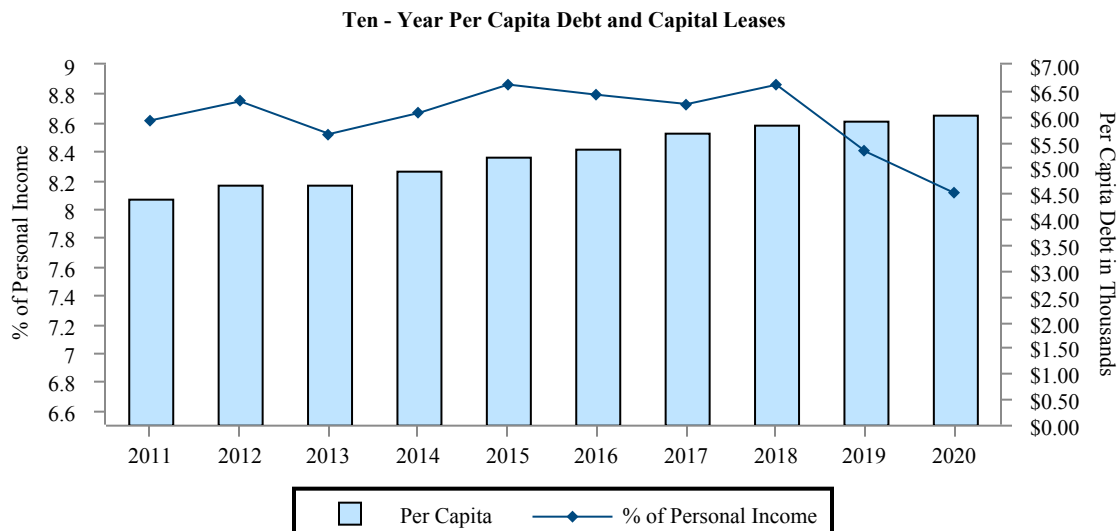
Ten -Year Schedule of Per Capita General Long-Term Bonded Debt and Capital Leases

(Amounts in thousands, except for percentages)

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Prior Year Personal Income	Massachusetts Resident Population (4)	Debt as a % of Personal Income	Amount of Debt Per Capita
	Bonded Debt (1)	Capital Leases	MSBA Bonded debt (2)	Bonded Debt (3)	Capital Leases	Total Primary Government				
2020	\$ 30,701,422	\$ 17,114	\$ 6,053,947	\$ 4,667,917	\$ 8,842	\$ 41,449,242	\$ 511,333,665	6,893	8.1 %	\$ 6.01
2019	30,219,316	19,835	6,054,994	4,284,704	9,589	40,588,438	483,433,495	6,883	8.4 %	5.90
2018	29,496,401	22,492	5,990,554	4,438,502	9,825	39,957,774	450,961,579	6,860	8.9 %	5.82
2017	28,216,650	30,856	5,828,790	4,529,353	8,979	38,614,628	442,500,000	6,824	8.7 %	5.66
2016	26,422,941	41,302	5,624,275	4,438,282	9,887	36,536,687	415,636,000	6,794	8.8 %	5.38
2015	24,790,909	42,928	5,714,410	4,553,105	9,895	35,111,247	396,206,000	6,763	8.9 %	5.19
2014	23,090,434	55,878	5,632,470	4,243,731	14,529	33,037,042	381,271,000	6,713	8.7 %	4.92
2013	22,001,693	50,831	5,195,160	3,736,432	19,299	31,003,415	363,943,750	6,663	8.5 %	4.65
2012	21,907,683	60,457	5,443,265	3,370,389	23,327	30,805,121	352,242,750	6,614	8.7 %	4.66
2011	21,210,133	60,975	4,395,390	3,277,413	31,105	28,975,016	336,399,750	6,566	8.6 %	4.41

- (1) Excludes Massachusetts School Building Authority debt. Bonded debt for each fiscal year includes unamortized premiums or discounts.
- (2) The Massachusetts School Building Authority (MSBA) is presented as a blended component unit in these financial statements.
- (3) Business-type activities bond debt includes Federal Unemployment insurance borrowing under Title XII of the Social Security Act, notes payable of the Institutions of Higher Education and unamortized premiums or discounts.
- (4) Population estimates have been restated to most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year. Source: - [HTTP://www.fedstats.gov](http://www.fedstats.gov) (US Census Bureau.)

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Ten Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

(Amounts in thousands)

	2020 (3)	2019 (3)	2018 (3)	2017 (3)	2016 (3)
Outstanding principal as of June 30 (1).....	\$ 28,098,890	\$ 27,739,221	\$ 27,360,819	\$ 26,445,665	\$ 25,079,591
Plus/(less) amounts excluded:					
Net amortized (discount)/premium and issuance costs.....	—	—	—	—	—
Total net proceeds/principal.....	28,098,890	27,739,221	27,360,819	26,445,665	25,079,591
Less net proceeds/principal of direct debt excluded from statutory debt limit:					
Central artery project bonds.....	(945,574)	(1,013,492)	(1,092,519)	(1,110,195)	(1,150,296)
Accelerated bridge program.....	(2,325,620)	(2,349,950)	(2,429,000)	(2,380,740)	(2,192,930)
County debt assumed.....	—	—	—	—	—
(Premium)/discount.....	—	—	—	—	—
Grant anticipation notes (2).....	—	—	—	—	—
School Modernization and Reconstruction Trust Bonds.....	(496,936)	(574,902)	(598,985)	(632,348)	(652,197)
Convention center bonds.....	(504,255)	(527,635)	(552,110)	(575,420)	(597,630)
MBTA forward funding bonds.....	(207)	(207)	(207)	(207)	(207)
Special obligation gas bonds.....	(55,290)	(80,930)	(105,230)	(128,270)	(170,735)
Rail enhancement program bonds (4).....	(1,260,565)	(1,104,610)	(1,131,105)	(644,540)	—
Outstanding direct debt, net proceeds/principal.....	22,510,443	22,087,495	21,451,663	20,973,945	20,315,596
Statutory debt limit*.....	25,220,164	24,019,204	22,875,433	21,786,126	20,748,692
Debt margin (debt limit less direct debt).....	<u>\$ 2,709,721</u>	<u>\$ 1,931,709</u>	<u>\$ 1,423,770</u>	<u>\$ 812,181</u>	<u>\$ 433,096</u>
Debt margin as a percentage of direct debt limit.....	<u>10.7%</u>	<u>8.0%</u>	<u>6.2%</u>	<u>3.7%</u>	<u>2.1%</u>

(1) Exclusive of the Massachusetts School Building Authority debt.

(2) Inclusive of crossover refunding amounts.

