

Commonwealth of Massachusetts

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDING JUNE 30, 2025



Commonwealth of Massachusetts



Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

Prepared by
*Office of the Comptroller
Statewide Financial Reporting Team*



William McNamara
Comptroller of the Commonwealth

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www.macomptroller.org

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Beautiful Fall Foliage of New England at sunset, Boston Massachusetts.
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New England Autumn Splendor
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Overview of the Grand Allee, rolling hills in Crane estate, located in Ipswich, Massachusetts.
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Sand Dunes, Marconi Beach, Cape Cod National Seashore, Wellfleet
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Bridge in marsh waterway on Cape Cod, Massachusetts
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Boston Public Garden at Sunrise. Purple Allium Flowers, Washington Statue and City Skyline in Background
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The tall cedar tree and glacial rocks at the cliff of Purgatory Chasm in Massachusetts
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A hiking trail at Purgatory Chasm State Reservation in Sutton Massachusetts
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Tranquil New England winter scene following a departing snowstorm.
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Golden hour above the summit of Mount Watatic in Ashburnham Massachusetts.
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Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2025

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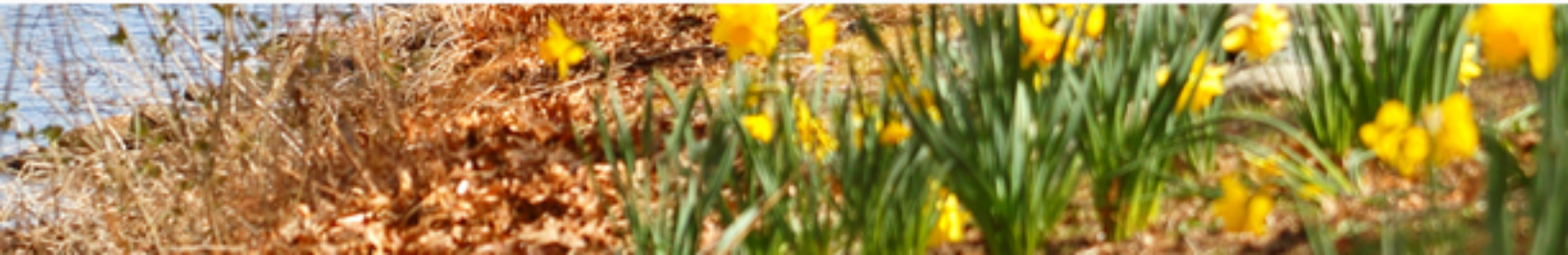




Introductory Section

(Unaudited)

Letter of Transmittal
Constitutional Officers
Commonwealth Organizational Structure
Advisory Board to the Comptroller
Acknowledgments
Certificate of Achievement for Excellence in Financial Reporting







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April 23, 2026

To Her Excellency Governor Maura Healey, the Honorable Members of the General Court, and the Citizens of the Commonwealth:

Please accept this Letter of Transmittal for the Commonwealth's fiscal year 2025 (FY25) Annual Comprehensive Financial Report (ACFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The objective of the ACFR is to provide a clear financial picture of state 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 summarized by Commonwealth branch and agency. This information is aggregated from FY25 line item appropriations, which constitute the legal level of budgetary control -- i.e., the amount up to which state departments can spend without approval of additional appropriations through a "supplemental budget" passed 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 FY25 are found in the Statutory Basis Financial Report (SBFR) issued separately on January 28, 2026. 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 ACFR "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 those in the SBFR.

In addition to the fund perspective, this ACFR 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, thereby presenting a picture of 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 ACFR 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 ACFR is prepared by the Office of the Comptroller in conjunction with management of Commonwealth's departments, which is collectively responsible for its contents.

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

Massachusetts was among the thirteen original colonies and is considered the birthplace of the American Revolution, beginning with the battles of Lexington-Concord and of Bunker Hill occurring in 1775. The original settlements of Plymouth and Massachusetts Bay were established in the 1620s, on the ancestral lands of the Wampanoag, Massachusetts, and other native peoples. Geographically, the Commonwealth of Massachusetts stretches from the Atlantic shoreline, through the uplands of Worcester County to the fertile Pioneer Valley surrounding the Connecticut River, west to the Berkshire Mountains. Massachusetts ranks 44th in area among the 50 states but 15th in population.

The Commonwealth is governed under the oldest written constitution in use today, drafted by John Adams and ratified in 1780 during the Revolutionary War. Its separation of government into Legislative, Executive, and Judicial branches was echoed in the United States Constitution nine years later. Known formally as “The Great and General Court,” the state’s legislature comprises a Senate of 40 members and a House of Representatives of 160 members, both elected every two years. Executive power resides with the Governor, elected every four years. Other elective statewide offices include the Secretary of State, the Attorney General, the Treasurer & Receiver-General, and the State Auditor.

The early Massachusetts economy focused on the productive cod fisheries and agriculture to support the growing population. During the 1800s, shipbuilding, whaling, and worldwide trade grew in importance. Massachusetts was among the birthplaces of the industrial revolution, particularly in textiles and shoes. Beginning with the establishment of Harvard as the first college in the United States, the Commonwealth developed educational leadership that served to promote the growth of the medical, financial, and high-tech industries that lead the economy today. The state’s natural environment, history, and culture provide recreation for its residents and support a thriving tourist industry. While the state’s economic conditions have fluctuated over time, Massachusetts has proven an attractive home for talented and hardworking people from around the country and the globe, helping it to secure a leading place in education, culture, productivity and wealth, and livability among the 50 states.

The table on page 3 reconciles the fund balances on three bases of accounting: the statutory basis presented in separately issued financial statements on January 28, 2026; the fund basis; and the entity-wide basis, 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, 2025 | |
| Budgeted fund balance | \$ 14,020.1 |
| Non-budgeted special revenue fund balance | 5,139.7 |
| Capital projects fund balance | <u>(1,721.7)</u> |
| Governmental Fund Balance - Statutory Basis, June 30, 2025 | \$ 17,438.1 |
| Plus: Expendable Trust and Similar Fund Statutory balances that are considered Governmental Funds for GAAP reporting purposes | 1,027.4 |
| Less: Massachusetts Department of Transportation Funds | <u>(1,873.6)</u> |
| Adjusted Statutory Governmental fund balance | 16,591.9 |
| Reclassification of funds due to implementation of GASB Statement No. 84 | 35.6 |
| Short-term accruals, net of allowances and deferrals for increases /(decreases): | |
| Taxes, net of refunds and abatements | 3,175.8 |
| Tobacco settlement agreement receivable | 79.3 |
| Medicaid | <u>(477.2)</u> |
| Other short-term accruals: | |
| Assessments and other receivables | 2,046.6 |
| Amounts due to authorities and municipalities, net | (1,565.0) |
| Claims, judgments and other risks | (63.3) |
| Amounts due to health care providers and insurers | (95.1) |
| Workers' compensation and group insurance | (207.0) |
| Other accruals, net | <u>340.5</u> |
| Net increase/(decrease) to governmental fund balances | 3,270.2 |
| Massachusetts School Building Authority fund balance | <u>2,308.1</u> |
| Total changes to governmental funds | 5,578.3 |
| Governmental fund balance (fund perspective) | 22,170.2 |
| Plus: Capital assets including infrastructure, net of accumulated depreciation | 6,191.3 |
| Deferred revenue, net of other eliminations | 1,103.5 |
| Long-term accruals: | |
| Net pension liability | (40,407.1) |
| Net deferred (inflows)/outflows of resources related to pension | 4,675.3 |
| Net OPEB liability | (12,342.2) |
| Net deferred (inflows)/outflows of resources related to OPEB | (2,429.4) |
| Environmental remediation liability | (280.1) |
| Massachusetts School Building Authority debt and school construction payables | (5,521.7) |
| Long-term debt, unamortized premiums and net deferrals on debt refundings | (39,288.9) |
| Compensated absences | (888.1) |
| Right-to-use assets liabilities | (890.1) |
| Accrued interest | (474.6) |
| Other long-term liabilities | <u>(779.6)</u> |
| Total governmental activities net position (entity wide perspective) | \$ (69,161.5) |

The deficit of \$69.161 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](#). These factors are described in detail on [page 17](#) of the MD&A.

Because MassDOT retains virtually all the Commonwealth's road and bridge assets using debt issued by the Commonwealth and MassDOT ended FY25 with a positive net position of \$27.573 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, 2025, the net pension liability in governmental activities totaled \$40.407 billion. Adjusted by GASB 68 related positive adjustments (in the form of deferred inflows and outflows of resources) of \$4.675 billion, this resulted in a reduction in governmental activities net position of \$35.732 billion. The governmental activities' net OPEB liability totaled \$12.342 billion. Net of negative adjustments of \$2.429 billion in deferrals, this resulted in a reduction in governmental activities net position of \$14.772 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 \$1.770 billion between June 30, 2024 and June 30, 2025, with the reductions in the net pension and OPEB liabilities net of deferrals offset by increases in outstanding debt, a decline in capital assets and an FY25 operating loss.

The net deficit in the primary government which, 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 \$913 million from FY24, with an increase in net inflows in the Unemployment Insurance Trust Fund and Family and Employment Security Trust and surpluses in Higher Education partially offsetting the increase in the governmental activities net deficit. These changes are explained in more detail on [pages 21- 28](#) 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 158 departments. These departments include the various agencies, boards, and commissions, the 25 Institutions of Higher Education, the judicial and legislative branches of government, and constitutional offices. The departments record their daily financial operations in the state accounting system, MMARS, operated by the Office of the Comptroller.

In addition, the financial statements include 40 independent public authorities. These entities are defined as component units and meet the criteria for inclusion in the Commonwealth's reporting entity in accordance with GAAP. They are further described in [Note 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, CliftonLarsonAllen, LLP, have performed an independent audit of the Commonwealth for the fiscal year ended June 30, 2025. 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.

The ACFR is the single most important financial statement that the Commonwealth is required to produce annually. With nearly 200 reporting entities, billions of dollars, and millions of transactions and accounting entries, the Commonwealth is an extremely large and complex organization. Each of those departments and reporting entities has a professional financial staff, ranging in size from a single individual to dozens serving the largest units. I can attest that they are remarkably devoted both to the mission of their departments and to professionalism in their financial function. Partnering with these professionals, managing the process statewide, is role of the Office of the Comptroller. I am fortunate to serve with Assistant Comptroller & Chief Financial Reporting Office Pauline Lieu and the Statewide Financial Reporting Team, Assistant Comptroller & Chief Accounting Officer Kristin Lacroix and the Statewide General Accounting Team, and Senior Advisor Howard Merkwowitz. It is through their work, and the collaboration of every team and individual in the Office of the Comptroller, that I am able to present the ACFR.

Sincerely,



William McNamara
Comptroller of the Commonwealth

Constitutional Officers



Maura Healey
Governor



Kim Driscoll
Lieutenant Governor



William F. Galvin
Secretary of the Commonwealth



Andrea Campbell
Attorney General



Deborah B. Goldberg
Treasurer and Receiver-General



Diana DiZoglio
State Auditor

Legislative Officers



Karen E. Spilka
President of the Senate



Ronald Mariano
Speaker of the House

Judicial Officers



**The Honorable
Kimberly S. Budd**
*Chief Justice
Supreme Judicial Court*



**The Honorable
Mark Green**
*Chief Justice
Appeals Court*



Thomas G. Ambrosino
*Court Administrator
Trial Court*

Electorate



Legislative Branch

House of Representatives
Senate

Executive Branch

| | |
|----------------------------------|-------------------------------------|
| Governor and Lieutenant Governor | Attorney General |
| Governor's Council | Victim and Witness Assistance Board |
| District Attorneys | Secretary of the Commonwealth |
| Sheriffs | Treasurer and Receiver-General |
| State Auditor | Lottery Commission |
| | Massachusetts Cultural Council |
| | Independent Offices and Commissions |

Judicial Branch

Supreme Judicial Court
Appeals Court
Trial Court
Committee for Public Counsel
Board of Bar Examiners
Commission on Judicial Conduct
Mental Health Legal Advisors

Executive Branch Independent Offices and Commissions*

| | | |
|---|---|---|
| Board of Library Commissioners | Commission on the Social Status of Black Men and Boys | Office of the Child Advocate |
| Campaign and Political Finance | Commission on the Status of Persons with Disabilities | Office of the Veteran Advocate |
| Cannabis Control Commission | Commission on the Status of Women | Office of the Comptroller |
| Center for Health Information & Analysis | Disabled Persons Protection Commission | Office of the Inspector General |
| Commission Against Discrimination | Massachusetts Gaming Commission | State Ethics Commission |
| Commission on the Status of African Americans | Massachusetts Peace Officer Standards and Training Commission | State Retiree Benefits Trust Fund Board |
| Commission on the Status of Latinos and Latinas | | University of Massachusetts System |

Executive Departments Under Gubernatorial Authority

Administration and Finance

Executive Office for Administration and Finance
Appellate Tax Board
Bureau of the State House
Civil Service Commission
Department of Revenue
Developmental Disabilities Council
Division of Administrative Law Appeals
Division of Capital Asset Management and Maintenance
George Fingold Library
Group Insurance Commission
Health Policy Commission
Human Resource Division
Massachusetts Office on Disability
Massachusetts Teachers' Retirement System
Operational Services Division
Public Employee Retirement Administration Commission
Supplier Diversity Office

Education

Executive Office of Education
Department of Early Education and Care
Department of Elementary and Secondary Education
Department of Higher Education
Community Colleges
State Universities

Veterans' Services

Executive Office of Veterans' Services
Veterans' Home, Chelsea
Veterans' Home, Holyoke

Executive Office of Housing and Livable Communities

Executive Office of Housing and Livable Communities

Executive Office of Economic Development

Department of Business Development
Office of Consumer Affairs & Business Regulations
Massachusetts Marketing Partnership
Department of Telecommunications and Cable
Division of Banks
Division of Insurance
Division of Professional Licensure
Division of Standards

Energy and Environmental Affairs

Executive Office of Energy and Environmental Affairs
Department of Agricultural Resources
Department of Conservation and Recreation
Department of Energy Resources
Department of Environmental Protection
Department of Fish and Game
Department of Public Utilities
State Reclamation Board

Technology and Security

Executive Office of Technology Services and Security

Transportation and Public Works

Massachusetts Department of Transportation (MassDOT)

Executive Office of Labor and Workforce Development

Executive Office of Labor and Workforce

Health and Human Services

Executive Office of Health and Human Services
Executive Office of Aging & Independence
Department of Children and Families
Department of Developmental Services
Department of Mental Health
Department of Public Health
Department of Transitional Assistance
Department of Youth Services
Massachusetts Commission for the Blind
Massachusetts Commission for the Deaf and Hard of Hearing
MassAbility
Office for Refugees and Immigrants

Public Safety

Executive Office of Public Safety and Security Chief
Medical Examiner
Department of Criminal Justice Information Services
Department of Correction
Department of Fire Services
Department of State Police
Massachusetts Emergency Management Agency
Military Division/ Massachusetts National Guard
Municipal Police Training Committee
Parole Board
Sex Offender Registry

Advisory Board to the Comptroller



Matthew Gorzkowicz (Chair)
Secretary of Administration and Finance



The Honorable Diana DiZoglio
State Auditor



The Honorable Deborah B. Goldberg
Treasurer and Receiver-General



Thomas G. Ambrosino
*Court Administrator
Trial Court*



The Honorable Andrea Campbell
Attorney General



Michael Esmond
*Director of Municipal Finance
Town of Braintree
Gubernatorial Appointee*



Natalie S. Monroe
Gubernatorial Appointee

Report Prepared By Statewide Financial Reporting Team

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Brian Johnson, CPA
Accountant

Emily Pun, CPA
Accountant

Ken Li
Accountant

Jasminda Alapag
Accountant



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

Commonwealth of Massachusetts

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

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





INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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 (Commonwealth), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements as listed in the table of contents.

In our opinion, 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 as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As more fully described in Note 14, we did not audit the financial statements of certain activities, funds, and component units of the Commonwealth, which represent the indicated percentages of total assets and total revenues/additions of the opinion units as identified in the table below. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, funds, and component units, is based solely on the reports of the other auditors.

| Opinion Unit | Entities | Percent of Opinion Unit's Total | |
|---|--|---------------------------------|----------------------|
| | | Assets | Revenues / Additions |
| Governmental Activities | Lotteries Fund; Massachusetts School Building Authority Fund | 6.61% | 8.45% |
| Business-Type Activities | University of Massachusetts; State Universities; Community Colleges (Excluding Roxbury Community College) | 75.14% | 61.09% |
| Lotteries Fund | Lotteries Fund | 9.37% | 100.00% |
| Massachusetts School Building Authority Fund | Massachusetts School Building Authority Fund | 99.72% | 100.00% |
| University of Massachusetts | University of Massachusetts | 100.00% | 100.00% |
| State Universities | State Universities | 100.00% | 100.00% |
| Aggregate Remaining Fund Information | External Investment Trust Funds; Community Colleges (Excluding Roxbury Community College) | 27.48% | 50.31% |
| Aggregate Discretely Presented Component Units | Massachusetts Department of Transportation; Massachusetts Bay Transportation Authority; Commonwealth Health Insurance Connector; Massachusetts Housing Partnership; Economic Development Entities; Higher Education Foundations (Excluding Roxbury Community College Foundation) | 85.45% | 89.99% |

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. The financial statements of the Massachusetts Municipal Depository Trust were not audited in accordance with *Government Auditing Standards*.

We are required to be independent of the Commonwealth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1T to the financial statements, the Commonwealth implemented Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The standard updated the recognition and measurement guidance for compensated absences and amends previously required disclosures. As a result, certain restatements of beginning net position were required. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commonwealth's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commonwealth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America 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 is the responsibility of management and, 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 GAAS, 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.

Other Supplementary 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 combining statements as listed in the accompanying table of contents (the other supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

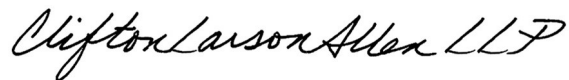
Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

Mr. William McNamara, Comptroller
Commonwealth of Massachusetts

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2026 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.



CliftonLarsonAllen LLP

Boston, Massachusetts
April 23, 2026



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, 2025 (FY25). 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 FY25 by \$61.151 billion, an increase in the net deficit of \$913 million from FY24, due primarily to an operating loss in Governmental Activities, partially offset in a gain in business type activities.

Of the \$61.151 billion deficit, “unrestricted net position” has a deficit of \$67.499 billion and there is a \$1.079 billion positive balance attributable to net investment in capital assets. There are five primary reasons for the Commonwealth's negative unrestricted net position:

- The Massachusetts Department of Transportation (MassDOT), which was made a separate legal entity from the Commonwealth in 2010, owns 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 \$27.677 billion as of June 30, 2025. However, the Commonwealth originally paid and continues to pay for the construction of these assets and retains approximately \$16.250 billion in transportation-related debt, which is now unrelated to any capital asset owned by the Commonwealth.
- The Commonwealth has a net liability of \$3.230 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 transportation and 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 \$40.935 billion as of June 30, 2025 (based on a June 30, 2024 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 \$12.933 billion as of June 30, 2025 (based on a June 30, 2024 valuation, per GASB 75).

At the end of FY25, the Commonwealth also held \$5.269 billion in “restricted net position”, which are assets restricted primarily for payment of debt service, unemployment insurance benefits, family and medical leave benefits, education and transportation spending funded by an income tax surtax, and the Institutions of Higher Education. Approximately \$897 million was restricted for debt retirement (of which \$600 million was restricted for MSBA debt retirement), \$2.523 billion was restricted for unemployment insurance and family and medical leave benefits, \$1.169 billion was restricted for 4% surtax education and transportation, \$386 million was restricted for Higher Education, and \$294 million was restricted for grants and gifts.

The Commonwealth's governmental activities (which exclude the "business-type activities" of the Institutions of Higher Education, Unemployment Insurance, and Family and Employment Security Trust) net deficit increased by \$1.770 billion, to \$69.161 billion, and its governmental activities unrestricted net deficit increased by approximately \$893 million, to \$68.181 billion, as of June 30, 2025.

Total revenues of the primary government increased by \$2.192 billion, or 2.3% in FY25, to \$96.705 billion, with most of the revenue increase due to growth in tax revenues, which increased by \$3.578 billion and charges for services which increased by \$842 million, partially offset by a drop in operating grants, which declined by \$2.025 billion, and a \$710 million decrease in tobacco settlement proceeds (as the FY25 modified cash basis increase in tobacco settlement proceeds was recorded in FY24 as a receivable) and a decrease in investment earnings. Total expenses of the primary government increased by \$6.540 billion, or approximately 7.2%, to \$97.618 billion, mainly due to an increase in spending on Medicaid and various other health and human service programs, transportation, employee and retiree health insurance, and local aid. Details on revenues and expenses for the primary government can be found on [pages 21–28](#).

The net position of business-type activities increased by \$858 million, due to FY25 surpluses generated by the Institutions of Higher Education, especially the University of Massachusetts, which generated a surplus of \$477 million in FY25. Business-type activities as a whole ended with a net position of positive \$8.011 billion, as positive balances in the Family and Employment Security Trust Fund and Higher Education offset a negative balance in the Unemployment Compensation Trust Fund.

On a "funds perspective" basis, at June 30, 2025, the Commonwealth's governmental funds reported a combined ending fund balance of \$22.170 billion, a decrease of \$1.377 billion from June 30, 2024. Of the ending balances:

- There is \$393 million in nonspendable balances, \$2.148 billion is restricted, \$13.637 billion is committed, \$4.567 billion is assigned, and \$1.425 billion is unassigned fund balance (a full discussion of these classifications is included in [Note 1C](#) to the basic financial statements, on pages [69-74](#)).
- The MSBA's fund balance of \$2.308 billion is blended with the Commonwealth. Within this fund balance is \$2.457 billion in cash and restricted investments, which resulted primarily from the issuance of debt in FY25 and previous fiscal years, less approximately \$283 million in liabilities. In FY25, \$1.277 billion was dedicated to the MSBA from Commonwealth sales taxes.

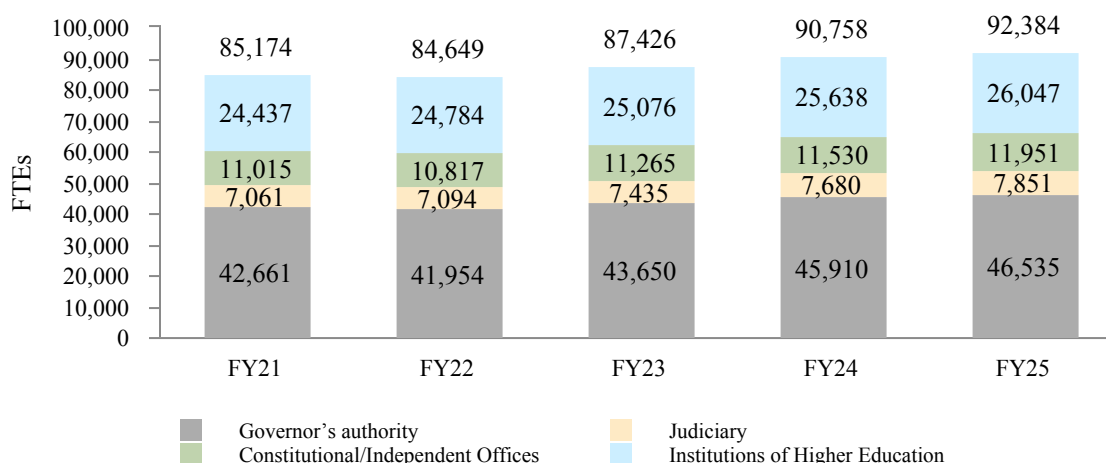
Other highlights of FY25 financial operations include:

- Tobacco settlement proceeds for the year were approximately \$169 million on a GAAP basis, a decrease of approximately \$710 million from FY24, as the Commonwealth recorded as a receivable in FY24 one-time revenues from a nationwide settlement with the tobacco companies that addressed withholding of proceeds from the years 2005-2011 that had been in dispute. In FY25 approximately \$87 million, or the equivalent of 10% of cash 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 FY25, although the requirement to transfer increasing percentages of tobacco settlement proceeds was suspended for FY25, resulting in no transfer.
- During the fiscal year, the Commonwealth passed or agreed to terms of approximately \$10.526 billion 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 FY25 were \$5.992 billion, a decrease of approximately \$202 million, or 3.3%, from FY24. Prizes were approximately \$4.852 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 FY25 budget, totaled \$1.059 billion a decrease of \$92 million, or 8.0%, from FY24. Mandated transfers to the General Fund to reimburse it for administrative expense appropriations and other spending totaled \$1.197 billion.

Full-Time Equivalent Employment

The chart below shows the Commonwealth’s full-time equivalent employment, including the Massachusetts Department of Transportation (MassDOT) for all state funding sources (budgetary, non-budgetary, capital, federal, and trust) over the past five fiscal years. As of June 30, 2025, the number of Commonwealth employees (both budgeted and non-budgeted funded) increased by a net of 1,626 full-time equivalent employees (FTEs) from June 30, 2024, to a total of 92,384. The largest increases were in the Institutions of Higher Education, where employment increased by 409 FTEs to 26,047, the Constitutional Offices and Independent Agencies (excluding the Judiciary), where employment increased by 421 to 11,951, and the executive agencies controlled by the Governor, where FTEs increased by 625, to 46,535, particularly in Executive Office of Health and Human Services, where employment increased by 468 FTEs and the Executive Office of Labor and Workforce development where employment increased by 117, partially offset by a decline of 142 FTEs in the Executive Office of Transportation and Construction. In the Judiciary, FTEs increased by 171, to 7,851.

**Full Time Equivalent Workforce
Including Higher Education as of 6/30**
June 2021 – June 2025



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 38-41](#) 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 65-140](#).

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 \$61.151 billion at the end of FY25, an increase in the net deficit of \$913 million from the end of FY24. The reasons for the increase in the net deficit are explained in the following section. Government-wide unrestricted net position is negative by \$67.499 billion. As explained previously, in addition to the \$40.935 billion government-wide net pension liability and the \$12.933 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 | \$ 3,229,644 |
| Debt related to MassDOT assets | 16,249,513 |
| Effects on governmental unrestricted net position of items unique to the Commonwealth | \$ 19,479,157 |

Of the Commonwealth’s approximately \$3.758 billion in FY25 state funded capital spending, approximately \$2.783 billion did not result in capital assets attributed to governmental activities of the Commonwealth, including approximately \$1.569 billion in transportation spending (with \$314 million in grants and other financial assistance to cities and towns), \$184 million for Institutions of Higher Education (which are included in the Commonwealth’s business-type activities) and approximately \$932 million in other capital grants and financial assistance to local governments and quasi-public entities. Between FY05 and FY25 the Commonwealth’s capital spending on projects owned by non-Commonwealth entities or by the Institutions of Higher Education totaled \$39.719 billion. These include:

- Capital spending for transportation projects now owned by the Massachusetts Department of Transportation totaling approximately \$19.499 billion
- 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 \$10.203 billion, including \$1 billion in FY05 and FY06 to capitalize the Massachusetts School Building Authority
- Transportation-related financial assistance to local governments totaling more than \$6.070 billion
- Higher Education capital projects totaling approximately \$3.248 billion

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, 2025, the Commonwealth’s government-wide current unrestricted cash and cash equivalents totaled \$24.549 billion, a decrease of \$1.543 billion from June 30, 2024. Total current assets were \$38.354 billion, a decrease of \$1.311 billion from June 30, 2024. As of June 30, 2025, the Commonwealth’s current liabilities were \$15.408 billion, an increase of \$622 million from June 30, 2024, primarily due to an increase of \$770 million in amounts due to component units, mainly from unspent balances of income tax surtax revenues due to the Massachusetts Department of Transportation, as well as increases in tax refunds payable and amounts owed to the federal government for Unemployment Insurance overdraws of revenue during the pandemic. These increases were partially offset by a \$545 million decrease in other accounts payable.

As of June 30, 2025, the primary government's non-current assets were virtually unchanged from FY24, decreasing by \$59 million from June 30, 2024, to \$22.832 billion. Non-current liabilities totaled \$106.398 billion, a decrease of \$1.340 billion, from FY24, due primarily to a \$1.656 billion reduction in net pension liabilities, due primarily to strong investment returns and increased pension contributions, a \$492 million decrease in OPEB liabilities, due mainly to an increase in the discount rate used to value those liabilities, partially offset by a \$1.360 billion increase in long-term bonds payable as the Commonwealth issued bonds to reimburse itself for capital spending, much of which occurred in FY24 but not was reimbursed until FY25.

The Commonwealth holds \$15.983 billion in capital assets such as land, construction in process, buildings, infrastructure, and equipment, and right of use leases, 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, 2025 and 2024
(in thousands of dollars)

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|-------------------------|------------------------|--------------------------|---------------------|--------------------------|------------------------|
| | June 30, 2025 | June 30, 2024 | June 30, 2025 | June 30, 2024* | June 30, 2025 | June 30, 2024* |
| Current assets..... | \$ 30,533,382 | \$ 31,405,368 | \$ 7,820,839 | \$ 8,259,661 | \$ 38,354,221 | \$ 39,665,029 |
| Non-capital non-current assets..... | 2,980,843 | 3,094,595 | 3,868,422 | 3,614,936 | 6,849,265 | 6,709,531 |
| Capital assets..... | 6,191,307 | 6,443,179 | 9,791,838 | 9,738,711 | 15,983,145 | 16,181,890 |
| Total assets..... | 39,705,532 | 40,943,142 | 21,481,099 | 21,613,308 | 61,186,631 | 62,556,450 |
| Deferred outflows of resources..... | 7,415,226 | 8,906,695 | 444,846 | 573,074 | 7,860,072 | 9,479,769 |
| Total assets and deferred outflows..... | 47,120,758 | 49,849,837 | 21,925,945 | 22,186,382 | 69,046,703 | 72,036,219 |
| Current liabilities..... | 13,028,869 | 12,571,510 | 2,378,818 | 2,213,910 | 15,407,687 | 14,785,420 |
| Long term liabilities..... | 96,773,713 | 97,231,602 | 9,624,388 | 10,506,016 | 106,398,101 | 107,737,618 |
| Total liabilities..... | 109,802,582 | 109,803,112 | 12,003,206 | 12,719,926 | 121,805,788 | 122,523,038 |
| Deferred inflows of resources..... | 6,479,630 | 7,437,745 | 1,912,001 | 2,313,607 | 8,391,631 | 9,751,352 |
| Total liabilities and deferred inflows..... | 116,282,212 | 117,240,857 | 13,915,207 | 15,033,533 | 130,197,419 | 132,274,390 |
| Net Position: | | | | | | |
| Net investment in capital assets..... | (3,068,979) | (2,346,839) | 4,147,590 | 4,088,920 | 1,078,611 | 1,742,081 |
| Restricted..... | 2,088,328 | 2,244,029 | 3,181,118 | 3,494,444 | 5,269,446 | 5,738,473 |
| Unrestricted..... | (68,180,803) | (67,288,210) | 682,030 | (430,515) | (67,498,773) | (67,718,725) |
| Total Net Position..... | \$ (69,161,454) | \$ (67,391,020) | \$ 8,010,738 | \$ 7,152,849 | \$ (61,150,716) | \$ (60,238,171) |

* As restated, see note 1T on pages 82-83 - Business - type activities

Changes in Net Position

As noted earlier, the Commonwealth's total primary government net deficit increased by approximately \$913 million between FY24 and FY25, to \$61.151 billion. The main reasons for the increase in the net deficit were the \$1.770 billion loss in governmental activities, partially offset by an \$858 million increase in business-type activities, primarily in Higher Education. Both assets and deferred outflows and liabilities and deferred inflows declined from FY24, with the \$2.990 billion decline in assets and deferred outflows exceeding the \$2.077 billion decline in liabilities and deferred inflows. While net pension and net OPEB liabilities declined by \$1.656 billion and \$492 million, respectively (primarily as a result of strong investment returns and increased contributions for pensions and

strong investment returns, favorable cost experience, and a higher discount rate for OPEB liabilities due to an increase in interest rates between June 30, 2024 and June 30, 2025), deferred outflows related to pensions and OPEB (which are included with assets and add to net position) declined by \$1.568 billion, while deferred inflows related to pensions and OPEB (which are included with liabilities and subtract from net position) decreased by only \$1.299 billion. In addition, short and long term debt issued by the Commonwealth increased by \$987 million, reducing net position. These reductions to net position were partly offset by increases in tax and federal grant-related receivables.

The table on this page shows the major categories of government-wide revenues and expenses for FY24 and FY25, as well as net position for the two fiscal years.

In FY25, approximately 46.4% of the total revenue came from governmental activities tax revenue, while the remainder resulted from programmatic revenues, including charges for services and grants and contributions, the majority of which was federal aid. FY25 revenues totaled \$96.705 billion, an increase of \$2.192 billion, or 2.3% from FY24, with tax revenue totaling \$44.909 billion, an increase of \$3.578 billion, or 8.7%, from FY24. Income tax revenue increased by \$3.414 billion, or 14.3%, as a withholding, capital gains, and revenue from the 4% surtax on personal incomes greater than \$1 million (which is dedicated to education and transportation spending) resulted in increased income tax revenues. Sales tax revenue increased by \$227 million, or 2.4%, and corporate excise tax decreased by \$270 million, or 6.5%, with the decline partly due the fact that since the Massachusetts corporate tax code automatically conforms to the federal tax code, recently enacted federal tax cuts resulted in reductions to Massachusetts corporate tax revenues.

Changes in Net Position during the Fiscal Years Ended June 30, 2025 and 2024
(in thousands of dollars except percentages)

| | Governmental Activities | | Business - Type Activities | | Total Primary Government | | Total Primary Government | | |
|---|-------------------------|------------------------|----------------------------|---------------------|--------------------------|------------------------|-------------------------------|--------------------------------|--|
| | June 30, 2025 | June 30, 2024 | June 30, 2025 | June 30, 2024* | June 30, 2025 | June 30, 2024* | June 30, 2025 Distribution | June 30, 2024* Distribution | 25 to '24 % Change in Distribution |
| Revenues | | | | | | | | | |
| Program Revenues: | | | | | | | | | |
| Charges for services | \$ 14,107,686 | \$ 13,863,310 | \$ 6,434,646 | \$ 5,836,890 | \$ 20,542,332 | \$ 19,700,200 | 21.2 % | 20.8 % | 0.4 % |
| Operating grants and contributions | 25,977,849 | 27,586,881 | 1,646,968 | 2,063,238 | 27,624,817 | 29,650,119 | 28.6 % | 31.3 % | (2.7)% |
| Capital grants and contributions | 135,807 | 87,743 | 18,915 | 11,277 | 154,722 | 99,020 | 0.2 % | 0.1 % | 0.1 % |
| General Revenues: | | | | | | | | | |
| Taxes | 44,909,477 | 41,331,611 | — | — | 44,909,477 | 41,331,611 | 46.4 % | 43.7 % | 2.7 % |
| Other | 2,419,352 | 2,960,072 | 1,054,507 | 772,480 | 3,473,859 | 3,732,552 | 3.6 % | 4.1 % | (0.5)% |
| Total Revenues | 87,550,171 | 85,829,617 | 9,155,036 | 8,683,885 | 96,705,207 | 94,513,502 | 100.0 % | 100.0 % | |
| Expenses | | | | | | | | | |
| Medicaid | 26,323,064 | 23,600,996 | — | — | 26,323,064 | 23,600,996 | 27.0 % | 25.9 % | 1.1 % |
| Direct local aid | 8,265,832 | 7,962,691 | — | — | 8,265,832 | 7,962,691 | 8.5 % | 8.7 % | (0.2)% |
| Health and human services | 15,273,503 | 13,886,097 | — | — | 15,273,503 | 13,886,097 | 15.6 % | 15.2 % | 0.4 % |
| Lottery | 4,796,456 | 4,911,262 | — | — | 4,796,456 | 4,911,262 | 4.9 % | 5.4 % | (0.5)% |
| Higher education | — | — | 6,965,923 | 6,404,384 | 6,965,923 | 6,404,384 | 7.1 % | 7.0 % | 0.1 % |
| Early elementary and secondary education | 8,437,350 | 9,081,911 | — | — | 8,437,350 | 9,081,911 | 8.6 % | 10.0 % | (1.4)% |
| Unemployment compensation | — | — | 2,145,856 | 2,214,741 | 2,145,856 | 2,214,741 | 2.2 % | 2.4 % | (0.2)% |
| Family and employment security trust | — | — | 1,294,920 | 1,104,335 | 1,294,920 | 1,104,335 | 1.3 % | 1.2 % | 0.1 % |
| Other | 24,114,848 | 21,911,698 | — | — | 24,114,848 | 21,911,698 | 24.8 % | 24.2 % | 0.6 % |
| Total Expenses | 87,211,053 | 81,354,655 | 10,406,699 | 9,723,460 | 97,617,752 | 91,078,115 | 100.0 % | 100.0 % | |
| Excess/(Deficiency) | | | | | | | | | |
| before transfers | 339,118 | 4,474,962 | (1,251,663) | (1,039,575) | (912,545) | 3,435,387 | | | |
| Transfers | (2,109,552) | (2,098,885) | 2,109,552 | 2,098,885 | — | — | | | |
| Change in net position (deficits) | (1,770,434) | 2,376,077 | 857,889 | 1,059,310 | (912,545) | 3,435,387 | | | |
| Net position/(deficits) - beginning, as previously reported | (67,391,020) | (69,767,097) | 7,183,321 | 6,121,791 | (60,207,699) | (63,645,306) | | | |
| Prior Period Restatements - Note 1T | — | — | (30,472) | (28,252) | (30,472) | (28,252) | | | |
| Net position/(deficits) - beginning, as restated | (67,391,020) | (69,767,097) | 7,152,849 | 6,093,539 | (60,238,171) | (63,673,558) | | | |
| Net position/(deficits) - ending | \$ (69,161,454) | \$ (67,391,020) | \$ 8,010,738 | \$ 7,152,849 | \$ (61,150,716) | \$ (60,238,171) | | | |

* As restated, see note 1T on pages 82-83 - Business - type activities

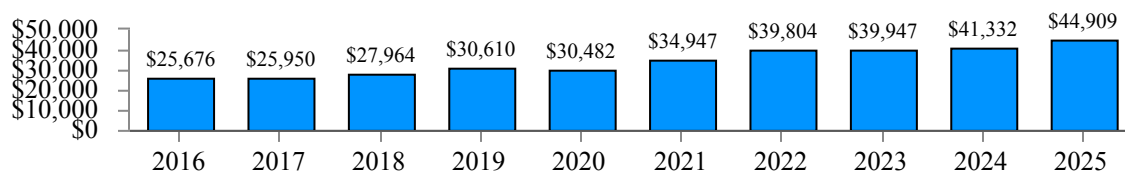
Operating grants and contributions totaled \$27.625 billion, a decrease of \$2.025 billion, or 6.8%, in FY25, including a \$1.609 billion, or 5.8% decline in Governmental Activities and a \$416 million decline in Business-Type Activities (see section on "Business-Type Activities" below for more detail). The decline in Governmental Activities operating grants and contributions was concentrated in General Government, which were down \$2.240 billion, or 67.8%, a \$677 million, or 49.1%, a drop in in Public Safety Grants from federal reimbursements, a \$533 million, or 20.7% decrease in grants to Elementary and Secondary Education, and a \$247 million, or 4.5%, decline in Health and Human Services grants. These decreases were partly offset by growth in federal Medicaid reimbursements, which increased by \$2.037 billion, or 14.8%, as state Medicaid expenses increased.

Charges for services totaled \$20.542 billion, increasing by \$842 million, or 4.3% from FY24, with the increase resulting primarily from growth of \$485 million, or 14.2%, in charges for Health and Human Services programs, an increase of \$213 million, or 10.3%, at the University of Massachusetts, charges for Unemployment Compensation, which were up by \$186 million, or 10.2%, and Paid Family and Medical Leave, which grew by \$204 million, or 17.8%. These increases were partially offset by charges for Medicaid, which declined by \$348 million, or 44.3%.

As of June 30, 2025, government-wide restricted net position totaled \$5.269 billion, a decrease of \$469 million, with the majority of the decrease due to assets restricted for unemployment benefits and in balances generated by the 4% income tax surtax that are reserved for education and transportation purposes.

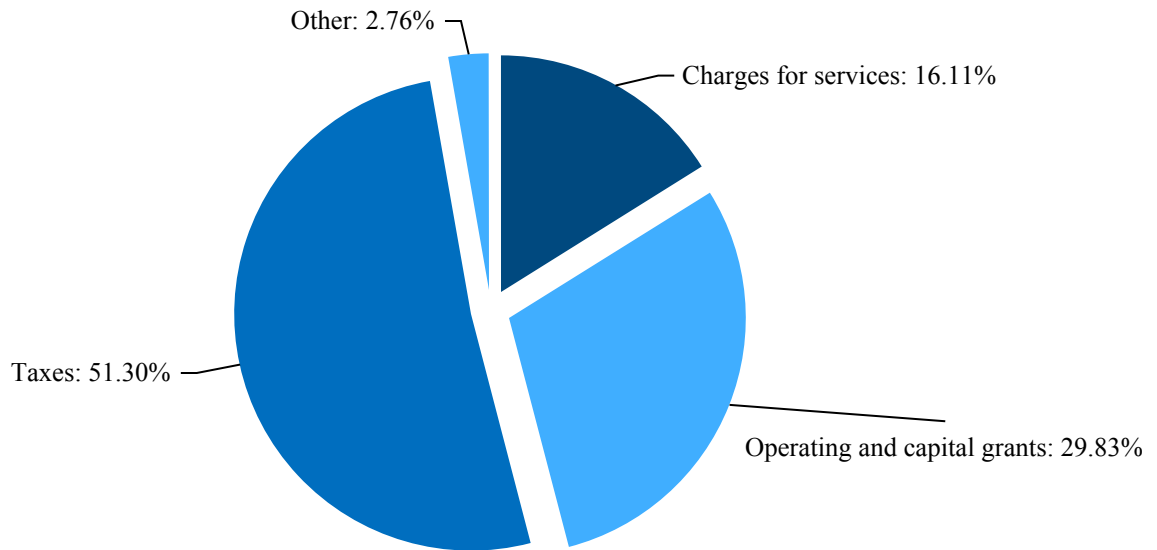
Primary government spending totaled \$97.618 billion, an increase of \$6.540 billion, or 7.2%, from FY24, with governmental activities spending totaling \$87.211 billion, an increase of \$5.856 billion, or 7.2%, and business-type activities spending totaling \$10.407 billion, an increase of \$683 million, or 7.0%. Medicaid expenses totaled \$26.323 billion, an increase of \$2.722 billion, or 11.5%, from FY24, the result of general medical inflation. Health and Human Services spending totaled \$15.274 billion, an increase of \$1.387 billion or 10.0%, transportation and public works spending totaled \$4.548 billion, an increase of \$1.034 billion, or 29.4%, mainly due to spending from the 4% surtax on incomes greater than \$1 million, and early and secondary education spending totaled \$8.437 billion, a decrease of \$645 million, or 7.1%, Public safety and security spending totaled \$3.900 billion, a decrease of \$266 million, or 6.4%, and general government expenses totaled \$4.052 billion, an increase of \$362 million, or 9.8%. In addition, direct local aid spending totaled \$8.266 billion, an increase of \$303 million, or 3.8% as the Commonwealth continued its commitment to allocate a proportionate increase in projected budgetary tax revenues to local assistance. In business-type activities, unemployment insurance compensation expenditures totaled \$2.146 billion, a decrease of \$69 million, or 3.1%, paid family medical totaled \$1.295 billion, an increase of \$191 million, or and Higher Education spending totaled \$6.966 billion, an increase of \$562 million or 8.8%.

**Revenue from Taxation
FY16 - FY25
(amounts in millions)**



Income taxes comprise the majority of tax revenue. Of the \$44.909 billion in FY25 tax revenue within governmental activities, \$27.210 billion, or approximately 60.6%, of total taxes, was from income taxes, \$9.651 billion, or 21.5%, was from sales taxes, \$3.866 billion, or 8.6%, was from corporate taxes, \$706 million, or 1.6%, was from motor fuels taxes and \$3.477 billion, or 7.7%, was from other forms of taxation. Lottery revenues of \$5.975 billion made up 42.4% of the Commonwealth's governmental charges for services. The largest operating grants were federal Medicaid subsidies, which totaled \$15.772 billion, or approximately 60.7%, of all grants, other health and human services grants of \$5.209 billion, or 20.1% of all grants, and education grants of \$2.039 billion, or 7.8% of all grants. Most of the Commonwealth'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, a component unit of the Commonwealth.

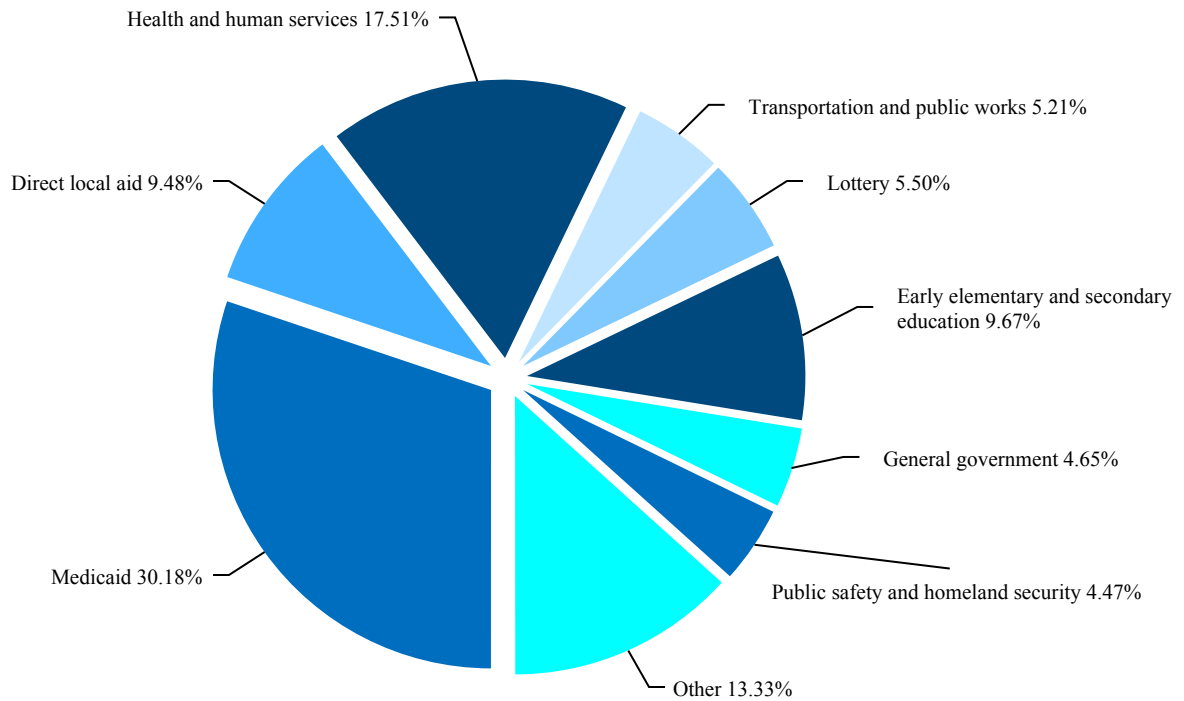
**Revenue—Governmental Activities
Fiscal Year Ending June 30, 2025**



Medicaid expenses of \$26.323 billion accounted for 30.2% 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 \$8.266 billion.

Other large expenditures for governmental activities included non-Medicaid health and human services costs of approximately \$15.274 billion, accounting for 17.5% of governmental expenses, pre-kindergarten through secondary education costs of approximately \$8.437 billion, accounting for 9.7% of governmental expenses and public safety and security costs of approximately \$3.900 billion, accounting for 4.5% of governmental expenses. State employees’ pensions and other post-employment benefits, which are included in the department spending amounts above, were \$1.457 billion, an increase of \$254 million from FY24.

**Major Expenses—Governmental Activities
Fiscal Year Ending June 30, 2025**



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; GASB standards mandate that the Unemployment Compensation Trust Fund be reported as a business-type activity.

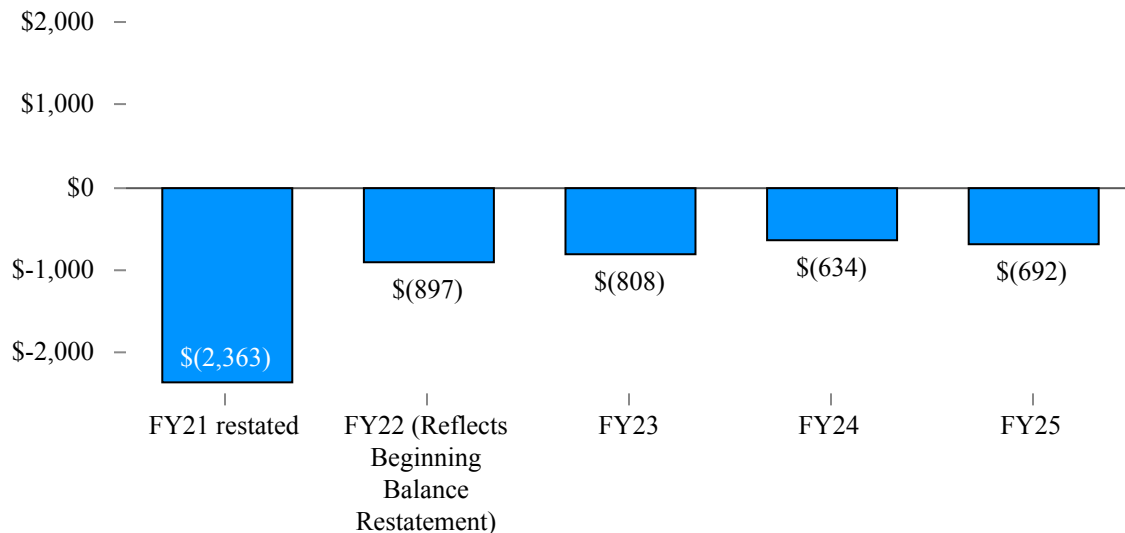
As of June 30, 2025, business-type activities' net position totaled \$8.011 billion, an increase of \$858 million, mostly attributable to a gain of \$788 million in the Institutions of Higher Education, primarily due to a reduction in net pension and OPEB liabilities net of deferrals, which declined by \$245 million from FY24, and a reduction in long-term bonds payable, which declined by \$601 million. Program revenues of business-type activities totaled \$8.101 billion, an increase of \$189 million, or 2.4%, with charges for services totaling \$6.435 billion, an increase of \$598 million, or 10.2%, with the bulk of the increase resulting from charges for Unemployment Compensation, which totaled \$2.004 billion, up \$186 million, or 10.2%, the Paid Family and Medical Leave (PFML) Program, which totaled \$1.352 billion, up \$204 million, or 17.8%, as the PFML rate charged to employers increased from 0.63% in calendar 2023 to 0.88% in FY24 and FY25, and Higher Education Institutions, which totaled \$3.079 billion, an increase of \$208 million, or 7.2%, due to higher charges for tuition. Operating grants and contributions totaled \$1.647 billion, a decrease of \$416 million, or 20.2%, primarily the result of a \$559 million decline in federal revenue for the Unemployment Insurance program, partially offset by increases in Higher Education grants and contributions.

Business-Type Activities expenses totaled \$10.407 billion, an increase of \$683 million, or 7.0%, from FY24, with the largest increases in Higher Education spending, which totaled \$6.966 billion up \$562 million, or 8.8% as the Commonwealth's colleges and universities continued to add staff after recovering from the pandemic and implemented of collective bargaining agreements resulted in wage and salary growth. Expenses for the Paid Family and Medical Leave Program totaled \$1.295 billion, an increase of \$191 million, or 17.3%, as the program became more widely used. These increases were minimally offset by a drop in Unemployment Compensation program expenses, which totaled \$2.146 billion, down \$69 million, or 3.1%.

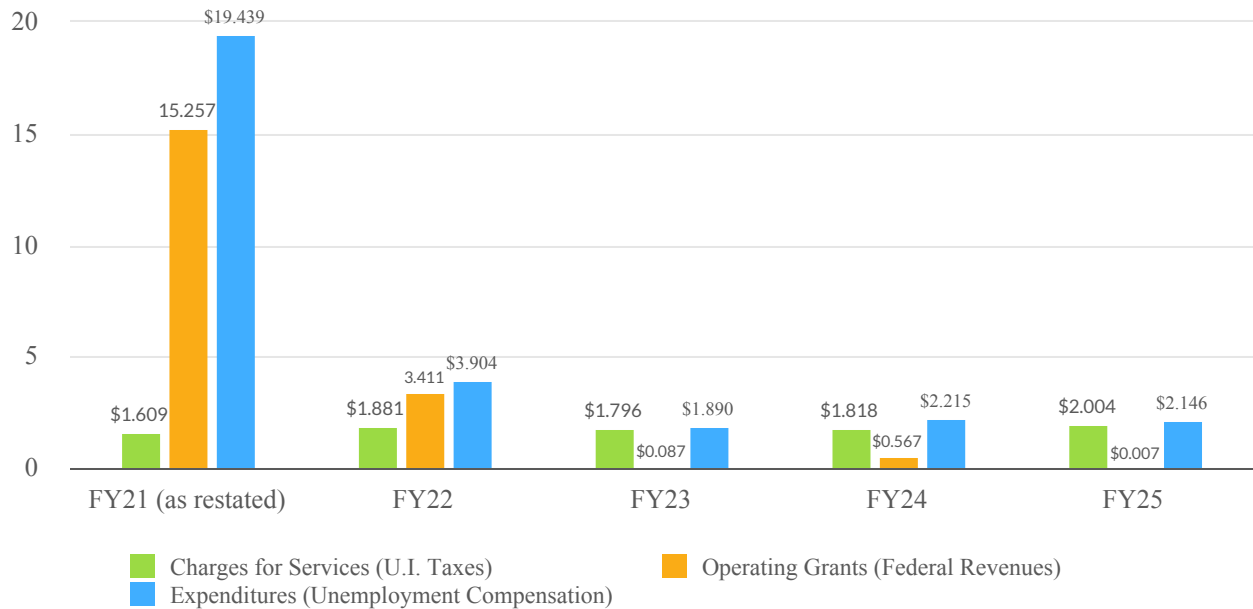
As a result of a detailed reconciliation of prior year revenue and spending in the Unemployment Compensation Trust Fund conducted during the FY22 financial statement audit, the FY22 beginning balance of the Trust Fund was restated and reduced by \$1.943 billion to account for overdraws of pandemic-related unemployment insurance revenues from the federal government by the Department of Unemployment Assistance (DUA) in FY20 and FY21, leaving the Trust Fund with an FY22 beginning net position of negative \$2.363 billion. Those prior fiscal year overdraws, as well as \$548 million in FY22 and \$8 million in FY23 similar overdraws, were accounted for as a \$2.499 billion liability in the Unemployment Compensation Trust Fund's statement of net position as of June 30, 2023. In January 2025, the Commonwealth agreed pursuant to a settlement agreement to pay the federal government \$2.034 billion (reflecting a negotiated reduction of \$465 million in the assessed liability) from the Unemployment Compensation Trust Fund to remediate these errors, with such payments to be made in ten annual installments of approximately \$203 million commencing in December 2025 and total interest payments of \$409 million in nine installments commencing in December 2026, of which \$17 million is accrued interest as of June 30, 2025. The Commonwealth also agreed to pay \$73 million in back-interest related to the covered claims on overdraws of federal pandemic-related unemployment insurance benefits.

The two charts below 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. The negative ending balances were caused by the liability to the federal government and the revenue and expenditures chart indicates that Unemployment Insurance activity has approximately returned to pre-pandemic levels.

Unemployment Compensation Trust Fund
Ending Net Position
Fiscal Years 2021 - 2025
(amounts in millions - as restated)



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



FINANCIAL ANALYSIS OF THE COMMONWEALTH'S FUNDS

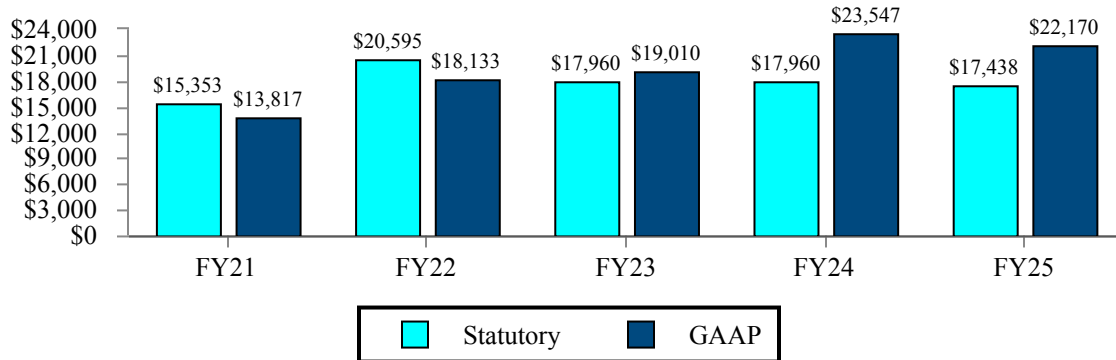
The Commonwealth uses fund accounting to demonstrate inter-period equity and the extent to which current resources are financing the full cost of services that citizens are receiving. The basic governmental funds financial statements can be found immediately following the government-wide financial statements.

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 (which for this analysis includes the Stabilization Fund and Transitional Escrow Fund) is the primary operating fund of the Commonwealth. At the end of FY25, the balance of the General Fund was \$12.842 billion. Of this amount, \$8.111 billion represents the balance in the Commonwealth's Stabilization Fund, \$1.426 billion was classified as assigned for continuing appropriations from FY25 into FY26, and \$3.306 billion was unassigned, with the unassigned balance including \$2.836 billion in the General Fund and \$470 million in the Transitional Escrow Fund, which holds balances that, while unexpended in FY25, are intended to be expended in FY26 and future years. The General Fund balance of \$12.842 billion, reflected a decline of \$2.609 billion, or 16.9%, with the decrease in ending balance due primarily to an increase in Medicaid expenditures (see explanation in the government-wide section above), a decline in miscellaneous revenues resulting as \$695 million in tobacco settlement revenue received in FY25 was recorded as a receivable in FY24, thereby boosting FY24 revenue relative to FY25, and General Fund interest declined by \$259 million as a result of lower cash balances in FY25 throughout the fiscal year as compared to FY24. Other major funds include the Lottery Fund ending balance totaled \$394 million, a decline of \$58 million, or 12.8%. The Massachusetts School Building Authority Fund balance as of June 30, 2025 totaled \$2.308 billion, an increase of \$234 million, or 11.3%, as sales tax revenues dedicated to the MSBA exceeded expenditures, as they did in FY24. The Federal Grants Fund balance as of June 30, 2025 totaled \$104 million, \$6 million higher than a year earlier.

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



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

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

| | FY25 | FY24 | FY23** | FY22 | FY21* |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Beginning fund balances | \$ 23,547,288 | \$ 19,010,234 | \$ 17,924,542 | \$ 13,817,345 | \$ 9,912,839 |
| Revenues and other financing sources | 106,612,293 | 104,985,267 | 93,889,043 | 91,840,963 | 84,720,267 |
| Expenditures and other financing uses | 107,989,337 | 100,448,213 | 92,803,352 | 87,525,183 | 80,815,761 |
| Excess/(deficiency) | (1,377,044) | 4,537,054 | 1,085,692 | 4,315,780 | 3,904,506 |
| Ending fund balances | <u>\$ 22,170,244</u> | <u>\$ 23,547,288</u> | <u>\$ 19,010,234</u> | <u>\$ 18,133,125</u> | <u>\$ 13,817,345</u> |

* Beginning balance restated due to early implementation of new accounting standards in FY20; reclassification of custodial fund activity presented in error in FY20.

** Beginning balance restated due to the MSBA's correction of error related to revenues and expenditures recognition.

FY25 total governmental fund balances as of June 30, 2025 totaled \$22.170 billion, a decrease of \$1.377 billion, or 5.8% from June 30, 2024, with the decrease in total fund balances due primarily to the decline in the General Fund balance explained above, partially offset by a \$1.050 billion increase in other governmental fund balances, as tax revenues from the 4% surtax on incomes over \$1 million continued to exceed spending from that source. Revenues and other financing sources totaled \$106.612 billion, an increase of \$1.627 billion, or 1.5%, from FY24, with growth in tax revenues of \$3.581 billion, or 8.7%, was partially offset by a decline of \$1.208 billion, or 4.4%, as revenue from Covid-related federal reimbursements was phased out. Revenue from other financing sources, which totaled \$18.296 billion a decrease of \$306 million, or 1.6% as bond issuance (both for new issuance and refunding) declined by \$2.956 billion, partially offset by an increase of \$2.588 billion in transfers in, the result of transfers of \$827 million in FY24 and FY25 interest revenue from the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund as required in the FY25 budget bills, and increased transfers from the General Fund to and transfers within the three education and transfer funds that hold revenue from the 4% personal income tax surtax on income greater than \$1 million. Tax revenues as a whole totaled \$44.886 billion, an increase of \$3.581 billion, or 8.7%, as increases due to the 4% surtax and other tax revenue sources were partially offset by decreases in capital gains taxes. Federal grants and reimbursements totaled \$26.319 billion, a decrease of \$1.208 billion, mainly due to a \$2.327 billion decline in revenue recorded in the Federal COVID-19 Response Fund, which in FY24 recognized the remaining amount of revenue received during the pandemic under the American Recovery Plan Act, a decline that was partially offset by growth in federal Medicaid reimbursements generated from increased Medicaid spending.

Assessments, fees, and investment earnings totaled \$17.112 billion, a decrease of \$439 million, or 2.5%. as lower balances in the Commonwealth's General Fund and reduced interest rates decreased interest earnings and on Stabilization Fund and General Fund balances.

FY25 governmental fund expenditures and other financing uses totaled \$107.980 billion, an increase of \$7.532 billion, or 7.5% from FY24, with \$4.778 billion of growth in programmatic spending (as opposed to "other financing uses") and a \$2.754 billion, 21.0%, increase in other financing uses. Programmatic spending totaled \$92.099 billion, with significant areas including Medicaid, which totaled \$26.323 billion, an increase of \$2.722 billion, or 11.5% from FY24, with the increase due primarily to general inflation in medical expenses. Other significant areas include non-Medicaid Health and Human Services spending, which totaled \$14.546 billion, an increase of \$1.165 billion, or 8.7%, primarily due to increased spending of \$387 million at the Department of Development Services and on adult mental health spending and behavioral health workforce supports and an increase of \$586 million or 52.1% in the Hospital Investment and Performance Trust Fund. Education spending totaled \$8.130 billion a decrease of \$36 million, or 0.4%, and transportation spending totaled \$4.428 billion, an increase of \$1.069 billion, or 31.8%, with the transportation spending increase funded by revenue and balances from the 4% surtax, revenue from which is dedicated to transportation and education purposes. Direct Local Aid totaled \$8.266 billion, an increase of \$303 million, or 3.8%, as the Administration committed increases in tax revenue to education aid in particular, and principal paid on current refundings totaled \$676 million, a decrease of \$1.632 billion or 70.7%, as the Commonwealth was able to profitably refund previously issued long-term debt. Other financing uses totaled \$15.891 billion, an increase of \$2.754 billion, or 21.0%, due primarily to an increase of \$2.597 billion transfers of the 4% surtax from the General Fund to the education and transportation funds and between the education and transportation fund and transfers of \$827 million in FY24 and FY25 interest earned by the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund, as mandated by the FY25 budget bills.

The table below summarizes FY25 Governmental Fund balances and changes from FY24.

| Governmental Funds - Fund Balance Classification | | | | |
|---|----------------------|----------------------|-----------------------|-----------------|
| (amounts in thousands) | | | | |
| | 2025 | 2024 | Change | % Change |
| <u>Nonspendable/Restricted:</u> | | | | |
| Nonspendable | \$ 393,199 | \$ 450,897 | \$ (57,698) | (12.8)% |
| Restricted | 2,148,398 | 2,244,029 | (95,631) | (4.3)% |
| Total Nonspendable/Restricted | 2,541,597 | 2,694,926 | (153,329) | (5.7)% |
| <u>Unrestricted:</u> | | | | |
| Committed | 13,636,511 | 13,802,343 | (165,832) | (1.2)% |
| Assigned | 4,566,758 | 4,696,283 | (129,525) | (2.8)% |
| Unassigned | 1,425,378 | 2,353,736 | (928,358) | (39.4)% |
| Total Unrestricted | 19,628,647 | 20,852,362 | (1,223,715) | (5.9)% |
| Total fund balances | \$ 22,170,244 | \$ 23,547,288 | \$ (1,377,044) | (5.8)% |

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, constitutional requirements, 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 include "prior appropriations continued", or PACs, which are classified as assigned, and residual balances in the General Fund, which are classified as unassigned. The \$96 million, or 4.3% decrease in restricted balances was the result of revenue generated by the 4% income tax surtax on income greater than \$1 million, which is constitutionally restricted for education and transportation purposes. The \$166 million, or 1.2%, decrease in committed balances results primarily from \$413 million reduction in the Stabilization Fund balance and increased balances in numerous non-budgetary funds which the Legislature has designated for specific purposes, primarily those committed to education and health care purposes. Assigned fund balance decreased by \$130 million

or 2.8%, due primarily to a \$410 million decrease in budgetary fund prior appropriations continued, offset by a \$234 million in increases in funds the MSBA reserved for grants and loans to local cities and towns for school construction, and a \$46 million increase in expendable trust assigned balances. Unassigned balances decreased by \$928 million, or 39.4%, due mainly to a decrease in General Fund unassigned balances resulting mainly from \$695 million in non-recurring one-time tobacco settlement revenue that was recorded as an FY24 accrual. 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, starting on [page 71](#).

Proprietary Funds

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

As discussed on [pages 26-28](#), the business-type activities increased the Commonwealth's net position by approximately \$858 million.

BUDGETARY HIGHLIGHTS

The FY25 budget enacted by the Legislature (the General Appropriation Act, or GAA) included an FY25 tax revenue estimate of \$41.502 billion prior to tax initiatives (and excluding \$50 million in tax settlements greater than \$10 million each), including \$1.050 billion in personal income tax revenue estimated to be generated by a 4% surtax on incomes above \$1 billion. Initially deposited in the General Fund, that revenue was to be transferred to funds dedicated to transportation and education spending.

The GAA tax revenue estimate was increased by \$210 million, to \$41.712 billion, as a result of a tax amnesty and enforcement initiatives included in the budget that were forecasted to increase FY25 General Fund tax revenues by approximately \$160 million, and \$50 million in assumed General Fund tax-related settlements and judgments exceeding \$10 million. \$38.914 billion of that revenue was to be deposited in the budgeted funds and available for use, with \$2.798 billion to be deposited into non-budgeted funds, including sales tax revenue of \$1.465 billion dedicated to the Massachusetts Bay Transportation Authority and \$1.305 billion dedicated to the Massachusetts School Building Authority, \$138 million of capital gains tax revenues transferred to the Stabilization Fund, State Pension Fund, and State Retiree Benefits Trust Fund, and \$27 million in Unemployment Insurance surcharges allocated to the non-budgeted Workforce Training Fund. Approximately \$36.916 billion in tax revenue was to be deposited in the General Fund, including the \$1.050 billion surtax revenue.

Based on tax revenue performance through December 2024, in January 2025, the Secretary of Administration maintained made no changes to the FY25 tax revenue estimate.

The GAA also assumed budgeted fund non-tax revenue of \$24.777 billion, of which \$19.999 billion was to be deposited in the General Fund. Total budgeted fund tax and non-tax revenues assumed in the GAA (excluding the non-budgeted fund portions allocated to the MBTA, MSBA, and Unemployment Insurance surcharge) was \$63.691 billion, of which \$59.390 billion was to be deposited in the General Fund.

The FY25 General Appropriation Act (GAA) authorized approximately \$56.331 billion in General Fund expenditures, and \$57.013 billion including other financing sources.

Approximately \$5.451 billion in supplemental appropriations were authorized during FY25, of which \$4.038 billion were charged to the General Fund, including the Transitional Escrow Fund, which is consolidated with the General Fund in this analysis.

The year's significant General Fund supplemental appropriations (some of which were carried forward and reappropriated to be expended in FY26):

- \$2.046 billion for MassHealth (Medicaid) services;

- \$240 million for state employee health insurance costs
- \$200 million for collective bargaining costs
- \$156 million to fund a transfer from the Medical Assistance Trust Fund to hospitals that treat large numbers of Medicaid-eligible patients
- \$122 million for fiscally strained hospitals

FY25 General Fund revenues were \$62.377 billion, an increase of \$5.175 billion, or 9.0%, from FY24. Most of this increase from FY24 was due to growth in income tax revenue and federal reimbursements, discussed below. General Fund revenues and other financing sources totaled \$65.528 billion, an increase of \$5.976 billion, or 10.0%, from FY24, \$5.921 billion above budget, with the above-budget amount due primarily the result of tax revenues, federal reimbursements, and tobacco settlement revenues that were above forecast.

FY25 General Fund tax revenues ended the year at \$39.329 billion, an increase of \$2.868 billion, or 7.9%, from FY24, \$2.413 billion above the original FY25 budget estimate. The \$2.868 billion increase in General Fund tax revenues between FY24 and FY25 was primarily the result of growth in personal income tax revenues, partially offset by the implementation of certain tax reforms, which reduced FY25 income tax revenues by \$179 million. Total personal income tax collections totaled \$26.712 billion, an increase of \$2.600 billion, or 10.8%, which included “fair share” 4% surtax revenues of \$3.049 billion, up of \$633 million, or 26.2%. Personal income tax withholding totaled \$19.056 billion, an increase of \$1.089 billion or 6.1% as there was healthy growth in wages and salaries in FY25. Non-withheld personal income tax (primarily quarterly estimated tax payments and final payments with tax returns, reduced by refunds), totaled \$7.656 billion, up \$1.511 billion, or 24.6%, and up by \$1.690 billion, or 27.5%, when adjusted for the impact of tax law changes, due mainly to an increase in capital gains taxes, both those collected on incomes of less than \$1 million and those that were part of the fair share surtax. According to estimates from the Department of Revenue, non-fair share capital gains totaled \$2.696 billion, up \$687 million or 34.2%, from FY24, and fair share capital gains taxes totaled approximately \$1.189 billion, \$537 million, or 82.3%, above fair share tax capital gains taxes collected in FY24. Corporate and business taxes (comprising corporate excise, financial institutions, insurance company, and public utilities taxes) totaled \$4.670 billion, a decrease of \$163 million, or 3.4%, and revenue from General Fund sales and use taxes (including regular sales and meals taxes, but excluding motor vehicle sales tax credited to the Commonwealth Transportation Fund but excluding cannabis sales tax and the the portion of sales tax revenues allocated to the MBTA and MSBA) totaled \$6.067 billion, up \$232 million, or 4.0%, including a \$161 million, or 3.8%, increase in regular sales tax and a \$71 million, or 4.6%, increase in meals tax. Other notable General Fund tax revenue sources included deeds excise tax revenues, which totaled \$334 million, up \$30 million, or 10.0%, cannabis sales tax, which totaled \$70 million, up \$5 million, or 7.9%, as the legal cannabis market continued to expand, and estate and inheritance taxes, which totaled \$740 million, an increase of \$166 million, or 28.9%, as this continued to be a volatile revenue source.

Budgeted fund federal reimbursements totaled \$16.199 billion, an increase of \$1.603 billion, or 11.0%, with the increase resulting primarily from growth in reimbursements for Medicaid expenditures (see explanation of Medicaid expenditure changes on the following page). General Fund Medicaid federal reimbursements totaled \$14.486 billion, an increase of \$1.268 billion, or 9.6%

General Fund non-tax revenue, non-federal revenue totaled \$6.848 billion, up , or \$1.206 billion, or 21.4%, above estimate and up \$704 million, or 11.5%, above FY24. Virtually all of the departmental revenue growth between FY24 and FY25 was due to an increase on tobacco settlement revenues, which totaled \$875 million, an increase of \$688 million from FY24, \$618 million over the originally budgeted amount, with the increase resulting from the resolution of outstanding claims from prior years. Other significant sources of growth included payments from the University of Massachusetts to the Commonwealth, which totaled \$189 million, an increase of \$141 million, or 300.9%, from FY24 (these payments tend to vary significantly from one year to the next. based on availability of funds), and reimbursements from cities and towns for GIC health insurance benefits paid on their behalf, which totaled \$719 million, up \$64 million, or 9.8%, as health insurance costs continued to rise from FY24. This growth was partially offset by a decline in interest earnings, which fell by \$211 million, from \$947 million in FY24 to \$737 million in FY25, primarily the result of lower average balances in the General Fund in FY25 than in FY24 and slightly lower interest rates on those balances. Other significant revenue sources include fees received by the state, which totaled \$631 million, up \$24 million, or 3.9%.

General Fund other financing sources totaled \$3.152 billion, an increase of \$801 million, or 34.1%, from FY24, \$460 million above estimate, with the increase due primarily to a \$521 million transfer of capital gains tax revenues

to the Transitional Escrow Fund authorized in the FY25 final supplemental budget, a \$238 million increase in end of year deficit elimination transfers to the General Fund, and a \$139 million increase in abandoned property transfers to the General Fund, partially offset by a \$93 million decline in Lottery transfers to the General Fund resulting from a decline in Lottery profits. Fringe benefit and indirect cost recovery from non-budgeted funds to the General Fund totaled \$695 million, up \$13 million, or 1.9% from FY24, due to increases in the fringe benefit rate, partially offset by a decline in Covid-related federally reimbursed spending that are charged that rate.

The Commonwealth continues to receive revenues, as it will in perpetuity, from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover health care costs for tobacco-related illnesses, which is deposited in the General Fund. In FY25, the Commonwealth received \$875 million in tobacco settlement funds, an increase of \$688 million compared to FY24, a one-time increase resulting from the resolution of outstanding contested claims from prior years. Statute requires that a portion of tobacco settlement proceeds be transferred from the General Fund to the State Retiree Benefits Trust Fund (SRBTF) to fund the Commonwealth's liability for retiree health care, with the percentage of proceeds transferred increasing by 10% each year until 100% of such proceeds is deposited in the SRBTF in FY25 and after. For FY25, the statutorily required transfer was 100% of tobacco settlement revenues; however, FY25 appropriation acts suspended the required transfer entirely, resulting in no transfer.

FY25 budgeted expenditures and other financing uses, including transfers to non-budgeted funds (but before transfers between the budgeted funds) totaled \$68.086 billion, an increase of \$6.017 billion, or 9.7%, from FY24. General Fund expenditures (excluding "Other Financing Uses") totaled \$61.972 billion, an increase of \$6.123 billion, or 11.0% from FY24, \$2.524 billion below the final budget, with the increase in spending primarily attributable to growth in Medicaid, pensions, higher education, transfers to hospitals that treat large numbers of Medicaid-eligible patients, and employee health insurance benefits. General Fund Medicaid expenditures totaled \$22.129 billion, an increase of \$2.059 billion, or 10.3%, from FY24, primarily due to the general increase in healthcare costs, particularly in costs for nursing home care covered by Medicaid. General Fund spending on other Executive Office of Health and Human Services programs totaled \$10.075 billion, an increase of \$1.083 billion, or 12.0% from FY24, including spending for residential and daily services at the Department of Developmental Services, which increased by \$387 million, or 23.7%, from FY24, and adult mental health services, which grew by \$109 million, or 18.5%. General Fund spending for direct local aid (both education aid and unrestricted aid), at \$7.748 billion, was down \$39 million, due to more than or 0.5%, as the local aid expenditures were shifted from the General Fund to other funds. Total spending for direct local aid across budgetary funds (both education aid and unrestricted aid), at \$8.248 billion, was up \$300 million, as 3.8%, from FY24, as the Commonwealth continued to commit significant resources to local communities. General fund spending on state employee health insurance benefits paid through the Group Insurance Commission (including benefits for retiree health insurance) increased by \$235 million, or 8.6%, from \$2.736 billion to \$2.971 billion, due to the general growth in health care costs.

General Fund other financing uses totaled \$5.522 billion, an increase of \$2.358 billion or 74.5%, from FY24. with the bulk of this increase due to an increase of \$798 million from the General Fund to the Education and Transportation Fund as revenues from the 4% surtax (which is initially deposited in the General Fund but then transferred) increased in FY25, a \$797 million increase in transfers from the Stabilization Fund as the FY25 appropriation acts required the interest earned on Stabilization Fund balances in be transferred from the Stabilization Fund to the Commonwealth Federal Matching and Debt Reduction Fund, a \$521 million transfer of capital gains tax revenues to the Transitional Escrow Fund per the FY25 final supplemental appropriations bill. These reductions were partially offset by a transfer of \$640 million from the General Fund to the Medical Assistance Trust Fund (MATF) for payments to hospitals that treat large populations of lower income patients, an increase of million from FY24. Transfers to and payments from the MATF vary significantly from year-to-year depending on the timing of federal reimbursements.

Transfers from the General Fund to the state and teachers' pension funds (which are reflected in the "other financing uses category) totaled \$4.498 billion in accordance with the Commonwealth's actuarially-determined pension funding schedule, an increase of \$394 million, or 9.6%, from FY24, and an additional pension contribution of \$29 million from capital gains tax revenues was transferred from the General Fund, as required by a statute that mandates such transfers from a portion of capital gains tax collections above an annual threshold. As a result, FY25 contributions to the pension fund from the General Fund totaled \$4.526 billion an increase of \$393 million, or 9.5% from FY24. General Fund debt service totaled \$1.456 billion, up \$102 million, or 7.5%, from FY24.

CAPITAL ASSETS

Capital assets of the Commonwealth include land, buildings, improvements, equipment, vehicles, leased software, right-to-use assets and infrastructure. The Commonwealth's investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to approximately \$31.248 billion, with accumulated depreciation and amortization of approximately \$15.265 billion, leaving a net book value of \$15.983 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 decrease in the Commonwealth's net investment in capital assets from FY24 to FY25 was approximately \$199 million, with a \$252 million decrease in governmental activities and a \$53 million increase in business-type activities. The major decrease in the net value of capital assets was in construction in process and machinery and equipment. The table below details the various categories of the Commonwealth's capital assets.