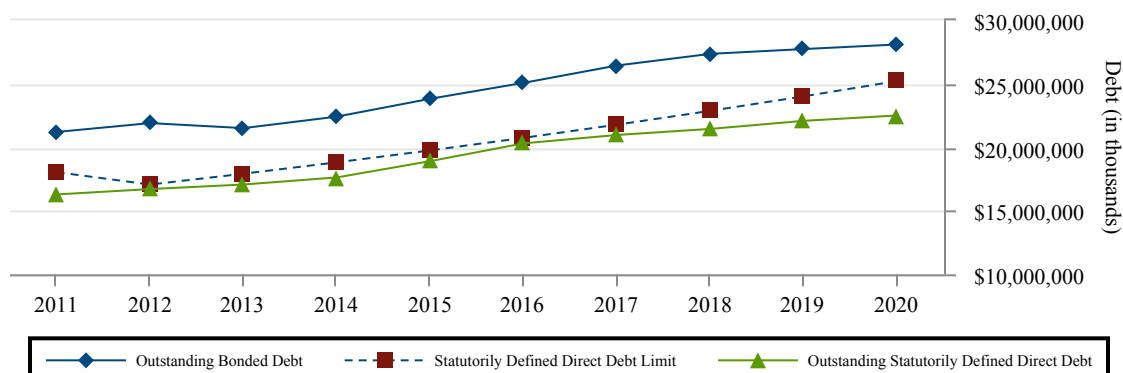
(3) For fiscal 2009 through 2012, debt outstanding was defined in state finance law as net proceeds of debt issued. State finance law was amended, effective January 1, 2013, to change the statutory definition of outstanding debt from net proceeds to principal. Therefore, fiscal years prior to 2013 are calculated using net proceeds; fiscal 2013 and thereafter are calculated using principal.

(4) Section 4 of Chapter 220 of the Acts of 2016 exempted bonds issued under the Rail Enhancement Program from the statutory debt limit.

* Section 60A of Chapter 165 of the Acts of 2012, as amended, reset the statutory defined debt limit, effective July 1, 2012, to \$17.070 billion

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**Outstanding Bonded Debt, Statutory Direct Debt and Statutory Debt Limit
2011 - 2020**



2015 (3)	2014 (3)	2013 (3)	2012	2011
\$ 23,826,301	\$ 22,419,852	\$ 21,513,039	\$ 21,433,553	\$ 20,875,056
—	—	—	474,130	335,078
23,826,301	22,419,852	21,513,039	21,907,683	21,210,134
(1,197,127)	(1,241,263)	(1,303,013)	(1,342,841)	(1,356,606)
(2,195,004)	(1,756,395)	(1,088,605)	(1,095,385)	(676,125)
—	—	—	(75)	(150)
—	—	—	(474,130)	(335,078)
—	(178,390)	(349,100)	(510,385)	(666,790)
(689,446)	(723,917)	(764,337)	(795,009)	(824,279)
(618,705)	(638,700)	(638,700)	(638,700)	(643,715)
(207)	(207)	(207)	(207)	(44,472)
(210,635)	(249,705)	(296,395)	(337,545)	(371,665)
—	—	—	—	—
18,915,177	17,631,275	17,072,682	16,713,406	16,291,254
19,760,659	18,819,675	17,923,500	17,070,000	18,042,424
\$ 845,482	\$ 1,188,400	\$ 850,818	\$ 356,594	\$ 1,751,170
4.3%	6.3%	4.7%	2.1%	9.7%

Ten Fiscal Year Schedule of Pledged Revenue Coverage
Special Obligation Highway Bonds (Motor Fuels Taxation and Motor Vehicle Fees), Convention Center Bonds (Tax Incremental Financing)
and Grant Anticipation Notes (Federal Highway Grants)

(Statutory Basis, Amounts in Thousands, Except for Ratios)

	2020	2019	2018	2017	2016
Highway Bonds					
For issues prior to December 2010, the bonds are secured by a pledge of 6.86¢ of the 21¢ per gallon state gasoline excise tax for FY2008 and before. For FY2009 and after, the pledge is up to 10¢ of the tax. Bonds issued in December 2010, May 2012 and November 2013 (Commonwealth Transportation Fund, or "CTF bonds") are secured by a senior lien on 17.085 cents of the total 24 cent per gallon gasoline tax, the full 21 cents per gallon of special fuels taxes (comprised primarily of taxes on diesel fuel), the full 19.1% of the average price per gallon tax on liquefied natural gas and all Registry of Motor Vehicle fees deposited in the Commonwealth Transportation Fund. Federal Build America Bonds subsidies are also pledged to all CTF bonds. The bonds also have a subordinate lien on 6.86¢ of the 24¢ per gallon gasoline tax not included in the senior lien. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds/ Recovery Zone Economic Development Bonds; the programs provide an interest subsidy of 35-45% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
Pre-2010 Bond Issues					
Tax Receipts.....	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820	\$ 190,803
Operating Expenses.....	N/A	N/A	N/A	N/A	N/A
Net Available Revenues.....	\$ 174,566	\$ 192,614	\$ 191,183	\$ 191,820	\$ 190,803
Annual Debt Service.....	\$ 29,822	\$ 29,818	\$ 29,825	\$ 51,276	\$ 50,906
Debt Service Coverage Ratio.....	5.85	6.46	6.41	3.74	3.75
Ratings History of Bonds (Fitch, Moody's and S&P)*.....	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA
Post-2010 Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts.....	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734	\$ 1,294,357
Operating Expenses.....	N/A	N/A	N/A	N/A	N/A
Net Available Revenues.....	\$ 1,250,653	\$ 1,373,116	\$ 1,362,788	\$ 1,326,734	\$ 1,294,357
Annual Debt Service.....	\$ 184,361	\$ 176,189	\$ 149,968	\$ 129,024	\$ 94,859
Debt Service Coverage Ratio.....	6.78	7.79	9.09	10.28	13.65
Ratings History of Bonds (Fitch, Moody's and S&P)*.....	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA
Convention Center Bonds					
These bonds are secured by amounts payable to the Convention Center Fund, which include certain hotel tax receipts in Boston, Cambridge, Springfield, surcharges on car rentals, parking, sightseeing tours and cruises and sales tax receipts in those cities. Revenues pledged to the bonds are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table.					
Receipts.....	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789	\$ 134,806
Operating Expenses.....	N/A	N/A	N/A	N/A	N/A
Net Available Revenues.....	\$ 145,835	\$ 164,197	\$ 146,872	\$ 133,789	\$ 134,806
Annual Debt Service.....	\$ 52,222	\$ 54,601	\$ 54,473	\$ 54,540	\$ 54,540
Debt Service Coverage Ratio.....	2.79	3.01	2.70	2.45	2.47
Ratings History of Bonds (Fitch, Moody's and S&P)*.....	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A
Grant Anticipation Notes (GANS)					
Notes issued prior to December 2010 ("Senior Federal Highway Notes") were secured by all federal highway reimbursements, which are deposited in the Grant Anticipation Note Trust fund. The outstanding pre-December 2010 notes were retired in June 2015 and Notes issued in December 2010 ("Federal Highway Grant Anticipation Notes") and after are secured by all federal highway reimbursements. Revenues pledged to the notes are available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable for the purpose of calculating debt service coverage ratios and are not shown in this table. The 2010 bonds were issued as federally taxable Build America Bonds; the program provides an interest subsidy of 35% directly to the Commonwealth. The interest subsidy is shown as pledged funds and debt service is gross of the subsidy.					
Post 2010 GANS (Includes Revenues in Excess of those Needed to Pay Debt Service on Pre-2010 Highway Bonds)					
Receipts.....	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397	\$ 1,707,187
Operating Expenses.....	N/A	N/A	N/A	N/A	N/A
Net Available Revenues.....	\$ 1,705,993	\$ 1,771,001	\$ 1,756,726	\$ 1,734,397	\$ 1,707,187
Annual Debt Service.....	\$ 86,858	\$ 86,093	\$ 83,804	\$ 80,486	\$ 76,049
Debt Service Coverage Ratio.....	19.64	20.57	20.96	21.55	22.45
Ratings History of Bonds (Fitch, Moody's and S&P)*.....	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA

*Uninsured rating, if available.

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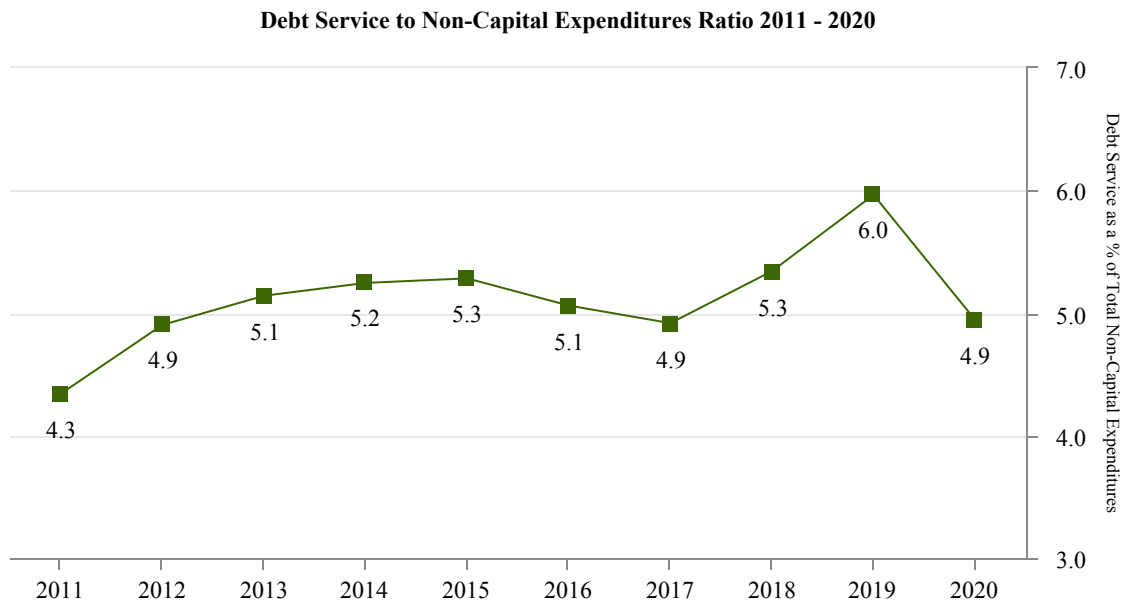
2015	2014	2013	2012	2011
\$ 187,913 N/A	\$ 187,467 N/A	\$ 186,638 N/A	\$ 190,129 N/A	\$ 189,763 N/A
\$ 187,913	\$ 187,467	\$ 186,638	\$ 190,129	\$ 189,763
\$ 52,225	\$ 52,228	\$ 58,922	\$ 58,939	\$ 59,453
3.60	3.59	3.17	3.23	3.19
AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa1, AAA	AA, Aa1, AAA
\$ 1,283,248 N/A	\$ 1,210,405 N/A	\$ 1,170,297 N/A	\$ 1,121,709 N/A	\$ 626,619 N/A
\$ 1,283,248	\$ 1,210,405	\$ 1,170,297	\$ 1,121,709	\$ 626,619
\$ 81,054	\$ 69,921	\$ 58,108	\$ 32,623	\$ 14,318
15.83	17.31	20.14	34.38	43.76
NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA	NA, Aaa, AAA
\$ 124,937 N/A	\$ 109,879 N/A	\$ 100,631 N/A	\$ 94,234 N/A	\$ 84,905 N/A
\$ 124,937	\$ 109,879	\$ 100,631	\$ 94,234	\$ 84,905
\$ 52,852	\$ 34,486	\$ 34,486	\$ 34,486	\$ 34,486
2.36	3.19	2.92	2.73	2.46
NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A	NA, A1, A
\$ 1,556,243 N/A	\$ 1,562,732 N/A	\$ 1,575,266 N/A	\$ 1,674,485 N/A	\$ 909,546 N/A
\$ 1,556,243	\$ 1,562,732	\$ 1,575,266	\$ 1,674,485	\$ 909,546
\$ 33,472	\$ 4,268	\$ 4,973	\$ 4,271	\$ 2,039
46.49	366.15	316.76	392.06	446.07
AA+, Aa1, AAA	AA+, Aa1, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA	AA+, Aa2, AAA

**Ten-Year Schedule of Percentage of Annual Debt Service Expenditures
For General Bonded Debt to Total Non-Capital Expenditures - Fund Perspective
All Governmental Fund Types**
(Amounts in thousands)

Fiscal year ended June 30	Debt service ⁽¹⁾	Total non-capital expenditures ⁽²⁾	Ratio (%)
2020	\$ 3,026,865	\$ 61,227,675	4.9
2019	3,489,029	58,502,774	6.0
2018	3,040,834	56,925,468	5.3
2017	2,667,043	54,239,919	4.9
2016	2,720,117	53,748,227	5.1
2015	2,703,200	51,171,135	5.3
2014	2,534,285	48,312,870	5.2
2013	2,351,074	45,733,298	5.1
2012	2,160,589	44,070,405	4.9
2011	1,904,881	43,881,014	4.3

- (1) Business type activities debts are secured solely by leases between the Institutions of Higher Education and two blended building authorities. Excludes Massachusetts School Building Authority debt service paid by the Authority.
- (2) Expenditures are shown net of Massachusetts School Building Authority expenditures as they are school building assistance capital grants to local cities and towns.