Capital Assets at Year - End
(net of depreciation)
(amounts in thousands)

| | Governmental | | Business - Type | | Total | |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| | Activities | | Activities | | | |
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| Land | \$ 1,008,909 | \$ 997,380 | \$ 247,646 | \$ 240,320 | \$ 1,256,555 | \$ 1,237,700 |
| Historical treasures | — | — | 3,403 | 3,403 | 3,403 | 3,403 |
| Construction in process | 824,937 | 1,126,933 | 702,420 | 557,175 | 1,527,357 | 1,684,108 |
| Buildings | 3,027,843 | 2,881,644 | 7,517,852 | 7,577,953 | 10,545,695 | 10,459,597 |
| Machinery and equipment | 276,774 | 400,273 | 290,632 | 262,467 | 567,406 | 662,740 |
| Right-to-use lease buildings | 774,907 | 771,782 | 950,551 | 1,015,063 | 1,725,458 | 1,786,845 |
| Right-to-use lease machinery and equipment | 13,356 | 17,256 | 11,238 | 15,680 | 24,594 | 32,936 |
| Right-to-use subscription (SBITAs) assets | 70,308 | 109,878 | 64,070 | 57,626 | 134,378 | 167,504 |
| Infrastructure, excluding central artery | 194,273 | 138,033 | — | — | 194,273 | 138,033 |
| Library collections | — | — | 4,026 | 9,024 | 4,026 | 9,024 |
| Total | \$ 6,191,307 | \$ 6,443,179 | \$ 9,791,838 | \$ 9,738,711 | \$ 15,983,145 | \$ 16,181,890 |

Additional detail on the Commonwealth's FY25 capital asset activity can be found in [Note 5](#) to the basic financial statements ("Capital Assets") on [pages 97-98](#).

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 FY25 capital budget, the Commonwealth borrowed by issuing \$3.056 billion in long-term bonds, which was new money general obligation and special obligation debt issued during the fiscal year. 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 \$610 million in debt to refund already existing debt. In order to manage cash flows through the COVID-19 pandemic, on May 11, 2020, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.750 billion from a syndicate of banks, which line of credit is available to be drawn for cash flow purposes. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. In May 2023, the line of credit was extended to April 30, 2026.

Approximately 0.9% of the Commonwealth's \$29.630 billion in general obligation debt outstanding as of June 30, 2025 was issued as variable rate bonds. During fiscal 2025 there were no changes to credit ratings on any of the Commonwealth's outstanding debt.

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

Outstanding Long - Term Debt Obligations
(amounts in thousands)

| | Governmental Activities | | Business - Type Activities | | Total | |
|---|--------------------------------|----------------------|----------------------------|---------------------|----------------------|----------------------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | General obligation bonds | \$ 29,629,925 | \$ 27,835,248 | \$ — | \$ — | \$ 29,629,925 |
| Special obligation bonds (excluding GANs).... | 4,420,295 | 4,270,705 | — | — | 4,420,295 | 4,270,705 |
| Revenue obligation bonds | — | — | 5,943,385 | 6,599,974 | 5,943,385 | 6,599,974 |
| Grant anticipation notes | 133,620 | 255,805 | — | — | 133,620 | 255,805 |
| Massachusetts School Building Authority | 5,267,320 | 5,444,945 | — | — | 5,267,320 | 5,444,945 |
| Total | \$ 39,451,160 | \$ 37,806,703 | \$ 5,943,385 | \$ 6,599,974 | \$ 45,394,545 | \$ 44,406,677 |

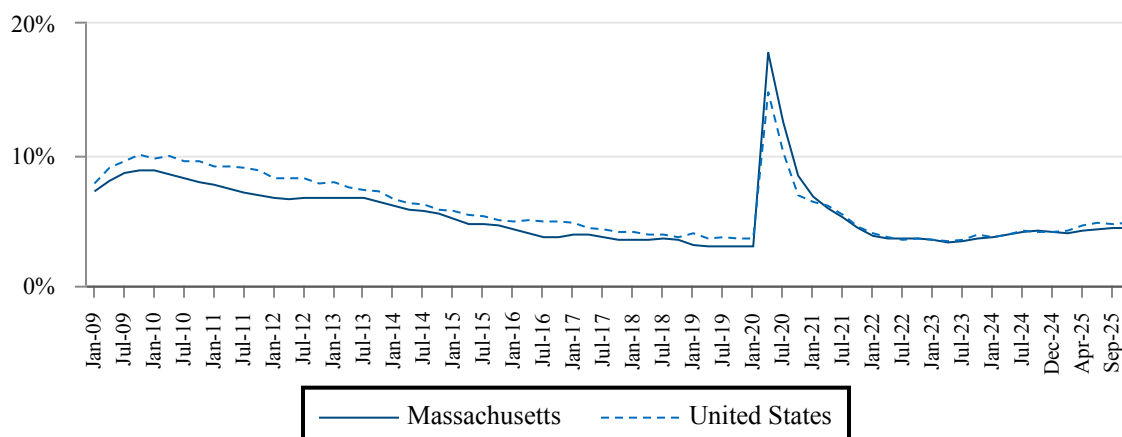
Additional detail on the Commonwealth’s short-term debt can be found in [Note 6](#) (“Short-Term Financing and Credit Arrangements”) on [page 99](#) and [Note 7](#) (“Long-Term Obligations”) on [pages 99-109](#).

ECONOMIC FACTORS AFFECTING THE FISCAL YEAR 2026 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 2021 the Massachusetts unemployment rate was 6.8%, compared to the national rate of 6.4%, but by October 2022 the two rates had converged, with both at 3.6%. As of December 2025, the Massachusetts unemployment rate was 4.8% and U.S. unemployment rates was at 4.4%.

Unemployment Rate
January 2010 – December 2025



The FY26 General Appropriation Act (GAA) — the Commonwealth's annual budget — is based on an FY26 base tax revenue estimate of approximately \$43.614 billion (including \$2.400 billion in "Fair Share" surtax revenues), an increase of \$2.112 billion, or 5.1%, from FY25 actual tax collections. Of the FY26 tax estimate, approximately \$34.097 billion represents taxes available for budget after accounting for \$9.567 billion in tax revenue either dedicated to authorities, "fair share" education and transportation spending, or the Stabilization or pension and state retiree health care funds.

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/annual-comprehensive-financial-reports>.

Basic Financial Statements

Government-wide Financial Statements
Statement of Net Position
Statement of Activities



Statement of Net Position

June 30, 2025

(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 | \$ 19,405,239 | \$ 5,143,535 | \$ 24,548,774 | \$ 6,412,728 |
| Restricted cash with fiscal agent | 499,688 | 271,576 | 771,264 | — |
| Short-term investments | 305,159 | 998,258 | 1,303,417 | — |
| Assets held in trust | — | — | — | 213,038 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Taxes | 5,508,209 | — | 5,508,209 | — |
| Federal grants and reimbursements receivable | 3,347,706 | 42,661 | 3,390,367 | 519,788 |
| Loans | 13,562 | 9,448 | 23,010 | 745,727 |
| Lease receivables | 1,443 | 58,868 | 60,311 | 51,862 |
| Other receivables | 1,430,274 | 1,228,377 | 2,658,651 | 535,184 |
| Due from cities and towns | 20,452 | — | 20,452 | — |
| Due from component units | 1,650 | 14,991 | 16,641 | — |
| Due from primary government | — | — | — | 1,469,199 |
| Other current assets | — | 53,125 | 53,125 | 159,625 |
| Total current assets | 30,533,382 | 7,820,839 | 38,354,221 | 10,107,151 |
| Noncurrent assets: | | | | |
| Cash and cash equivalents - restricted | — | 422,914 | 422,914 | 769,945 |
| Long-term investments | — | 2,302,195 | 2,302,195 | 2,001,254 |
| Investments, restricted investments and annuity contracts | 1,738,450 | 1,215 | 1,739,665 | 57,935 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Taxes | 443,622 | — | 443,622 | — |
| Federal grants and reimbursements receivable | 3,582 | — | 3,582 | — |
| Loans | 118,001 | 13,001 | 131,002 | 4,532,230 |
| Lease receivables | 66,042 | 1,098,417 | 1,164,459 | 579,049 |
| Other receivables | 586,739 | 17,799 | 604,538 | 52,306 |
| Due from component units | 21,603 | — | 21,603 | — |
| Due from primary government | — | — | — | 7,448 |
| Non-depreciable capital assets | 1,833,846 | 953,469 | 2,787,315 | 20,562,890 |
| Depreciable capital, right-to-use lease and subscription assets, net | 4,357,461 | 8,838,369 | 13,195,830 | 26,982,135 |
| Other noncurrent assets | — | 12,881 | 12,881 | 20,633 |
| Other noncurrent assets - restricted | 2,804 | — | 2,804 | — |
| Total noncurrent assets | 9,172,150 | 13,660,260 | 22,832,410 | 55,565,825 |
| Total assets | 39,705,532 | 21,481,099 | 61,186,631 | 65,672,976 |
| Deferred outflows of resources: | | | | |
| Derivatives - interest rate swaps | — | 249 | 249 | 12,961 |
| Loss on refunding | 60,029 | 92,486 | 152,515 | 125,305 |
| Pension | 5,814,168 | 137,138 | 5,951,306 | 544,443 |
| OPEB | 1,541,029 | 214,169 | 1,755,198 | 644,394 |
| Other | — | 804 | 804 | — |
| Total deferred outflows of resources | 7,415,226 | 444,846 | 7,860,072 | 1,327,103 |
| Total assets and deferred outflows | 47,120,758 | 21,925,945 | 69,046,703 | 67,000,079 |
| LIABILITIES AND DEFERRED INFLOWS | | | | |
| Current liabilities: | | | | |
| Accounts payable and other liabilities | 4,985,634 | 499,990 | 5,485,624 | 1,960,176 |
| Accrued payroll | 327,184 | 273,881 | 601,065 | 50,118 |
| Compensated absences | 625,228 | 222,656 | 847,884 | 128,760 |
| Accrued interest payable | 473,621 | 47,910 | 521,531 | 197,537 |
| Tax refunds and abatements payable | 2,283,127 | 207,398 | 2,490,525 | — |
| Due to component units | 1,519,611 | 333 | 1,519,944 | — |
| Due to primary government | — | — | — | 16,641 |
| Due to federal government | 666,448 | — | 666,448 | — |
| Overdraws of federal pandemic-related unemployment insurance benefits | — | 203,417 | 203,417 | — |
| Claims and judgments | 63,264 | — | 63,264 | — |
| Unearned revenue | 56,813 | 184,872 | 241,685 | 768,752 |
| Prizes payable | 88,452 | — | 88,452 | — |

Statement of Net Position

June 30, 2025

(Amounts in thousands)

| | Primary Government | | | Discretely Presented Component Units |
|--|-------------------------|--------------------------|------------------------|--------------------------------------|
| | Governmental Activities | Business-Type Activities | Government Wide Total | |
| Deposits and unearned revenue | — | 59,919 | 59,919 | — |
| School construction grants payable | 250,805 | — | 250,805 | — |
| Right-to use lease, public-private partnership, and subscription liabilities | 194,818 | 89,076 | 283,894 | 34,789 |
| Bonds payable and unamortized premiums | 1,474,106 | 589,366 | 2,063,472 | 995,514 |
| Environmental remediation liability | 19,758 | — | 19,758 | — |
| Total current liabilities | 13,028,869 | 2,378,818 | 15,407,687 | 4,152,287 |
| Noncurrent liabilities: | | | | |
| Compensated absences | 262,903 | 93,172 | 356,075 | 125,549 |
| Accrued interest payable | 1,022 | — | 1,022 | 92,865 |
| Due to component units | 7,448 | — | 7,448 | — |
| Due to primary government | — | — | — | 21,603 |
| Due to federal government | 4,470 | 1,203 | 5,673 | — |
| Overdraws of federal pandemic-related unemployment insurance benefits | 90,137 | 1,830,757 | 1,920,894 | — |
| Unearned revenue | — | — | — | 409,382 |
| Prizes payable | 307,080 | — | 307,080 | — |
| Right-to use lease, public-private partnership, and subscription liabilities | 695,316 | 1,055,099 | 1,750,415 | 218,354 |
| Bonds payable and unamortized premiums | 42,089,416 | 5,354,019 | 47,443,435 | 10,284,504 |
| Environmental remediation liability | 260,352 | — | 260,352 | — |
| Liability for derivative instruments | — | 249 | 249 | 7,062 |
| Net pension liability | 40,407,062 | 527,649 | 40,934,711 | 2,639,939 |
| Net OPEB liability | 12,342,168 | 590,503 | 12,932,671 | 3,185,051 |
| Other noncurrent liabilities | 306,339 | 171,737 | 478,076 | 371,252 |
| Total noncurrent liabilities | 96,773,713 | 9,624,388 | 106,398,101 | 17,355,561 |
| Total liabilities | 109,802,582 | 12,003,206 | 121,805,788 | 21,507,848 |
| Deferred inflows of resources: | | | | |
| Service concession arrangements | — | 259,106 | 259,106 | 343 |
| Gain on refunding | 1,307,151 | 44,477 | 1,351,628 | 14,900 |
| Pension | 1,138,863 | 149,487 | 1,288,350 | 56,848 |
| OPEB | 3,970,461 | 562,787 | 4,533,248 | 663,232 |
| Leases | 63,155 | 872,026 | 935,181 | 624,844 |
| Other | — | 24,118 | 24,118 | 20,413 |
| Total deferred inflows of resources | 6,479,630 | 1,912,001 | 8,391,631 | 1,380,580 |
| Total liabilities and deferred inflows | 116,282,212 | 13,915,207 | 130,197,419 | 22,888,428 |
| NET POSITION | | | | |
| Net investment in capital assets | (3,068,979) | 4,147,590 | 1,078,611 | 39,701,572 |
| Restricted for: | | | | |
| Unemployment benefits | — | 388,905 | 388,905 | — |
| Family and employment security | — | 2,134,234 | 2,134,234 | — |
| Retirement of indebtedness | 625,100 | 271,576 | 896,676 | — |
| 4% surtax - education and transportation | 1,169,340 | — | 1,169,340 | — |
| Higher education endowment funds | — | 12,804 | 12,804 | — |
| Higher education academic support and programs | — | 8,227 | 8,227 | — |
| Higher education scholarships and fellowships: | | | | |
| Nonexpendable | — | 2,119 | 2,119 | — |
| Expendable | — | 5,908 | 5,908 | — |
| Higher education capital projects - expendable purposes | — | 25,834 | 25,834 | — |
| Grants and gifts | 293,888 | 331,511 | 625,399 | — |
| Other purposes | — | — | — | 7,867,593 |
| Unrestricted (deficits) | (68,180,803) | 682,030 | (67,498,773) | (3,457,514) |
| Total net position (deficits) | \$ (69,161,454) | \$ 8,010,738 | \$ (61,150,716) | \$ 44,111,651 |

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

Statement of Activities
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

| Functions/Programs | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | | Discretely Presented Component Units |
|--|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|--------------------------------------|
| | Expenses | 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..... | \$ 4,052,100 | \$ 929,727 | \$ 1,064,382 | \$ 96,282 | \$ (1,961,709) | \$ — | \$ (1,961,709) | \$ — |
| Judiciary..... | 1,621,992 | 65,906 | 17,011 | — | (1,539,075) | — | (1,539,075) | — |
| Direct local aid..... | 8,265,832 | — | — | — | (8,265,832) | — | (8,265,832) | — |
| Medicaid..... | 26,323,064 | 438,429 | 15,771,692 | — | (10,112,943) | — | (10,112,943) | — |
| Group health insurance..... | 2,414,661 | 957,026 | — | — | (1,457,635) | — | (1,457,635) | — |
| Energy and environmental affairs..... | 1,367,138 | 495,152 | 103,443 | — | (768,543) | — | (768,543) | — |
| Housing and economic development..... | 4,046,052 | 264,605 | 902,656 | — | (2,878,791) | — | (2,878,791) | — |
| Health and human services..... | 15,273,503 | 3,896,265 | 5,208,642 | 39,525 | (6,129,071) | — | (6,129,071) | — |
| Transportation and public works..... | 4,547,763 | 639,594 | 24 | — | (3,908,145) | — | (3,908,145) | — |
| Early elementary and secondary education..... | 8,437,350 | 7,561 | 2,038,850 | — | (6,390,939) | — | (6,390,939) | — |
| Public safety and security..... | 3,899,789 | 393,131 | 703,223 | — | (2,803,435) | — | (2,803,435) | — |
| Labor and workforce development..... | 502,800 | 44,827 | 167,926 | — | (290,047) | — | (290,047) | — |
| Lottery..... | 4,796,456 | 5,975,463 | — | — | 1,179,007 | — | 1,179,007 | — |
| Interest (unallocated)..... | 1,662,553 | — | — | — | (1,662,553) | — | (1,662,553) | — |
| Total governmental activities..... | 87,211,053 | 14,107,686 | 25,977,849 | 135,807 | (46,989,711) | — | (46,989,711) | — |
| Business-Type Activities: | | | | | | | | |
| Unemployment Compensation..... | 2,145,856 | 2,003,621 | 7,214 | — | — | (135,021) | (135,021) | — |
| Family and Employment Security Trust..... | 1,294,920 | 1,352,311 | — | — | — | 57,391 | 57,391 | — |
| Higher Education: | | | | | | | | |
| University of Massachusetts..... | 4,478,236 | 2,277,064 | 977,275 | 15,375 | — | (1,208,522) | (1,208,522) | — |
| State Universities..... | 1,337,346 | 624,895 | 213,688 | 3,515 | — | (495,248) | (495,248) | — |
| Community Colleges (Nonmajor)..... | 1,150,341 | 176,755 | 448,791 | 25 | — | (524,770) | (524,770) | — |
| Total business-type activities..... | 10,406,699 | 6,434,646 | 1,646,968 | 18,915 | — | (2,306,170) | (2,306,170) | — |
| Total primary government..... | \$ 97,617,752 | \$ 20,542,332 | \$ 27,624,817 | \$ 154,722 | (46,989,711) | (2,306,170) | (49,295,881) | — |
| Discretely Presented Component Units: | | | | | | | | |
| Massachusetts Department of Transportation..... | \$ 4,428,533 | \$ 1,101,405 | \$ 2,271,439 | \$ 2,542,793 | — | — | — | 1,487,104 |
| Massachusetts Bay Transportation Authority..... | 3,537,283 | 2,493,028 | 193,094 | 1,006,507 | — | — | — | 155,346 |
| Commonwealth Health Insurance Connector..... | 1,274,095 | 1,239,493 | 45,000 | — | — | — | — | 10,398 |
| Massachusetts Clean Water Trust..... | 266,853 | 235,329 | — | 274,662 | — | — | — | 243,138 |
| Other nonmajor component units..... | 853,905 | 849,446 | 117,959 | 94,724 | — | — | — | 208,224 |
| Total discretely presented component units..... | \$ 10,360,669 | \$ 5,918,701 | \$ 2,627,492 | \$ 3,918,686 | — | — | — | 2,104,210 |

| | Primary Government | | | Discretely Presented Component Units |
|---|-------------------------|--------------------------|------------------------|--------------------------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| General revenues: | | | | |
| Taxes: | | | | |
| Income | 27,210,448 | — | 27,210,448 | — |
| Sales taxes | 9,650,581 | — | 9,650,581 | — |
| Corporate taxes | 3,865,731 | — | 3,865,731 | — |
| Motor and special fuel taxes | 705,919 | — | 705,919 | — |
| Other taxes | 3,476,798 | — | 3,476,798 | — |
| Miscellaneous: | | | | |
| Investment earnings/(loss) | 878,096 | 526,155 | 1,404,251 | 383,152 |
| Tobacco settlement | 169,444 | — | 169,444 | — |
| Contribution from municipalities | 58,295 | — | 58,295 | — |
| Other revenue (expense) | 1,313,517 | 528,352 | 1,841,869 | — |
| Transfers | (2,109,552) | 2,109,552 | — | — |
| Total general revenues and transfers | 45,219,277 | 3,164,059 | 48,383,336 | 383,152 |
| Change in net position | (1,770,434) | 857,889 | (912,545) | 2,487,362 |
| Net position/(deficits) - beginning, as previously reported | (67,391,020) | 7,183,321 | (60,207,699) | 41,749,198 |
| Prior period restatements - Note 1T | — | (30,472) | (30,472) | (124,909) |
| Net position/(deficits) - beginning, as restated | (67,391,020) | 7,152,849 | (60,238,171) | 41,624,289 |
| Net position/(deficits) - ending | \$ (69,161,454) | \$ 8,010,738 | \$ (61,150,716) | \$ 44,111,651 |

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



Governmental Funds Financial Statements



Balance Sheet
Governmental Funds
June 30, 2025
(Amounts in thousands)

| | General | Lotteries | Massachusetts School Building Authority | Federal Grants | Other Governmental Funds | Total |
|---|----------------------|-------------------|---|-------------------|--------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 9,339,191 | \$ 39,964 | \$ 1,112,027 | \$ 91,111 | \$ 8,822,946 | \$ 19,405,239 |
| Restricted cash with fiscal agent | — | — | — | — | 499,688 | 499,688 |
| Investments, restricted investments and annuity contracts | 305,159 | 393,199 | 1,345,251 | — | — | 2,043,609 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Taxes | 5,760,397 | — | 50,081 | — | 141,353 | 5,951,831 |
| Due from federal government | 2,133,627 | — | — | 588,498 | 629,163 | 3,351,288 |
| Loan receivable | 77,019 | — | 45,154 | — | 9,389 | 131,562 |
| Other receivables | 1,430,104 | 709 | 27,383 | — | 626,302 | 2,084,498 |
| Due from cities and towns | 20,452 | — | — | — | — | 20,452 |
| Due from other funds | 1,155,152 | — | 11,445 | — | 119,209 | 1,285,806 |
| Due from component units | 1,650 | — | — | — | — | 1,650 |
| Total assets | \$ 20,222,751 | \$ 433,872 | \$ 2,591,341 | \$ 679,609 | \$ 10,848,050 | \$ 34,775,623 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 3,274,836 | \$ 38,545 | \$ 20,146 | \$ 285,701 | \$ 1,270,739 | \$ 4,889,967 |
| Accrued payroll | 301,960 | — | — | 14,827 | 10,397 | 327,184 |
| Tax refunds and abatements payable | 2,281,359 | — | 812 | — | 956 | 2,283,127 |
| Due to other funds | — | — | 11,445 | 219,451 | 1,054,910 | 1,285,806 |
| Due to component units | 92,925 | — | — | — | 1,426,686 | 1,519,611 |
| Due to federal government | 666,448 | — | — | — | — | 666,448 |
| Unearned revenue | — | 1,492 | — | 55,321 | — | 56,813 |
| Claims and judgments | 63,264 | — | — | — | — | 63,264 |
| School construction grants payable | — | — | 250,805 | — | — | 250,805 |
| Other accrued liabilities | 522 | — | — | — | 95,145 | 95,667 |
| Total liabilities | 6,681,314 | 40,037 | 283,208 | 575,300 | 3,858,833 | 11,438,692 |
| Deferred inflows of resources - unavailable revenue | 636,505 | — | — | — | 467,027 | 1,103,532 |
| Deferred inflows of resources - leases | 63,155 | — | — | — | — | 63,155 |
| Total deferred inflows of resources | 699,660 | — | — | — | 467,027 | 1,166,687 |
| Total liabilities and deferred inflows of resources | 7,380,974 | 40,037 | 283,208 | 575,300 | 4,325,860 | 12,605,379 |
| Fund balances: | | | | | | |
| Nonspendable | — | 393,199 | — | — | — | 393,199 |
| Restricted | — | — | 662,584 | 104,309 | 1,381,505 | 2,148,398 |
| Committed | 8,110,684 | — | — | — | 5,525,827 | 13,636,511 |
| Assigned | 1,425,519 | 636 | 1,645,549 | — | 1,495,054 | 4,566,758 |
| Unassigned (deficits) | 3,305,574 | — | — | — | (1,880,196) | 1,425,378 |
| Fund balances | 12,841,777 | 393,835 | 2,308,133 | 104,309 | 6,522,190 | 22,170,244 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 20,222,751 | \$ 433,872 | \$ 2,591,341 | \$ 679,609 | \$ 10,848,050 | \$ 34,775,623 |

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, 2025

(Amounts in thousands)

| | |
|--|------------------------|
| Total fund balances - governmental funds | \$ 22,170,244 |
| 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 | 1,833,846 |
| Capital assets being depreciated and amortized, net | 4,357,461 |
| Capital assets, net of accumulated depreciation and amortization | 6,191,307 |
| 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 | 1,103,533 |
| Deferred inflows of resources are not reported in the governmental funds: | |
| Gain on refunding | (1,307,151) |
| Pension related | (1,138,863) |
| OPEB related | (3,970,461) |
| Total deferred inflow of resources | (6,416,475) |
| Deferred outflows of resources are not reported in the governmental funds: | |
| Loss on refunding | 60,029 |
| Pension related | 5,814,168 |
| OPEB related | 1,541,029 |
| Total deferred outflow of resources | 7,415,226 |
| Massachusetts School Building Authority assets (excluding capital assets) | 2,804 |
| Due to/from component units, net | 14,155 |
| 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 | (40,407,062) |
| Net OPEB liability | (12,342,168) |
| Commonwealth bonded debt | (34,183,840) |
| Unamortized bond premiums | (3,857,942) |
| Accrued interest | (474,643) |
| Massachusetts School Building Authority bonded debt | (5,521,739) |
| Prizes payable | (395,532) |
| Right-to-use lease and subscription liabilities | (890,134) |
| Environmental remediation liability | (280,110) |
| Claims and judgments | — |
| Employee benefits, including compensated absences, health insurance benefits and other compensation claims | (1,194,470) |
| Other | (94,608) |
| Long-term liabilities (including current portions) | (99,642,248) |
| Total net (deficit) - governmental activities | \$ (69,161,454) |

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, 2025
 (Amounts in thousands)

| | General | Lotteries | Massachusetts School Building Authority | Federal Grants | Other Governmental Funds | Total |
|--|----------------------|--------------------|---|-------------------|--------------------------------|----------------------|
| REVENUES | | | | | | |
| Taxes | \$ 39,542,503 | \$ 313 | \$ 1,276,666 | \$ — | \$ 4,066,788 | \$ 44,886,270 |
| Assessments | 421,179 | — | — | — | 2,157,837 | 2,579,016 |
| Federal grants and reimbursements | 16,213,767 | — | — | 6,997,102 | 3,107,738 | 26,318,607 |
| Departmental | 4,543,618 | 5,976,787 | — | — | 1,641,812 | 12,162,217 |
| Miscellaneous | 1,186,506 | 14,624 | 125,264 | 39 | 1,044,109 | 2,370,542 |
| Total revenues | 61,907,573 | 5,991,724 | 1,401,930 | 6,997,141 | 12,018,284 | 88,316,652 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Legislature | 96,781 | — | — | — | — | 96,781 |
| Judiciary | 1,355,011 | — | — | 4,304 | 3,721 | 1,363,036 |
| Office of Inspector General | 8,916 | — | — | — | 244 | 9,160 |
| Governor and Lieutenant Governor | 9,182 | — | — | — | 114 | 9,296 |
| Secretary of the Commonwealth | 83,126 | — | — | 883 | 10,425 | 94,434 |
| Treasurer and Receiver-General | 240,416 | 4,852,153 | 36,239 | 1,460 | 1,954,280 | 7,084,548 |
| State Auditor | 24,004 | — | — | — | — | 24,004 |
| Attorney General | 143,299 | — | — | 18,995 | 14,057 | 176,351 |
| State Ethics Commission | 3,828 | — | — | — | — | 3,828 |
| District Attorneys | 178,082 | — | — | 5,612 | 9,069 | 192,763 |
| Office of Campaign and Political Finance | 2,099 | — | — | 10 | — | 2,109 |
| Sheriff's | 882,887 | — | — | 5,264 | 22,903 | 911,054 |
| Disabled Persons Protection Commission | 12,688 | — | — | 1,320 | — | 14,008 |
| Commission on the Status of Women | 905 | — | — | — | 25 | 930 |
| Massachusetts Gaming Commission | — | — | — | — | 74,164 | 74,164 |
| Office of the Comptroller | 42,330 | — | — | — | 3,005 | 45,335 |
| Administration and Finance | 3,070,743 | — | — | 16,082 | 843,682 | 3,930,507 |
| Energy and Environmental Affairs | 583,911 | — | — | 77,126 | 389,039 | 1,050,076 |
| Developmental Disabilities Council | — | — | — | 751 | 105 | 856 |
| Health and Human Services | 9,974,190 | — | — | 3,569,803 | 1,002,427 | 14,546,420 |
| Technology Services and Security | 201,243 | — | — | — | 32,634 | 233,877 |
| Veterans' Services | 129,901 | — | — | 341 | 1,038 | 131,280 |
| Office of the Veteran Advocate | 1,684 | — | — | — | — | 1,684 |
| Housing and Livable Communities | 1,955,811 | — | — | 881,501 | 33,583 | 2,870,895 |
| Massachusetts Department of Transportation | 3,081 | — | — | 24 | 4,425,219 | 4,428,324 |
| Office of the Child Advocate | 5,374 | — | — | — | — | 5,374 |
| Commission Against Discrimination | 11,908 | — | — | — | — | 11,908 |
| Cannabis Control Commission | — | — | — | — | 19,932 | 19,932 |
| Board of Library Commissioners | 52,384 | — | — | 2,613 | — | 54,997 |
| Education | 5,182,587 | — | — | 1,667,517 | 1,279,766 | 8,129,870 |
| Center for Health and Information Analysis | 33,989 | — | — | 161 | 508 | 34,658 |
| Massachusetts School Building Assistance | — | — | 755,115 | — | — | 755,115 |
| Public Safety and Security | 1,675,374 | — | — | 436,891 | 181,051 | 2,293,316 |
| Massachusetts Peace Officer Standards and Training Commission | 7,985 | — | — | — | — | 7,985 |
| Commission on the Status of Persons with Disabilities | 145 | — | — | — | — | 145 |
| Economic Development | 227,068 | — | — | 12,376 | 117,351 | 356,795 |
| Labor and Workforce Development | 117,740 | — | — | 139,432 | 193,569 | 450,741 |
| Medicaid | 22,417,363 | — | — | — | 3,905,701 | 26,323,064 |
| Post employment benefits | 1,894,030 | — | 1,727 | — | — | 1,895,757 |
| Direct local aid | 7,765,259 | — | — | — | 500,573 | 8,265,832 |
| Capital outlay | 208,867 | — | — | — | 2,101,621 | 2,310,488 |
| Debt service/commercial paper repayments | — | — | 383,508 | — | 2,827,278 | 3,210,786 |
| Principal on current refundings | — | — | — | — | 676,072 | 676,072 |
| Total expenditures | 58,604,191 | 4,852,153 | 1,176,589 | 6,842,466 | 20,623,156 | 92,098,555 |
| Excess/(deficiency) of revenues over/(under) expenditures | 3,303,382 | 1,139,571 | 225,341 | 154,675 | (8,604,872) | (3,781,903) |
| OTHER FINANCING SOURCES | | | | | | |
| Bonds premium | — | — | — | — | 355,415 | 355,415 |
| Issuance of general and special obligation bonds | — | — | — | — | 3,330,955 | 3,330,955 |
| Issuance of current refunding bonds | — | — | — | — | 610,115 | 610,115 |
| Leases issued | 187,550 | — | 8,923 | — | — | 196,473 |
| SBITAs issued | 21,317 | — | 136 | — | — | 21,453 |
| Transfers in for debt service | — | — | — | — | 2,788,898 | 2,788,898 |
| Transfers in | 2,441,199 | — | — | 14,673 | 8,536,460 | 10,992,332 |
| Total other financing sources | 2,650,066 | — | 9,059 | 14,673 | 15,621,843 | 18,295,641 |
| OTHER FINANCING USES | | | | | | |
| Transfers out | 4,970,850 | 1,197,402 | — | 163,209 | 4,402,846 | 10,734,307 |
| Transfers of appropriations | 2,136,313 | — | — | — | 43,398 | 2,179,711 |
| Transfers of bond proceeds | — | — | — | — | 187,866 | 187,866 |
| Transfers out for debt service | 1,455,589 | — | — | — | 1,333,309 | 2,788,898 |
| Total other financing uses | 8,562,752 | 1,197,402 | — | 163,209 | 5,967,419 | 15,890,782 |
| Total other financing sources and (uses) | (5,912,686) | (1,197,402) | 9,059 | (148,536) | 9,654,424 | 2,404,859 |
| Net change in fund balances | (2,609,304) | (57,831) | 234,400 | 6,139 | 1,049,552 | (1,377,044) |
| Fund balances at beginning of year | 15,451,081 | 451,666 | 2,073,733 | 98,170 | 5,472,638 | 23,547,288 |
| Fund balances at end of year | \$ 12,841,777 | \$ 393,835 | \$ 2,308,133 | \$ 104,309 | \$ 6,522,190 | \$ 22,170,244 |

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

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds | \$ (1,377,044) |
|---|-----------------------|

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, net of reductions and dispositions | 607,081 |
|---|---------|

| | |
|--|-----------|
| Current year depreciation and amortization expense | (858,953) |
|--|-----------|

| | |
|--|-----------|
| 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 | (158,848) |
|--|-----------|

| | |
|--|-------------|
| 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 | (1,883,710) |
|--|-------------|

| | |
|---|--------|
| Change in right-to-use lease and subscription liabilities | 37,472 |
|---|--------|

| | |
|--|---------|
| Massachusetts School Building Authority (excluding lease related assets and liabilities) | 195,887 |
|--|---------|

| | |
|-------------------------|---------|
| Net pension costs | 828,082 |
|-------------------------|---------|

| | |
|----------------------|---------|
| Net OPEB costs | 806,498 |
|----------------------|---------|

| | |
|--|--------|
| 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 | 33,101 |
|--|--------|

| | |
|--|------------------------------|
| Change in net position of governmental activities | <u>\$ (1,770,434)</u> |
|--|------------------------------|

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



Proprietary Funds Financial Statements



Statement of Net Position
Proprietary Funds
June 30, 2025
(Amounts in thousands)

| | Unemployment Compensation Trust Fund | Family and Employment Security Trust Fund | University of Massachusetts | State Universities | Community Colleges (Nonmajor) | Total |
|---|--|--|--------------------------------|-----------------------|-------------------------------------|-------------------|
| ASSETS AND DEFERRED OUTFLOWS: | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 2,365,889 | \$ 1,803,146 | \$ 188,104 | \$ 469,036 | \$ 317,360 | \$ 5,143,535 |
| Restricted cash with fiscal agent | 271,576 | — | — | — | — | 271,576 |
| Short-term investments | — | — | 709,312 | 158,210 | 130,736 | 998,258 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Federal grants and reimbursements receivable | 1,143 | — | 27,812 | 2,376 | 11,330 | 42,661 |
| Loans receivable | — | — | 705 | 217 | 8,526 | 9,448 |
| Lease receivable | — | — | 18,283 | 40,585 | — | 58,868 |
| Other receivables | 431,848 | 387,898 | 303,278 | 27,283 | 67,851 | 1,218,158 |
| Due from affiliates | — | — | 10,219 | — | — | 10,219 |
| Due from component units | — | — | — | 358 | 14,633 | 14,991 |
| Other current assets | — | — | 41,080 | 4,151 | 7,894 | 53,125 |
| Total current assets | 3,070,456 | 2,191,044 | 1,298,793 | 702,216 | 558,330 | 7,820,839 |
| Noncurrent assets: | | | | | | |
| Cash and cash equivalents - restricted | — | — | 407,472 | 15,404 | 38 | 422,914 |
| Long-term investments | — | — | 1,837,954 | 252,866 | 211,375 | 2,302,195 |
| Restricted investments | — | — | — | 1,215 | — | 1,215 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Loans receivable | — | — | 12,312 | 689 | — | 13,001 |
| Lease receivable | — | — | 274,210 | 824,207 | — | 1,098,417 |
| Other receivables | — | — | 17,799 | — | — | 17,799 |
| Non-depreciable capital assets | — | — | 609,303 | 212,148 | 132,018 | 953,469 |
| Depreciable capital, right-to-use lease and subscription assets, net | — | — | 5,409,208 | 2,446,282 | 982,879 | 8,838,369 |
| Other noncurrent assets | — | — | 4,383 | 8,498 | — | 12,881 |
| Total noncurrent assets | — | — | 8,572,641 | 3,761,309 | 1,326,310 | 13,660,260 |
| Total assets | 3,070,456 | 2,191,044 | 9,871,434 | 4,463,525 | 1,884,640 | 21,481,099 |
| Deferred outflows of resources: | | | | | | |
| Derivatives - interest rate swaps | — | — | — | — | 249 | 249 |
| Pensions | — | — | 92,866 | 21,141 | 23,131 | 137,138 |
| OPEB | — | — | 164,583 | 21,872 | 27,714 | 214,169 |
| Loss on refunding | — | — | 86,032 | 6,454 | — | 92,486 |
| Other | — | — | 689 | 115 | — | 804 |
| Total deferred outflows of resources | — | — | 344,170 | 49,582 | 51,094 | 444,846 |
| Total assets and deferred outflows | 3,070,456 | 2,191,044 | 10,215,604 | 4,513,107 | 1,935,734 | 21,925,945 |
| LIABILITIES AND DEFERRED INFLOWS: | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other liabilities | 127,920 | 36,243 | 218,564 | 54,770 | 62,493 | 499,990 |
| Accrued payroll | — | 340 | 186,306 | 52,445 | 34,790 | 273,881 |
| Compensated absences | — | — | 138,424 | 43,353 | 40,879 | 222,656 |
| Accrued interest payable | 24,205 | — | 23,528 | 75 | 102 | 47,910 |
| Tax refunds and abatements payable | 187,171 | 20,227 | — | — | — | 207,398 |
| Unearned revenue | — | — | 131,367 | 28,647 | 24,858 | 184,872 |
| Student deposits | — | — | 16,209 | 15,963 | 27,747 | 59,919 |
| Due to component units | — | — | — | — | 333 | 333 |
| Overdraws of federal pandemic-related unemployment insurance benefits | 203,417 | — | — | — | — | 203,417 |
| Right-to-use lease and subscription liabilities | — | — | 22,971 | 52,987 | 13,118 | 89,076 |
| Due to federal government | — | — | — | — | — | — |
| Environmental remediation liability | — | — | — | — | — | — |
| Bonds, notes payable and other obligations | 325,640 | — | 197,753 | 61,914 | 4,059 | 589,366 |
| Total current liabilities | 868,353 | 56,810 | 935,122 | 310,154 | 208,379 | 2,378,818 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | — | — | 49,234 | 24,263 | 19,675 | 93,172 |
| Due to federal government | — | — | — | 1,203 | — | 1,203 |
| Overdraws of federal pandemic-related unemployment insurance benefits | 1,830,757 | — | — | — | — | 1,830,757 |
| Right-to-use lease and subscription liabilities | — | — | 168,222 | 854,092 | 32,785 | 1,055,099 |
| Bonds, notes payable and other obligations | 1,063,465 | — | 3,211,324 | 1,016,806 | 62,424 | 5,354,019 |
| Liability for derivative instruments | — | — | — | — | 249 | 249 |
| Net pension liability | — | — | 362,097 | 107,588 | 57,964 | 527,649 |
| Net OPEB liability | — | — | 408,128 | 117,043 | 65,332 | 590,503 |
| Other noncurrent liabilities | — | — | 154,222 | 10,853 | 6,662 | 171,737 |
| Total noncurrent liabilities | 2,894,222 | — | 4,353,227 | 2,131,848 | 245,091 | 9,624,388 |
| Total liabilities | 3,762,575 | 56,810 | 5,288,349 | 2,442,002 | 453,470 | 12,003,206 |

continued

Statement of Net Position
Proprietary Funds
June 30, 2025
(Amounts in thousands)

| | Unemployment Compensation Trust Fund | Family and Employment Security Trust Fund | University of Massachusetts | State Universities | Community Colleges (Nonmajor) | Total |
|---|--|--|--------------------------------|-----------------------|-------------------------------------|---------------------|
| Deferred inflows of resources: | | | | | | |
| Service concession arrangements | — | — | 239,358 | 19,748 | — | 259,106 |
| Pensions and OPEB | — | — | 482,085 | 153,156 | 77,033 | 712,274 |
| Gain on refunding | — | — | — | 44,477 | — | 44,477 |
| Leases | — | — | 193,210 | 678,816 | — | 872,026 |
| Other | — | — | 14,118 | — | 10,000 | 24,118 |
| Total deferred inflows of resources | — | — | 928,771 | 896,197 | 87,033 | 1,912,001 |
| Total liabilities and deferred inflows | 3,762,575 | 56,810 | 6,217,120 | 3,338,199 | 540,503 | 13,915,207 |
| NET POSITION: | | | | | | |
| Net investment in capital assets | — | — | 2,506,627 | 634,132 | 1,006,831 | 4,147,590 |
| Restricted for: | | | | | | |
| Debt service | 271,576 | — | — | — | — | 271,576 |
| Unemployment benefits | 388,905 | — | — | — | — | 388,905 |
| Family and employment benefits | — | 2,134,234 | — | — | — | 2,134,234 |
| Higher education endowment funds | — | — | 12,144 | 110 | 550 | 12,804 |
| Higher education academic support and programs | — | — | — | 2,988 | 5,239 | 8,227 |
| Higher education scholarships and fellowships: | | | | | | |
| Nonexpendable | — | — | — | 2,119 | — | 2,119 |
| Expendable | — | — | — | 4,480 | 1,428 | 5,908 |
| Higher education capital projects - expendable purposes | — | — | — | 24,249 | 1,585 | 25,834 |
| Higher education grants, gifts, and other | — | — | 290,814 | 28,327 | 12,370 | 331,511 |
| Unrestricted (deficits) * | (1,352,600) | — | 1,188,899 | 478,503 | 367,228 | 682,030 |
| Total net position | \$ (692,119) | \$ 2,134,234 | \$ 3,998,484 | \$ 1,174,908 | \$ 1,395,231 | \$ 8,010,738 |

The notes to the financial statements are an integral part of this statement.
* Unemployment Compensation Trust Fund Unrestricted deficit amount relates to the bond issuance.

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | Unemployment Compensation Trust Fund | Family and Employment Security Trust Fund | University of Massachusetts | State Universities | Community Colleges (Nonmajor) | Total |
|---|--|--|--------------------------------|-----------------------|-------------------------------------|---------------------|
| Operating revenues: | | | | | | |
| Unemployment compensation contribution | \$ 1,596,257 | \$ — | \$ — | \$ — | \$ — | \$ 1,596,257 |
| Unemployment special obligation bond assessment | 374,787 | — | — | — | — | 374,787 |
| Family and employment security contribution | — | 1,352,212 | — | — | — | 1,352,212 |
| Net tuition and fees | — | — | 1,044,796 | 333,022 | 154,917 | 1,532,735 |
| Grants and reimbursements | — | — | 856,066 | 204,532 | 448,412 | 1,509,010 |
| Auxiliary enterprises | — | — | 486,257 | 155,767 | 5,476 | 647,500 |
| Sales & services | — | — | 600,102 | 125,793 | 1,128 | 727,023 |
| Miscellaneous | 32,577 | 99 | 145,909 | 10,313 | 15,234 | 204,132 |
| Total operating revenues | 2,003,621 | 1,352,311 | 3,133,130 | 829,427 | 625,167 | 7,943,656 |
| Operating expenses: | | | | | | |
| Unemployment compensation | 2,090,124 | — | — | — | — | 2,090,124 |
| Family and employment security | — | 1,235,006 | — | — | — | 1,235,006 |
| Instruction | — | — | 1,100,617 | 352,258 | 389,355 | 1,842,230 |
| Research | — | — | 673,289 | 109 | 8 | 673,406 |
| Academic support | — | — | 261,282 | 130,359 | 130,691 | 522,332 |
| Student services | — | — | 253,837 | 142,553 | 186,175 | 582,565 |
| Scholarships and fellowships | — | — | 33,704 | 69,434 | 98,776 | 201,914 |
| Public service | — | — | 90,206 | 7,164 | 9,186 | 106,556 |
| Operation and maintenance of plant | — | — | 294,961 | 116,712 | 76,956 | 488,629 |
| Institutional support | — | — | 381,229 | 140,688 | 173,309 | 695,226 |
| Other operating expenses | — | 59,914 | 452,399 | 569 | 45 | 512,927 |
| Depreciation | — | — | 351,047 | 110,879 | 61,124 | 523,050 |
| Amortization | — | — | 30,905 | 63,929 | 16,064 | 110,898 |
| Auxiliary operations | — | — | 375,960 | 123,374 | 3,407 | 502,741 |
| Total operating expenses | 2,090,124 | 1,294,920 | 4,299,436 | 1,258,028 | 1,145,096 | 10,087,604 |
| Operating income/(loss) | (86,503) | 57,391 | (1,166,306) | (428,601) | (519,929) | (2,143,948) |
| Nonoperating revenues/(expenses): | | | | | | |
| Other federal revenues | 7,214 | — | 121,209 | 9,156 | 379 | 137,958 |
| Other revenues | — | — | 347,716 | 102,202 | 78,434 | 528,352 |
| Other expenses | (1) | — | (42,837) | (74) | (749) | (43,661) |
| Investment earnings | 76,676 | 76,959 | 289,591 | 49,349 | 33,580 | 526,155 |
| Interest expense | (55,731) | — | (135,963) | (79,244) | (4,496) | (275,434) |
| Total nonoperating revenues/(expenses) | 28,158 | 76,959 | 579,716 | 81,389 | 107,148 | 873,370 |
| Income/(loss) before capital contributions and transfers | (58,345) | 134,350 | (586,590) | (347,212) | (412,781) | (1,270,578) |
| Capital contributions | — | — | 15,375 | 3,515 | 25 | 18,915 |
| Transfers, net | — | (5,941) | 1,048,336 | 507,025 | 560,132 | 2,109,552 |
| Total capital contributions and transfers | — | (5,941) | 1,063,711 | 510,540 | 560,157 | 2,128,467 |
| Change in net position | (58,345) | 128,409 | 477,121 | 163,328 | 147,376 | 857,889 |
| Net position/(deficits) - beginning, as previously reported | (633,774) | 2,005,825 | 3,551,835 | 1,011,580 | 1,247,855 | 7,183,321 |
| Prior period restatements - Note 1T | — | — | (30,472) | — | — | (30,472) |
| Net position (deficits) - beginning, as restated | (633,774) | 2,005,825 | 3,521,363 | 1,011,580 | 1,247,855 | 7,152,849 |
| Net position - ending | \$ (692,119) | \$ 2,134,234 | \$ 3,998,484 | \$ 1,174,908 | \$ 1,395,231 | \$ 8,010,738 |

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

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

| | Unemployment Compensation Trust Fund | Family and Employment Security Trust Fund | University of Massachusetts | State Universities | Community Colleges (Nonmajor) | Total |
|---|--|--|--------------------------------|-----------------------|-------------------------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Collection of unemployment contributions | \$ 1,543,557 | \$ — | \$ — | \$ — | \$ — | \$ 1,543,557 |
| Collection of unemployment obligation assessment | 398,585 | — | — | — | — | 398,585 |
| Collection of family and employment security contributions | — | 1,348,718 | — | — | — | 1,348,718 |
| Tuition, residence, dining and other student fees | — | — | 995,480 | 348,841 | 139,440 | 1,483,761 |
| Research grants and contracts | — | — | 856,665 | 203,553 | 454,726 | 1,514,944 |
| Payments to suppliers | — | (49,502) | (1,229,618) | (291,039) | (217,087) | (1,787,246) |
| Payments to employees | — | (7,471) | (2,627,474) | (615,150) | (611,878) | (3,861,973) |
| Payments to students | — | — | (33,961) | (54,681) | (97,969) | (186,611) |
| Payments for unemployment benefits | (2,110,727) | — | — | — | — | (2,110,727) |
| Payments for family and employment security benefits | — | (1,242,747) | — | — | — | (1,242,747) |
| Collection of loans to students and employees | — | — | (1,371) | 332 | — | (1,039) |
| Income from contract services | — | — | 607,355 | 89,494 | 1,262 | 698,111 |
| Maintenance costs | — | — | — | (2,105) | — | (2,105) |
| Auxiliary enterprise charges | — | — | 488,293 | 107,552 | 536 | 596,381 |
| Other receipts/(payments) | 24,673 | 43 | 486,732 | (69,029) | (117,787) | 324,632 |
| Net cash provided by/(used in) operating activities | (143,912) | 49,041 | (457,899) | (282,232) | (448,757) | (1,283,759) |
| CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES | | | | | | |
| Grants and contracts | 7,214 | — | 170,295 | 9,113 | 1,925 | 188,547 |
| Bond trustee costs | (1) | — | — | — | — | (1) |
| Principal paid on bond payable | (441,420) | — | — | — | — | (441,420) |
| Interest paid on bond payable | (63,606) | — | — | — | — | (63,606) |
| Transfers in | — | — | 1,210,041 | 554,338 | 603,198 | 2,367,577 |
| Transfers out | — | (5,941) | (161,705) | (47,313) | (43,066) | (258,025) |
| Assignment of Perkins loans | — | — | — | (76) | — | (76) |
| Net cash provided by/(used in) non-capital financing activities | (497,813) | (5,941) | 1,218,631 | 516,062 | 562,057 | 1,792,996 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Purchases of capital assets | — | — | (465,256) | (65,752) | (46,213) | (577,221) |
| Proceeds/(loss) from sales of capital assets | — | — | (71) | — | — | (71) |
| Other capital asset activity | — | — | 34,663 | 7,920 | — | 42,583 |
| Advance payment related to service concession arrangement | — | — | — | 511 | — | 511 |
| Principal paid on capital debt and leases | — | — | (140,978) | (103,240) | (19,285) | (263,503) |
| Interest paid on capital debt and leases | — | — | (156,136) | (84,081) | (4,570) | (244,787) |
| Net cash provided by/(used in) capital financing activities | — | — | (727,778) | (244,642) | (70,068) | (1,042,488) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Proceeds from sales and maturities of investments | — | — | 3,371,690 | 211,042 | 126,995 | 3,709,727 |
| Purchases of investments | — | — | (3,517,462) | (217,077) | (164,850) | (3,899,389) |
| Investment earnings | 76,676 | 76,959 | 96,505 | 28,997 | 12,747 | 291,884 |
| Net cash provided by/(used in) investing activities | 76,676 | 76,959 | (49,267) | 22,962 | (25,108) | 102,222 |
| Net increase/(decrease) in cash and cash equivalents | (565,049) | 120,059 | (16,313) | 12,150 | 18,124 | (431,029) |
| Cash and cash equivalents, restricted cash and cash equivalents at the beginning of the fiscal year | 3,202,514 | 1,683,087 | 611,889 | 472,290 | 299,274 | 6,269,054 |
| Cash and cash equivalents, restricted cash and cash equivalents at the end of the fiscal year | \$ 2,637,465 | \$ 1,803,146 | \$ 595,576 | \$ 484,440 | \$ 317,398 | \$ 5,838,025 |
| Reconciliation of net operating revenues and expenses to cash used by operating activities: | | | | | | |
| Operating income/(loss) | \$ (86,503) | \$ 57,391 | \$ (1,166,306) | \$ (428,601) | \$ (519,929) | \$ (2,143,948) |
| Adjustments to reconcile operating income/(loss) to net cash provided by/(used in) operating activities: | | | | | | |
| Depreciation expense | — | — | 351,047 | 110,879 | 61,124 | 523,050 |
| Amortization expense | — | — | 30,905 | 63,929 | 16,064 | 110,898 |
| Miscellaneous income/(expense) | — | — | 281,128 | (78,646) | (136,152) | 66,330 |
| Deferred inflows | — | — | (11,050) | (79,309) | 3,966 | (86,393) |
| Deferred outflows | — | — | 36,381 | 3,840 | — | 40,221 |
| Fringe benefits paid by the Commonwealth | — | — | — | 147,510 | 166,149 | 313,659 |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable, prepaids and other assets | (20,320) | 3,980 | 100,976 | 4,403 | (24,666) | 64,373 |
| Accounts payable, accruals, benefits and other current liabilities | (37,089) | (12,330) | 46,563 | 5,885 | 8,208 | 11,237 |
| Student deposits, unearned and deferred revenues | — | — | (13,401) | 4,697 | 12,041 | 3,337 |
| Pension, OPEB and other non current liabilities | — | — | (114,142) | (36,819) | (35,562) | (186,523) |
| Net cash provided by/(used in) operating activities | \$ (143,912) | \$ 49,041 | \$ (457,899) | \$ (282,232) | \$ (448,757) | \$ (1,283,759) |

continued

Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

| | Unemployment Compensation Trust Fund | Family and Employment Security Trust Fund | University of Massachusetts | State Universities | Community Colleges (Nonmajor) | Total |
|--|--|--|--------------------------------|-----------------------|-------------------------------------|-------------------|
| Non-cash investing, capital and financing, and non-capital financing activities: | | | | | | |
| Acquisition of capital assets through leases and SBITAs | \$ — | \$ — | \$ 25,614 | \$ 14,128 | \$ 12,848 | \$ 52,590 |
| Acquisition of capital assets | — | — | — | 24,472 | — | 24,472 |
| Amortization of bond premium/discount | — | — | — | 465 | 66 | 531 |
| Amortization of deferred bond refunding gain/loss | — | — | — | (139) | — | (139) |
| Amortization of deferred inflows for P3s and SCAs | — | — | — | 50 | — | 50 |
| Capital assets acquired and included in accounts payable | — | — | 36,018 | 4,481 | 255 | 40,754 |
| Capital assets acquired through P3s and SCAs | — | — | — | 1,575 | — | 1,575 |
| Capital assets acquired through state capital appropriations | — | — | — | 30,195 | 49,044 | 79,239 |
| Disposal of capital assets gain/(loss) | — | — | (22,127) | (57) | (575) | (22,759) |
| Donated or gifted assets | — | — | 71 | — | 25 | 96 |
| Fringe benefits provided by state appropriations | — | — | — | 147,510 | 166,149 | 313,659 |
| Increases/decreases in deferred inflows for bond refunding | — | — | — | (151) | — | (151) |
| Increases/decreases in deferred inflows for leases, P3s and SCAs | — | — | — | 548 | — | 548 |
| Increases/decreases in deferred outflows for bond refunding | — | — | — | 196 | — | 196 |
| Increases/decreases in deferred revenues | — | — | — | 1,209 | — | 1,209 |
| Increases/decreases in lease liability | — | — | — | 239 | (1,808) | (1,569) |
| Unrealized gain/(loss) on investments | — | — | — | 6,783 | 18,166 | 24,949 |
| Total Non-cash investing, capital and financing, and non-capital financing activities | \$ — | \$ — | \$ 39,576 | \$ 231,504 | \$ 244,170 | \$ 515,250 |

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

Fiduciary Funds Financial Statements



Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2025

(Amounts in thousands)

| | Pension (and Other Employee Benefit) Trust Funds | Investment Trust Funds | Private-Purpose Trust Funds | Custodial Funds |
|---|---|---------------------------|--------------------------------|---------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 282,214 | \$ 8,291,670 | \$ 1,215 | \$ 703,320 |
| Short-term investments | — | 18,846 | — | — |
| Net investment in PRIT at fair value | 87,545,412 | 27,903,612 | — | — |
| Investments, restricted investments | — | — | — | 488,430 |
| Receivables, net of allowance for uncollectibles: | | | | |
| Taxes | — | — | — | 41,249 |
| Other receivables | 251,976 | 18,413 | — | 135,461 |
| Due from federal government | — | — | — | 1,605 |
| Other assets | 546 | — | — | — |
| Total assets | 88,080,148 | 36,232,541 | 1,215 | 1,370,065 |
| LIABILITIES | | | | |
| Accounts payable and other accrued liabilities | 65,468 | 58,409 | — | 8,490 |
| Due to cities and towns | — | — | — | 136,818 |
| Due to federal government | — | — | — | 9 |
| Other liabilities | — | — | — | 6,621 |
| Total liabilities | 65,468 | 58,409 | — | 151,938 |
| FIDUCIARY NET POSITION | | | | |
| Restricted for: | | | | |
| Employees' pension | 85,207,678 | — | — | — |
| Employees' post-employment benefits | 2,807,002 | — | — | — |
| External investment trust fund participants | — | 36,174,132 | — | — |
| Individuals, organizations, and other governments | — | — | 1,215 | 1,218,127 |
| Total fiduciary net position | \$ 88,014,680 | \$ 36,174,132 | \$ 1,215 | \$ 1,218,127 |

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | Pension (and Other Employee Benefit) Trust Funds | Investment Trust Funds | Private-Purpose Trust Funds | Custodial Funds |
|---|---|---------------------------|--------------------------------|---------------------|
| ADDITIONS | | | | |
| Contributions: | | | | |
| Employer contributions - Commonwealth | \$ 2,202,285 | \$ — | \$ — | \$ — |
| Non-employer contributions - Commonwealth | 2,641,366 | — | — | — |
| Employer contributions - other employers | 14,107 | — | — | — |
| Employee contributions | 1,896,602 | — | — | — |
| Boston teachers' contribution from Commonwealth | 261,107 | — | — | — |
| Proceeds from sale of units | — | 25,652,606 | — | — |
| Sales tax collections for other governments | — | — | — | 719,251 |
| Child support collections | — | — | — | 612,423 |
| Local school aid collections | — | — | — | 1,110,752 |
| Municipal health insurance deposit collections | — | — | — | 725,399 |
| Court escrow account collections | — | — | — | 117,601 |
| Other additions | 253,992 | 2,088,729 | — | 517,367 |
| Total contributions | 7,269,459 | 27,741,335 | — | 3,802,793 |
| Net investment gain/(loss): | | | | |
| Investment gain/(loss) | 8,112,626 | 3,228,805 | 27 | 13,111 |
| Less: investment expense | (387,501) | (398,581) | — | — |
| Net investment gain/(loss) | 7,725,125 | 2,830,224 | 27 | 13,111 |
| Total additions | 14,994,584 | 30,571,559 | 27 | 3,815,904 |
| DEDUCTIONS | | | | |
| Administration | 40,823 | — | — | — |
| Retirement benefits and refunds | 7,437,660 | 1,487,231 | — | — |
| Payments to State Boston Retirement System | 261,107 | — | — | — |
| Cost of units redeemed | — | 25,541,305 | — | — |
| Distribution to unit holders | — | 374,212 | — | — |
| Sales tax payments to other governments | — | — | — | 719,251 |
| Child support payments to individuals | — | — | — | 616,325 |
| Local school aid payments | — | — | — | 1,110,752 |
| Municipal health insurance deposit payments | — | — | — | 926,752 |
| Court escrow account payments | — | — | — | 122,663 |
| Other deductions | 90,355 | — | 1 | 505,613 |
| Total deductions | 7,829,945 | 27,402,748 | 1 | 4,001,356 |
| Change in net position | 7,164,639 | 3,168,811 | 26 | (185,452) |
| Net position - beginning | 80,850,041 | 33,005,321 | 1,189 | 1,403,579 |
| Net position - ending | \$ 88,014,680 | \$ 36,174,132 | \$ 1,215 | \$ 1,218,127 |

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



Discretely Presented Component Units Financial Statements



Statement of Net Position
Discretely Presented Component Units
June 30, 2025
(Amounts in thousands)

| | Massachusetts Department of Transportation | Massachusetts Bay Transportation Authority | Commonwealth Health Insurance Connector | Massachusetts Clean Water Trust | Nonmajor Component Units | Total |
|--|--|--|---|---------------------------------------|--------------------------------|----------------------|
| ASSETS AND DEFERRED OUTFLOWS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 410,554 | \$ 692,199 | \$ 160,848 | \$ 1,516,069 | \$ 251,177 | \$ 3,030,847 |
| Short-term investments | — | — | — | 157,680 | 248,151 | 405,831 |
| Restricted cash and investments | 1,617,244 | 194,068 | — | — | 1,164,738 | 2,976,050 |
| Assets held in trust | — | — | — | 148,143 | 64,895 | 213,038 |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Federal grants and reimbursement receivable | 41,317 | 119,710 | — | 346,740 | 12,021 | 519,788 |
| Loans | — | — | — | 666,388 | 79,339 | 745,727 |
| Lease receivables | 34,859 | 4,731 | — | — | 12,272 | 51,862 |
| Other receivables | 293,211 | 126,301 | 12,656 | 36,550 | 66,466 | 535,184 |
| Due from primary government | 1,172,191 | 140,296 | 23,218 | — | 133,494 | 1,469,199 |
| Inventory | — | 101,506 | — | — | 228 | 101,734 |
| Other current assets | 13,208 | 21,535 | 829 | — | 22,319 | 57,891 |
| Total current assets | 3,582,584 | 1,400,346 | 197,551 | 2,871,570 | 2,055,100 | 10,107,151 |
| Noncurrent assets: | | | | | | |
| Cash and cash equivalents - restricted | 57,040 | 610,830 | — | — | 102,075 | 769,945 |
| Long-term investments | — | — | — | 148,932 | 1,852,322 | 2,001,254 |
| Restricted investments and annuity contracts | — | — | — | — | 57,935 | 57,935 |
| Lease receivables | 362,342 | 154,769 | — | — | 61,938 | 579,049 |
| Other receivables, net | 26,189 | — | — | — | 26,117 | 52,306 |
| Loans receivables, net | — | — | — | 3,863,555 | 668,675 | 4,532,230 |
| Due from primary government | 2,816 | — | — | — | 4,632 | 7,448 |
| Non-depreciable capital assets | 14,663,501 | 5,579,317 | — | — | 320,072 | 20,562,890 |
| Depreciable capital and right-to-use assets, net | 13,689,553 | 12,455,975 | 13,449 | — | 823,158 | 26,982,135 |
| Other noncurrent assets | 1,263 | — | — | 4,409 | 14,961 | 20,633 |
| Total noncurrent assets | 28,802,704 | 18,800,891 | 13,449 | 4,016,896 | 3,931,885 | 55,565,825 |
| Total assets | 32,385,288 | 20,201,237 | 211,000 | 6,888,466 | 5,986,985 | 65,672,976 |
| Deferred outflows of resources: | | | | | | |
| Change in fair value of interest rate swaps | — | 1,160 | — | — | 11,801 | 12,961 |
| Loss on refunding | 43,390 | 79,259 | — | 2,656 | — | 125,305 |
| Pension | 199,501 | 337,575 | — | — | 7,367 | 544,443 |
| OPEB | 201,066 | 436,902 | 2,893 | — | 3,533 | 644,394 |
| Total deferred outflows of resources | 443,957 | 854,896 | 2,893 | 2,656 | 22,701 | 1,327,103 |
| Total assets and deferred outflows | 32,829,245 | 21,056,133 | 213,893 | 6,891,122 | 6,009,686 | 67,000,079 |
| LIABILITIES AND DEFERRED INFLOWS | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable and other liabilities | 798,310 | 799,187 | 42,674 | 144,525 | 175,480 | 1,960,176 |
| Accrued payroll | — | 45,770 | 405 | — | 3,943 | 50,118 |
| Compensated absences | 44,673 | 77,115 | 1,393 | — | 5,579 | 128,760 |
| Accrued interest payable | 31,485 | 113,297 | — | 50,935 | 1,820 | 197,537 |
| Due to primary government | — | — | — | — | 16,641 | 16,641 |
| Unearned revenue | 220,823 | — | 78,517 | 109,945 | 359,467 | 768,752 |
| Right-to use lease, public-private partnership, and subscription liabilities | 12,968 | 13,204 | 686 | — | 7,931 | 34,789 |
| Bonds, notes payable and other obligations | 176,336 | 609,852 | — | 164,885 | 44,441 | 995,514 |
| Total current liabilities | 1,284,595 | 1,658,425 | 123,675 | 470,290 | 615,302 | 4,152,287 |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 27,326 | 96,068 | — | — | 2,155 | 125,549 |
| Accrued interest payable | 92,865 | — | — | — | — | 92,865 |
| Due to primary government | — | — | — | — | 21,603 | 21,603 |
| Unearned revenue | 12,078 | 395,889 | — | — | 1,415 | 409,382 |
| Right-to use lease, public-private partnership, and subscription liabilities | 39,297 | 131,218 | 314 | — | 47,525 | 218,354 |
| Bonds, notes payable and other obligations | 1,429,247 | 5,770,766 | — | 2,470,333 | 614,158 | 10,284,504 |
| Net pension liability | 815,927 | 1,780,486 | — | — | 43,526 | 2,639,939 |
| Net OPEB liability | 832,160 | 2,340,857 | 12,034 | — | — | 3,185,051 |
| Liability for derivative instruments | 5,902 | 1,160 | — | — | — | 7,062 |
| Other noncurrent liabilities | 51,443 | 93,730 | — | — | 226,079 | 371,252 |
| Total noncurrent liabilities | 3,306,245 | 10,610,174 | 12,348 | 2,470,333 | 956,461 | 17,355,561 |
| Total liabilities | 4,590,840 | 12,268,599 | 136,023 | 2,940,623 | 1,571,763 | 21,507,848 |
| Deferred inflows of resources: | | | | | | |
| Gain on refundings | — | — | — | 14,900 | — | 14,900 |
| Service concession arrangements | — | — | — | — | 343 | 343 |
| Pension | 33,720 | 20,394 | — | — | 2,734 | 56,848 |
| OPEB | 241,400 | 410,083 | 6,775 | — | 4,974 | 663,232 |
| Leases | 370,285 | 188,364 | — | — | 66,195 | 624,844 |
| Other | 20,413 | — | — | — | — | 20,413 |
| Total deferred inflows of resources | 665,818 | 618,841 | 6,775 | 14,900 | 74,246 | 1,380,580 |
| Total liabilities and deferred inflows | 5,256,658 | 12,887,440 | 142,798 | 2,955,523 | 1,646,009 | 22,888,428 |
| NET POSITION | | | | | | |
| Net investment/(deficit) in capital assets | 26,739,664 | 11,934,704 | 12,449 | — | 1,014,755 | 39,701,572 |
| Restricted for: | | | | | | |
| Other purposes | 2,069,124 | 110,955 | — | 3,007,274 | 2,680,240 | 7,867,593 |
| Unrestricted | (1,236,201) | (3,876,966) | 58,646 | 928,325 | 668,682 | (3,457,514) |
| Total net position | \$ 27,572,587 | \$ 8,168,693 | \$ 71,095 | \$ 3,935,599 | \$ 4,363,677 | \$ 44,111,651 |

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, 2025

(Amounts in thousands)

| | Massachusetts Department of Transportation | Massachusetts Bay Transportation Authority | Commonwealth Health Insurance Connector | Massachusetts Clean Water Trust | Nonmajor Component Units | Total |
|--|--|---|---|---------------------------------------|--------------------------------|----------------------|
| Operating revenues: | | | | | | |
| Charges for services | \$ 1,101,405 | \$ 440,688 | \$ 1,237,455 | \$ 5,846 | \$ 368,057 | \$ 3,153,451 |
| Other | — | 101,496 | — | 229,483 | 391,648 | 722,627 |
| Total operating revenues | 1,101,405 | 542,184 | 1,237,455 | 235,329 | 759,705 | 3,876,078 |
| Operating expenses: | | | | | | |
| Cost of services | 3,532,013 | 1,209,265 | 1,170,509 | 262,027 | 539,579 | 6,713,393 |
| Administration costs | — | 1,414,789 | 97,972 | 4,826 | 178,123 | 1,695,710 |
| Depreciation & Amortization | 896,520 | 913,229 | 5,614 | — | 68,012 | 1,883,375 |
| Total operating expenses | 4,428,533 | 3,537,283 | 1,274,095 | 266,853 | 785,714 | 10,292,478 |
| Operating income/(loss) | (3,327,128) | (2,995,099) | (36,640) | (31,524) | (26,009) | (6,416,400) |
| Nonoperating revenues/(expenses): | | | | | | |
| Net decrease in fair value of investments | — | — | — | — | 1,976 | 1,976 |
| Operating grants | 2,271,439 | 193,094 | 45,000 | — | 117,959 | 2,627,492 |
| Interest income | 12,475 | 80,680 | 3,097 | — | 284,924 | 381,176 |
| Other nonoperating revenue/(expense) | — | 1,950,844 | 2,038 | — | 21,550 | 1,974,432 |
| Nonoperating revenues/(expenses), net | 2,283,914 | 2,224,618 | 50,135 | — | 426,409 | 4,985,076 |
| Income/(loss) before contributions | (1,043,214) | (770,481) | 13,495 | (31,524) | 400,400 | (1,431,324) |
| Capital contributions | 2,542,793 | 1,006,507 | — | 274,662 | 94,724 | 3,918,686 |
| Change in net position | 1,499,579 | 236,026 | 13,495 | 243,138 | 495,124 | 2,487,362 |
| Net position - beginning, as previously reported | 26,073,130 | 8,057,454 | 57,600 | 3,692,461 | 3,868,553 | 41,749,198 |
| Prior period restatements - Note 1T | (122) | (124,787) | — | — | — | (124,909) |
| Net position - beginning, as restated | \$ 26,073,008 | \$ 7,932,667 | \$ 57,600 | \$ 3,692,461 | \$ 3,868,553 | \$ 41,624,289 |
| Net position - ending | \$ 27,572,587 | \$ 8,168,693 | \$ 71,095 | \$ 3,935,599 | \$ 4,363,677 | \$ 44,111,651 |

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 40 entities as component units in the reporting entity because of the significance of their operational and/or financial relationships with the Commonwealth. Additional information related to the component units 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. Because 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, and the MSBA's bonded debt is secured by these sales tax revenues, it is financially dependent on the Commonwealth and therefore classified as a blended component unit. 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, funded mainly by annual appropriations paid from general tax revenues of the primary government, and is thus classified and 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 \$27.904 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 holds most of the Commonwealth's cash balances, making it a blended component unit. It also holds balances of the Commonwealth's political subdivisions. The various local governments and other political subdivisions share of net position is approximately \$8.271 billion at June 30, 2025, 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 14 community colleges (exclude Roxbury Community College) located throughout the Commonwealth and the Massachusetts State College Building Authority. The 22 foundations of the state universities and community colleges are component units of each of their respective parent institutions, and thus component units of the Commonwealth.

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 discretely presented major component units are as follows:

Major component units:

The Massachusetts Department of Transportation (MassDOT) incorporates the former Massachusetts Turnpike Authority 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. MassDOT operating budget is funded in large part by Commonwealth appropriations and its entire non-federally fund capital budget is financed by bonds issued by the primary government, it is classified as a component unit.

The Massachusetts Bay Transportation Authority (MBTA) finances and operates mass transportation facilities within, and, to a limited extent, outside of its territorial area within the Greater Boston Area of 176 cities and towns and is authorized to enter into agreements for providing mass transportation service by private companies, including railroads. Effective July 29, 2021, the Authority is a component unit of the Commonwealth of Massachusetts. Previously, the Authority was a component unit of MassDOT. Because the members of the MBTA's board are appointed by the governor, and is financially dependent on the primary government due to the annual transfer of a portion of the state's sales, it is classified as a component unit.

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 Health 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. Due to the fact that the entire board is appointed by the primary government and the Connector is legally accountable to the that government, the Connector is classified as a component unit.

Non-major component units:

Massachusetts Convention Center Authority was established for the purpose of managing the Commonwealth's convention centers primarily for the convention, trade show and meetings industry.

Massachusetts Development Finance Agency was established to stimulate economic growth, increase employment, eradicate blight, promote prosperity and help build communities throughout the Commonwealth of Massachusetts.

Massachusetts Clean Energy Center was created to accelerate clean energy and climate solution innovation that is critical to meeting the Commonwealth's climate goals, advancing Massachusetts' position as an international climate leader while growing the state's clean energy economy.

Massachusetts Technology Park Corporation was created to advance the growth and development of technology sector of the Commonwealth's innovation economy.

Massachusetts Housing Partnership is a public nonprofit organization, funded in part by Massachusetts banks, that works in concert with the governor, legislature, and civic leaders to increase housing production, expand access to affordable housing and promote housing equity in communities across the Commonwealth.

Economic Development Entities were set up to support community development needs of community-based nonprofit organizations by offering flexible capital financing, technical support, and training in the areas of affordable housing development and early education; strengths the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education and workforce organization.

Higher Education Foundations was created to solicit, receive and administer financial assistance to promote the growth, and general welfare of the the educations programs of the colleges and universities.

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. Because these entities hold funds on behalf of or almost entirely contributed by the Commonwealth, they are closely connected to the Commonwealth and their exclusion would cause the Commonwealth's financial statements to be incomplete.; thus they are classified as component units. 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 Massachusetts Teachers' Retirement Board (MTRB), which consists of seven members—two elected by the MTRS members, one who is chosen by the six other MTRB members, the State Treasurer (or their designee), the State Auditor (or their designee), a member appointed by the Governor, and the Commissioner of Education (or their designee), who serves as ex-officio and is the Chairman of the MTRB.

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. Because the SRBT is financially dependent on the Commonwealth and its board of trustees is composed of members appointed by the primary government, it is classified as a component unit.

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 cathy.hunter@mass.gov 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, reduced by outstanding balances of bonds, mortgages, notes or other borrowings that are attributable 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, fiduciary funds, and discretely presented component units. 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 parties 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 Funds, Fiduciary Funds and component units – 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:

Lotteries 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.

Federal Grants Fund is a special revenue fund to account for federal grants that are designated for specific programs, excluding federal highway construction grants, which are accounted for in the Federal Highway Construction Capital Projects Fund, and federal reimbursement programs, such as Medicaid, which are accounted for in the General Fund.

Proprietary Fund Types:

The proprietary funds include the following major funds:

Unemployment Compensation Trust 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.

University of Massachusetts and State Universities reports operating activities consist of tuition and fees, grants and contracts, sales and services, auxiliary enterprise and other operating revenues which provides student financial assistance/scholarships and operation of the universities.

Fiduciary Fund Types:

Pension and Other Employee Benefit (OPEB) Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the Commonwealth's pension 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 pension and OPEB benefit trust funds may be found in [Notes 9 and 10](#) to the basic financial statements on [pages 110-128](#).

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, 2025, there were nonspendable fund balances related to Lottery annuities.

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 FY25 governmental fund balances are shown below (amounts in thousands);

| | Nonspendable Purposes | Restricted Purposes | Committed Purposes | Assigned Purposes | Unassigned Purposes | Totals |
|---|--------------------------|------------------------|-----------------------|----------------------|------------------------|----------------------|
| General Fund | | | | | | |
| General Government | \$ — | \$ — | \$ — | \$ — | \$ 2,835,622 | \$ 2,835,622 |
| Stabilization Fund | | | 8,110,684 | | | 8,110,684 |
| FY25 Authorizations Reappropriated for FY26 | | | | 929,101 | | 929,101 |
| Transitional Escrow Fund (Includes Authorizations Reappropriated in FY25) | | | | 496,418 | 469,952 | 966,370 |
| Subtotals, General Fund | — | — | 8,110,684 | 1,425,519 | 3,305,574 | 12,841,777 |
| Lottery Funds | | | | | | |
| Investments, Restricted Investments, Annuity Contracts and Lottery Operations | 393,199 | — | — | 636 | — | 393,835 |
| Massachusetts School Building Authority (MSBA) | | | | | | |
| Debt Service | — | 662,584 | — | — | — | 662,584 |
| Grants to Cities, Towns and Local School Districts | — | — | — | 1,645,549 | — | 1,645,549 |
| Subtotals, MSBA | — | 662,584 | — | 1,645,549 | — | 2,308,133 |
| Federal Grants | | | | | | |
| Restricted by Federal Grantors | — | 104,309 | — | — | — | 104,309 |
| Other Governmental Funds | | | | | | |
| Environmental | — | — | 24,502 | — | — | 24,502 |
| Regional Greenhouse Gas Auction and Mitigation | — | — | 191,486 | — | — | 191,486 |
| Dam and Seawall Repair | — | — | 23,681 | — | — | 23,681 |
| Public Safety - Enhanced 911 Services | — | — | 301,695 | — | — | 301,695 |
| Public Safety - Other | — | — | 42,799 | — | — | 42,799 |
| Health Care | — | — | 980,009 | — | — | 980,009 |
| Vaccine Purchase | — | — | 128,270 | — | — | 128,270 |
| Opioid Recovery and Remediation | — | — | 169,041 | — | — | 169,041 |
| Marijuana Regulation | — | — | 6,234 | 3,902 | — | 10,136 |
| Workforce Training | — | — | 36,395 | — | — | 36,395 |
| Department of Industrial Accidents | — | — | 7,838 | — | — | 7,838 |
| Convention Centers | — | 8,393 | 679,043 | — | — | 687,436 |
| General Government Capital Projects Fund | — | — | — | — | (907,305) | (907,305) |
| Highway Capital Projects Fund | — | — | — | — | (872,860) | (872,860) |
| General Government Debt Service | — | 5,655 | — | — | — | 5,655 |
| Transportation (GANS*/Commonwealth Transportation Fund) | — | 19,735 | 78,038 | — | — | 97,773 |
| Gaming -- Community Mitigation | — | — | 52,663 | — | — | 52,663 |
| Race Horse Development | — | — | 25,755 | — | — | 25,755 |
| Housing Preservation | — | — | 101,627 | — | — | 101,627 |
| Expendable Trusts | — | 178,382 | 702,552 | 177,286 | 7,596 | 1,065,816 |
| Student Opportunity Act Investment Fund | — | — | 767,877 | — | — | 767,877 |
| Behavioral Health Funds | — | — | 90,543 | 81,851 | (142) | 172,252 |
| 4% Surtax - Education and Transportation Fund | — | 126,857 | — | 159,676 | — | 286,533 |
| 4% Surtax - Education and Transportation Reserve Fund | — | 429,000 | — | — | — | 429,000 |
| 4% Surtax - Education and Transportation Innovation and Capital Fund | — | 613,483 | — | 1,052,472 | — | 1,665,955 |
| Population Health Investment Trust Fund | — | — | 60,679 | — | — | 60,679 |
| Debt and Long-Term Liability Reduction Trust Fund | — | — | 30,554 | — | — | 30,554 |
| Federal Matching and Debt Reduction | — | — | 614,518 | — | — | 614,518 |
| High-Quality Early Education & Care Affordability Trust Fund | — | — | 33,717 | — | — | 33,717 |
| Other | — | — | 376,311 | 19,867 | (107,485) | 288,693 |
| Subtotals, Other Governmental Funds | — | 1,381,505 | 5,525,827 | 1,495,054 | (1,880,196) | 6,522,190 |
| Totals | \$ 393,199 | \$ 2,148,398 | \$ 13,636,511 | \$ 4,566,758 | \$ 1,425,378 | \$ 22,170,244 |

*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 110](#).

Stabilization Fund Arrangements:

In accordance with Section 2H of Chapter 29 of the Massachusetts General Laws, the Commonwealth maintains a Stabilization ("Rainy Day") Fund. Per Chapter 29, balances in the Stabilization Fund can be expended only when non-routine budget shortfalls occur and upon appropriation by the Legislature and approval by the Governor.

Chapter 29 requires that after calculating the Commonwealth's "consolidated net surplus" (the sum of the "undesignated" balances in certain specific state budgeted funds, equal to balances that are neither restricted nor reappropriated for the following fiscal year) any remaining surplus be transferred to the Stabilization Fund. However, in FY24, Chapter 248 of the Acts of 2024 superseded Chapter 29 and required that the full amount of the consolidated net surplus instead be transferred to the Student Opportunity Act Investment 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. However, in FY24, Chapter 248 of the acts of 2024 superseded state finance law and required that \$876 million of capital gains tax revenue that would have been transferred to the Stabilization Fund per statute was instead retained in the General 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 FY25, the settlements and judgments revenue did not reach the five year average threshold and all such revenue was retained in the General Fund. In addition, withholding taxes on certain Lottery transfers are required to be transferred to the Stabilization 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 FY25 with a balance of \$8.111 billion, a decrease of \$413 million from FY24, due to transfers of both FY24 interest and FY25 interest earned by the Stabilization fund, totaling \$827 million, to the Commonwealth Federal Matching and Debt Reduction Fund (\$421 million in FY24 interest and \$406 million in FY25 interest) per a provision in the FY25 budget and a newly enacted statute that that requires all Stabilization Fund interest to be transferred to that fund. 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 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, 2025, 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, 2025, 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' Retirement System, the Teachers' Public Employee Retirement Systems (PERS) and the State Retirees' Benefit Trust (SRBT) are required to invest in the PRIT Fund and comprise approximately 35.2%, 38.2% and 2.4% 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, 2025, 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 funds 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 reported as a deferred inflow of resources; unavailable revenue. 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" in the statement of net position and "Due from federal government" in the governmental funds balance sheet.