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**Component Units Revenue Bond Coverage
For the Last Ten Fiscal Years**

(Amounts in thousands)

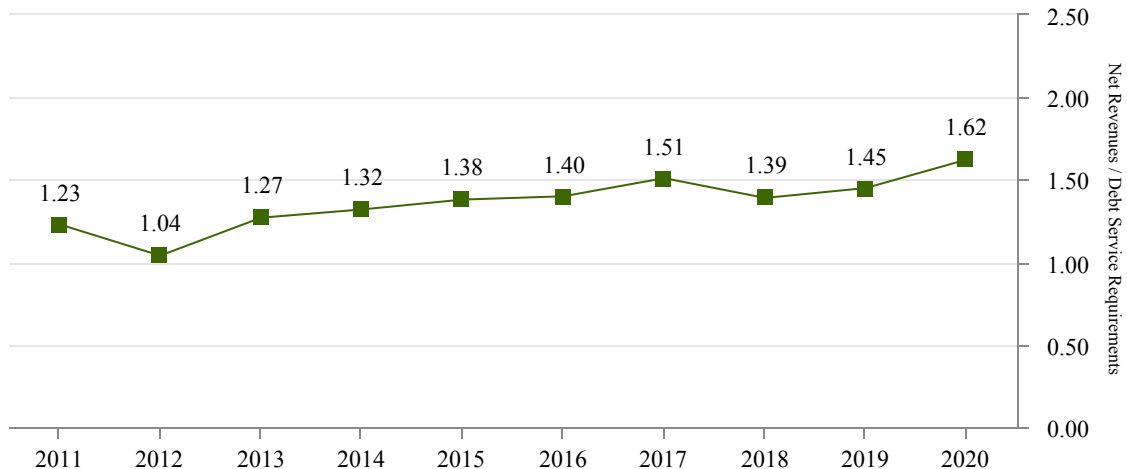
Fiscal year ended June 30	Net Revenues ⁽¹⁾	Debt service requirements ⁽²⁾	Coverage Ratio (%)
2020	\$ 2,194,836	\$ 1,352,565	1.62
2019	2,073,011	1,431,521	1.45
2018	1,831,742	1,322,491	1.39
2017	1,763,564	1,169,651	1.51
2016	1,817,135	1,298,267	1.40
2015	1,950,292	1,417,420	1.38
2014	1,481,374	1,126,392	1.32
2013	1,585,500	1,244,358	1.27
2012	1,584,013	1,517,899	1.04
2011	1,444,813	1,170,149	1.23

- (1) Net revenues represent revenue pledged and available for the repayment of revenue bonds. In most cases, revenue pledged for the bonds is available prior to use for any other purposes. Thus, operating expenses paid from these revenue sources are not applicable when calculating debt service coverage and are not subtracted from pledged revenues.
- (2) Debt service requirements represent total debt service payments made less debt service paid on short-term borrowings of only those Authorities with revenue bonds outstanding.

Source: Office of the Comptroller

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Component Units Revenue Bond Coverage 2011 - 2020



Ten-Year Schedule of Massachusetts and United States Resident Population

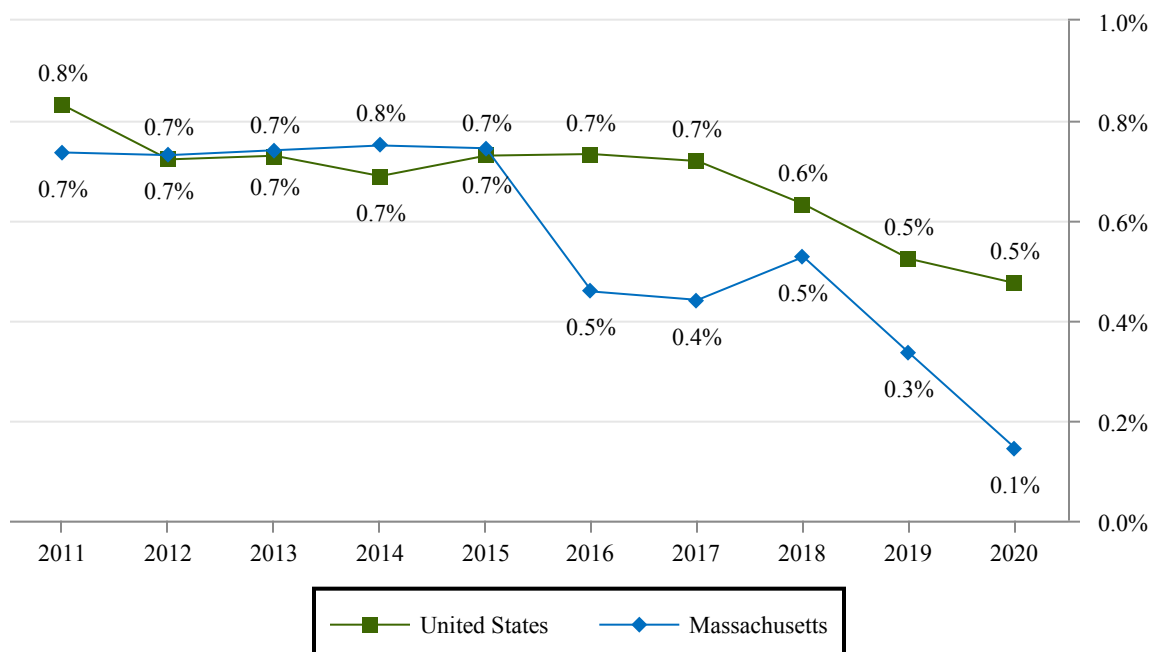
(Amounts in thousands)

Beginning of Fiscal Year	Massachusetts Resident Population ⁽¹⁾	% Change	United States Resident Population (1)	% Change	Massachusetts as % of U.S.
2020	6,893	0.1%	328,240	0.5%	2.1%
2019	6,883	0.3%	326,688	0.5%	2.1%
2018	6,860	0.5%	324,986	0.6%	2.1%
2017	6,824	0.4%	322,941	0.7%	2.1%
2016	6,794	0.5%	320,635	0.7%	2.1%
2015	6,763	0.7%	318,301	0.7%	2.1%
2014	6,713	0.8%	315,994	0.7%	2.1%
2013	6,663	0.7%	313,831	0.7%	2.1%
2012	6,614	0.7%	311,557	0.7%	2.1%
2011	6,566	0.7%	309,322	0.8%	2.1%

(1) Population estimates have been restated using most current United States Census Bureau Data. Population data is reported as of July 1 of the previous year and has been restated to most recent United States Census Bureau Data.