"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 FY25 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 \$79 million, representing 50%

of the amounts expected to be received during FY26. As of June 30, 2025, the Commonwealth has recognized a receivable for opioid settlements entered into to date totaling \$399 million. This amount may increase due to finalization of additional proposed settlements and/or pending certification of incentives.

“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, 2025 were \$45 million, of which \$5 million is due in FY26. During FY25, the MSBA collected \$5 million of scheduled principal payments.

"Lease Receivables" - The Commonwealth and certain business-type entities act as lessors of various buildings, office space, ground leases, and similar infrastructure. Leases with maximum terms of more than twelve months are recognized as lease receivables and deferred inflow of resources in the applicable columns of the government-wide financial statements. Lease receivables are recorded as the present value of the future lease payments expected to be received from the lessee during the lease term, net of any estimated uncollectible amounts. As of June 30, 2025, there were no uncollectible amounts related to leases.

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 AND INTANGIBLE 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 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.

Intangible right to use assets

Right-to-use (RTU) assets are recognized at the lease commencement date and represent the Commonwealth's right to use an underlying asset for the lease term. RTU assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement and initial direct costs. Options to renew or terminate the lease are recognized as part of RTU assets and lease liabilities when it is reasonably certain the options will be exercised.

Subscription-based IT arrangements (SBITAs) are recognized in a similar fashion to RTU leases. Assets are recognized at the software's operational readiness date and represent the Commonwealth's right to use the software for the specified noncancellable term. The subscription asset is initially measured as the sum of the initial liability amount, payments made to the vendor before commencement of the subscription term, and any capitalizable implementation costs. Liabilities are recognized at the time the subscription asset is placed into service. The liability amount is initially measured at the present value of subscription payments expected to be made during the subscription term.

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

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 eligible project costs are incurred and measurable. A liability of \$251 million was recorded for reimbursements not reviewed or approved for payment prior to June 30, 2025, as well as final project hold back payments subject to final audit and Board approval after year end. As of June 30, 2025, there are \$2.0 billion of commitments outstanding for the New Program projects that will be recognized as expense when eligible costs are incurred and measurable.

For all projects, 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.

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. Additionally, contract assistance is provided to the Trust by the Commonwealth on behalf of certain loan financing agreements. 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 and the Trust have entered into a contract pursuant to which the Commonwealth has committed to provide contract assistance payments to the Trust to reduce the borrowers' debt service obligations to the Trust in the amount of \$217 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 \$1.097 billion.

Lease and subscription (SBITAs) liabilities represent the Commonwealth's obligation to make payments arising from the lease or SBITA agreement. Liabilities are recognized at the commencement date based on the present value of future payments over the remaining term. Present value of lease and SBITA payments are discounted on a borrowing rate determined by the Commonwealth.

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, 2025 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 page 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 FY25, approximately \$1.436 billion and \$1.277 billion of the dedicated sales tax revenue stream was directed to the MBTA and the MSBA, which are reported under governmental funds financial statements on page 187 and 46 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, 2025, taxes within the Convention Center districts support approximately \$367 million of outstanding principal and approximately \$108 million of interest on debts related to these Convention Centers. Taxes collected in FY25 were approximately \$237 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 FY25, approximately \$582 million in motor vehicle sales tax revenue was transferred to MassDOT. From the Commonwealth Transportation Fund, \$314 million was dedicated to funding the operations of the MBTA while an additional \$94 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 Lottery Commission purchases annuities and principal-only and interest-only Treasury strips, which are recorded as restricted annuity contracts investments and are included as nonspendable balance in the governmental funds. Prize payable is reported as liability accrual in the Statement of Net Position. Though the annuities are in the Lottery Commission's name in the case of a default, they are solely for the benefit of the prize winner. The Lottery Commission 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 represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

P. RESTRICTED NET POSITION

The Commonwealth reports net position as restricted when constraints placed on resources are either 1) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments; or 2) imposed by law through constitutional provisions or enabling legislation. 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 family and employment security" – identifies amounts solely for the payment of family and medical leave program benefits to covered individuals eligible to received benefits and to pay the administrative costs of the department under Section 7 of Chapter 175M of the Massachusetts General 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 4% surtax - Education and transportation" - identifies amounts exclusively for expenditures of transportation and education pursuant to the subsection (h) of Section 2BBBBBB of Chapter 29.

"Higher education" – identifies amounts solely for expendable and nonexpendable endowment, scholarships and fellowships, research, academic support, loans, and capital projects purposes for resources whose use is subject to externally imposed constraints that can be satisfied by specific actions or by the passage of time.

“Restricted for grants and gifts” – identifies amounts held for restrictions either by federal or state grants.

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

Q. SERVICE CONCESSION AGREEMENTS

The Commonwealth enters into service concession agreements for the operation of certain skating rinks and ski resorts. In exchange for these agreements, the operators provide maintenance on the facilities as well as revenue sharing arrangements. Any improvements and equipment remains the property of the Commonwealth. The contracts range from 10 to 25 years in duration and remit 1-3% of revenue to the Commonwealth. All facilities are fully depreciated on the Commonwealth's books. For the year ended June 30, 2025, approximately \$1 million in shared revenue was remitted to the Commonwealth.

The higher education institutions of the Commonwealth (State Universities and Community 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, with options to extend for additional years. 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, 2025 (amounts in thousands):

| | | |
|-------------------------------------|----|---------------|
| State Universities | \$ | 19,748 |
| Community Colleges (Nonmajor) | | — |
| Total | \$ | <u>19,748</u> |

Approximately \$15 million in the carrying value of capital assets associated with these service concession agreements are reported in the business-type activities in these financial statements.

In 2022, the University of Massachusetts entered into a service concession arrangement with Mass Ave Housing Partners LLC to carry out the design, construction, financing, operation, management, and maintenance of a portion of the Student Housing Project on the Amherst campus consisting of approximately 600 beds for undergraduates and 200 beds for graduates for apartment-style housing and related infrastructure, including parking. Mass Ave Housing Partners LLC will manage, maintain, and operating the Student Housing Facilities and be entitled to all user fees associated with the project as defined, for a term of 65 years. At the end of the arrangement, operation of the Student Housing Project will be transferred to the University of Massachusetts. The accumulated cost of the construction of the Student Housing Project was \$246 million, being placed into service in January 2024. The University of Massachusetts in fiscal year 2024 recorded an asset and corresponding deferred inflow for the cost of the Student Housing Project. For the year ended June 30, 2025, approximately \$239 million was the carrying value of the capital asset and approximately \$239 million was the amount of the deferred inflows.

In accordance with this service concession arrangement agreement, the University of Massachusetts received from Mass Ave Housing Partners LLC a lump-sum payment of \$20 million, which is included in other noncurrent liabilities in the business-type activities of these financial statements. The payment gets amortized over the term of the agreement.

The Commonwealth Zoological Corporation, a non-major component unit of the Commonwealth, reports a carrying value of \$3 million of capital assets constructed on leased land that would revert to the landlord should the zoo vacate the property. The Franklin Park Zoo leases land from the George Robert White Fund and operates the facilities in accordance with the charitable purposes of the Fund.

R. ESTIMATES

The preparation of the Annual Comprehensive 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/PRIOR PERIOD ADJUSTMENTS

The GASB has issued the following statements that take affect for the current fiscal year:

GASB Statement No. 101, *Compensated Absences*. The requirements update the recognition and measurement guidance for compensated absence under a unified model and amends certain previously required disclosures. This statement had no impact on the previously reported net position for governmental activities. However, there was an impact on the previously reported net position for business-type activities and discretely presented component units. Please see table on [page 83](#) for further information.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The implementation of this standard had no impact on these financial statements.

The following details the cumulative effect of the prior period adjustments of GASB Implementation (amounts in thousands):

| | Proprietary Fund | Business -Type Activities |
|--|--------------------------------|------------------------------|
| | University of Massachusetts | Total |
| Net position as of June 30, 2024, as previously reported | \$ 3,551,835 | \$ 7,183,321 |
| Adoption of GASB Statement No. 101 | (30,472) | (30,472) |
| Net position as of July 1, 2024, as restated | \$ 3,521,363 | \$ 7,152,849 |

| | Discretely presented component units | | |
|--|--|--|--|
| | Massachusetts Department of Transportation | Massachusetts Bay Transportation Authority | Aggregate Discretely Presented Component Units |
| Net position as of June 30, 2024, as previously reported | \$ 26,073,130 | \$ 8,057,454 | \$ 41,749,198 |
| Adoption of GASB Statement No. 101 | (122) | (124,787) | (124,909) |
| Net position as of July 1, 2024, as restated | \$ 26,073,008 | \$ 7,932,667 | \$ 41,624,289 |

The GASB has issued the following statements:

1. GASB Statement No. 103, Financial Reporting Model Improvements - The requirements of this Statement will take effect for financials statements starting with the fiscal year that ends June 30, 2026.
2. GASB Statement No. 104, Disclosure of Certain Capital Assets - The requirements of this Statement are effective for fiscal years beginning with the fiscal year that ends June 30, 2026.
3. GASB Statement No. 105, Subsequent Events - The requirements of this Statement are effective for fiscal years beginning with the fiscal year that ends June 30, 2027.

Earlier application of these statements is encouraged. For the original pronouncements and the implementation guides, please visit the GASB's website, www.gasb.org. The Commonwealth is evaluating the impact of these pronouncements.

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 | \$ 663,273 | \$ 2,970,148 ⁽¹⁾ | \$ 3,633,421 | \$ 918,913 |
| MMDT - cash fund | 18,741,966 | 2,596,301 ⁽¹⁾ | 21,338,267 | 8,359,506 |
| Restricted cash with fiscal agent | 499,688 | 271,576 | 771,264 | — |
| Total | \$ 19,904,927 | \$ 5,838,025 | \$ 25,742,952 | \$ 9,278,419 |

⁽¹⁾ of which \$423 million 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, 2025, the amortized cost of annuities was approximately \$65 million. At June 30, 2025, the U.S Treasury Strips have a fair value of approximately \$329 million. Approximately 83.6% of these amounts are held in United States Treasury strips at a custodial bank. No insurance company has an amount of annuities over 7.4% 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 provides for periodic reporting. The MSBA's investment policy does not specifically limit the amount the MSBA may invest in any one issuer.

As of June 30, 2025, the MSBA held the following deposits and investments which are a component of Governmental Activities above (amounts in thousands):

| | |
|---------------------------------|---------------------|
| Cash and cash equivalents | \$ 1,112,027 |
| Restricted investments | 1,345,251 |
| Total | <u>\$ 2,457,278</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 Investing for the Long Term Initiative "INVEST MA", 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) 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. Membership in the DIF is limited to Massachusetts chartered savings banks and 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, 2025, the bank balances of uninsured and uncollateralized deposits exposed to custodial credit risk totaled \$222 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, 2025, 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*.

At June 30, 2025, the Cash Portfolio's securities had a weighted average maturity of 45 days and a weighted average life (WAL) of 80 days.

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 June 30, 2025 duration was 2.61 years. At June 30, 2025, investments in the MMDT Short Term Bond Portfolio had a total net position of \$790 million with investment maturities ranging from less than one year to ten years. At June 30, 2025, 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 | 11.3 % |
| One to five years | 83.7 % |
| Six to ten years | 3.6 % |
| Cash equivalents | 0.7 % |
| Other assets and liabilities, net ... | 0.7 % |
| Total | <u>100.0 %</u> |

Interest Rate Risk – Higher Education

As of June 30, 2025, the Institutions of Higher Education had debt investments stated at fair value of approximately \$1.269 billion and had investment maturities ranging from less than one year to more than ten years, with 20.4% of the investment's fair values maturing in less than 1 year, 66.6% maturing in one to five years, 9.0% maturing in six to ten years, and 4.0% maturing in 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. MSBA intends to hold its fixed income investments to maturity.

As of June 30, 2025, the MSBA had approximately \$767 million invested in U.S. Treasury Bonds and approximately \$288 million invested in U.S. Agency securities.

Interest Rate Risk – Custodial Funds

The custodial funds hold certain debt investments in trust as collateral for regulatory purposes. As of June 30, 2025, these investments had a fair value of approximately \$488 million, with investment maturities ranging from less than one year to more than ten years. Of the total fair value, approximately 38.2% has maturities of less than one year,

40.1% from one to five years, 12.8% from six to ten years and 8.9% 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, 2025, the Cash Portfolio's securities were all rated as First Tier.

At June 30, 2025, the Short Term Bond Portfolio's follows:

| Portfolio Composition | Percentage of Total Net Position |
|---------------------------------------|--|
| AAA | 6.0 % |
| AA | 72.4 % |
| A | 8.6 % |
| BBB | 11.6 % |
| Cash equivalents | 0.7 % |
| Other assets and liabilities, net ... | 0.7 % |
| Total | <u>100.0 %</u> |

Credit Risk – Higher Education

For the Institutions of Higher Education presented in the Business-Type Activities, fair values of debt investments were \$179 million at AAA, \$595 million from AA+ to A- and \$495 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.

Credit Risk – Custodial Funds

The custodial funds had debt investments with a fair value of \$488 million, of which \$328 million were in U.S Government securities, \$82 million were in money market securities, \$53 million were in state and local government securities, and \$25 million were in corporate debt securities.

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 Aggregate Bond index, US Treasury STRIPS 20+ Year index, Bloomberg Treasury 1-3 Year index, Bloomberg Global Inflation-Linked US TIPS index, Bloomberg Inflation-Linked Bonds index, Morningstar LSTA Leveraged Loan index, JP Morgan Emerging Markets Bond index, and the Intercontinental Exchange Bank of America High Yield index. The PRIT Fund had fixed income and short-term investments totaling approximately \$34.351 billion at fair value with an effective weighted average duration range from 3.36 to 15.05 years at June 30, 2025.

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 fair 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 the PRIT results from counterparty risk. The 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- and BBB at June 30, 2025 and June 30, 2024 respectively.

Credit ratings associated with the Commonwealth's investment in the PRIT Fund ranged from AAA to A- investments with a fair value of approximately \$4.236 billion, BBB+ to B- investments with a fair value of approximately \$6.417 billion, CCC+ to D investments with a fair value of approximately \$1.479 billion, nonrated investments with a fair value of approximately \$11.389 billion, and the remaining \$10.830 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, 2025 were approximately \$153 million in cash and short-term investments, \$15.265 billion in equities, \$1.161 billion in fixed income investments, \$1.044 billion in portfolio completion strategies, \$2.704 billion in private equity investments, and \$487 million in timberland investments. An additional \$4.735 billion is invested in international investments denominated in U.S. dollars.

Concentration of Credit Risk – PRIT

The PRIM Board manages PRIT Fund'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 Fund's total investments as of June 30, 2025 and June 30, 2024.

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 Exchange Contracts - PRIT

PRIT enters into forward currency exchange 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, 2025, PRIT had open foreign exchange contracts with combined net unrealized loss of approximately \$100 million with various delivery dates.

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

Futures Contracts - PRIT

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. 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.

PRIT held contracts outstanding at June 30, 2025 with various expirations from FY26 to FY29. 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, 2025 was approximately \$3.316 billion with a fair value of \$3.342 billion, yielding an unrealized net gain of approximately \$27 million.

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, 2025, PRIT had contracts in effect with an aggregated notional amount of approximately \$45.807 billion to various investment banks that had maturity dates from FY26 to FY73. The contracts have an aggregate fair value loss of approximately \$104 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, 2025 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 NA | A+ | \$ — | \$ — | \$ 56,790 | \$ (7,174) | \$ 1 | \$ 1 |
| Barclays Bank PLC | A+ | 8,400 | 99 | 438,767 | (16,496) | 458 | (47) |
| BNP Paribas SA | A+ | 4,245,817 | 208 | 211,812 | (41,151) | — | — |
| BNP Paribas Commodity Futures Ltd | A+ | — | — | 79,871 | (6,555) | — | — |
| CME Group Inc. | AA- | 502,909 | (2,548) | — | — | — | — |
| Goldman Sachs & Co | A+ | 1,398,916 | 38,500 | 3,319,666 | (43,561) | 8,500 | 149 |
| Goldman Sachs International | A+ | — | — | 41,285 | (3,828) | 2,119 | 307 |
| Intercontinental Exchange Holdings Inc. | A- | — | — | 196,944 | 4,127 | — | — |
| JPMorgan Chase Bank NA | AA- | 28,125 | (1,666) | 42,896 | (9,111) | 118,482 | 5,268 |
| JP Morgan Securities | AA- | 29,215,094 | 32,503 | 553,887 | (20,574) | 19,954 | 45 |
| LCH Ltd | AA- | 2,108,288 | 2,772 | — | — | 179,164 | 59 |
| Morgan Stanley & Co LLC | A+ | 1,476,240 | 325 | 379,352 | (30,965) | 9,710 | 104 |
| Morgan Stanley Capital Services | A+ | — | — | 122,870 | (13,120) | 20 | 95 |
| SMBC Capital Markets Inc. | A | 250,000 | 5,623 | — | — | — | — |
| All others | Various | 622,749 | (511) | 12,296 | 55 | 155,317 | 3,508 |
| Totals | | <u>\$ 39,856,538</u> | <u>\$ 75,305</u> | <u>\$ 5,456,436</u> | <u>\$ (188,353)</u> | <u>\$ 493,725</u> | <u>\$ 9,489</u> |

B. 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, 2025 (amounts in thousands):

| <i>Primary government</i> | Total | Level | | |
|--|--------------|--------------|--------------|----------|
| | | 1 | 2 | 3 |
| Debt securities: | | | | |
| US Treasury and agency securities | \$ 1,793,160 | \$ 658,783 | \$ 1,134,377 | \$ — |
| Municipal securities | 29,240 | 8,800 | 20,440 | — |
| Institutional money market funds | 440,574 | 221,043 | 219,531 | — |
| Corporate debt/bonds | 319,258 | 10,471 | 308,787 | — |
| Asset backed securities | 117,522 | — | 117,522 | — |
| Registered investment companies | 93,925 | 93,925 | — | — |
| Mortgage backed securities | 126,134 | 5,008 | 121,126 | — |
| Other fixed income | 239,215 | 187,342 | 51,873 | — |
| Total debt securities | 3,159,028 | 1,185,372 | 1,973,656 | — |
| Equities: | | | | |
| Equity securities | 468,965 | 466,859 | — | 2,106 |
| Corporate stock | 33,677 | 33,041 | 636 | — |
| Total equity investments | 502,642 | 499,900 | 636 | 2,106 |
| Investments measured at the Net Asset Value (NAV): | | | | |
| Commonfund (pooled investment funds) | 731,439 | | | |
| Private equity | 112,879 | | | |
| Private debt | 36,641 | | | |
| Private real estate | 5,164 | | | |
| Other | 2,088 | | | |
| Total investments measured at the NAV | 888,211 | | | |
| Other investments at fair value: | | | | |
| MMDT - bond fund | 367,605 | | | |
| Total other investments at fair value | 367,605 | | | |
| Subtotal investments at fair value | 4,917,486 | \$ 1,685,272 | \$ 1,974,292 | \$ 2,106 |
| Other investments: | | | | |
| MMDT | 350,462 | | | |
| Annuity contracts | 64,657 | | | |
| Certificates of deposit | 12,672 | | | |
| Total other investments | 427,791 | | | |
| Total investments - primary government | \$ 5,345,277 | | | |
| Derivative instruments: | | | | |
| Interest rate swaps (liabilities) ⁽¹⁾ | \$ 249 | \$ — | \$ — | \$ 249 |

⁽¹⁾ The business-type activities have various swaps.

Lottery annuity contracts and U.S. Treasury Strips of approximately \$393 million as of June 30, 2025 are presented in governmental fund and governmental activities on the Statement of Net Position.

| <i>Fiduciary funds:</i> | Total | Level | | |
|--|-----------------------|-------------------|------------------|-------------|
| | | 1 | 2 | 3 |
| Debt securities: | | | | |
| US Treasury securities | \$ 328,153 | \$ 328,153 | \$ — | \$ — |
| Bonds | 78,510 | 25,275 | 53,235 | — |
| Total debt securities | 406,663 | 353,428 | 53,235 | — |
| Investments measured at the Net Asset Value (NAV): | | | | |
| Mutual funds | 81,767 | | | |
| Other investments at fair value: | | | | |
| MMDT - bond fund | 18,846 | | | |
| Net investment in PRIT | 115,449,024 | | | |
| Total other investments at fair value | 115,467,870 | | | |
| Total investments - fiduciary funds | <u>\$ 115,956,300</u> | <u>\$ 353,428</u> | <u>\$ 53,235</u> | <u>\$ —</u> |

3. RECEIVABLES AND TAX ABATEMENTS

A. RECEIVABLES

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

| <i>Primary Government</i> | Taxes | Federal Grants and Reimbursements | Loans | Leases | Other | Total |
|--|-------------------|---|-------------------|---------------------|-------------------|---------------------|
| Governmental Activities: | | | | | | |
| Gross receivables | \$ 7,896,886 | \$ 3,472,519 | \$ 131,563 | \$ 67,485 | \$ 2,607,652 | \$14,176,105 |
| Less: allowance for uncollectibles | (1,945,055) | (121,231) | — | — | (590,639) | (2,656,925) |
| Receivables, net allowance for uncollectibles .. | 5,951,831 | 3,351,288 | 131,563 | 67,485 | 2,017,013 | 11,519,180 |
| Less: current portion | (5,508,209) | (3,347,706) | (13,562) | (1,443) | (1,430,274) | (10,301,194) |
| Noncurrent receivables | <u>\$ 443,622</u> | <u>\$ 3,582</u> | <u>\$ 118,001</u> | <u>\$ 66,042</u> | <u>\$ 586,739</u> | <u>\$ 1,217,986</u> |
| Business-Type Activities: | | | | | | |
| Gross receivables | \$ — | \$ 42,661 | \$ 25,041 | \$ 1,157,285 | \$ 3,313,468 | \$ 4,538,455 |
| Less: allowance for uncollectibles | — | — | (2,592) | — | (2,067,292) | (2,069,884) |
| Receivables, net allowance for uncollectibles .. | — | 42,661 | 22,449 | 1,157,285 | 1,246,176 | 2,468,571 |
| Less: current portion | — | (42,661) | (9,448) | (58,868) | (1,228,377) | (1,339,354) |
| Noncurrent receivables | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 13,001</u> | <u>\$ 1,098,417</u> | <u>\$ 17,799</u> | <u>\$ 1,129,217</u> |

B. TAX ABATEMENTS

As of June 30, 2025, 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) was authorized to award 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 was also authorized to 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 could 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 authorized by the EACC 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

Credits

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 \$40 million annual cap.

Unless stated otherwise, the taxes eligible for abatement using these credits include the corporate excise, financial institutions excise, and insurance premiums excise under M.G.L. chapter 63, and the personal income tax under M.G.L. chapter 62, 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.

- 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. This credit is only available to taxpayers subject to M.G.L. chapter 63.

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.

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 MLSC also administers the Angel Investor Tax Credit. The 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 and is only available to taxpayers subject to M.G.L. chapter 62. If a taxpayer investor is allowed a credit for an investment in a qualifying business that ceases to have its principal place of business in the Commonwealth within the three taxable years following the taxable year for which the credit was allowed, the taxpayer investor must repay the total credit amount to the Commonwealth. The credit is subject to the aggregate \$40 million annual cap to which other credits in the Life Sciences Tax Incentive Program are subject. The credit was allowed for tax years beginning on or after January 1, 2017 but has been repealed as of January 1, 2024. Therefore, no credits may be awarded after this date. A taxpayer that has unused credit in a tax year beginning on or after January 1, 2024 that has been carried

forward from a prior tax year may claim the credit in such tax year subject to the limitations under [830 CMR 62.6.5\(11\)](#).

Other Tax Incentives

The MLSC may authorize sales and use tax exemptions and deductions as part of the Life Sciences Tax Incentive Program:

- A certified life sciences company may be deemed a research and development corporation for purposes of sales and use tax exemptions under M.G.L. chapters 64H and 64I.
- Sales of tangible personal property may be exempt from the Massachusetts sales or use tax under M.G.L. chapters 64H and 64I when that property is purchased for a certified life sciences company for use in connection with the construction, alteration, remodeling, repair, or remediation of research, development, or manufacturing facilities and utility support systems.
- A certified life sciences company may be allowed to deduct from Massachusetts gross income the amount allowed as a credit for federal purposes under Internal Revenue Code (IRC) § 45C (and disallowed as a federal deduction under IRC § 280C(b)): 25% of qualified clinical testing expenses for certain drugs for rare diseases or conditions, sometimes referred to as “orphan drug expenses” that are paid or incurred for the taxable year. This deduction is only available to taxpayers subject to M.G.L. chapter 63.

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 the 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. For taxable years beginning on or after January 1, 2022, in addition to meeting other requirements, for a motion picture to qualify for the credit for production expenses, a taxpayer must incur at least 75% of its production expenses in Massachusetts or spend at least 75% of its principal photography days in Massachusetts. A 50% threshold applies to prior taxable years. 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 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 twelve-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 twelve-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 2025 (amounts in thousands):

| Tax abatement program | Total estimated revenue reduced by |
|---|---|
| Economic Development Incentive Program (EDIP) | \$ 17,283 (1) |
| Life Sciences Tax Incentive Program | 39,980 (2) |
| Film Tax Incentive Program: | |
| Film Tax Credit | 92,535 (3) |
| Sales Tax Exemption | 316 (4) |
| Total | \$ 150,114 |

Sources:

(1) Massachusetts Office of Business Development, credits approved in FY2025.

(2) Massachusetts Life Sciences Center, incentives awarded in FY2025.

(3) Massachusetts Department of Revenue, film tax credits approved during FY2025.

(4) Massachusetts Department of Revenue, FY2026 Tax Expenditure Budget, sales tax exemption approved to motion picture production companies or to accredited film school students during FY2025 (<https://budget.digital.mass.gov/govbudget/fy26/tax-expenditure-budget>).

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 Transitional Escrow 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):

| Governmental funds: | General | Lotteries | Federal Grants | Other Governmental Funds | Total |
|---|--------------------------------------|-----------------------------|---------------------|-------------------------------|-----------------------|
| <u>Transfers in:</u> | | | | | |
| Debt service | \$ — | \$ — | \$ — | \$ 2,788,898 | \$ 2,788,898 |
| Transfers in | 2,441,199 | — | 14,673 | 8,536,460 | 10,992,332 |
| Subtotal | 2,441,199 | — | 14,673 | 11,325,358 | 13,781,230 |
| <u>Transfers out:</u> | | | | | |
| Appropriations | (2,136,313) | — | — | (43,398) | (2,179,711) |
| Bond proceeds | — | — | — | (187,866) | (187,866) |
| Debt service | (1,455,589) | — | — | (1,333,309) | (2,788,898) |
| Transfers out | (4,970,850) | (1,197,402) | (163,209) | (4,402,846) | (10,734,307) |
| Subtotal | (8,562,752) | (1,197,402) | (163,209) | (5,967,419) | (15,890,782) |
| Total governmental funds | \$ (6,121,553) | \$ (1,197,402) | \$ (148,536) | \$ 5,357,939 | \$ (2,109,552) |
| | Family and Employment Security Trust | University of Massachusetts | State Universities | Community Colleges (Nonmajor) | Total |
| <u>Proprietary funds:</u> | | | | | |
| <u>Transfers in:</u> | | | | | |
| Transfers in from governmental funds | \$ — | \$ 1,210,041 | \$ 554,338 | \$ 603,198 | \$ 2,367,577 |
| <u>Transfers out:</u> | | | | | |
| Transfers out to governmental funds | (5,941) | (161,705) | (47,313) | (43,066) | (258,025) |
| Total proprietary funds | \$ (5,941) | \$ 1,048,336 | \$ 507,025 | \$ 560,132 | \$ 2,109,552 |
| 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 \$51 million at year end. Remaining receivables and payables between funds as of June 30, 2025 largely occur due to the timing of accruals and the funding of escrows.

Balances due within one year are recorded as Due to/Due from Other Funds. The following is a summary of receivables and payables between funds remaining as of June 30, 2025 recorded as (amounts in thousands):

| Receivable Fund | Payable Fund | Amount |
|---|--|---------------------|
| Governmental Funds: | | |
| General | Federal Grants | \$ 219,451 |
| General | Other Governmental Funds | 935,701 |
| Massachusetts School Building Authority - Debt Service Fund | Massachusetts School Building Authority - Special Revenue Fund | 11,445 |
| Other Governmental Funds | Other Governmental Funds | 119,209 |
| Total Governmental Funds | | \$ 1,285,806 |

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, 2024 | Increases | Decreases and Reclassifications | Ending Balance June 30, 2025 |
|--|--------------------------------------|-----------|---------------------------------------|------------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 997,380 | \$ 15,050 | \$ (3,521) | \$ 1,008,909 |
| Construction in process | 1,126,933 | 343,012 | (645,008) | 824,937 |
| Total capital assets not being depreciated | 2,124,313 | 358,062 | (648,529) | 1,833,846 |
| Capital assets being depreciated and amortized: | | | | |
| Buildings | 6,879,239 | 507,317 | (72,050) | 7,314,506 |
| Machinery and equipment | 1,956,215 | 434,220 | (441,492) | 1,948,943 |
| Right-to-use lease buildings | 1,425,064 | 158,568 | (137,308) | 1,446,324 |
| Right-to-use lease machinery and equipment | 32,565 | 4,785 | (6,485) | 30,865 |
| Right-to-use subscription assets | 187,514 | 21,099 | (3,456) | 205,157 |
| Infrastructure non - central artery/tunnel project | 457,521 | 63,640 | — | 521,161 |
| Total capital assets being depreciated and amortized | 10,938,118 | 1,189,629 | (660,791) | 11,466,956 |
| Less, accumulated depreciation: | | | | |
| Buildings | (3,997,595) | (299,021) | 9,953 | (4,286,663) |
| Machinery and equipment | (1,555,942) | (315,611) | 199,384 | (1,672,169) |
| Infrastructure non - central artery/tunnel project | (319,488) | (8,235) | 835 | (326,888) |
| Total accumulated depreciation | (5,873,025) | (622,867) | 210,172 | (6,285,720) |
| Less accumulated amortization: | | | | |
| Right-to-use lease buildings | (653,282) | (169,299) | 151,164 | (671,417) |
| Right-to-use lease machinery and equipment | (15,309) | (5,941) | 3,741 | (17,509) |
| Right-to-use subscription assets | (77,636) | (60,846) | 3,633 | (134,849) |
| Total accumulated amortization | (746,227) | (236,086) | 158,538 | (823,775) |
| Total accumulated depreciation and amortization | (6,619,252) | (858,953) | 368,710 | (7,109,495) |
| Governmental activities capital assets, net | 6,443,179 | 688,738 | (940,610) | 6,191,307 |

| <i>Business - Type Activities</i> | Beginning Balance July 1, 2024 | Increases | Decreases and Reclassifications | Ending Balance June 30, 2025 |
|---|--------------------------------------|---------------------|---------------------------------------|------------------------------------|
| Capital assets not being depreciated or amortized: | | | | |
| Land | 240,320 | 7,326 | — | 247,646 |
| Construction in process | 557,175 | 473,644 | (328,399) | 702,420 |
| Historical treasures | 3,403 | — | — | 3,403 |
| Total capital assets not being depreciated or amortized | 800,898 | 480,970 | (328,399) | 953,469 |
| Capital assets being depreciated and amortized: | | | | |
| Buildings | 13,807,948 | 406,600 | (77,851) | 14,136,697 |
| Machinery and equipment | 1,305,493 | 102,165 | (51,597) | 1,356,061 |
| Right-to-use lease buildings | 1,319,506 | 13,842 | (13,248) | 1,320,100 |
| Right-to-use lease machinery and equipment | 27,417 | 3,679 | (4,258) | 26,838 |
| Right-to-use subscription assets | 105,703 | 35,069 | (11,701) | 129,071 |
| Library collections, not including historical treasures | 29,889 | 64 | (5,068) | 24,885 |
| Total capital assets being depreciated and amortized | 16,595,956 | 561,419 | (163,723) | 16,993,652 |
| Less, accumulated depreciation: | | | | |
| Buildings | (6,229,995) | (457,116) | 68,266 | (6,618,845) |
| Machinery and equipment | (1,043,026) | (65,480) | 43,077 | (1,065,429) |
| Library collections, not including historical treasures | (20,865) | (454) | 460 | (20,859) |
| Total accumulated depreciation | (7,293,886) | (523,050) | 111,803 | (7,705,133) |
| Less, accumulated amortization: | | | | |
| Right-to-use lease buildings | (304,443) | (73,130) | 8,024 | (369,549) |
| Right-to-use lease machinery and equipment | (11,737) | (7,608) | 3,745 | (15,600) |
| Right-to-use subscription assets | (48,077) | (30,160) | 13,236 | (65,001) |
| Total accumulated amortization | (364,257) | (110,898) | 25,005 | (450,150) |
| Total accumulated depreciation and amortization | (7,658,143) | (633,948) | 136,808 | (8,155,283) |
| Business - type activities capital assets, net | 9,738,711 | 408,441 | (355,314) | 9,791,838 |
| Total Primary Government capital assets, net | \$ 16,181,890 | \$ 1,097,179 | \$ (1,295,924) | \$ 15,983,145 |

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

| Function | Depreciation | Amortization |
|--|-------------------|-------------------|
| General government | \$ 87,792 | \$ 75,071 |
| Judiciary | 144,533 | 32,182 |
| Energy and environmental affairs | 21,200 | 11,721 |
| Economic development | 43 | 5,637 |
| Health and human services | 281,081 | 62,907 |
| Early elementary and secondary education | 3,598 | 5,488 |
| Public safety and security | 84,263 | 35,619 |
| Housing and economic development | 357 | 37 |
| Labor and workforce development | — | 7,424 |
| Total, governmental activities | <u>\$ 622,867</u> | <u>\$ 236,086</u> |
| University of Massachusetts | \$ 351,047 | \$ 30,905 |
| State universities | 110,879 | 63,929 |
| Community colleges (Nonmajor) | 61,124 | 16,064 |
| Total, business-type activities | <u>\$ 523,050</u> | <u>\$ 110,898</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

In order to manage cash flows through the COVID-19 pandemic, the Commonwealth obtained a line of credit in the aggregate principal amount of \$1.750 billion from a syndicate of banks. As of February 17, 2021, the line of credit was reduced to the principal amount of \$500 million. In addition, the maturity of the line was extended to April 30, 2026. As of June 30, 2025, the Commonwealth did not draw on the line of credit.

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, 2025, 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 leases, (amounts in thousands):

| Type of Bond | Amount Outstanding |
|---|-----------------------|
| General obligation bonds - public offering, net proceeds..... | \$ 32,830,738 |
| General obligation bonds - direct placement, net proceeds..... | 100,000 |
| Special obligation bonds (including GANs) - public offering, net proceeds | 5,111,045 |
| MSBA bonds, - public offering, net proceeds | 5,521,739 |
| Outstanding governmental activities, net proceeds..... | 43,563,522 |
| Less: | |
| Unamortized premiums on general obligation bonds - public offering* | (3,300,813) |
| Unamortized premiums on special obligation bonds | (557,130) |
| Unamortized premiums on MSBA bonds | (254,419) |
| Total governmental activities, principal..... | \$ 39,451,160 |

* - As of June 30, 2025, 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, 2025, there were three different special obligation bond programs with bonds outstanding.

The following is a table of GO bonds principal outstanding as of June 30, 2025, (amounts in thousands):

| General Obligation Bonds | Principal Outstanding | Percent of Total GO |
|--------------------------|--------------------------|---------------------------|
| Fixed rate bonds..... | \$ 29,373,910 | 99.1 % |
| Variable rate bonds..... | 256,015 | 0.9 % |
| Total..... | \$ 29,629,925 | 100.0 % |

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

| Variable Rate GO Bonds | Principal Outstanding | Percent of Total GO |
|--------------------------------|----------------------------------|------------------------------------|
| Direct purchase bonds..... | \$ 100,000 | 0.3 % |
| College opportunity bonds..... | 156,015 | 0.6 % |
| Total..... | <u>\$ 256,015</u> | <u>0.9 %</u> |

The following is a table of the different types of outstanding Special Obligation bonds as of June 30, 2025 (amounts in thousands), all of which are fixed rate bonds:

| Special Obligation Bonds | Amount Outstanding |
|---|-------------------------------|
| Special obligation dedicated tax revenue bonds, net proceeds: | |
| Fixed rate convention center bonds | \$ 366,620 |
| Special obligation revenue bonds, net proceeds: | |
| CTF Accelerated bridge program | 1,723,301 |
| CTF Rail enhancement program | 2,834,990 |
| Total revenue bonds, net proceeds | <u>4,558,291</u> |
| Special obligation GANS, net proceeds: | |
| Federal highway grant anticipation notes | 186,134 |
| Total special obligation bonds, net proceeds | <u>5,111,045</u> |
| Less: unamortized premiums | <u>(557,130)</u> |
| Outstanding special obligation principal | <u>\$ 4,553,915</u> |

Chapter 9 of the Acts of 2021, as amended authorized the Commonwealth to issue special obligation bonds secured by special assessments on private contributory employers for the purposes of repaying the federal advances made to the Commonwealth's account within the unemployment insurance trust fund (UITF) for fiscal years 2020 to 2025 and reducing the amount of or avoiding the need to obtain additional federal advances. On August 30, 2022, the Commonwealth issued \$2.681 billion (net proceeds of \$2.670 billion) of special obligation bonds, the proceeds of which were used to repay the outstanding federal advances, including interest thereon, make a deposit into the Commonwealth's account within the UITF, and pay costs of issuance. As of June 30, 2025, \$1.389 billion remain outstanding.

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 terms of bond structure, the large majority of GO bonds have been sold as fixed rate obligations. As of June 30, 2025, approximately 99.1% of the Commonwealth's outstanding GO debt is in the form of fixed-rate bonds. The remaining 0.9% 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 College Opportunity Bonds and a direct purchase agreement.

College Opportunity Bonds are bonds that are approved by the Legislature to be issued for a specific program. These 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, 2025, the Commonwealth had approximately \$156 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%.

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, 2025, the Commonwealth had \$100 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 B ⁽¹⁾ | 100,000 | 4/1/2036 | 1 Month SIFMA/ Monthly Pay | RBC | 4/1/2021 | 4/1/2026 |
| Total | <u>\$ 100,000</u> | | | | | |

⁽¹⁾ This bond has been paid off and see note 15 on page 139 - Subsequent events

To fund the FY25 capital budget and prior capital spending, the Commonwealth borrowed by issuing \$3.331 billion in new money general obligation long-term bonds. In addition, \$610 million in refunding bonds were issued in two separate transactions which were executed as current refundings, 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, 2025, the MSBA had outstanding approximately \$5.267 billion of Dedicated Sales Tax bonds, which includes approximately \$254 million of unamortized premiums for the purpose of funding school construction and renovation projects. Coupons on the bonds range from approximately 0.290% to 5.715% and each series is payable semiannually with the latest maturity occurring in FY51. A portion of the interest on the Dedicated Sales Tax Bonds is reimbursed by the federal government. Of the \$5.267 billion of debt outstanding as of June 30, 2025, \$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 FY25, the federal government continued automatic budget cuts imposed through sequestration required pursuant to the Budget Control Act of 2011. As of September 27, 2021, the IRS has extended the 5.7% rate through September 2030. Subsidy payments were reduced by approximately \$1.4 million due to sequestration during FY2025.