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**Massachusetts and United States Estimated Year-to-Year Population Change
2011 - 2020**



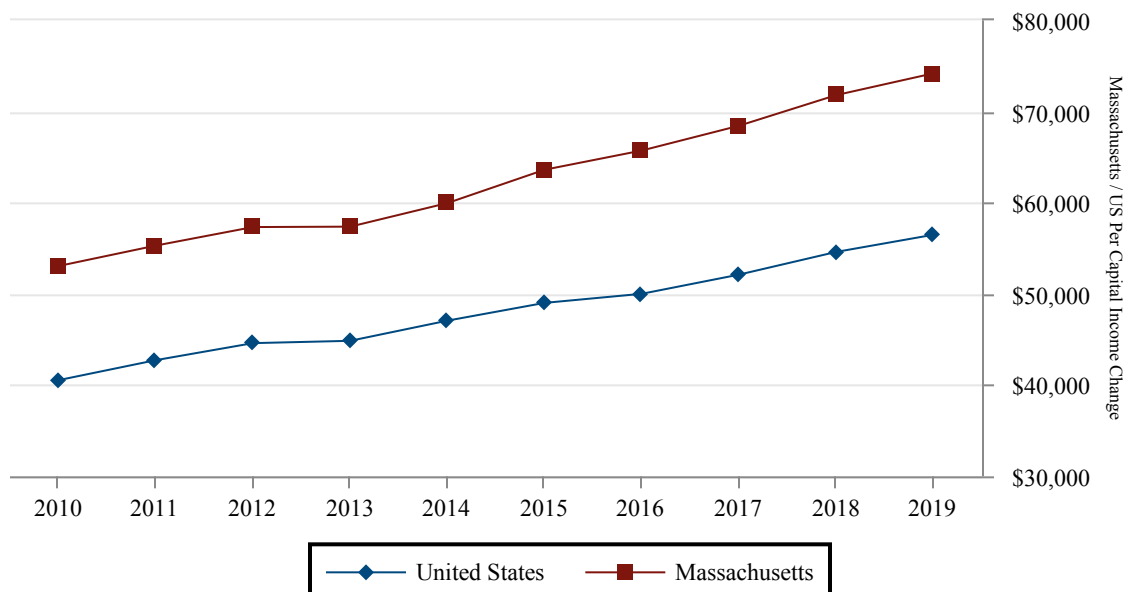
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

Calendar year	Massachusetts	% Change	United States	% Change	Massachusetts as % of U.S.
2019	\$ 74,187	3.3 %	\$ 56,490	3.5 %	131.3 %
2018	71,801	4.9 %	54,606	4.8 %	131.5 %
2017	68,442	4.1 %	52,118	4.2 %	131.3 %
2016	65,725	3.3 %	50,015	2.0 %	131.4 %
2015	63,618	6.1 %	49,019	4.1 %	129.8 %
2014	59,963	4.5 %	47,071	4.9 %	127.4 %
2013	57,377	0.1 %	44,860	0.6 %	127.9 %
2012	57,333	3.7 %	44,605	4.4 %	128.5 %
2011	55,302	4.2 %	42,739	5.4 %	129.4 %
2010	53,062	4.1 %	40,547	3.2 %	130.9 %

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on September 24, 2020.

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**Massachusetts and United States Estimated Per Capita Net Income
2010 - 2019**



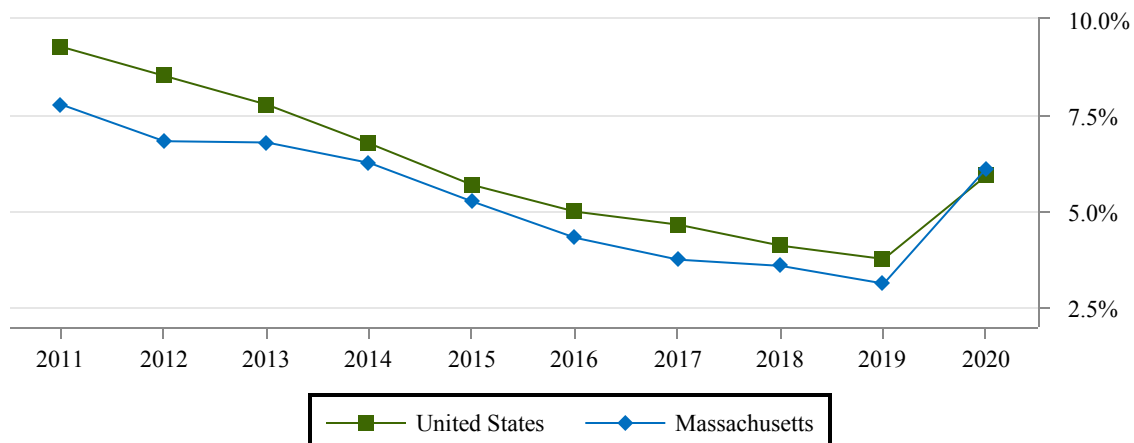
**Ten-Year Schedule of Fiscal Year Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**
(Amounts in thousands)

Fiscal Year	Massachusetts			United States			Massachusetts Rate as % of U.S. Rate
	Labor Force	Unemployment	Unemployment Rate %	Labor Force	Unemployment	Unemployment Rate %	
2020	3,754	230	6.1%	162,611	9,653	5.9%	103.4%
2019	3,805	119	3.1%	162,665	6,125	3.8%	83.1%
2018	3,736	134	3.6%	161,174	6,627	4.1%	87.2%
2017	3,654	137	3.7%	159,800	7,444	4.7%	80.5%
2016	3,591	155	4.3%	158,034	7,895	5.0%	86.4%
2015	3,595	189	5.3%	156,626	8,908	5.7%	92.4%
2014	3,531	221	6.3%	155,470	10,514	6.8%	92.5%
2013	3,504	238	6.8%	155,346	12,079	7.8%	87.4%
2012	3,472	237	6.8%	154,297	13,153	8.5%	80.1%
2011	3,472	270	7.8%	153,615	14,252	9.3%	83.8%

Source: Federal Bureau of Labor Statistics, October 2020. Seasonally adjusted. Previous data has been updated by the Federal Bureau of Labor Statistics

See Independent Auditors' Report

**Massachusetts and United States Average Unemployment Rates
FY2011 to FY2020**



Largest Private Sector Massachusetts Employers 2020 and 2011

(Alphabetical Order)

2020			2011		
Employer	Headquarters	Product or Service	Employer	Headquarters	Product or Service
Bay State Medical Center, Inc.	Springfield	Hospital	Bay State Medical Center, Inc.	Springfield	Hospital
Beth Israel Deaconess Medical Center	Boston	Hospital	Beth Israel Deaconess Medical Center	Boston	Hospital
Boston Medical Center Corporation	Boston	Hospital	Boston Medical Center Corporation	Boston	Hospital
Boston University	Boston	University	Boston University	Boston	University
Brigham and Women's Hospital, Inc.	Boston	Hospital	Brigham and Women's Hospital, Inc.	Boston	Hospital
The Children's Hospital Corporation	Boston	Hospital	The Children's Hospital Corporation	Boston	Hospital
DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket	DeMoulas Supermarkets, Inc.	Tewksbury	Supermarket
General Hospital Corporation	Boston	Hospital	EMC Corporation	Hopkinton	Computer Storage & Peripherals
Harvard University	Cambridge	University	General Hospital Corporation	Boston	Hospital
Massachusetts Institute of Technology	Cambridge	University	Harvard University	Cambridge	University
Partners Healthcare Systems, Inc.	Boston	Hospital	Massachusetts Institute of Technology	Cambridge	University
Raytheon Company	Lexington	Electronics / Defense	Partners Healthcare Systems, Inc.	Boston	Hospital
Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket	Raytheon Company	Lexington	Electronics / Defense
The Stop & Shop Supermarkets, Co.	Quincy	Supermarket	S & S Credit Company, Inc. (Stop & Shop)	Quincy	Supermarket
State Street Bank and Trust Company	Boston	Banking	Shaw's Supermarkets, Inc.	West Bridgewater	Supermarket
The TJX Companies, Inc.	Framingham	Retail	Southcoast Hospitals Group	New Bedford	Hospital
UMASS Memorial Medical Center, Inc.	Worcester	Hospital	State Street Bank and Trust Company	Boston	Banking
Wayfair, LLC	Boston	Retail	UMASS Memorial Medical Center, Inc.	Worcester	Hospital

Source: Massachusetts Executive Office of Labor and Workforce Development, Division of Unemployment Assistance - March 2020 survey. In addition, Amazon.Com Services, Inc., CVS Pharmacy, Inc, Home Depot U.S.A.; Inc., Target Corp, United Parcel Services, Inc., Wal-Mart Associates, Inc. and Whole Foods Market Group, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. Verizon New England is a subsidiary of Verizon Communications, headquartered in New York. The information is based on employers registered for unemployment insurance. The list may not include those employers who do business in Massachusetts under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

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Full Time Equivalent Employees
By Function/Program
Last Ten Years

Functions/Programs	2020	2019	2018	2017	2016
General government.....	6,890	6,900	6,855	6,905	7,018
Judiciary.....	7,217	7,164	7,229	7,208	7,264
Energy and environmental affairs.....	2,626	2,614	2,533	2,509	2,539
Health and human services.....	22,218	22,209	22,104	21,817	21,557
Transportation and construction.....	3,584	3,555	3,527	3,482	4,004
Education.....	887	852	821	815	907
Public safety and homeland security.....	16,907	16,676	16,502	16,522	16,868
Housing and economic development.....	936	922	918	818	844
Higher Education:					
University of Massachusetts.....	15,324	15,193	14,737	15,032	15,130
State universities.....	5,136	5,219	5,233	5,186	5,050
Community colleges.....	4,858	4,816	4,917	5,066	5,032
Totals.....	86,583	86,120	85,376	85,360	86,213
Percentage change.....	0.5 %	0.9 %	— %	(1.0)%	(1.8)%

Source: Office of the State Comptroller

"Education" includes the Department of Elementary and Secondary Education, the Executive Office of Education, the Board of Higher Education and Early Education and Care. Transportation and construction includes MassDOT. FTE's are rounded. Prior years not restated for changes.

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2015	2014	2013	2012	2011	Change - 2020 from 2011
7,696	7,637	7,627	7,408	8,020	(16.8)%
7,264	7,195	7,297	7,087	7,111	(2.3)%
2,689	2,629	2,684	2,685	2,737	(5.6)%
22,060	21,496	21,996	21,042	21,011	3.8 %
4,357	4,301	4,243	4,230	4,209	(13.2)%
970	1,099	928	922	1,037	(43.7)%
17,057	17,215	16,907	16,503	15,785	6.6 %
884	891	868	845	831	10.6 %
14,670	14,066	14,688	14,159	14,159	9.2 %
5,036	4,969	4,856	4,747	4,487	19.9 %
5,077	4,990	5,111	4,834	4,684	13.6 %
87,760	86,488	87,205	84,462	84,071	2.0 %
1.5 %	(0.8)%	3.2 %	0.5 %	(0.9)%	

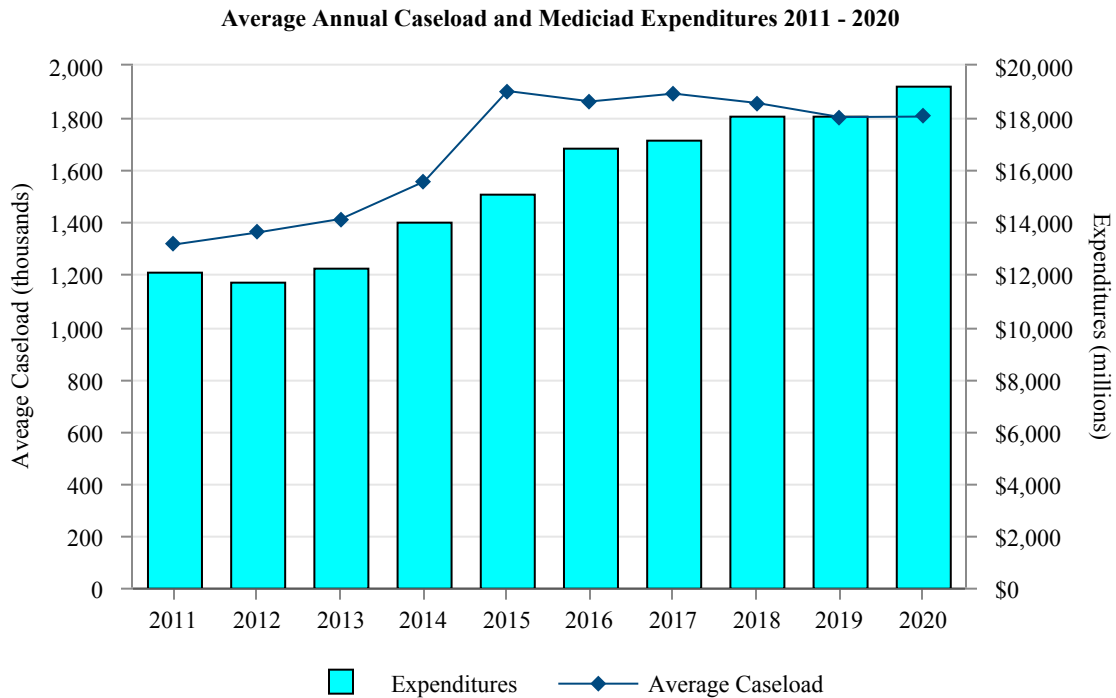
**Average Annual Medicaid Caseload and
Medicaid Expenditures - Fund Perspective
Last Ten Fiscal Years**

(Caseload amount in thousands, expenditure amounts in millions)

Fiscal year ended June 30	Average annual caseload	Medicaid expenditures	Average expenditures per case
2020*	1,805	\$19,207	\$10,641
2019*	1,803	18,094	10,035
2018*	1,857	18,106	9,750
2017*	1,893	17,183	9,077
2016*	1,863	16,825	9,031
2015*	1,903	15,087	7,928
2014*	1,556	14,035	9,020
2013	1,413	12,286	8,695
2012	1,361	11,708	8,602
2011	1,315	12,124	9,220

* Includes members in transitional coverage program starting January 1, 2014.