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. These bonds have been issued to finance expenditures for significant rail and transit improvement projects in the Commonwealth, projects to fund repairs, rehabilitation or replacement of bridges throughout the Commonwealth and certain other authorized transportation projects of the Commonwealth. These bonds mature from FY26 to FY54 and are secured by the 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. As of June 30, 2025, approximately \$1.525 billion and \$2.529 billion in principal was outstanding on the Accelerated Bridge Program (ABP) and the Rail Enhancement Program (REP) bonds, respectively, and approximately \$751 million and \$2.610 billion of interest (net of the federal subsidy) was expected to be paid through maturity related to the CTR ABP and REP bonds, 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, 2025, taxes within the Convention Center districts support approximately \$367 million of outstanding principal and approximately \$108 million of interest on debts related to these Convention Centers. Taxes collected in FY25 were approximately \$237 million, while debt service on the bonds was approximately \$52 million. The balance of the trustee-held Convention Center revenue fund available for debt service was \$473 million as of June 30, 2025, which consists of Revenue Fund of \$412 million and Capital Reserve Fund of \$61 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 2015, 2017, 2018 and 2020 with no new bonds issued in FY25. As of June 30, 2025, total principal remaining to be paid is approximately \$134 million. Maturities are from FY26 through FY27. Debt service paid during FY25 was approximately \$141 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. Such interest subsidy payments are treated under federal law as overpayments of tax and, accordingly, are subject to offset against certain amounts that may be owed by the Commonwealth to the federal government or its agencies. Commencing in federal fiscal year 2016, such payments were subject to sequestration reduction and the United States Department of Treasury has projected that such payments during fiscal year 2021 through fiscal year 2030 will be reduced by 5.7% as a result of sequestration. The sequestration may be subject to change if a law is enacted that modifies or amends the current sequestration reduction. Such interest subsidy payments could become subject to a much larger sequestration reduction, and potentially be eliminated altogether, under the Statutory Pay-As-You-Go Act of 2010 (PAYGO Act), which is designed to limit federal deficit spending. Since the enactment of the PAYGO Act, the U. S. Congress has consistently acted to prevent its implementation, but there can be no assurance that it will continue to do so. 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, 2025, the expected interest rate subsidy to be received through final maturity of all of the bonds issued as part of this program totaled \$338 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. 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, 2025 is as follows (amounts in thousands):

| Purpose | Principal Outstanding | Fiscal Year Maturities | Authorized and Unissued |
|------------------------------------|-----------------------|------------------------|-------------------------|
| GANs | \$ 133,620 | 2025 - 2027 | \$ — |
| Capital projects: | | | |
| General | 17,312,779 | 2026 - 2055 | 28,374,635 |
| Highway | 16,244,403 | 2026 - 2055 | 24,291,269 |
| Local aid | 126,418 | 2026 - 2045 | 11,105 |
| Other | 366,620 | 2026 - 2034 | — |
| Subtotal | <u>34,050,220</u> | | <u>52,677,009</u> |
| MSBA debt | <u>5,267,320</u> | | |
| Governmental activities debt | <u>\$ 39,451,160</u> | | |

Interest rates on the Commonwealth’s outstanding debt at the end of FY25 ranged from 0.3% to 5.7%.

Changes in long-term debt outstanding (excluding discount and premium) and bonds authorized - unissued for the year ended June 30, 2025 are as follows (amounts in thousands):

| | Governmental Funds (excluding MSBA) | MSBA | Total Governmental Funds Bonded Debt | Authorized and Unissued |
|--|---|---------------------|---|----------------------------|
| Balance July 1, 2024 | \$ 32,361,758 | \$ 5,444,945 | \$ 37,806,703 | \$ 45,637,190 |
| Plus: Increases in bonds authorized | — | — | — | 10,526,263 |
| General and special obligation bonds: | | | | |
| Proceeds, defined as principal, plus premium, less discount | 4,300,659 | — | 4,300,659 | (3,486,444) |
| Less: Premium/discount | (355,415) | — | (355,415) | — |
| Less: Principal on refunded bonds | (774,750) | (177,625) | (952,375) | — |
| Less: Bonds retired | (1,348,412) | — | (1,348,412) | — |
| Outstanding principal June 30, 2025 | <u>\$ 34,183,840</u> | <u>\$ 5,267,320</u> | <u>\$ 39,451,160</u> | <u>\$ 52,677,009</u> |

Business - Type Activities

The University of Massachusetts (UMS) Building Authority has issued bonds for construction of higher education facilities and equipment. As of June 30, 2025, outstanding bonds payable for the Building Authority is \$3.238 billion, with maturity dates ranging from 2025 to 2054. The UMS Building Authority may have up to \$200 million principal amount of notes and bonds issued by the UMS Building Authority that are guaranteed by the Commonwealth. As of June 30, 2025, none of the outstanding debt carries a Commonwealth guarantee.

The Massachusetts State College Building Authority (MSCBA) issues debt to finance the design and construction of new facilities, major renovations, and capital repairs for its projects at State Universities. MSCBA's outstanding debt is secured by revenues received by the Authority from State Colleges relating to Authority projects and other pledged funds.

The University of Massachusetts, state universities, and community colleges have also entered into various loan agreements as participants in the Clean Energy Investment Program with the Division of Capital Asset Management and Maintenance. These programs are for upgrades to existing or creating new capital assets to improve energy usage and lower long-term energy costs.

On August 30, 2022, the Commonwealth issued \$2.681 billion of Special Obligation Revenue Bonds, 2022 Series A of \$1.997 billion issuance and 2022 Series B of \$684 million issuance. The proceeds of the bonds are being used to (i) repay outstanding Federal Advances received by the Commonwealth under the federal unemployment insurance program, along with accrued interest, (ii) to fund a deposit to the federal Unemployment Insurance Trust Fund to pay unemployment compensation benefits, and (iii) to pay the costs of issuance of the bonds. The bonds have maturity dates of July 2023 through July 2031. A special COVID-19 recovery assessment on Commonwealth employers is collected to pay debt service.

At June 30, 2025, 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 | | | Total Governmental Activities | Special Obligation UI Bonds | | Revenue Obligation | |
| | Public Offering Debt | | | Direct Placement Debt | | | Dedicated Sales Tax Bonds | | | | Principal | Interest | Principal | Interest |
| | Principal | Interest | Interest subsidies (1) | Principal | Interest | Principal | Interest | Interest subsidies (1) | Principal | Interest net of interest subsidies | | | | |
| 2026 | \$ 1,120,566 | \$ 1,533,372 | \$ (42,305) | \$ — | \$ 3,000 | \$ 183,865 | \$ 201,861 | \$ (22,833) | \$ 1,304,431 | \$ 1,673,095 | \$ 325,640 | \$ 48,294 | \$ 263,726 | \$ 179,228 |
| 2027 | 1,324,766 | 1,490,399 | (41,268) | 10,000 | 2,950 | 346,225 | 197,445 | (22,833) | 1,680,991 | 1,626,693 | 216,660 | 37,770 | 223,683 | 171,307 |
| 2028 | 1,210,009 | 1,428,620 | (39,529) | 10,000 | 2,650 | 208,115 | 184,520 | (15,047) | 1,428,124 | 1,561,214 | 215,125 | 29,841 | 235,225 | 166,048 |
| 2029 | 1,330,954 | 1,372,117 | (36,745) | 10,000 | 2,350 | 335,420 | 175,512 | (11,767) | 1,676,374 | 1,501,467 | 212,275 | 21,852 | 243,752 | 148,834 |
| 2030 | 1,282,082 | 1,308,887 | (32,404) | 10,000 | 2,050 | 198,430 | 167,214 | (8,488) | 1,490,512 | 1,437,259 | 209,530 | 13,910 | 265,355 | 139,845 |
| 2031 - 2035 | 6,361,215 | 5,608,510 | (102,860) | 50,000 | 5,750 | 1,146,760 | 726,462 | (35,749) | 7,557,975 | 6,202,113 | 209,875 | 9,736 | 1,085,986 | 570,098 |
| 2036 - 2040 | 6,042,448 | 4,211,013 | (42,651) | 10,000 | 250 | 1,435,615 | 444,024 | (13,034) | 7,488,063 | 4,599,602 | — | — | 1,049,429 | 357,258 |
| 2041 - 2045 | 6,146,125 | 2,860,913 | — | — | — | 951,960 | 198,524 | — | 7,098,085 | 3,059,437 | — | — | 717,673 | 173,089 |
| 2046 - 2050 | 5,507,975 | 1,562,970 | — | — | — | 434,470 | 46,112 | — | 5,942,445 | 1,609,082 | — | — | 325,978 | 72,160 |
| 2051 - 2055 | 3,757,700 | 435,916 | — | — | — | 26,460 | 612 | — | 3,784,160 | 436,528 | — | — | 143,473 | 13,147 |
| Total long-term debt | 34,083,840 | 21,812,717 | (337,762) | 100,000 | 19,000 | 5,267,320 | 2,342,286 | (129,751) | 39,451,160 | 23,706,490 | 1,389,105 | 161,403 | 4,554,280 | 1,991,014 |
| Less: current portion | (1,120,566) | (1,533,372) | 42,305 | — | (3,000) | (183,865) | (201,861) | 22,833 | (1,304,431) | (1,673,095) | (325,640) | (48,294) | (263,726) | (179,228) |
| Long-term debt | <u>\$32,963,274</u> | <u>\$20,279,345</u> | <u>\$(295,457)</u> | <u>\$100,000</u> | <u>\$16,000</u> | <u>\$5,083,455</u> | <u>\$2,140,425</u> | <u>\$ (106,918)</u> | <u>\$38,146,729</u> | <u>\$22,033,395</u> | <u>\$1,063,465</u> | <u>\$113,109</u> | <u>\$4,290,554</u> | <u>\$1,811,786</u> |

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

F. PRIOR DEFEASANCE

Business - Type Activities

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 activities financial statements. As of June 30, 2025, approximately \$45 million of bonds outstanding from advanced refunding transactions are considered defeased.

G. 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 FY25 was approximately \$32.188 billion. Outstanding debt subject to the limit at June 30, 2025 was approximately \$29.090 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 certain Central Artery/Tunnel debt, debt issued for the SMART program and CTF bonds issued. The amounts excluded from the debt limit are as follows (amounts in thousands):

| | <u>Principal Outstanding</u> |
|---|----------------------------------|
| Statutory debt June 30, 2025 | \$ 34,183,840 |
| Less amounts excluded: | |
| Central artery project bonds | (490,556) |
| Accelerated bridge program | (1,658,610) |
| SMART bonds | (49,759) |
| Convention center bonds | (366,620) |
| Rail enhancement program bonds | <u>(2,528,685)</u> |
| Outstanding direct debt June 30, 2025 | <u>\$ 29,089,610</u> |

H. 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, interest on federal grant anticipation notes, general obligation contract assistance payment obligations, and budgetary contract assistance payment obligations on certain financed purchases. 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 policy limits future growth in annual bond issuance (the "bond cap") to not more than \$125 million through fiscal 2025. In fiscal 2025 the Capital Debt Affordability Committee concluded that the Commonwealth can afford to increase the bond cap in fiscal year 2025 by \$212.2 million – which includes a \$125 million bond cap increase, plus an additional \$87.7 million adjustment to account for recent construction escalation. The fiscal year 2025 recommendation supports targeted investments in Commonwealth infrastructure while keeping growth in debt service and outstanding principal within long-term targets. 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 2025 |
|--|----------------|
| Bond cap as approved by the Governor | \$ 3,117,200 |
| Total annual debt service obligations | 3,503,350 |
| Statutory basis budgeted fund revenues | 73,654,062 |
| Debt service as % of budgeted revenues | 4.8% |

I. 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 | \$ 860,256 | \$ 888,131 | \$ (860,256) | \$ 888,131 | \$ 625,228 |
| Claims and judgments | 28,256 | 61,872 | (26,864) | 63,264 | 63,264 |
| Prizes payable | 451,316 | 12,937 | (68,721) | 395,532 | 88,452 |
| School construction grants payable | 272,019 | — | (21,214) | 250,805 | 250,805 |
| Environmental remediation liability | 291,648 | 6,348 | (17,886) | 280,110 | 19,758 |
| Workers' compensation ⁽¹⁾ | 273,671 | 57,867 | (55,063) | 276,475 | 38,470 |
| Group insurance claims ⁽¹⁾ | 178,268 | 2,414,662 | (2,420,902) | 172,028 | 168,494 |
| Cost of living adjustment ⁽¹⁾ | 72,000 | — | (7,200) | 64,800 | — |
| Total other long-term obligations | 2,427,434 | 3,441,817 | (3,478,106) | 2,391,145 | 1,254,471 |
| Overdraws of federal pandemic-related unemployment insurance benefits settlement interest payable | 73,121 | 17,016 | — | 90,137 | — |
| Bonded debt: | | | | | |
| Bonds and notes payable ⁽²⁾ | 37,806,703 | 3,945,244 | (2,300,787) | 39,451,160 | 1,304,431 |
| Unamortized bonds and note premium | 4,107,058 | 355,415 | (350,111) | 4,112,362 | 169,675 |
| Right-to-use liabilities: | | | | | |
| Lease liabilities | 824,590 | 196,473 | (197,014) | 824,049 | 142,066 |
| Subscription-Based IT Arrangement liabilities | 103,016 | 21,453 | (58,384) | 66,085 | 52,752 |
| Total bonded debt and right-to-use liabilities | 42,841,367 | 4,518,585 | (2,906,297) | 44,453,655 | 1,668,924 |
| Long-term liabilities, governmental activities | \$ 45,341,922 | \$7,977,418 | \$ (6,384,403) | \$ 46,934,937 | \$ 2,923,395 |

(1) These items are reported under other noncurrent liabilities in the Statement of Net Position.

(2) \$4 million of accreted interest on college opportunity bonds that are included in the total principal outstanding as of June 30, 2025.

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 ⁽¹⁾ | \$ 291,857 | \$ 37,874 | \$ (13,903) | \$ 315,828 | \$ 222,656 |
| Workers' compensation | 40,412 | 1,374 | (1,356) | 40,430 | 6,803 |
| Total other long-term obligations | 332,269 | 39,248 | (15,259) | 356,258 | 229,459 |
| Liability for derivative instruments | 228 | 21 | — | 249 | — |
| Overdraws of federal pandemic-related unemployment insurance benefits | 2,034,174 | — | — | 2,034,174 | 203,417 |
| Bonded debt: | | | | | |
| Bonds and notes payable | 6,599,974 | — | (656,589) | 5,943,385 | 589,366 |
| Right-to-use liabilities: | | | | | |
| Lease liabilities | 1,137,607 | 17,521 | (69,091) | 1,086,037 | 64,521 |
| Subscription-Based IT Arrangement liabilities | 53,049 | 35,069 | (29,980) | 58,138 | 24,555 |
| Total bonded debt and other financing arrangements | 7,790,630 | 52,590 | (755,660) | 7,087,560 | 678,442 |
| Long-term liabilities, business - type activities | \$ 10,157,301 | \$ 91,859 | \$ (770,919) | \$ 9,478,241 | \$ 1,111,318 |

⁽¹⁾ As restated, see note 1T on pages 82-83 - Business - type activities

Discretely Presented Component Units – The change in bonds and notes outstanding at June 30, 2025, net of unamortized discounts and premiums, compensated absences, and right-to-use lease, public-private partnership, and subscription-based IT arrangement liabilities are as follows (amounts in thousands):

| Debt | Interest Rates | Maturities | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|--|----------------|-------------|----------------------|---------------------|-----------------------|----------------------|---------------------|
| Major component units: | | | | | | | |
| MassDOT | 2.87 - 5.65% | 2026 - 2039 | \$ 1,675,244 | \$ 3,339 | \$ (73,000) | \$ 1,605,583 | \$ 176,336 |
| MBTA | 0.00 - 5.87% | 2026 - 2055 | 5,886,804 | 1,617,771 | (1,123,957) | 6,380,618 | 609,852 |
| MCWT | 2.00 - 5.25% | 2026 - 2047 | 2,384,125 | 604,964 | (353,871) | 2,635,218 | 164,885 |
| Nonmajor component units | 1.00 - 5.50% | 2026 - 2052 | 681,806 | 43,951 | (67,158) | 658,599 | 44,441 |
| Total bonds and notes payable | | | 10,627,979 | 2,270,025 | (1,617,986) | 11,280,018 | 995,514 |
| Compensated absences ⁽¹⁾ | | | 202,313 | 52,209 | (213) | 254,309 | 128,760 |
| Right-to-use lease liabilities | | | 146,542 | 48,636 | (25,778) | 169,400 | 27,756 |
| Right-to-use public-private partnership liabilities | | | 2,049 | 66,514 | (981) | 67,582 | 1,068 |
| Right-to-use subscription-based IT arrangement liabilities | | | 6,557 | 10,280 | (676) | 16,161 | 5,965 |
| Total long term liabilities | | | <u>\$ 10,985,440</u> | <u>\$ 2,447,664</u> | <u>\$ (1,645,634)</u> | <u>\$ 11,787,470</u> | <u>\$1,159,063</u> |

⁽¹⁾ As restated, see note 1T on pages 82-83 - Component units

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, 2025. 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 | (7,942) |
| Health Information Technology Trust Fund | (7,718) |
| Government Land Bank Fund | (35,033) |
| Public Safety Training Trust Fund | (9) |
| Behavioral Health Trust Fund | (142) |
| Capital Projects Funds: | |
| General Capital Projects Fund | (907,305) |
| Highway Capital Projects Fund | (872,860) |
| Government Land Bank Capital Projects Fund | (500) |
| Federal Highway Construction Program Capital Projects Fund | (56,282) |
| | <u>\$ (1,887,792)</u> |

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 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 <https://www.boston.gov/departments/retirement>.

Plan membership. As of January 1, 2025, 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 | 70,243 | 71,006 |
| Vested terminated employees entitled to benefits but not yet receiving them | 5,516 | N/A |
| Non-Vested terminated entitled only to a refund of their accumulated total deductions | 32,892 | N/A |
| Subtotal | 108,651 | 71,006 |
| Current members | 93,138 | 101,122 |
| Total | <u>201,789</u> | <u>172,128</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, section 22C 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 2023 and based on the results of the January 1, 2022 Commonwealth Actuarial Valuation, the amortization payments increase 9.63% per year until FY28 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 except for teachers subject to Chapter 114 of the Acts of 2000. |

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 of Group 1 will have their withholding rate reduced by 6%.

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 following was the PRIT Fund asset allocation as of June 30, 2025:

| Asset Class | Target Allocation |
|---------------------------------------|----------------------|
| Global Equity | 36.0 % |
| Core Fixed Income | 15.0 % |
| Private Equity | 16.0 % |
| Portfolio Completion Strategies | 10.0 % |
| Real Estate | 10.0 % |
| Value Added Fixed Income | 9.0 % |
| 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 fiscal 2025 were 9.63% and 9.64% 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, 2025 are as follows (amounts in thousands):

| | SERS | MTRS |
|--|----------------------|----------------------|
| Total pension liability | \$ 53,724,000 | \$ 67,300,000 |
| Plan fiduciary net position | (40,892,181) | (44,315,497) |
| Net pension liability | <u>\$ 12,831,819</u> | <u>\$ 22,984,503</u> |
| Fiduciary net position as a percentage of the total pension liability | 76.1% | 65.8% |

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, 2025 rolled forward to June 30, 2025, using the following actuarial assumptions:

- The actuarial assumptions included: (a) 2.5% inflation rate (b) 7.00% investment rate of return/discount rate; (c) 5.44% discount rate for LDROM only; (d) 3.5% interest rate credited to the annuity savings fund; and (e) 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% (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, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.
 - MTRS:
 - Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

4. Mortality rates were as follows:

a. SERS:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021, 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 SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
- Post-retirement mortality reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
- For disabled members, the mortality rate is assumed to be in accordance with the SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (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, 2025 (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 | 7.7% |
| Global Equity | 4.9% |
| Value Added Fixed Income | 5.3% |
| Timberland/Natural Resources | 4.1% |
| Real Estate | 4.1% |
| Portfolio Completion Strategies | 4.1% |
| Core Fixed Income | 2.6% |

Discount rate. The discount rate used to measure the pension liability for SERS and MTRS is 7.00%. 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 7.00%, 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 6.00% or 1-percentage-point higher 8.00% than the current rate (amounts in thousands):

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|----------------------------------|----------------------|-----------------------------------|----------------------|
| SERS net pension liability | \$ 18,760,000 | \$ 12,831,819 | \$ 7,820,000 |
| MTRS net pension liability | 30,608,000 | 22,984,503 | 16,537,000 |

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 \$14.125 billion, \$25.356 billion, and \$3.668 billion, respectively. The net pension liabilities for SERS and MTRS were determined by an actuarial valuation as of January 1, 2024 and rolled forward to June 30, 2024. The BRS net pension liability was determined by an actuarial valuation as of January 1, 2024 and rolled forward to December 31, 2024. 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, 2024 | 93.4% | \$ 13,197,705 |
| Massachusetts Teachers' Retirement System | June 30, 2024 | 100.0% | 25,356,461 |
| Boston Retirement System - Teachers | December 31, 2024 | 64.9% | 2,380,545 |
| Total net pension liability | | | <u>\$ 40,934,711</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, 2024 | 5.8% | <u>\$ 821,645</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 \$3.496 billion and the discretely presented component units recognized approximately \$308 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..... | \$ 94,711 | \$ — | \$ 439,410 | \$ — | \$ 20,107 | \$ — | \$ 7,010 | \$ 20,128 |
| Changes in proportion | 184,769 | 257,488 | — | — | — | — | 77,299 | 1,610 |
| Net difference between projected and actual earnings on pension plan investments | — | 171,603 | — | 196,337 | 45,264 | — | 120,700 | 10,683 |
| Differences between expected and actual experience | 661,463 | 169,087 | 404,482 | 395,225 | 4,920 | 98,610 | 170,605 | 24,427 |
| Payments made after the measurement date | 1,501,697 | — | 2,594,483 | — | — | — | 168,829 | — |
| Totals | <u>\$ 2,442,640</u> | <u>\$ 598,178</u> | <u>\$ 3,438,375</u> | <u>\$ 591,562</u> | <u>\$ 70,291</u> | <u>\$ 98,610</u> | <u>\$ 544,443</u> | <u>\$ 56,848</u> |

The \$1.502 billion for SERS, the \$2.594 billion for MTRS and \$169 million for the discretely presented component units reported as deferred outflows of resources 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 resources related to pensions 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 | |
| 2026 | \$ (456,255) | \$ (348,672) | \$ (15,412) | \$ 116,561 |
| 2027 | 835,469 | 729,960 | 54,185 | 142,259 |
| 2028 | 80,607 | (80,139) | (40,815) | 43,445 |
| 2029 | (102,512) | (106,543) | (27,188) | 17,444 |
| 2030 | (14,545) | 57,724 | 911 | (943) |
| Thereafter | — | — | — | — |
| Totals | <u>\$ 342,764</u> | <u>\$ 252,330</u> | <u>\$ (28,319)</u> | <u>\$ 318,766</u> |

The SERS and MTRS total pension liabilities were based on an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024, using the following actuarial assumptions:

- The actuarial assumptions included: (a) 2.5% inflation rate (b) 7.00% investment rate of return/discount rate; (c) 4.76% discount rate for LDROM only; (d) 3.5% interest rate credited to the annuity savings fund; and (e) 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 4.00% 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, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

MTRS:

- Dated July 21, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

4. Mortality rates were as follows:

SERS:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2021, set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2021, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

MTRS:

- Pre-retirement - reflects SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
- Post-retirement - reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).
- For disabled members, the mortality rate is assumed to be in accordance with the SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2021 (gender distinct).

The BRS-Teachers total pension liability was based on an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024 using the following actuarial assumptions:

1. The actuarial assumptions included (a) 7.00% investment rate of return, (b) inflation 3.25% (c) 3.50% interest rate credited to the annuity savings fund and (d) 5.0% cost of living increase on the first \$15,000 for employer's fiscal year ended June 30, 2024 (previously and thereafter 3% of first \$15,000).
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-2021 for Boston Teachers.
 - Disabled - reflects Pub-2010 Teacher Healthy Retiree Headcount-Weighted Mortality Tables projected generationally using Scale MP-2021 for Boston Teachers.

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, 2024:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return* |
|---------------------------------------|-------------------|---|
| Global Equity | 36.00% | 4.60% |
| Core Fixed Income | 15.00% | 2.10% |
| Private Equity | 16.00% | 7.40% |
| Portfolio Completion Strategies | 10.00% | 3.70% |
| Real Estate | 10.00% | 3.90% |
| Value Added Fixed Income | 9.00% | 5.10% |
| Timberland/Natural Resources | 4.00% | 4.40% |
| Total | 100.00% | |

* - 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 7.00% for SERS and MTRS as of the June 30, 2024 measurement date and 7.00% for BRS-Teachers as of the December 31, 2024 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 7.00% for SERS and MTRS and 7.00% 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 6.00% for SERS and MTRS and 6.00% for BRS-Teachers) or 1-percentage-point higher 8.00% for SERS and MTRS and 8.00% for BRS-Teachers) than the current rate (amounts in thousands):

| | 1% Decrease 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|--|----------------------|-----------------------------------|----------------------|
| SERS net pension liability | \$ 18,541,070 | \$ 13,197,705 | \$ 8,677,228 |
| MTRS net pension liability | 32,776,000 | 25,356,461 | 19,080,000 |
| | | | |
| BRS-Teachers net pension liability | \$ 2,983,052 | \$ 2,380,545 | \$ 1,882,913 |

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, 2025 (amounts in thousands):

| | Pension Trust Funds | | |
|--|-----------------------------|----------------------|----------------------|
| | State Employees' PERS | Teachers' PERS | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 142,448 | \$ 110,711 | \$ 253,159 |
| Net investment in PRIT at fair value | 40,673,552 | 44,093,895 | 84,767,447 |
| Other receivables | 133,389 | 118,587 | 251,976 |
| Other assets | 8 | 538 | 546 |
| Total assets | 40,949,397 | 44,323,731 | 85,273,128 |
| LIABILITIES | | | |
| Accounts payable | 57,216 | 8,234 | 65,450 |
| Net position available for pension | \$ 40,892,181 | \$ 44,315,497 | \$ 85,207,678 |
| ADDITIONS | | | |
| Contributions: | | | |
| Employer contributions - Commonwealth and MassDOT | \$ 1,547,546 | \$ — | \$ 1,547,546 |
| Non-employer contributions - Commonwealth | 46,883 | 2,594,483 | 2,641,366 |
| Employer and non-employer contributions - other | 14,107 | — | 14,107 |
| Employee contributions | 885,959 | 1,010,643 | 1,896,602 |
| ERIP funding contribution - Commonwealth | — | — | — |
| Boston teachers' contributions from Commonwealth | — | 261,107 | 261,107 |
| Other additions | 96,171 | 157,591 | 253,762 |
| Total contributions | 2,590,666 | 4,023,824 | 6,614,490 |
| Net investment gain/(loss): | | | |
| Investment gain/(loss) | 3,785,054 | 4,072,525 | 7,857,579 |
| Less: investment expense | (180,625) | (194,371) | (374,996) |
| Net investment gain/(loss) | 3,604,429 | 3,878,154 | 7,482,583 |
| Total additions | 6,195,095 | 7,901,978 | 14,097,073 |
| DEDUCTIONS | | | |
| Administration | 18,600 | 21,940 | 40,540 |
| Retirement benefits and refunds | 3,163,947 | 3,657,842 | 6,821,789 |
| Payments to State Boston Retirement System | — | 261,107 | 261,107 |
| Other deductions | 22,224 | 68,131 | 90,355 |
| Total deductions | 3,204,771 | 4,009,020 | 7,213,791 |
| Change in net position | 2,990,324 | 3,892,958 | 6,883,282 |
| Net position available for pension at beginning of year | 37,901,857 | 40,422,539 | 78,324,396 |
| Net position available for pension at end of year | \$ 40,892,181 | \$ 44,315,497 | \$ 85,207,678 |

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, 2025 were as follows (amounts in thousands):

| | SERS | MTRS | Purpose |
|-----------------------------------|----------------------|----------------------|---|
| Annuity Savings Fund..... | \$ 8,079,390 | \$ 11,319,990 | Active members' contribution balance |
| Annuity Reserve Fund..... | 1,569,395 | 517,372 | Retired members' contribution account |
| Special Military Service Fund ... | 35 | 375 | Members' contribution account while on military leave |
| Pension Reserve Fund..... | 31,243,361 | 32,477,760 | Amounts appropriated to fund future retirement benefits |
| Total..... | <u>\$ 40,892,181</u> | <u>\$ 44,315,497</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, 2025 the date of the most recent actuarial valuation, plan membership consisted of the following:

| | SRBT |
|--|----------------|
| Inactive plan members or beneficiaries currently receiving benefit payments..... | 86,680 |
| Inactive plan members entitled to but not yet receiving benefit payments..... | 4,696 |
| Active plan members..... | 71,741 |
| Total..... | <u>163,117</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, 2025 and as of the valuation date (January 1, 2025), 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 FY25 totaled approximately \$616 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 FY25, none of the tobacco settlement proceeds was allocated to the SRBT, overriding existing statute. Based on recent contribution history and future expectations, it is assumed that tobacco settlement proceeds will continue to be transferred to the SRBT in future years, subject to annual evaluation.

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, 2025, 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 2025 was 9.62%. 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, 2025 are as follows (amounts in thousands):

| | SRBT |
|--|----------------------|
| Total OPEB liability..... | \$ 15,527,409 |
| Plan fiduciary net position..... | (2,807,002) |
| Net OPEB liability..... | <u>\$ 12,720,407</u> |
| Fiduciary net position as a percentage of the total OPEB liability..... | 18.1% |

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, 2025 rolled forward to June 30, 2025, using the following actuarial assumptions:

1. The annual healthcare cost trend rates were developed based on the most recently published SOA-Getzen trend rate model, version 2025_1b. The short-term trend assumptions were based on a review of the Commonwealth's emerging experience and enrollment by plan type (including migration assumptions for discontinued plans), 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 SOA-Getzen model was then used to determine the trend rates beginning in 2029 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 |
|------------|-------------------|-----------------------|
| 2025..... | 7.50% | 9.60% |
| 2026..... | 7.21% | 9.07% |
| 2027..... | 6.92% | 8.55% |
| 2028..... | 6.62% | 8.02% |
| 2029..... | 6.33% | 7.50% |
| 2034..... | | 4.87% |
| 2044..... | | 4.55% |
| 2054..... | | 4.47% |
| 2064..... | | 4.41% |
| 2074..... | | 3.98% |
| 2075+..... | | 3.94% |

2. Mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2021, 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. 15% 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 Medicare Supplement plan if they are Medicare eligible at 65. All others are assumed to remain in their currently elected product type (Indemnity-Medicare Supplement/HMO-Medicare Advantage/POS/PPO).

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 and reflect the migration of the members to the new plans, as stated in the GIC Provisions section.

| | Non-Medicare | | Medicare |
|----------------|--------------|--------------------------|----------|
| Indemnity..... | 18.0% | Medicare Supplement..... | 96.0% |
| HMO..... | 10.0% | Medicare Advantage..... | 4.0% |
| POS/PPO..... | 72.0% | | |

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 5.94%. This rate was based on a blend of the Bond Buyer Index rate 5.20% 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. Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on SRBT investments was applied to projected benefit payments through year 2048 and the municipal bond rate was applied to all remaining future years to determine the Total OPEB Liability.

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 5.94%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 4.94% or 1-percentage-point higher 6.94% than the current rate (amounts in thousands):

| | 1% Decrease 4.94% | Current Discount Rate 5.94% | 1% Increase 6.94% |
|--------------------------|----------------------|-----------------------------------|----------------------|
| Net OPEB liability | \$ 14,728,762 | \$ 12,720,407 | \$ 11,050,622 |

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 6.50%-8.60% | Current Healthcare Cost Trend Rate 7.50%-9.60% | 1% Increase 8.50%-10.60% |
|--------------------------|----------------------------|--|-----------------------------|
| Net OPEB liability | \$ 10,841,482 | \$ 12,720,407 | \$ 15,033,703 |

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

The Commonwealth's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024.

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

| | Net OPEB Liability | |
|---|-----------------------|-----|
| Primary government | \$ 12,932,671 | (A) |
| Discretely presented component unit | 3,185,051 | (B) |
| Total net OPEB liability | <u>\$ 16,117,722</u> | |

(A) - includes \$591 million of business-type activities and \$22 million of special funding arrangements that participate in the Commonwealth's OPEB plan. Nothing is related to non-participating governmental entities.

(B) - Of this amount \$2.402 billion 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, 2024, the measurement date, the Commonwealth (primary government) and the discretely presented component units recognized OPEB expense of approximately \$(393) million and \$86 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 Units | |
|---|--------------------------------|-------------------------------|--------------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Changes in proportion | \$ 518,174 | \$ 638,997 | \$ 120,823 | \$ — |
| Differences between expected and actual experience | 359,674 | 999,610 | 133,128 | 111,592 |
| Change of assumptions | 253,635 | 2,889,368 | 293,529 | 550,930 |
| Net difference between projected and actual earnings on OPEB plan investments | — | 5,273 | 794 | 710 |
| Payments made after the measurement date | 623,715 | — | 96,120 | — |
| Totals | <u>\$ 1,755,198</u> | <u>\$ 4,533,248</u> | <u>\$ 644,394</u> | <u>\$ 663,232</u> |

The \$624 million and \$96 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 Units |
|------------------|-----------------------|--------------------------------------|
| 2026 | \$ (1,357,198) | \$ (102,816) |
| 2027 | (1,272,495) | (86,552) |
| 2028 | (519,671) | (11,906) |
| 2029 | (145,895) | 45,125 |
| 2030 | (106,551) | 28,243 |
| Thereafter | 46 | 12,948 |
| Total | <u>\$ (3,401,764)</u> | <u>\$ (114,958)</u> |

Actuarial Assumptions

The total OPEB liability based on the actuarial valuation as of January 1, 2024 rolled forward to June 30, 2024 used the following actuarial assumptions:

1. The annual healthcare cost trend rates were developed based on the most recent published SOA-Getzen trend rate model, version 2024_1b. The short-term trend assumptions were based on a review of the Commonwealth's emerging experience and enrollment by plan type (including migration assumptions for discontinued plans), 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 SOA-Getzen model was then used to determine the trend rates beginning in 2028 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 |
|-------------|-------------------|-----------------------|
| 2024 | 5.35% | 7.42% |
| 2025 | 6.53% | 8.03% |
| 2026 | 5.24% | 6.85% |
| 2027 | 5.19% | 6.57% |
| 2028 | 5.14% | 6.29% |
| 2033 | 4.87% | |
| 2043 | 4.48% | |
| 2053 | 4.42% | |
| 2063 | 4.37% | |
| 2073 | 4.01% | |
| 2075+ | 3.94% | |

2. Mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2021, 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 and reflect the migration of the members to the new plans, as stated in the GIC Provisions sections.

| | Non-Medicare | | Medicare |
|-----------------|--------------|---------------------|----------|
| Indemnity | 18.0% | Medicare Supplement | 96.0% |
| HMO | 10.0% | Medicare Advantage | 4.0% |
| POS/PPO | 72.0% | | |

Discount Rate

The discount rate used to measure the OPEB liability was 4.61%. This rate was based on a blend of the Bond Buyer Index rate 3.93% 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. Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on SRBT investments was applied to projected benefit payments through year 2043 and the municipal bond rate was applied to all remaining future years to determine the Total OPEB Liability.

Investments

The long-term expected rate of return as of June 30, 2024 was 7.00%. 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, 2024 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------------|----------------------|--|
| Global Equity | 36.0 % | 4.6 % |
| Core Fixed Income | 15.0 % | 2.1 % |
| Private Equity | 16.0 % | 7.4 % |
| Portfolio Completion Strategies | 10.0 % | 3.7 % |
| Real Estate | 10.0 % | 3.9 % |
| Value Added Fixed Income | 9.0 % | 5.1 % |
| Timber/Natural Resources | 4.0 % | 4.4 % |
| Total | 100.0 % | |

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, 2024 (amounts in thousands):

| | Increase/(Decrease) | | |
|--|--------------------------------|---------------------------------------|------------------------------------|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at June 30, 2023 | \$ 16,470,056 | \$ 2,266,842 | \$ 14,203,214 |
| Changes for the year: | | | |
| Service cost | 551,863 | — | 551,863 |
| Interest | 725,635 | — | 725,635 |
| Differences between expected and actual experience | (96,894) | — | (96,894) |
| Changes of assumptions | (797,949) | — | (797,949) |
| Contributions-employer | — | 648,694 | (648,694) |
| Net investment income | — | 221,103 | (221,103) |
| Benefit payments | (610,921) | (610,921) | — |
| Administrative expense | — | (223) | 223 |
| Other additions | — | 150 | (150) |
| Net changes | (228,266) | 258,803 | (487,069) |
| Balances at June 30, 2024 | <u>\$ 16,241,790</u> | <u>\$ 2,525,645</u> | <u>\$ 13,716,145</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 3.61% | Current Discount Rate 4.61% | 1% Increase 5.61% |
|---------------------------------------|----------------------|-----------------------------------|----------------------|
| Net OPEB liability | \$ 15,974,849 | \$ 13,716,145 | \$ 11,851,966 |
| Less: MassDOT Share | (912,492) | (783,474) | (676,991) |
| Commonwealth Net OPEB liability | <u>\$ 15,062,357</u> | <u>\$ 12,932,671</u> | <u>\$ 11,174,975</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 [page 123](#) of this report (amounts in thousands):

| | 1% Decrease 4.35%-6.42% | Current Rate 5.35%-7.42% | 1% Increase 6.35%-8.42% |
|---------------------------------------|----------------------------|-----------------------------|----------------------------|
| Net OPEB liability | \$ 11,514,467 | \$ 13,716,145 | \$ 16,485,591 |
| Less: MassDOT Share | (657,713) | (783,474) | (941,666) |
| Commonwealth Net OPEB liability | <u>\$ 10,856,754</u> | <u>\$ 12,932,671</u> | <u>\$ 15,543,925</u> |

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, 2025 (amounts in thousands):

| | OPEB Trust Fund |
|---|---------------------------|
| | State Retiree Benefits |
| ASSETS | |
| Cash and cash equivalents | \$ 29,055 |
| Net investment in PRIT at fair value | 2,777,965 |
| Total assets | 2,807,020 |
| LIABILITIES | |
| Accounts payable | 18 |
| Net position available for other post-employment benefits | \$ 2,807,002 |
| ADDITIONS | |
| Contributions: | |
| Employer contributions - Commonwealth | \$ 654,739 |
| Other additions | 230 |
| Total contributions | 654,969 |
| Net investment gain/(loss): | |
| Investment gain/(loss) | 255,047 |
| Less: investment expense | (12,505) |
| Net investment gain/(loss) | 242,542 |
| Total additions | 897,511 |
| DEDUCTIONS | |
| Administration | 283 |
| Retirement benefits and refunds | 615,871 |
| Total deductions | 616,154 |
| Change in net position | 281,357 |
| Net position available for other post-employment benefits at beginning of year | 2,525,645 |
| Net position available for other post-employment benefits at end of year | \$ 2,807,002 |

LEASES AND SUBSCRIPTION-BASED INFORMATION

11. TECHNOLOGY ARRANGEMENTS (SBITAs)

A. PRIMARY GOVERNMENT - AS LESSEE

The Commonwealth has entered into various right to use leases for land, buildings, and equipment, infrastructure, facilities, and improvements. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. One of the lease agreements calls for both fixed and variable (based on changes in index rates) payments; the latter of which are not included in the initial measurement of the lease liability. These variable payments totaled \$3 million and were recognized as expense during the year ended June 30, 2025.