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Massachusetts Road Inventory
Calendar Year End, Lane Miles by Type
Last Ten Calendar Years

Calendar Year	Interstate	Arterial	Collector	Local	Total	% Change	Total Urban	Total Rural
2019	3,168	15,613	9,049	45,183	73,013	1.10%	84.8%	14.2%
2018	3,199	15,587	9,047	44,383	72,216	(0.58)%	85.7%	14.3%
2017	3,204	15,618	9,051	44,761	72,634	1.16%	85.9%	14.1%
2016	3,204	15,624	9,050	43,926	71,804	(1.02)%	85.9%	14.1%
2015	3,204	15,641	9,048	44,654	72,547	0.24%	85.8%	14.2%
2014	3,211	15,645	9,048	44,472	72,376	(0.01)%	85.7%	14.3%
2013	3,211	15,674	9,058	44,438	72,381	0.16%	85.7%	14.3%
2012	3,212	15,639	9,038	44,379	72,268	0.13%	85.8%	14.2%
2011	3,212	15,051	9,611	44,300	72,174	0.2%	81.1%	18.9%
2010	3,210	15,047	9,607	44,169	72,033	0.2%	81.1%	18.9%

Source: Massachusetts Highway Department, Bureau of Transportation Planning and Development Annual Road Inventory Reports, Lane Miles Table 8. Exclusive of shoulders

See Independent Auditors' Report

**Massachusetts Real Property Owned and Leased
Annual Inventory, Acreage, Improvements and Square Footage
Last Ten Years**

Functions/Programs	Survey Year 2020	Survey Year 2019	Survey Year 2018	Survey Year 2017	Survey Year 2016
General Government:					
Total Acreage.....	4,615	4,812	5,108	4,964	2,488
Number of Improvements.....	330	307	287	268	118
Gross square footage.....	5,602,706	6,056,184	5,848,109	6,054,449	4,808,125
Judiciary:					
Total Acreage.....	154	152	155	154	153
Number of Improvements.....	74	69	73	75	75
Gross square footage.....	5,129,991	4,763,973	4,935,067	5,224,810	4,843,949
Energy and environmental affairs:					
Total Acreage.....	753,328	692,352	689,821	688,129	680,310
Number of Improvements.....	3,329	2,625	2,352	2,184	2,186
Gross square footage.....	83,595,589	12,292,810	8,410,119	8,214,843	8,134,142
Housing and economic development:					
Total Acreage.....	2	2	2	2	2
Number of Improvements.....	6	6	6	6	6
Gross square footage.....	67,412	78,012	78,012	78,012	78,012
Health and human services:					
Total Acreage.....	2,569	2,560	2,760	2,862	5,568
Number of Improvements.....	463	462	455	455	627
Gross square footage.....	8,088,467	7,908,283	8,390,655	8,131,022	8,361,435
Transportation and public works:					
Total Acreage.....	6,957	6,951	7,160	7,195	6,968
Number of Improvements.....	1,008	971	965	952	930
Gross square footage.....	6,519,615	6,296,235	6,273,557	6,123,984	5,820,282
Education:					
Total Acreage.....	208	208	220	208	208
Number of Improvements.....	30	30	40	40	40
Gross square footage.....	508,706	223,706	207,633	207,633	207,633
Public safety and homeland security:					
Total Acreage.....	10,198	10,336	12,071	19,271	19,150
Number of Improvements.....	1,035	1,129	1,100	1,118	1,063
Gross square footage.....	14,483,439	15,394,170	15,176,714	14,998,157	13,845,503
Higher Education:					
Total Acreage.....	5,924	5,923	5,715	6,770	7,244
Number of Improvements.....	1,178	1,185	1,136	1,101	1,078
Gross square footage.....	42,039,298	42,092,601	40,434,772	43,339,713	38,443,057
Totals for Commonwealth (exclusive of Component Units):					
Total Acreage.....	783,955	723,296	723,012	729,555	722,091
Number of Improvements.....	7,453	6,784	6,414	6,199	6,123
Gross square footage.....	166,035,223	95,105,974	89,754,638	92,372,623	84,542,138
Percentage Change for Commonwealth:					
Acreage.....	8.4 %	— %	(0.9)%	1.0 %	0.9 %
Improvement.....	9.9 %	5.8 %	3.5 %	1.2 %	— %
Gross square footage.....	74.6 %	6.0 %	(2.8)%	9.3 %	(0.7)%

Source: Executive Office of Administration and Finance, Division of Capital Asset Management and Maintenance. See <http://www.mass.gov/anf/property-mgmt-and-construction/sale-and-lease-of-state-assets/comprehensive-real-estate-serv/massets-reports.html>

See Independent Auditors' Report

Survey Year 2015	Survey Year 2014	Survey Year 2013	Survey Year 2012	Survey Year 2011
2,574	3,114	3,101	3,039	2,993
173	513	333	279	255
6,803,498	10,916,681	9,076,550	7,690,761	7,206,548
153	149	148	148	141
75	74	73	73	68
4,843,949	5,310,049	4,700,920	4,700,920	4,787,564
674,046	668,631	652,400	642,799	627,286
2,186	1,806	2,192	2,191	2,182
8,134,142	6,507,161	7,287,961	7,283,666	7,295,922
2	0	2	2	2
6	4	5	5	6
78,012	57,812	68,412	68,412	77,642
5,623	5,834	5,829	6,407	6,449
627	907	792	855	866
8,360,310	10,995,096	9,759,611	10,923,090	10,834,266
6,966	7,014	6,965	6,972	7,013
929	675	921	919	918
4,919,282	1,989,583	4,876,689	4,876,689	4,873,783
208	208	208	208	233
40	40	43	43	43
207,633	205,503	272,352	272,352	272,352
19,150	19,166	19,169	19,172	19,158
1,014	1,083	997	990	991
13,376,555	14,402,161	12,213,112	12,191,229	12,141,396
7,243	7,128	7,473	7,254	7,178
1,076	873	1,009	1,007	987
38,411,260	29,666,140	32,594,800	32,523,400	32,144,815
715,965	711,244	695,295	686,001	670,453
6,126	5,975	6,365	6,362	6,316
85,134,641	80,050,186	80,850,407	80,530,519	79,634,288
0.7 %	2.3 %	1.4 %	2.3 %	0.6 %
2.5 %	(6.1)%	— %	0.7 %	— %
6.4 %	(1.0)%	0.4 %	1.1 %	(0.1)%

Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years

Academic Year	Fall 2019	Fall 2018	Fall 2017	Fall 2016	Fall 2015
ENROLLMENT					
University System					
Undergraduate (FTE).....	53,103	56,544	56,275	51,209	50,816
Graduate (FTE).....	12,907	18,161	18,284	12,769	12,517
System Enrollment	66,010	74,705	74,559	63,978	63,333
State University System					
Undergraduate (FTE).....	34,807	35,081	36,074	35,909	34,700
Graduate (FTE).....	6,003	6,169	5,694	5,641	8,007
System Enrollment	40,810	41,250	41,768	41,550	42,707
Community College System					
Undergraduate (FTE).....	47,190	47,891	52,306	55,336	59,827
DEGREES CONFERRED					
	2020	2019	2018	2017	2016
University System					
Certificates (MD).....	604	573	571	505	423
Associates.....	80	93	82	73	85
Bachelors.....	13,061	13,118	13,036	12,754	12,124
Masters.....	4,074	4,099	4,013	3,771	3,669
Doctoral.....	662	665	599	602	575
Certificate of Advance Graduate Study.....	49	67	71	76	86
Post-Baccalaureate Certificate.....	658	696	708	842	769
First Professional.....	58	47	49	50	53
Total Degrees	19,246	19,358	19,129	18,673	17,784
State University System					
Certificates.....	54	39	28	35	40
Bachelors.....	8,516	8,692	8,867	8,775	8,762
Masters.....	2,876	2,693	2,388	2,283	2,353
Certificate of Advance Graduate Study.....	138	92	85	83	73
Post-Baccalaureate Certificate.....	259	370	302	359	283
Total Degrees	11,843	11,886	11,670	11,535	11,511
Community College System					
Certificates.....	2,311	2,886	3,332	3,147	3,131
Associates.....	9,413	10,276	10,416	11,067	11,317
Total Degrees	11,724	13,162	13,748	14,214	14,448
Total All Systems - Degrees	42,813	44,406	44,547	44,422	43,743

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

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Fall 2014	Fall 2013	Fall 2012	Fall 2011	Fall 2010	Change - 2019 from 2010
49,725	48,893	48,136	47,432	48,018	10.6 %
12,576	12,442	12,202	12,048	11,734	10.0 %
62,301	61,335	60,338	59,480	59,752	10.5 %
35,507	35,429	34,773	35,639	36,721	(5.2) %
7,507	7,704	7,894	6,224	7,227	(16.9) %
43,014	43,133	42,667	41,863	43,948	(7.1) %
58,764	64,584	62,445	64,586	64,971	(27.4) %
2015	2014	2013	2012	2011	% Change - 2020 from 2011
435	376	426	348	246	145.5 %
103	96	121	97	100	(20.0) %
11,841	11,544	10,910	10,399	9,958	31.2 %
3,787	3,559	3,442	3,360	3,242	25.7 %
504	501	486	450	414	59.9 %
81	77	62	89	87	(43.7) %
738	691	664	659	550	19.6 %
64	79	103	43	47	23.4 %
17,553	16,923	16,214	15,445	14,644	31.4 %
29	34	37	29	35	54.3 %
8,534	8,184	8,024	7,722	7,190	18.4 %
2,116	2,478	2,327	2,404	2,376	21.0 %
63	113	108	143	116	19.0 %
304	327	371	362	408	(36.5) %
11,046	11,136	10,867	10,660	10,125	17.0 %
3,288	3,365	2,929	2,888	3,020	(23.5) %
11,517	11,341	10,772	10,404	9,693	(2.9) %
14,805	14,706	13,701	13,292	12,713	(7.8) %
43,404	42,765	40,782	39,397	37,482	14.2 %

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2020

(Amounts are in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

	General Fund	Commonwealth Transportation Fund	Local Capital Projects Fund	Gaming Local Aid Fund	Education Fund	Gaming Economic Development Fund	Marijuana Regulation Fund	Total
Budgeted Fund Undesignated Balances (Consolidated Net Surplus).....	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Stabilization Balance Reconciliation:

Balance as of July 1, 2020.....	\$ 3,424,376
Certain tax revenues.....	362
Transfer of 10% of casino gaming tax revenue (MGM and Encore).....	14,914
Stabilization Fund investment income.....	61,529
Stabilization Fund Balance as of June 30, 2020.....	\$ 3,501,181
Memo: Change in Stabilization Fund Balance, FY19-20.....	\$ 76,805

* Excludes funds with no FY20 balances or activity

Note: Details may not add to totals due to rounding

See Independent Auditors' Report

Calculation of Transfers: Tax Reduction Fund

June 30, 2020

(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 Sections 2H and 2I of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers, to 15% of budgeted revenues and other financial resources:

Undesignated fund balance in the Stabilization Fund.....	\$ 3,501,181
Allowable Stabilization Fund balance.....	<u>7,097,420</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund.....	<u>\$ —</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance.....	\$ 3,501,181
Transfer to Tax Reduction Fund.....	<u>—</u>
Stabilization Fund balance after transfer to Tax Reduction Fund.....	<u>\$ 3,501,181</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>

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MASSACHUSETTS GENERAL INFORMATION

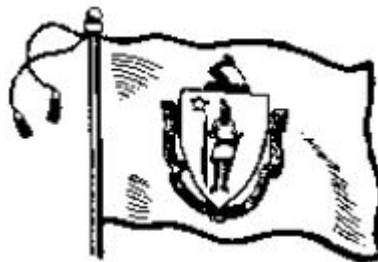
Admitted to Union (6th State): 1788
Population: 6,882,635

Capital: Boston
Nickname: Bay State

The State Seal



The State Flag



The State Seal, adopted by Governor John Hancock and the Council on December 13, 1780 and made official by the General Court on June 4, 1885, is circular and bears a representation of the arms of the Commonwealth encircled with the words "Sigillum Reipublicae Massachusettensis" (Seal of the Republic of Massachusetts). The arms, according to legislative enactment, consists of "a shield having a blue field or surface with an Indian thereon, dressed in a shirt and moccasins, holding in his right hand a bow, and in his left hand an arrow, point downward, all of gold; and in the upper corner of the field, above his right arm, bent at the elbow, clothed and ruffled, with the hand grasping a broadsword."

The State Flag is white, a representation of the coat of arms on both sides. It was adopted in its final form in 1971; before that, the obverse side depicted a pine tree.

The State Flower



The Mayflower

The State Fish



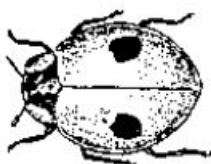
The Cod, a soft-finned fish, usually 10-20lbs. A sculpture of a cod hangs in the House of Representatives as a tribute to this useful aquatic creature.

The State Bird



The Black Capped Chickadee

The State Insect



The Lady Bug

The State Tree



The American Elm was adopted as the official tree March 21, 1941 to commemorate the fact that General George Washington took command of the Continental Army beneath one on Cambridge Common in 1775.

The State Dog



The Boston Terrier, the first purebred dog developed in America (1869), is a cross between an English bulldog and an English terrier.

Beverage: Cranberry Juice
Dessert: Boston Cream Pie

Muffin: The Corn Muffin
Cookie: Chocolate Chip

Horse: The Morgan Horse
Bean: Navy Bean



PREPARED BY
THE OFFICE OF THE COMPTROLLER OF THE COMMONWEALTH