The Institutions of Higher Education lease real property and equipment under numerous right to use 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, 2025 (amounts in thousands):

| Fiscal Year Ended June 30 | Governmental Activities | | | | Governmental Activities Total | Business - Type Activities | | Business - Type Activities Total |
|-----------------------------------|-------------------------|------------------|-------------------|------------------|-------------------------------------|----------------------------|-------------------|---|
| | Principal | Interest | MSBA Principal | MSBA Interest | | Principal | Interest | |
| 2026 | \$ 142,009 | \$ 13,430 | \$ 57 | \$ 27 | \$ 155,523 | \$ 64,521 | \$ 45,696 | \$ 110,217 |
| 2027 | 123,782 | 11,610 | 647 | 357 | 136,396 | 68,746 | 42,222 | 110,968 |
| 2028 | 112,030 | 9,935 | 693 | 332 | 122,990 | 65,123 | 39,365 | 104,488 |
| 2029 | 97,738 | 8,310 | 740 | 306 | 107,094 | 65,026 | 32,386 | 97,412 |
| 2030 | 69,724 | 6,894 | 789 | 277 | 77,684 | 66,230 | 29,926 | 96,156 |
| 2031-2035 | 159,414 | 19,167 | 4,961 | 704 | 184,246 | 322,407 | 113,668 | 436,075 |
| 2036-2040 | 31,760 | 9,537 | 1,036 | 69 | 42,402 | 303,272 | 51,208 | 354,480 |
| 2041-2045 | 30,150 | 6,429 | — | — | 36,579 | 103,994 | 11,370 | 115,364 |
| 2046-2050 | 33,349 | 3,221 | — | — | 36,570 | 25,832 | 1,891 | 27,723 |
| 2051-2055 | 13,359 | 435 | — | — | 13,794 | 886 | 23 | 909 |
| 2056-2060 | 439 | 160 | — | — | 599 | — | — | — |
| 2061-2065 | 486 | 114 | — | — | 600 | — | — | — |
| 2066-2070 | 537 | 62 | — | — | 599 | — | — | — |
| 2071-2075 | 349 | 10 | — | — | 359 | — | — | — |
| Total lease liabilities | 815,126 | 89,314 | 8,923 | 2,072 | 915,435 | 1,086,037 | 367,755 | 1,453,792 |
| Less: current portion | (142,009) | (13,430) | (57) | (27) | (155,523) | (64,521) | (45,696) | (110,217) |
| Long-term lease liabilities | <u>\$ 673,117</u> | <u>\$ 75,884</u> | <u>\$ 8,866</u> | <u>\$ 2,045</u> | <u>\$ 759,912</u> | <u>\$ 1,021,516</u> | <u>\$ 322,059</u> | <u>\$ 1,343,575</u> |

Right-to-use lease assets as of June 30, 2025 (amounts in thousands):

| Asset type: | Primary Government | |
|--------------------------------------|----------------------------|-------------------------------|
| | Governmental Activities | Business - Type Activities |
| Buildings | \$ 1,446,324 | \$ 1,320,100 |
| Machinery and equipment | 30,865 | 26,838 |
| Total assets | 1,477,189 | 1,346,938 |
| Less: accumulated amortization | (688,926) | (385,149) |
| Total | <u>\$ 788,263</u> | <u>\$ 961,789</u> |

B. PRIMARY GOVERNMENT - AS LESSOR

The Commonwealth acts as Lessor on a ground lease associated with re-development of the Saltonstall Building in Boston. Additionally, the Commonwealth acts as Lessor for several properties under a historic curatorship program. For the year ended June 30, 2025, the Commonwealth recognized lease revenue of \$3 million and interest revenue of \$1 million.

The Institutions of Higher Education acts as lessor of real property and equipment under numerous 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, 2025 (amounts in thousands):

| Fiscal Year Ended June 30 | Governmental Activities | | | Business - Type Activities | | |
|----------------------------|-------------------------|------------------|-------------------------------|----------------------------|-------------------|----------------------------------|
| | Principal | Interest | Governmental Activities Total | Principal | Interest | Business - Type Activities Total |
| 2026 | \$ 1,443 | \$ 1,164 | \$ 2,607 | \$ 58,868 | \$ 44,178 | \$ 103,046 |
| 2027 | 1,484 | 1,136 | 2,620 | 61,922 | 42,283 | 104,205 |
| 2028 | 1,524 | 1,105 | 2,629 | 62,873 | 43,134 | 106,007 |
| 2029 | 1,560 | 1,069 | 2,629 | 68,879 | 31,899 | 100,778 |
| 2030 | 3,407 | 2,222 | 5,629 | 71,104 | 29,383 | 100,487 |
| 2031-2035 | 10,683 | 5,583 | 16,266 | 358,604 | 110,584 | 469,188 |
| 2036-2040 | 13,130 | 4,385 | 17,515 | 318,396 | 53,554 | 371,950 |
| 2041-2045 | 14,046 | 2,937 | 16,983 | 115,293 | 12,970 | 128,263 |
| 2046-2050 | 15,180 | 1,463 | 16,643 | 32,664 | 3,152 | 35,816 |
| 2051-2055 | 4,955 | 117 | 5,072 | 6,291 | 501 | 6,792 |
| 2056-2060 | 73 | 5 | 78 | 2,391 | 33 | 2,424 |
| Total lease receivable | 67,485 | 21,186 | 88,671 | 1,157,285 | 371,671 | 1,528,956 |
| Less: current portion | (1,443) | (1,164) | (2,607) | (58,868) | (44,178) | (103,046) |
| Long-term lease receivable | <u>\$ 66,042</u> | <u>\$ 20,022</u> | <u>\$ 86,064</u> | <u>\$ 1,098,417</u> | <u>\$ 327,493</u> | <u>\$ 1,425,910</u> |

C. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The Commonwealth has entered into various agreements for software as a service. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature. 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, 2025 (amounts in thousands):

| Fiscal Year Ended June 30 | Governmental Activities | | | | Business - Type Activities | | | |
|------------------------------|-------------------------|---------------|----------------|---------------|-------------------------------|------------------|-----------------|----------------------------------|
| | Principal | Interest | MSBA Principal | MSBA Interest | Governmental Activities Total | Principal | Interest | Business - Type Activities Total |
| 2026 | \$ 52,616 | \$ 1,867 | \$ 136 | \$ 1 | \$ 54,620 | \$ 24,555 | \$ 2,133 | \$ 26,688 |
| 2027 | 9,948 | 360 | — | — | 10,308 | 15,520 | 1,523 | 17,043 |
| 2028 | 3,227 | 61 | — | — | 3,288 | 11,225 | 744 | 11,969 |
| 2029 | 158 | 1 | — | — | 159 | 6,080 | 315 | 6,395 |
| 2030 | — | — | — | — | — | 758 | 58 | 816 |
| Total SBITAs liabilities | 65,949 | 2,289 | 136 | 1 | 68,375 | 58,138 | 4,773 | 62,911 |
| Less: current portion | (52,616) | (1,867) | (136) | (1) | (54,620) | (24,555) | (2,133) | (26,688) |
| Long-term SBITAs liabilities | <u>\$ 13,333</u> | <u>\$ 422</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 13,755</u> | <u>\$ 33,583</u> | <u>\$ 2,640</u> | <u>\$ 36,223</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, 2025 is estimated to be \$276 million of which approximately \$38 million is expected to be paid during FY26.

Changes in the Commonwealth's liability relating to workers' compensation claims in FY25 and FY24 were (amounts in thousands):

| | FY25 | FY24 |
|--|-------------------|-------------------|
| Claims liability, beginning of year | \$ 273,671 | \$ 272,553 |
| Increase in liability estimate | 57,867 | 58,144 |
| Payments and decreases in liability estimate | (55,063) | (57,026) |
| Claims liability, end of year | <u>\$ 276,475</u> | <u>\$ 273,671</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 FY25 and FY24 were (amounts in thousands):

| | FY25 | FY24 |
|--|-------------------|-------------------|
| Claims liability, beginning of year | \$ 178,268 | \$ 191,551 |
| Increase in liability estimate | 2,414,662 | 2,172,281 |
| Payments and decreases in liability estimate | (2,420,902) | (2,185,564) |
| Claims liability, end of year | <u>\$ 172,028</u> | <u>\$ 178,268</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 FY25 and FY24 (amounts in thousands):

| | FY25 | FY24 |
|--|------------------|------------------|
| Unpaid claims, beginning of year | \$ 28,256 | \$ 66,622 |
| Incurred claims | 61,872 | 33,398 |
| Claim payments and reductions | (26,864) | (71,764) |
| Unpaid claims end of year | <u>\$ 63,264</u> | <u>\$ 28,256</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 FY25, the Commonwealth had the following activity related to environmental remediation (amounts in thousands):

| | Governmental Activities |
|--|----------------------------|
| Environmental remediation liability, beginning of year | \$ 291,648 |
| Expected additional future outlays, changes in liability estimates | (2,405) |
| FY25 outlays for environmental remediation | (9,133) |
| Environmental remediation liability, end of year | <u>\$ 280,110</u> |

The Commonwealth has various ongoing pollution remediation projects, either in partnership with the U.S. Environmental Protection Agency or other projects the Commonwealth is obligated to perform.

Projects subject to participation with Federal Agencies - Under the Federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), state partners are responsible for 10% of cleanup costs at Superfund sites and 100% of costs when a site is in Operation & Maintenance (O&M) status after a period of years. Pollution remediation projects for various sites have an estimated \$212 million in O&M future outlays.

Orphaned Sites - Under Massachusetts General Law Chapter 21E, MassDEP is obligated to clean up hazardous waste sites that pose a harm to human health and the environment when a responsible party is unable or unwilling to conduct the cleanup. These types of pollution remediation projects are estimated at \$20 million in future outlays.

Sites under Commonwealth Control - The Commonwealth has various ongoing pollution remediation project for land and sites under its control. Environmental projects related to buildings or sites containing hazardous materials for demolition or remediation carry an estimated liability of \$48 million.

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 2025, there was a decrease of approximately \$7 million in the liability for COLAs granted to participants in retirement systems of cities, towns and counties.

As of June 30, 2025, the Commonwealth's liability for COLA was approximately \$65 million.

E. PANDEMIC-RELATED UNEMPLOYMENT INSURANCE

During the pandemic, from FY20 through FY23, the Department of Unemployment Assistance (DUA) overdrew approximately \$2.499 billion in pandemic-related unemployment insurance revenues from the federal government. In January 2025, the Commonwealth agreed pursuant to a settlement agreement to pay the federal government \$2.034 billion (reflecting a negotiated reduction of \$465 million in the assessed liability) from the Unemployment Compensation Trust Fund to remediate these errors, with such principal payments to be made in ten annual installments of approximately \$203 million commencing in December 2025 and total interest payment of \$409 million to be made beginning December 1, 2026 and ending on the earlier of: (i) December 1, 2034, or (ii) the payment in full of the settlement amount, of which \$17 million is accrued interest as of June 30, 2025. The Commonwealth also agreed to pay \$73 million in back-interest related to the covered claims on overdrafts of federal pandemic-related unemployment insurance benefits.

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. The Commonwealth continues to assess relevant policy changes from the federal government, which have constrained federal revenues in areas including healthcare, nutritional assistance programming, state and local education, infrastructure, and

environmental initiatives. Additionally, the Commonwealth has formed dedicated teams to assess ongoing changes and disruptions to federal revenues and continues to respond to constraints.

[Section 9 of Chapter 200A of the Massachusetts General Laws](#), amended by [Section 5H of Chapter 165 of the Acts of 2012](#), part of 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 Stabilization Fund and the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY25 totaled approximately \$461 million. FY25 final supplemental budget bill temporarily suspended the requirement to transfer 75% of the growth in abandoned property net revenues between FY24 and FY25 revenues to the Stabilization Fund, which reduced transfers to the Fund by \$99 million and remitted to the General Fund \$331 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 guaranteed certain Massachusetts Bay Transportation Authority (MBTA) which was extinguished as of June 30, 2025. The MBTA's Forward Funding legislation of 1999 provided 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.

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 FY25, the Commonwealth received approximately \$875 million, or 240.6% of the estimated amounts shown in the MSA. The Commonwealth participated in a nationwide settlement with the tobacco companies that addressed withholding of proceeds from the years 2005-2011 that had been in dispute, which resulted in a one-time payment of \$695 million to the Commonwealth in FY25. Annual amounts received in FY25 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 \$9.326 billion through 2025, which is subject to adjustments, reductions and offsets.

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, 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, 2025, 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. OPIOID SETTLEMENT

In 2022, the Commonwealth, along with 50 other states and territories, signed on to opioid legal agreements with certain manufacturers and distributors to resolve legal claims for their role in the opioid crisis. As a result of these agreements, the Commonwealth has recognized a receivable for \$399 million as of June 30, 2025, of which \$364 million is considered long-term and the remaining \$35 million as short-term receivable. As of June 30, 2025, \$226 million has been received for opioid recovery and remediation purposes.

Other opioid related ongoing litigation will be subject to federal, state, and local government approval.

D. OTHER CONSTRUCTION COMMITMENTS

At June 30, 2025, the Commonwealth had commitments of approximately \$996 million related to ongoing construction projects.

Chelsea Soldiers' Home - Pennrose Master Development Agreement. On October 28, 2022, the Commonwealth signed an agreement with Pennrose, LLC for redevelopment of a portion of the Chelsea Soldiers' Home, including a ground lease, open space, and residential and non-residential spaces. While the contract for this multi-phased project has not been executed, under GASB 94, the agreement likely represents an Availability Payment Arrangement for activities related to design and construction.

E. 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 Massachusetts 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.

F. MSBA

The MSBA has estimated the amount of outstanding New Program commitments at June 30, 2025 to be \$2.0 billion.

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 being reviewed include (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 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 withdrew its prior request for a closing agreement. This matter remains 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 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, 2025 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 CliftonLarsonAllen (CLA):

The Massachusetts Clean Water Trust (MCWT)
 Massachusetts Clean Energy Center (MCEC)
 Massachusetts Convention Center Authority (MCCA)
 Massachusetts Development Finance Agency (MassDevelopment)
 Massachusetts Life Sciences Center
 Massachusetts Technology Park Corporation (MTPC)

Entities Audited by Other Auditors:

The Pension Reserves Investment Trust Fund (PRIT)
 *The Massachusetts State Lottery Commission
 The Massachusetts Department of Transportation (MassDOT)
 Massachusetts Bay Transportation Authority (MBTA)
 Commonwealth Health Insurance Connector Authority
 *§The Massachusetts Municipal Depository Trust (MMDT)
 *The University of Massachusetts System
 University of Massachusetts Foundation, Inc.
 The Massachusetts School Building Authority (MSBA)
 *State Universities:
 Bridgewater State University
 Fitchburg State University
 Framingham State University
 Massachusetts College of Art and Design
 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
 Springfield Technical Community College

Nonmajor Discretely Presented Component Units:

Massachusetts Housing Partnership (MHP)

Economic Development Entities (3 separate entities):

Commonwealth Corporation
 Community Economic Development Assistance Corporation (CEDAC)
 Commonwealth Zoological Corporation (Zoo)

Higher Education Foundations (23 separate entities):

Bridgewater State University's:
 The Bridgewater State University Foundation
 Bridgewater Alumni Association of Bridgewater State University
 Fitchburg State University's:
 Fitchburg State University Foundation, Inc.
 FSU Foundation Supporting Organization, Inc.
 Framingham State University's:
 Framingham State University Foundation, Inc.
 Framingham State University Foundation Supporting Organization, Inc.
 Massachusetts College of Art and Design Foundation, Inc.
 Massachusetts College of Liberal Arts Foundation, Inc.
 Massachusetts Maritime Academy Foundation, Inc.
 Salem State University's:
 Salem State University Alumni Association and Foundation, Inc.
 Salem State University Assistance Corporation
 Westfield State University Foundation, Inc.
 Worcester State Foundation, Inc.
 Berkshire Community College Foundation, Inc.
 Bristol Community College Foundation, Inc.
 Bunker Hill Community College Foundation, Inc.
 Cape Cod Community College Educational Foundation, Inc.
 Greenfield Community College Foundation, Inc.
 Holyoke Community College Foundation, Inc.
 Massachusetts Bay Community College Foundation, Inc.
 Massasoit Community College Foundation, Inc.
 Middlesex Community College Foundation, Inc.
 Mount Wachusett Community College Foundation, Inc.
 North Shore Community College Foundation, Inc.
 Northern Essex Community College Foundation, Inc.
 Quinsigamond Community College Foundation, Inc.
 Springfield Technical Community College's:
 Springfield Technical Community College Foundation, Inc.
 Springfield Technical Community College Assistance Corporation

15. SUBSEQUENT EVENTS

Primary Government

On August 13, 2025, the Commonwealth issued \$300 million in GO Bonds, Consolidated Loan of 2025, Series E. These bonds carry interest rate of 5.00%. The first principal payment is due on August 1, 2028 with final maturity on August 1, 2043.

On August 13, 2025, the Commonwealth issued \$450 million in GO Bonds, Consolidated Loan of 2025, Series F. These bonds carry interest rate of 5.00%. The first principal payment is due on August 1, 2044 with final maturity on August 1, 2055.

On September 11, 2025, the Commonwealth issued approximately \$5 million in General Obligation (GO) Bonds, Consolidated Loan of 2025 Series A (College Opportunity Bonds). These bonds carry an interest rate of 0.50%. The first principal payment is due on August 1, 2030 with final maturity on August 1, 2045.

On October 22, 2025, the Commonwealth issued \$375 million in Commonwealth Transportation Fund Revenue Bonds 2025 Series A. These bonds carry an interest rate of 5.00% with maturity date of June 1, 2055.

On October 22, 2025, the Commonwealth issued approximately \$168 million in Commonwealth Transportation Fund Revenue Refunding Bonds 2025, Series A. The bonds were issued to refund, on a current basis, approximately \$184 million of various Commonwealth Transportation Fund Revenue bonds and carries interest rates of 5.00% with final maturity on June 1, 2045. The refunding resulted in reduced debt service of approximately \$29 million and a present value savings of approximately \$21 million over the life of the bonds.

On December 11, 2025, the Commonwealth issued \$750 million in GO Bonds, Consolidated Loan of 2025, Series G. These bonds carry interest rate of 5.00%. The first principal payment is due on December 1, 2028 with final maturity on December 1, 2055.

On December 11, 2025, the Commonwealth issued approximately \$268 million in GO Refunding Bonds 2025, Series B. The bonds were issued to refund, on a current basis, approximately \$296 million of various GO bonds and carries interest rates of 5.00% with final maturity on June 1, 2046. The refunding resulted in reduced debt service of approximately \$32 million and a present value savings of approximately \$27 million over the life of the bonds.

The Commonwealth's \$100 million direct purchase outstanding bonds has been paid off on December 11, 2025 with the proceeds from the 2025B Refunding bonds dated December 11, 2025.

On September 18, 2025, the MSBA issued \$500 million in Subordinated Dedicated Sales Tax Bonds, 2025 Series A (Social Bonds). These bonds carry interest rates of 5.00% to 5.50%. The first principal payment is due on February 15, 2039, with final maturity on February 15, 2055.

On September 18, 2025, the MSBA issued approximately \$1.495 billion in Subordinated Dedicated Sales Tax Refunding Bonds, 2025 Series B (Social Bonds) and used a combination of debt service releases and MSBA funds totaling approximately \$152 million to refund and to purchase tendered bonds. This transaction refunded, on a current basis, or purchased approximately \$1.848 billion of various Senior and Subordinate Dedicated Sales Tax bonds and carries an interest rate of 5.00% with final maturity on February 15, 2042. The refunding resulted in budgetary savings of approximately \$218 million and net present value savings of approximately \$169 million over the life of the bonds.

On September 18, 2025, the MSBA utilized approximately \$397 million in available funds and \$4 million of debt service releases to execute a cash defeasance of \$505 million of outstanding federally taxable bonds. This cash defeasance realized budgetary savings of \$771 million and net present value savings of \$47 million, net of the MSBA's cash contribution of \$297 million to the defeasance escrow.

On February 25, 2026, the MSBA Board authorized the use of available funds to cash defease up to \$550 million of principal. This transaction is scheduled to close on April 28, 2026. This transaction will have a budgetary savings of approximately \$866.7 million over the life of the defeased debt and a net present value savings of approximately \$27.3 million.

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

Component Units

Subsequent to year end, MassDOT's fiscal 2026 operating budget was revised and approved for \$873 million in expenditures and debt service. The amount will be funded from operating revenue from Commonwealth Transportation Fund, pledged and unpledged revenues, motor vehicle inspection trust fund, federal funds and other revenues. Additionally, the Commonwealth legislature approved a supplemental transfer of \$61 million from the Education and Transportation Fund to the Massachusetts Transportation Trust Fund for snow and ice removal expenditures.

In July 2025, the MBTA issued \$978 million Senior Sales Tax Bonds, 2025 Series B. The Bonds have two Term Bonds with a maturity date of July 1, 2050. Both have annual sinking funds from July 1, 2048, through final maturity on July 1, 2050. There are two additional Term Bonds with a maturity date of July 1, 2055. Both have annual sinking funds from July 1, 2051, through final maturity on July 1, 2055. There are annual principal payments beginning July 1, 2029, through July 1, 2055. The Bonds maturing after July 1, 2035 are subject to an optional redemption at par and the Bonds maturing on or prior to July 1, 2035, are subject to an optional redemptions with a make-whole redemption price. The 2025 Series B Bonds were issued to provide financing for capital projects.

Required Supplementary Information Other Than Management's Discussion and Analysis

(Unaudited)

**Schedule of Revenues, 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, 2025

(Amounts in thousands)

| | Original Budget | Final Budget | Actual | Variance |
|---|-------------------|-------------------|-------------------|------------------|
| REVENUES AND OTHER FINANCING SOURCES | | | | |
| Revenues: | | | | |
| Taxes | \$ 36,916,000 | \$ 36,916,000 | \$39,328,783 | \$ 2,412,783 |
| Assessments | 497,907 | 497,907 | 419,497 | (78,410) |
| Federal grants and reimbursements | 14,356,450 | 14,356,450 | 16,199,453 | 1,843,003 |
| Tobacco settlement revenue | 256,786 | 256,786 | 874,694 | 617,908 |
| Departmental | 4,044,907 | 4,044,907 | 4,444,480 | 399,573 |
| Miscellaneous | 842,919 | 842,919 | 1,109,606 | 266,687 |
| Total revenues | 56,914,969 | 56,914,969 | 62,376,513 | 5,461,544 |
| Other financing sources: | | | | |
| Fringe benefit cost recovery | 604,898 | 604,898 | 641,840 | 36,942 |
| Lottery reimbursements | 132,670 | 132,670 | 148,181 | 15,511 |
| Lottery distributions | 1,345,750 | 1,345,750 | 1,031,804 | (313,946) |
| Operating transfers in | 294,418 | 294,418 | 1,112,267 | 817,849 |
| Stabilization transfer | 96,841 | 96,841 | — | (96,841) |
| Other fund deficit support | — | 217,735 | 217,735 | — |
| Total other financing sources | 2,474,577 | 2,692,312 | 3,151,827 | 459,515 |
| Total revenues and other financing sources | 59,389,546 | 59,607,281 | 65,528,340 | 5,921,059 |
| EXPENDITURES AND OTHER FINANCING USES | | | | |
| Expenditures: | | | | |
| Legislature | 140,627 | 148,642 | 96,781 | 51,861 |
| Judiciary | 1,371,138 | 1,401,569 | 1,354,704 | 46,865 |
| Office of Inspector General | 10,048 | 10,517 | 8,916 | 1,601 |
| Governor and Lieutenant Governor | 9,797 | 12,131 | 9,184 | 2,947 |
| Secretary of the Commonwealth | 87,066 | 87,226 | 83,126 | 4,100 |
| Treasurer and Receiver-General | 2,490,726 | 288,817 | 240,144 | 48,673 |
| State Auditor | 25,389 | 25,344 | 24,004 | 1,340 |
| Attorney General | 81,334 | 102,317 | 98,669 | 3,648 |
| State Ethics Commission | 3,731 | 3,839 | 3,828 | 11 |
| District Attorneys | 176,277 | 179,756 | 178,082 | 1,674 |
| Office of Campaign & Political Finance | 2,202 | 2,207 | 2,099 | 108 |
| Sheriffs | 737,861 | 888,344 | 882,887 | 5,457 |
| Disabled Persons Protection Commission | 13,497 | 12,868 | 12,688 | 180 |
| Commission on the Status of Women | 959 | 959 | 905 | 54 |
| Office of the Comptroller | 67,179 | 67,713 | 42,330 | 25,383 |
| Administration and Finance | 4,859,325 | 4,493,104 | 3,499,451 | 993,653 |
| Energy and Environmental Affairs | 585,106 | 656,878 | 583,911 | 72,967 |
| Health and Human Services | 9,601,939 | 10,831,370 | 10,075,146 | 756,224 |
| Technology Services and Security | 286,304 | 285,925 | 202,895 | 83,030 |
| Veterans' Services | 131,501 | 136,327 | 129,901 | 6,426 |
| Office of the Veteran Advocate | 2,000 | 1,963 | 1,684 | 279 |
| Housing and Livable Communities | 1,184,333 | 2,092,091 | 1,955,810 | 136,281 |
| Massachusetts Department of Transportation | 130 | 3,399 | 3,081 | 318 |
| Office of the Child Advocate | 8,892 | 8,144 | 5,374 | 2,770 |
| Commission Against Discrimination | 13,470 | 13,578 | 11,908 | 1,670 |
| Board of Library Commissioners | 52,429 | 52,473 | 52,384 | 89 |
| Education | 4,393,698 | 4,060,350 | 3,933,903 | 126,447 |
| Center for Health Information and Analysis | 36,762 | 39,085 | 36,349 | 2,736 |
| Public Safety and Security | 1,712,086 | 1,759,178 | 1,675,374 | 83,804 |
| Massachusetts Peace Officer Standards and Training Commission | 8,747 | 8,752 | 7,985 | 767 |
| Commission on the Status of African Americans | 150 | 150 | — | 150 |
| Commission on the Status of Latinos and Latinas | 150 | 150 | — | 150 |
| Commission on the Status of Persons with Disabilities | 150 | 150 | 145 | 5 |
| Commission on the Social Status of Black Men and Boys | 150 | 150 | — | 150 |
| Economic Development | 199,366 | 252,847 | 227,067 | 25,780 |

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

General Fund*

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | Original Budget | Final Budget | Actual | Variance |
|---|---------------------|------------------------|---------------------|---------------------|
| Labor and Workforce Development | 162,286 | 106,231 | 104,775 | 1,456 |
| Direct local aid | 7,742,319 | 7,748,119 | 7,747,799 | 320 |
| Medicaid | 20,097,343 | 22,143,507 | 22,129,247 | 14,260 |
| Post employment benefits | — | 5,096,329 | 5,093,997 | 2,332 |
| Debt service: | | | | |
| Principal retirement | 34,654 | 754,446 | 744,689 | 9,757 |
| Interest and fiscal charges | — | 719,572 | 710,900 | 8,672 |
| Total expenditures | 56,331,121 | 64,496,517 | 61,972,122 | 2,524,395 |
| Other financing uses: | | | | |
| Fringe benefit cost assessment | — | — | 15,491 | (15,491) |
| Operating transfers out | — | 4,042,567 | 4,038,694 | 3,873 |
| Medical assistance transfer | 682,202 | 837,827 | 640,347 | 197,480 |
| Stabilization transfer | — | 951,492 | 826,992 | 124,500 |
| Total other financing uses | 682,202 | 5,831,886 | 5,521,524 | 310,362 |
| Total expenditures and other financing uses | 57,013,323 | 70,328,403 | 67,493,646 | 2,834,757 |
| Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses | \$ 2,376,223 | \$ (10,721,122) | (1,965,306) | \$ 8,755,816 |
| Fund balance at beginning of year | | | 11,971,462 | |
| Fund balance at end of year | | | <u>\$10,006,156</u> | |

* Includes the General Fund, the Commonwealth Stabilization Fund, the Intragovernmental Services Fund and the Transitional Escrow Fund, which are presented separately in the Statutory Basis Financial Report (SBFR). Please see pages 180-181 in the Other Supplemental Information for the breakdown of funds within Combined General Fund .

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 | \$ 62,376,513 |
| Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis: | |
| Tax receivable, net | 396,997 |
| Tax refunds and abatements payable, net | (183,277) |
| Federal reimbursements and other receivables | (580,469) |
| Reclassifications: | |
| Higher education revenue is reclassified for GAAP reporting | (195,469) |
| Inflows from component units and other miscellaneous financing sources | 158,947 |
| Certain revenue is reclassified to fiduciary funds for GAAP reporting | (65,669) |
| Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u>\$ 61,907,573</u> |
| OTHER FINANCING SOURCES | |
| Actual amounts (budgetary basis) "other financing sources" from the budgetary comparison schedule | \$ 3,151,827 |
| Adjustments and Reclassifications: | |
| Higher education revenue is reclassified for GAAP reporting | — |
| Capital outlay on GAAP basis | 208,867 |
| Consolidation of transfers between funds | (552,672) |
| Inflows from component units and other miscellaneous financing sources | (157,956) |
| Total other financing sources as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u>\$ 2,650,066</u> |
| EXPENDITURES | |
| Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule | \$ 61,972,122 |
| Adjustments for amounts budgeted for on a cash basis, rather than on the modified accrual basis: | |
| Medicaid payments | 117,315 |
| Compensated absences and other accrued liabilities | 106,387 |
| Reclassifications: | |
| Leases and SBITAs additions are additions to expenditures for GAAP purposes on a fund perspective | 208,867 |
| 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 | (1,455,589) |
| Certain expenditures are reclassified to/from Other Financing Uses | (8,500) |
| Higher education expenditures are reclassified for GAAP reporting | (2,331,782) |
| Expenditures to component units reported on a GAAP basis | 61,040 |
| Certain expenditures are reclassified to fiduciary funds for GAAP reporting | (65,669) |
| Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u>\$ 58,604,191</u> |
| OTHER FINANCING USES | |
| Actual amounts (budgetary basis) "other financing uses" from the budgetary comparison schedule | \$ 5,521,524 |
| Adjustments and Reclassifications: | |
| Consolidation of transfers between funds | (552,672) |
| Budgetary higher education amounts are reclassified to transfers under the modified accrual basis | 2,136,313 |
| 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 | 1,455,589 |
| Transfers to component units reported on a GAAP basis | (6,502) |
| Certain expenditures are reclassified to/from Other Financing Uses | 8,500 |
| Total other financing uses as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | <u>\$ 8,562,752</u> |

* Includes the General Fund, the Commonwealth Stabilization Fund, the Intragovernmental Services Fund, and the Transitional Escrow 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 FY25 (amounts in thousands):

| General Appropriation Act, Chapter 140 of the Acts of 2024: | Revenues | Expenditures |
|--|----------------------|----------------------|
| Direct appropriations | \$ 58,002,800 | \$ 56,994,169 |
| Estimated revenues, transfers, retained revenue appropriations, and appropriations carried forward from FY 2024 | — | 4,712,732 |
| Total original budget | 58,002,800 | 61,706,901 |
| Supplemental Acts of 2024: | | |
| Chapter 88 | — | 175,000 |
| Chapter 248 | | 355,625 |
| Supplemental Acts of 2025: | | |
| Chapter 1 | — | 425,000 |
| Chapter 3 | — | 240,000 |
| Chapter 4 | — | 189,570 |
| Chapter 7 | — | 1,388,225 |
| Chapter 14 | — | 222,415 |
| Chapter 33 | — | 157,000 |
| Chapter 73 | — | 2,297,832 |
| Total budgeted revenues and expenditures per Legislative action | — | 5,450,667 |
| Plus: Pension contributions and revenue authorized in the General Appropriation Act, and other transfers of revenue and spending | 5,688,205 | 11,706,514 |
| Budgeted revenues and expenditures as reported | <u>\$ 63,691,005</u> | <u>\$ 78,864,082</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 Comptroller, Statewide Financial Reporting Team, at cathy.hunter@mass.gov.

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

(Amounts in thousands, except for percentages)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability, July 1 | \$ 52,027,000 | \$ 50,005,000 | \$ 48,041,000 | \$ 46,476,000 | \$ 45,725,000 |
| Service cost | 1,199,805 | 1,143,160 | 1,043,783 | 981,998 | 968,648 |
| Interest | 3,615,138 | 3,472,563 | 3,332,796 | 3,223,993 | 3,243,594 |
| Change in benefit terms | — | — | — | — | — |
| Differences between expected and actual experience | 46,004 | 486,506 | 424,236 | 160,909 | (904,845) |
| Changes of assumptions | — | — | 110,000 | — | 101,000 |
| Benefit payments, including refunds of member contributions | (3,163,947) | (3,080,229) | (2,946,815) | (2,801,900) | (2,657,397) |
| Net change in total pension liability | 1,697,000 | 2,022,000 | 1,964,000 | 1,565,000 | 751,000 |
| Total pension liability, June 30 (a) | <u>\$ 53,724,000</u> | <u>\$ 52,027,000</u> | <u>\$ 50,005,000</u> | <u>\$ 48,041,000</u> | <u>\$ 46,476,000</u> |
| Plan fiduciary net position, July 1 | \$ 37,901,857 | \$ 35,357,510 | \$ 34,131,126 | \$ 36,039,471 | \$ 28,567,300 |
| Contributions: | | | | | |
| Employers - Commonwealth and MassDOT | 1,547,546 | 1,408,975 | 1,368,423 | 1,310,596 | 1,105,838 |
| Non-employer contributions - Commonwealth | 46,883 | 57,185 | 63,822 | 56,988 | 41,963 |
| Employer and non-employer contributions - other | 14,107 | 16,572 | 13,764 | 11,454 | 13,352 |
| ERIP funding contribution - Commonwealth | — | 28,260 | 28,449 | 28,449 | 28,449 |
| Plan members | 885,959 | 760,851 | 722,382 | 693,853 | 652,911 |
| Other additions | 96,171 | 81,973 | 130,982 | 138,957 | 90,879 |
| Total contributions | 2,590,666 | 2,353,816 | 2,327,822 | 2,240,297 | 1,933,392 |
| Net investment income (loss) | 3,604,429 | 3,308,422 | 1,916,176 | (1,297,464) | 8,232,417 |
| Benefit payments, including refunds of member contributions | (3,163,947) | (3,080,229) | (2,946,815) | (2,801,900) | (2,657,397) |
| Administrative expense | (18,600) | (17,632) | (16,120) | (14,461) | (21,685) |
| Other changes | (22,224) | (20,030) | (54,679) | (34,817) | (14,556) |
| Net change in plan fiduciary net position | 2,990,324 | 2,544,347 | 1,226,384 | (1,908,345) | 7,472,171 |
| Plan fiduciary net position, June 30 (b) | <u>\$ 40,892,181</u> | <u>\$ 37,901,857</u> | <u>\$ 35,357,510</u> | <u>\$ 34,131,126</u> | <u>\$ 36,039,471</u> |
| Plan net pension liability - June 30 (a) - (b) | <u>\$ 12,831,819</u> | <u>\$ 14,125,143</u> | <u>\$ 14,647,490</u> | <u>\$ 13,909,874</u> | <u>\$ 10,436,529</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 76.1% | 72.9% | 70.7% | 71.0% | 77.5% |
| Covered payroll (as of the actuarial valuation date) | \$ 8,247,464 | \$ 7,688,333 | \$ 7,088,063 | \$ 6,651,010 | \$ 6,544,575 |
| Net pension liability as a percentage of covered employee payroll | 155.6% | 183.7% | 206.7% | 209.1% | 159.5% |

| 2020* | 2019 | 2018 | 2017 | 2016 |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 43,398,000 | \$ 41,225,000 | \$ 39,107,000 | \$ 37,760,000 | \$ 35,425,414 |
| 963,828 | 897,600 | 856,200 | 855,440 | 813,975 |
| 3,124,187 | 2,965,890 | 2,852,239 | 2,813,374 | 2,638,929 |
| — | — | — | 10,000 | 400,000 |
| 336,183 | 303,066 | 102,008 | (428,232) | 589,009 |
| 442,000 | 434,000 | 622,000 | 304,000 | — |
| (2,539,198) | (2,427,556) | (2,314,447) | (2,207,582) | (2,107,327) |
| 2,327,000 | 2,173,000 | 2,118,000 | 1,347,000 | 2,334,586 |
| <u>\$ 45,725,000</u> | <u>\$ 43,398,000</u> | <u>\$ 41,225,000</u> | <u>\$ 39,107,000</u> | <u>\$ 37,760,000</u> |
| \$ 28,763,796 | \$ 27,995,021 | \$ 26,282,232 | \$ 23,971,156 | \$ 24,042,585 |
| 1,003,828 | 919,545 | 842,864 | 716,266 | 660,818 |
| 38,381 | 37,359 | 33,310 | 28,455 | 21,830 |
| 9,718 | 10,191 | 9,564 | 7,999 | 16,642 |
| 28,724 | 28,724 | 28,724 | 29,093 | 29,093 |
| 659,015 | 632,730 | 600,705 | 604,772 | 591,948 |
| 90,944 | 104,765 | 118,124 | 232,548 | 397,077 |
| 1,830,610 | 1,733,314 | 1,633,291 | 1,619,133 | 1,717,408 |
| 567,319 | 1,543,398 | 2,460,748 | 2,987,632 | 422,938 |
| (2,539,198) | (2,427,556) | (2,314,447) | (2,207,582) | (2,107,327) |
| (18,089) | (15,853) | (16,369) | (30,030) | (20,624) |
| (37,138) | (64,528) | (50,434) | (58,077) | (83,824) |
| (196,496) | 768,775 | 1,712,789 | 2,311,076 | (71,429) |
| <u>\$ 28,567,300</u> | <u>\$ 28,763,796</u> | <u>\$ 27,995,021</u> | <u>\$ 26,282,232</u> | <u>\$ 23,971,156</u> |
| <u>\$ 17,157,700</u> | <u>\$ 14,634,204</u> | <u>\$ 13,229,979</u> | <u>\$ 12,824,768</u> | <u>\$ 13,788,844</u> |
| 62.5% | 66.3% | 67.9% | 67.2% | 63.5% |
| \$ 6,354,473 | \$ 6,354,473 | \$ 6,155,194 | \$ 5,927,012 | \$ 5,792,288 |
| 270.0% | 230.3% | 214.9% | 216.4% | 238.1% |

* - The covered payroll for FY20 reflects the compensation in the January 1, 2019 actuarial valuation. See Independent Auditors' Report and notes to the schedule.

NOTES TO THE SERS SCHEDULE

FY2025 Changes in Actuarial Assumptions

No changes.

FY2024 Changes in Actuarial Assumptions

No changes.

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2023 Actuarial Valuation:

- The Mortality improvement scale is updated from MP-2020 to MP-2021. This change increased the pension liability by approximately \$110 million

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in the investment rate of return

SERS changed its discount rate to 7.00% from 7.15%. This change resulted in an increase to the total pension liability of approximately \$726 million.

Change in mortality

The following mortality assumption changes were made in the January 1, 2021 Actuarial Valuation:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

This change resulted in a decrease to the total pension liability of approximately \$625 million.

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).
- 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.

NOTES TO THE SERS SCHEDULE

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.

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)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total pension liability, July 1 | \$ 65,779,000 | \$ 63,314,000 | \$ 61,273,000 | \$ 59,795,000 | \$ 57,862,841 |
| Service cost | 1,255,816 | 1,259,763 | 1,182,258 | 1,084,503 | 1,085,414 |
| Interest | 4,564,413 | 4,395,268 | 4,249,912 | 4,143,763 | 4,097,558 |
| Differences between expected and actual experience | (641,387) | 378,415 | (17,711) | (384,483) | (555,322) |
| Changes of assumptions | — | — | 111,000 | — | 584,000 |
| Benefit payments, including refunds of plan member contributions | (3,657,842) | (3,568,446) | (3,484,459) | (3,365,783) | (3,279,491) |
| Net change in total pension liability | 1,521,000 | 2,465,000 | 2,041,000 | 1,478,000 | 1,932,159 |
| Total pension liability, June 30 (a) | <u>\$ 67,300,000</u> | <u>\$ 65,779,000</u> | <u>\$ 63,314,000</u> | <u>\$ 61,273,000</u> | <u>\$ 59,795,000</u> |
| Plan fiduciary net position, July 1 | \$ 40,422,539 | \$ 37,023,729 | \$ 35,384,862 | \$ 37,088,124 | \$ 29,317,997 |
| Contributions: | | | | | |
| Non-employer | 2,594,483 | 2,417,533 | 2,148,676 | 2,104,604 | 1,748,483 |
| Plan members | 1,010,643 | 987,837 | 943,929 | 892,123 | 833,236 |
| Other additions | 418,698 | 395,017 | 319,016 | 276,758 | 254,903 |
| Total contributions | 4,023,824 | 3,800,387 | 3,411,621 | 3,273,485 | 2,836,622 |
| Net investment income (loss) | 3,878,155 | 3,501,432 | 1,997,214 | (1,353,547) | 8,455,507 |
| Benefit payments, including refunds of plan member contributions | (3,657,842) | (3,568,446) | (3,484,459) | (3,365,783) | (3,279,491) |
| Administrative expense | (21,940) | (20,120) | (21,332) | (19,196) | (21,783) |
| Other changes | (329,239) | (314,443) | (264,177) | (238,221) | (220,728) |
| Net change (deficits) in plan fiduciary net position | 3,892,958 | 3,398,810 | 1,638,867 | (1,703,262) | 7,770,127 |
| Plan fiduciary net position, June 30 (b) | <u>\$ 44,315,497</u> | <u>\$ 40,422,539</u> | <u>\$ 37,023,729</u> | <u>\$ 35,384,862</u> | <u>\$ 37,088,124</u> |
| Plan net pension liability - June 30 (a) - (b) | <u>\$ 22,984,503</u> | <u>\$ 25,356,461</u> | <u>\$ 26,290,271</u> | <u>\$ 25,888,138</u> | <u>\$ 22,706,876</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 65.8% | 61.5% | 58.5% | 57.7% | 62.0% |
| Covered payroll (as of actuarial valuation date) | \$ 9,037,950 | \$ 8,731,185 | \$ 8,371,450 | \$ 7,704,176 | \$ 7,670,306 |
| Net pension liability as a percentage of covered employee payroll | 254.3% | 290.4% | 314.0% | 336.0% | 296.0% |

| 2020 * | 2019 | 2018 | 2017 | 2016 |
|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 54,751,000 | \$ 52,503,000 | \$ 50,024,000 | \$ 47,300,000 | \$ 45,918,711 |
| 1,019,331 | 949,262 | 901,234 | 891,760 | 843,800 |
| 3,927,724 | 3,763,191 | 3,633,027 | 3,505,761 | 3,402,525 |
| 495,599 | 50,910 | 92,317 | 47,046 | (74,025) |
| 859,000 | 577,000 | 845,000 | 1,176,000 | — |
| (3,189,813) | (3,092,363) | (2,992,578) | (2,896,567) | (2,791,011) |
| 3,111,841 | 2,248,000 | 2,479,000 | 2,724,000 | 1,381,289 |
| <u>\$ 57,862,841</u> | <u>\$ 54,751,000</u> | <u>\$ 52,503,000</u> | <u>\$ 50,024,000</u> | <u>\$ 47,300,000</u> |
| \$ 29,536,980 | \$ 28,791,711 | \$ 27,138,609 | \$ 24,942,072 | \$ 25,429,068 |
| 1,553,433 | 1,443,710 | 1,314,783 | 1,235,515 | 1,124,583 |
| 821,105 | 782,431 | 755,688 | 730,212 | 699,422 |
| 233,222 | 234,532 | 231,734 | 223,746 | 202,796 |
| 2,607,760 | 2,460,673 | 2,302,205 | 2,189,473 | 2,026,801 |
| 581,648 | 1,584,770 | 2,542,576 | 3,100,352 | 441,363 |
| (3,189,813) | (3,092,363) | (2,992,578) | (2,896,567) | (2,791,011) |
| (22,391) | (18,324) | (19,528) | (24,053) | (24,220) |
| (196,187) | (189,487) | (179,573) | (172,668) | (139,929) |
| (218,983) | 745,269 | 1,653,102 | 2,196,537 | (486,996) |
| <u>\$ 29,317,997</u> | <u>\$ 29,536,980</u> | <u>\$ 28,791,711</u> | <u>\$ 27,138,609</u> | <u>\$ 24,942,072</u> |
| <u>\$ 28,544,844</u> | <u>\$ 25,214,020</u> | <u>\$ 23,711,289</u> | <u>\$ 22,885,391</u> | <u>\$ 22,357,928</u> |
| 50.7% | 53.9% | 54.8% | 54.3% | 52.7% |
| \$ 7,074,960 | \$ 7,074,960 | \$ 6,829,012 | \$ 6,583,871 | \$ 6,388,732 |
| 403.5% | 356.4% | 347.2% | 347.6% | 350.0% |

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

See Independent Auditors' Report and notes to the schedule.

FY2025 Changes in Actuarial Assumptions

No changes.

FY2024 Changes in Actuarial Assumptions

No changes.

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in mortality

The following mortality assumption changes were made in the January 1, 2023 Actuarial Valuation:

- The Mortality improvement scale is updated from MP-2020 to MP-2021. This change increased the pension liability by approximately \$111 million

FY2022 Changes in Actuarial Assumptions

No changes.

FY2021 Changes in Actuarial Assumptions

Changes of assumptions:

Change in the investment rate of return

The Commonwealth revised its discount rate to 7.00% from 7.15%. This change resulted in an increase to the total pension liability of approximately \$1.011 billion.

Change in mortality

The following mortality assumption changes were made in the January 1, 2021 Actuarial Valuation:

- Pre-retirement mortality reflects SOA Pub-2010 Teachers Employees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- Post-retirement mortality reflects SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).
- For disabled members, the mortality rate is assumed to be in accordance with the SOA Pub-2010 Teachers Retirees mortality table (headcount weighted) projected generationally with Scale MP-2020 (gender distinct).

These changes resulted in a decrease to the total pension liability of approximately \$ 427 million.

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.

NOTES TO THE MTRS SCHEDULE

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).
- 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.

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)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability, July 1 | \$ 16,241,790 | \$ 16,470,056 | \$ 15,340,605 | \$ 17,910,405 | \$ 22,105,511 |
| Service cost | 547,890 | 551,863 | 530,964 | 774,039 | 992,669 |
| Interest | 759,968 | 725,635 | 672,136 | 510,542 | 521,143 |
| Differences between expected and actual experience | 1,267,952 | (96,894) | 591,887 | (16,054) | (2,926,517) |
| Changes of assumptions | (2,674,320) | (797,949) | (179,432) | (3,328,161) | (2,297,649) |
| Benefit payments, including refunds of member contributions | (615,871) | (610,921) | (486,104) | (510,166) | (484,752) |
| Net change in total pension liability | (714,381) | (228,266) | 1,129,451 | (2,569,800) | (4,195,106) |
| Total OPEB liability, June 30 (a) | <u>\$ 15,527,409</u> | <u>\$ 16,241,790</u> | <u>\$ 16,470,056</u> | <u>\$ 15,340,605</u> | <u>\$ 17,910,405</u> |
| Plan fiduciary net position, July 1 | \$ 2,525,645 | \$ 2,266,842 | \$ 1,988,383 | \$ 1,910,940 | \$ 1,414,312 |
| Contributions: | | | | | |
| Employer | 654,739 | 648,694 | 653,178 | 660,800 | 569,989 |
| Other additions | 230 | 150 | 176 | 175 | 200 |
| Total contributions | 654,969 | 648,844 | 653,354 | 660,975 | 570,189 |
| Net investment income (loss) | 242,542 | 221,103 | 111,455 | (73,126) | 411,438 |
| Benefit payments, including refunds of plan member contributions | (615,871) | (610,921) | (486,104) | (510,166) | (484,752) |
| Administrative expenses | (283) | (223) | (246) | (240) | (247) |
| Other changes | — | — | — | — | — |
| Net change in plan fiduciary net position | 281,357 | 258,803 | 278,459 | 77,443 | 496,628 |
| Plan fiduciary net position, June 30 (b) | <u>\$ 2,807,002</u> | <u>\$ 2,525,645</u> | <u>\$ 2,266,842</u> | <u>\$ 1,988,383</u> | <u>\$ 1,910,940</u> |
| Plan net OPEB liability - June 30 (a) - (b) | <u>\$ 12,720,407</u> | <u>\$ 13,716,145</u> | <u>\$ 14,203,214</u> | <u>\$ 13,352,222</u> | <u>\$ 15,999,465</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 18.1% | 15.6% | 13.8% | 13.0% | 10.7% |
| Covered payroll * | \$ 7,395,339 | \$ 6,395,957 | \$ 5,721,250 | \$ 5,772,086 | \$ 5,594,324 |
| Net OPEB liability as a percentage of covered employee payroll | 172.0% | 214.5% | 248.3% | 231.3% | 286.0% |

* - Fiscal 2018 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable.

See Independent Auditors' Report and notes to the schedule.

| | 2020 | 2019 | 2018 | 2017 |
|-----------|-------------------|----------------------|----------------------|----------------------|
| \$ | 19,662,106 | \$ 19,761,333 | \$ 18,480,936 | \$ 19,821,600 |
| | 785,689 | 806,023 | 792,135 | 950,800 |
| | 732,808 | 796,880 | 691,630 | 591,900 |
| | (600,057) | 715,192 | 218,891 | (48,600) |
| | 2,050,139 | (1,935,139) | 21,504 | (2,393,700) |
| | (525,174) | (482,183) | (443,763) | (441,064) |
| | 2,443,405 | (99,227) | 1,280,397 | (1,340,664) |
| <u>\$</u> | <u>22,105,511</u> | <u>\$ 19,662,106</u> | <u>\$ 19,761,333</u> | <u>\$ 18,480,936</u> |
| \$ | 1,368,548 | \$ 1,187,569 | \$ 996,407 | \$ 866,043 |
| | 547,611 | 594,916 | 542,896 | 465,449 |
| | 122 | 188 | 133 | 784 |
| | 547,733 | 595,104 | 543,029 | 466,233 |
| | 23,380 | 68,229 | 93,308 | 105,822 |
| | (525,174) | (482,183) | (443,763) | (441,064) |
| | (175) | (171) | (150) | (127) |
| | — | — | (1,262) | (500) |
| | 45,764 | 180,979 | 191,162 | 130,364 |
| <u>\$</u> | <u>1,414,312</u> | <u>\$ 1,368,548</u> | <u>\$ 1,187,569</u> | <u>\$ 996,407</u> |
| <u>\$</u> | <u>20,691,199</u> | <u>\$ 18,293,558</u> | <u>\$ 18,573,764</u> | <u>\$ 17,484,529</u> |
| | 6.4% | 7.0% | 6.0% | 5.4% |
| \$ | 5,625,684 | \$ 5,491,214 | \$ 5,296,859 | \$ 5,259,298 |
| | 367.8% | 333.1% | 350.7% | 332.4% |

NOTES TO THE SRBT SCHEDULE

FY2025 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 4.61% to 5.94% (based on a blend of the Bond Buyer Index rate of 5.20% and the expected rate of return on assets of 7.00%) as required by GASB Statement No.74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$2.75 billion.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's emerging experience, industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in an increase in the total OPEB liability of approximately \$1.86 billion.

Change in future retirees' plan participation rate

Participation rate for vested terminated participants was updated from 85% to 15% based on the experience of retirement-eligible vested terminated from 2019. This change resulted in a decrease in the total OPEB liability of approximately \$1.83 billion.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY26 rates, and this change resulted in an increase in the total OPEB liability of approximately \$1.35 billion.

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$80.4 million.

Change in plan

Basic life insurance coverage increased from \$5,000 to \$10,000 and this change resulted in an increase in the total OPEB liability of approximately \$51.4 million.

FY2024 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 4.34% to 4.61% (based on a blend of the Bond Buyer Index rate of 3.93% and the expected rate of return on assets of 7.00%) as required by GASB Statement No.74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$567 million.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's emerging experience, industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in a decrease in the total OPEB liability of approximately \$231 million.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY25 rates, and this change resulted in an increase in the total OPEB liability of approximately \$20 million.

NOTES TO THE SRBT SCHEDULE

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$117 million.

FY2023 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 4.30% to 4.34% (based on a blend of the Bond Buyer Index rate of 3.65% and the expected rate of return on assets of 7.00%) as required by GASB Statement No.74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$85.7 million.

Change in mortality projection scale

Mortality projection scale was updated from MP-2020 to MP2021, consistent with the January 1, 2023 SERS Actuarial Valuation Report. This change resulted in an increase in the total OPEB liability of approximately \$56.9 million.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's emerging experience, industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in a decrease in the total OPEB liability of approximately \$150.7 million.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY24 rates, including the new plan offerings as of FY24. This change resulted in an increase in the total OPEB liability of approximately \$615 million.

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$23 million.

FY2022 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 2.77% to 4.30% (based on a blend of the Bond Buyer Index rate 3.54% and the expected rate of return on assets of 7.00%) as required by GASB Statement No.74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$3.601 billion.

Change in per capita claims costs

Per capita claims costs were updated to reflect FY23 rates, including the discontinuation of the Fallon Direct and Select plans as of FY23. This change resulted in a decrease in the total OPEB liability of approximately \$139 million.

Change in healthcare trend rates

The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates during the past two fiscal years, along with industry surveys, and an adjustment to estimate the impact of recent general inflation. Long-term expectations were updated based on the most recent SOA-Getzen trend model. This change resulted in an increase in the total OPEB liability of approximately \$273 million.

NOTES TO THE SRBT SCHEDULE

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a increase in the total OPEB liability of approximately \$123 million.

FY2021 Changes in Actuarial Assumptions

Changes of Assumptions:

Change in discount rate

The discount rate was increased from 2.28% to 2.77% (based on a blend of the Bond Buyer Index rate 2.16%) as of the measurement date and the expected rate of return on assets of 7.00%) as required by GASB Statement No. 74. This increase in the discount rate resulted in a decrease in the total OPEB liability of approximately \$1.391 billion.

Change in mortality projection scale

Mortality projection scale was updated from MP-2016 to MP2020. This change resulted in a decrease in the total OPEB liability of approximately \$969 million.

Change in per capita claims costs

Per capita claims costs for the Medicare HMO plan (Tufts Medicare Preferred plan) was no longer age-graded. This change resulted in a decrease in the total OPEB liability of approximately \$18 million.

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates. This change resulted in a decrease in the total OPEB liability of approximately \$2.755 billion.

Change in healthcare trend rates

The healthcare trend rates were updated to reflects short-term expectations based on a review of the Commonwealth's historical trend rates during fiscal years 2020 and 2021, along with industry surveys, separately from non-Medicare and Medicare benefits. This change resulted in an increase in the total OPEB liability of approximately \$79 million.

Change in demographic and benefit

The change in demographic and benefit payments experience resulted in a decrease in the total OPEB liability of approximately \$172 million.

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

NOTES TO THE SRBT SCHEDULE

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.

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.

NOTES TO THE SRBT SCHEDULE

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.

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 | | | | | | | | | |
|--|----------------------------|--------|--------|---------|---------|--------|--------|--------|---------|--------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Annual money-weighted rate of return, net of investment expense - SERS | 9.63 % | 9.50 % | 5.70 % | (3.65)% | 29.35 % | 2.01 % | 5.63 % | 9.58 % | 12.74 % | 1.79 % |
| Annual money-weighted rate of return, net of investment expense - MTRS | 9.64 % | 9.52 % | 5.70 % | (3.69)% | 29.35 % | 2.00 % | 5.62 % | 9.58 % | 12.75 % | 1.78 % |
| Annual money-weighted rate of return, net of investment expense - SRBT (1) | 9.62 % | 9.97 % | 5.65 % | (3.85)% | 29.40 % | 1.75 % | 5.87 % | 9.46 % | 12.90 % | (1) |

(1) - GASB 74 implemented in FY2017.

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 | 2025 (measurement date June 30, 2024) | 2024 (measurement date June 30, 2023) | 2023 (measurement date June 30, 2022) | 2022 (measurement date June 30, 2021) | 2021 (measurement date June 30, 2020) |
|--|--|--|--|--|--|
| Proportion of the net pension liability | 93.4% | 93.6% | 94.2% | 94.2% | 94.3% |
| Proportionate share of the net pension liability | \$ 13,197,705 | \$ 13,713,722 | \$ 13,101,342 | \$ 9,834,175 | \$ 16,180,809 |
| Plan net position as a percentage of the total pension liability | 76.1% | 72.9% | 70.7% | 71.0% | 62.5% |
| Covered payroll | \$ 6,570,028 | \$ 5,880,270 | \$ 5,921,315 | \$ 5,734,862 | \$ 5,778,859 |
| Net pension liability as a percentage of covered payroll | 200.9% | 233.2% | 221.3% | 171.5% | 280.0% |

Fiscal Year Ending June 30

| Contributions | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution | \$ 1,594,429 | \$ 1,466,160 | \$ 1,432,245 | \$ 1,367,584 | \$ 1,147,801 | \$ 1,042,209 |
| Contributions in relation to the statutorily required contribution | 1,594,429 | 1,466,160 | 1,432,245 | 1,367,584 | 1,147,801 | 1,042,209 |
| Annual contribution deficiency/(excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| Covered payroll | \$ 7,584,570 | \$ 6,570,028 | \$ 5,880,270 | \$ 5,921,315 | \$ 5,734,862 | \$ 5,778,859 |
| Contributions as a percentage of covered payroll | 21.0% | 22.3% | 24.4% | 23.1% | 20.0% | 18.0% |

The State Employees' Retirement System (SERS) is included in the ACFR as a pension trust fund in the fiduciary fund type. SERS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

See Independent Auditors' Report and notes to the schedule

| 2020 (measurement date June 30, 2019) | 2019 (measurement date June 30, 2018) | 2018 (measurement date June 30, 2017) | 2017 (measurement date June 30, 2016) | 2016 (measurement date June 30, 2015) |
|--|--|--|--|--|
| 94.7% | 94.6% | 94.5% | 94.3% | 93.8% |
| \$ 13,856,209 | \$ 12,520,028 | \$ 12,122,363 | \$ 12,996,818 | \$ 10,682,765 |
| 66.3% | 67.9% | 67.2% | 63.5% | 67.9% |
| \$ 5,641,512 | \$ 5,440,103 | \$ 5,397,203 | \$ 5,249,985 | \$ 5,136,405 |
| 245.6% | 230.1% | 224.6% | 247.6% | 208.0% |
| <hr/> | | | | |
| 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 956,904 | \$ 876,174 | \$ 744,721 | \$ 682,648 | \$ 619,971 |
| 956,904 | 876,174 | 744,721 | 682,648 | 619,971 |
| <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| \$ 5,641,512 | \$ 5,440,103 | \$ 5,397,203 | \$ 5,249,985 | \$ 5,136,405 |
| 17.0% | 16.1% | 13.8% | 13.0% | 12.1% |

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 | 2025 (measurement date June 30, 2024) | 2024 (measurement date June 30, 2023) | 2023 (measurement date June 30, 2022) | 2022 (measurement date June 30, 2021) | 2021 (measurement date June 30, 2020) |
|--|--|--|--|--|--|
| Proportion of the net pension liability | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Proportionate share of the net pension liability | \$ 25,356,461 | \$ 26,290,271 | \$ 25,888,138 | \$ 22,706,876 | \$ 28,544,844 |
| Plan net position as a percentage of the total pension liability | 61.5% | 58.5% | 57.7% | 62.0% | 50.7% |

| Contributions | Fiscal Year Ending June 30 | | | | | |
|---|----------------------------|--------------|--------------|--------------|--------------|--------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 |
| Statutorily required contribution | \$ 2,594,483 | \$ 2,417,533 | \$ 2,148,676 | \$ 2,104,604 | \$ 1,748,483 | \$ 1,553,433 |
| Contributions in relation to the statutorily required contribution | 2,594,483 | 2,417,533 | 2,148,676 | 2,104,604 | 1,748,483 | 1,553,433 |
| Annual contribution deficiency/(excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

The Massachusetts Teachers' Retirement System (MTRS) is included in the ACFR as a pension trust fund in the fiduciary fund type. MTRS is a defined-benefit multiple employer, cost-sharing public employee retirement system.

See Independent Auditors' Report and notes to the schedule

| 2020 (measurement date June 30, 2019) | 2019 (measurement date June 30, 2018) | 2018 (measurement date June 30, 2017) | 2017 (measurement date June 30, 2016) | 2016 (measurement date June 30, 2015) |
|--|--|--|--|--|
| 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| \$ 25,214,020 | \$ 23,711,289 | \$ 22,885,391 | \$ 22,357,928 | \$ 20,489,643 |
| 53.9% | 54.8% | 54.3% | 52.7% | 55.4% |

| 2019 | 2018 | 2017 | 2016 | 2015 |
|--------------|--------------|--------------|--------------|--------------|
| \$ 1,443,710 | \$ 1,314,783 | \$ 1,235,515 | \$ 1,124,583 | \$ 1,021,930 |
| 1,443,710 | 1,314,783 | 1,235,515 | 1,124,583 | 1,021,930 |
| \$ — | \$ — | \$ — | \$ — | \$ — |

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 | 2025 (measurement date December 31, 2024) | 2024 (measurement date December 31, 2023) | 2023 (measurement date December 31, 2022) | 2022 (measurement date December 31, 2021) | 2021 (measurement date December 31, 2020) |
|---|--|--|--|--|--|
| Proportion of the net pension liability..... | 64.9% | 61.2% | 56.2% | 65.5% | 60.8% |
| Proportionate share of the net pension liability..... | \$ 2,380,545 | \$ 2,586,901 | \$ 2,682,386 | \$ 2,265,594 | \$ 2,416,125 |
| Plan net position as a percentage of the total pension liability..... | 74.2% | 69.4% | 64.1% | 73.3% | 67.6% |

| Contributions | Fiscal Year Ending December 31 | | | | |
|---|--------------------------------|-------------|-------------|-------------|-------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 |
| Statutorily required contribution..... | \$ 261,107 | \$ 238,472 | \$ 196,833 | \$ 179,369 | \$ 162,976 |
| Contributions in relation to the statutorily required contribution..... | 261,107 | 238,472 | 196,833 | 179,369 | 162,976 |
| Annual contribution deficiency/(excess)..... | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

The Boston Retirement System (BRS) is included in the City of Boston's ACFR. The Boston Teachers' portion of the BRS total pension liability is reported in the Commonwealth's ACFR as a part of the total net pension liability.

See Independent Auditors' Report and notes to the schedule

| 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) |
|--|--|--|--|--|
| 56.5% | 55.6% | 60.5% | 55.9% | 54.5% |
| \$ 2,572,923 | \$ 2,551,190 | \$ 2,433,199 | \$ 2,325,286 | \$ 2,402,267 |
| 61.9% | 58.3% | 62.7% | 58.4% | 55.8% |
| 2019 | 2018 | 2017 | 2016 | 2015 |
| \$ 157,041 | \$ 143,146 | \$ 131,298 | \$ 132,477 | \$ 120,434 |
| 157,041 | 143,146 | 131,298 | 132,477 | 120,434 |
| \$ — | \$ — | \$ — | \$ — | \$ — |



**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 2023 (for fiscal years 2024 through 2026) based upon the January 1, 2022 actuarial valuation as prepared by the Public Employee Retirement Administration Commission (PERAC) using the following assumptions:

1. The annual required contribution for FY2025 was determined as part of the January 1, 2025 actuarial valuation using the entry age normal cost method.
2. The actuarial assumptions included (a) 7.00% investment return/discount rate, (b) 5.44% discount rate for LDROM only (c) inflation rate of 2.5%, per year (d) 3.50% interest rate credited to the annuity savings fund and (e) 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 4.00% 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 (AVA) is determined so that 20% of the investment gain or loss in a given year is recognized annually for the ensuing five years. Therefore, these investment gains and losses are fully recognized after five years. In addition to this treatment of gains and losses, we use a “corridor” approach so that the AVA can never be too far from the market value of assets. Under our approach for the Commonwealth, the AVA cannot be less than 90% nor greater than 110% of the market value. As of January 1, 2025, the calculated AVA is 100.4% of the MVA.
6. Normal costs are amortized using level percentage of payroll.
7. The remaining amortization period for the unfunded pension liability at January 1, 2024 was 12 years to FY36.

BRS-Teachers:

The actuarially determined contributions were calculated as of December 31, 2024. The funding requirements are established for the employers' fiscal year ended June 30, 2024 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 8.85% for BRS excluding Boston Teachers |
| Remaining amortization period | 12 years remaining as of January 1, 2024 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 | Based on years of service, ranging from 7.50% at zero years of service decreasing to 4.00% after 20 years of services for Boston Teachers |
| Investment rate of return | 7.00% for Boston Teachers |
| Cost of Living adjustment | 3.00% of the first \$15,000 for fiscal 2024 |
| See Independent Auditors' Report | |

Schedule of Employer Contributions - OPEB
Commonwealth of Massachusetts
 Last 9 Years
 (amounts in thousands)

| Contributions | Fiscal Year Ending June 30 | | | | |
|--|----------------------------|--------------|--------------|--------------|--------------|
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| Statutorily required contribution..... | \$ 623,715 | \$ 619,324 | \$ 630,606 | \$ 637,189 | \$ 546,664 |
| Contributions in relation to the statutorily required contribution..... | 623,715 | 619,324 | 630,606 | 637,189 | 546,664 |
| Annual contribution deficiency/(excess)..... | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| Covered payroll*..... | \$ 7,395,339 | \$ 6,395,957 | \$ 5,721,250 | \$ 5,772,086 | \$ 5,594,324 |
| Contributions as a percentage of covered payroll..... | 8.4% | 9.7% | 11.0% | 11.0% | 9.8% |

* Fiscal 2017 through fiscal 2021 covered payroll and fiscal 2017 funded payroll amounts have been restated to exclude certain employees for whose benefit the Commonwealth is not liable. Fiscal years prior to fiscal 2017 have not been restated and include such employees under funded payroll.

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

See Independent Auditors' Report

| 2020 | 2019 | 2018 | 2017 |
|--------------|--------------|--------------|--------------|
| \$ 526,494 | \$ 572,434 | \$ 520,703 | \$ 419,932 |
| 526,494 | 572,434 | 520,703 | 419,932 |
| \$ — | \$ — | \$ — | \$ — |
| \$ 5,625,684 | \$ 5,491,214 | \$ 5,296,859 | \$ 5,259,298 |
| 9.4% | 10.4% | 9.8% | 8.0% |



Other Supplementary Information

**Combining Schedule 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 Balances – Other
Governmental Funds**

**Combining Schedule 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 Fiduciary Net Position - Pension and Post-Employment Benefits Trust
Funds – Pension and OPEB Trust Funds**

**Combining Statement of Changes in Fiduciary Net Position - Pension and Post-Employment
Benefits Trust Funds – Pension and OPEB Trust Funds**

**Combining Statement of Fiduciary Net Position Held in Trust for Pool Participants – External
Investment Trust Funds**

**Combining Statement of Changes in Fiduciary 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 Schedule of Revenues, Expenditures and Changes In Fund Balances - Statutory Basis - Budget and Actual

Combined General Fund
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

| | General Fund | | | | Commonwealth Stabilization Fund | | | |
|---|---------------------|-----------------------|--------------------|---------------------|---------------------------------|---------------------|--------------------|-------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| REVENUES AND OTHER FINANCING SOURCES | | | | | | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 36,916,000 | \$ 36,916,000 | \$ 39,328,604 | \$ 2,412,604 | \$ — | \$ — | \$ 179 | \$ 179 |
| Assessments | 497,907 | 497,907 | 419,497 | (78,410) | — | — | — | — |
| Federal grants and reimbursements | 14,356,450 | 14,356,450 | 16,199,453 | 1,843,003 | — | — | — | — |
| Tobacco settlement revenue | 256,786 | 256,786 | 874,694 | 617,908 | — | — | — | — |
| Departmental | 4,044,907 | 4,044,907 | 3,883,977 | (160,930) | — | — | — | — |
| Miscellaneous | 842,919 | 842,919 | 695,741 | (147,178) | — | — | 413,865 | 413,865 |
| Total revenues | 56,914,969 | 56,914,969 | 61,401,966 | 4,486,997 | — | — | 414,044 | 414,044 |
| Other financing sources: | | | | | | | | |
| Fringe benefit cost recovery | 604,898 | 604,898 | 641,840 | 36,942 | — | — | — | — |
| Lottery reimbursements | 132,670 | 132,670 | 148,181 | 15,511 | — | — | — | — |
| Lottery distributions | 1,345,750 | 1,345,750 | 1,031,804 | (313,946) | — | — | — | — |
| Operating transfers in | 294,418 | 294,418 | 591,502 | 297,084 | — | — | — | — |
| Stabilization transfer | — | — | — | — | 96,841 | 96,841 | — | (96,841) |
| Other fund deficit support | — | 217,735 | 217,735 | — | — | — | — | — |
| Total other financing sources | 2,377,736 | 2,595,471 | 2,631,062 | 35,591 | 96,841 | 96,841 | — | (96,841) |
| Total revenues and other financing sources | 59,292,705 | 59,510,440 | 64,033,028 | 4,522,588 | 96,841 | 96,841 | 414,044 | 317,203 |
| EXPENDITURES AND OTHER FINANCING USES | | | | | | | | |
| Expenditures: | | | | | | | | |
| Legislature | 140,627 | 148,642 | 96,781 | 51,861 | — | — | — | — |
| Judiciary | 1,367,460 | 1,357,716 | 1,351,808 | 5,908 | — | — | — | — |
| Office of Inspector General | 10,048 | 9,974 | 8,532 | 1,442 | — | — | — | — |
| Governor and Lieutenant Governor | 9,797 | 12,131 | 9,184 | 2,947 | — | — | — | — |
| Secretary of the Commonwealth | 87,050 | 87,050 | 82,966 | 4,084 | — | — | — | — |
| Treasurer and Receiver-General | 2,490,726 | 288,817 | 240,144 | 48,673 | — | — | — | — |
| State Auditor | 25,389 | 25,344 | 24,004 | 1,340 | — | — | — | — |
| Attorney General | 81,334 | 82,131 | 79,301 | 2,830 | — | — | — | — |
| State Ethics Commission | 3,731 | 3,839 | 3,828 | 11 | — | — | — | — |
| District Attorneys | 176,277 | 179,756 | 178,082 | 1,674 | — | — | — | — |
| Office of Campaign & Political Finance | 2,202 | 2,207 | 2,099 | 108 | — | — | — | — |
| Sheriffs | 737,861 | 888,344 | 882,887 | 5,457 | — | — | — | — |
| Disabled Persons Protection Commission | 11,895 | 12,050 | 12,047 | 3 | — | — | — | — |
| Commission on the Status of Women | 959 | 959 | 905 | 54 | — | — | — | — |
| Office of the Comptroller | 10,875 | 11,111 | 11,067 | 44 | — | — | — | — |
| Administration and finance | 4,431,952 | 3,893,739 | 3,352,931 | 540,808 | — | — | — | — |
| Energy and environmental affairs | 472,879 | 583,544 | 543,146 | 40,398 | — | — | — | — |
| Health and human services | 9,363,519 | 10,390,410 | 9,716,522 | 673,888 | — | — | — | — |
| Technology Services and Security | 101,115 | 100,163 | 97,855 | 2,308 | — | — | — | — |
| Veterans' Services | 126,501 | 128,050 | 122,174 | 5,876 | — | — | — | — |
| Office of the Veteran Advocate | 2,000 | 1,963 | 1,684 | 279 | — | — | — | — |
| Housing and Livable Communities | 1,178,053 | 1,532,398 | 1,399,216 | 133,182 | — | — | — | — |
| Massachusetts Department of Transportation | — | 3,269 | 2,951 | 318 | — | — | — | — |
| Office of the Child Advocate | 8,892 | 8,144 | 5,374 | 2,770 | — | — | — | — |
| Commission Against Discrimination | 13,470 | 13,578 | 11,908 | 1,670 | — | — | — | — |
| Board of Library Commissioners | 52,429 | 52,473 | 52,384 | 89 | — | — | — | — |
| Education | 4,275,233 | 3,912,205 | 3,816,364 | 95,841 | — | — | — | — |
| Center for Health Information and Analysis | 36,688 | 39,014 | 36,285 | 2,729 | — | — | — | — |
| Public Safety and Security | 1,634,349 | 1,666,686 | 1,604,438 | 62,248 | — | — | — | — |
| Massachusetts Peace Officer Standards and Training Commission | 8,747 | 8,752 | 7,985 | 767 | — | — | — | — |
| Commission on the Status of African Americans | 150 | 150 | — | 150 | — | — | — | — |
| Commission on the Status of Latinos and Latinas | 150 | 150 | — | 150 | — | — | — | — |
| Commission on the Status of Persons with Disabilities | 150 | 150 | 145 | 5 | — | — | — | — |
| Commission on the Social Status of Black Men and Boys | 150 | 150 | — | 150 | — | — | — | — |
| Economic Development | 170,055 | 224,877 | 207,868 | 17,009 | — | — | — | — |
| Labor and workforce development | 122,844 | 70,203 | 68,808 | 1,395 | — | — | — | — |
| Direct local aid | 7,742,319 | 7,748,119 | 7,747,799 | 320 | — | — | — | — |
| Medicaid | 20,097,343 | 22,143,507 | 22,129,247 | 14,260 | — | — | — | — |
| Post employment benefits | — | 5,096,329 | 5,093,997 | 2,332 | — | — | — | — |
| Debt service: | | | | | | | | |
| Principal retirement | — | 719,792 | 711,118 | 8,674 | — | — | — | — |
| Interest and fiscal charges | — | 719,572 | 710,900 | 8,672 | — | — | — | — |
| Total expenditures | 54,995,219 | 62,167,458 | 60,424,734 | 1,742,724 | — | — | — | — |
| Other financing uses: | | | | | | | | |
| Fringe benefit cost assessment | — | — | 11,784 | (11,784) | — | — | — | — |
| Operating transfers out | — | 3,991,664 | 3,987,791 | 3,873 | — | — | — | — |
| Medical assistance transfer | 682,202 | 837,827 | 640,347 | 197,480 | — | — | — | — |
| Stabilization transfer | — | 124,500 | — | 124,500 | — | 826,992 | 826,992 | — |
| Total other financing uses | 682,202 | 4,953,991 | 4,639,922 | 314,069 | — | 826,992 | 826,992 | — |
| Total expenditures and other financing uses | 55,677,421 | 67,121,449 | 65,064,656 | 2,056,793 | — | 826,992 | 826,992 | — |
| Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses | \$ 3,615,284 | \$ (7,611,009) | (1,031,628) | \$ 6,579,381 | \$ 96,841 | \$ (730,151) | (412,948) | \$ 317,203 |
| Fund balances at beginning of year | — | — | 1,952,395 | — | — | — | 8,523,632 | — |
| Fund balances at end of year | — | — | <u>\$ 920,767</u> | — | — | — | <u>\$8,110,684</u> | — |

See Independent Auditors' Report

| Intragovernmental Services Fund | | | | Transitional Escrow Fund | | | | Total General Fund | | | |
|---------------------------------|---------------------|-----------------|-------------------|--------------------------|-----------------------|-------------------|---------------------|---------------------|------------------------|----------------------|---------------------|
| Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 36,916,000 | \$ 36,916,000 | \$ 39,328,783 | \$ 2,412,783 |
| — | — | — | — | — | — | — | — | 497,907 | 497,907 | 419,497 | (78,410) |
| — | — | — | — | — | — | — | — | 14,356,450 | 14,356,450 | 16,199,453 | 1,843,003 |
| — | — | — | — | — | — | — | — | 256,786 | 256,786 | 874,694 | 617,908 |
| — | — | 560,503 | 560,503 | — | — | — | — | 4,044,907 | 4,044,907 | 4,444,480 | 399,573 |
| — | — | — | — | — | — | — | — | 842,919 | 842,919 | 1,109,606 | 266,687 |
| — | — | 560,503 | 560,503 | — | — | — | — | 56,914,969 | 56,914,969 | 62,376,513 | 5,461,544 |
| — | — | — | — | — | — | — | — | 604,898 | 604,898 | 641,840 | 36,942 |
| — | — | — | — | — | — | — | — | 132,670 | 132,670 | 148,181 | 15,511 |
| — | — | — | — | — | — | — | — | 1,345,750 | 1,345,750 | 1,031,804 | (313,946) |
| — | — | — | — | — | — | 520,765 | 520,765 | 294,418 | 294,418 | 1,112,267 | 817,849 |
| — | — | — | — | — | — | — | — | 96,841 | 96,841 | — | (96,841) |
| — | — | — | — | — | — | — | — | — | 217,735 | 217,735 | — |
| — | — | — | — | — | — | 520,765 | 520,765 | 2,474,577 | 2,692,312 | 3,151,827 | 459,515 |
| — | — | 560,503 | 560,503 | — | — | 520,765 | 520,765 | 59,389,546 | 59,607,281 | 65,528,340 | 5,921,059 |
| — | — | — | — | — | — | — | — | 140,627 | 148,642 | 96,781 | 51,861 |
| — | — | — | — | 3,678 | 43,853 | 2,896 | 40,957 | 1,371,138 | 1,401,569 | 1,354,704 | 46,865 |
| — | — | — | — | — | 543 | 384 | 159 | 10,048 | 10,517 | 8,916 | 1,601 |
| — | — | — | — | — | — | — | — | 9,797 | 12,131 | 9,184 | 2,947 |
| 16 | 16 | — | 16 | — | 160 | 160 | — | 87,066 | 87,226 | 83,126 | 4,100 |
| — | — | — | — | — | — | — | — | 2,490,726 | 288,817 | 240,144 | 48,673 |
| — | — | — | — | — | — | — | — | 25,389 | 25,344 | 24,004 | 1,340 |
| — | 15 | 12 | 3 | — | 20,171 | 19,356 | 815 | 81,334 | 102,317 | 98,669 | 3,648 |
| — | — | — | — | — | — | — | — | 3,731 | 3,839 | 3,828 | 11 |
| — | — | — | — | — | — | — | — | 176,277 | 179,756 | 178,082 | 1,674 |
| — | — | — | — | — | — | — | — | 2,202 | 2,207 | 2,099 | 108 |
| — | — | — | — | — | — | — | — | 737,861 | 888,344 | 882,887 | 5,457 |
| — | — | — | — | 1,602 | 818 | 641 | 177 | 13,497 | 12,868 | 12,688 | 180 |
| — | — | — | — | — | — | — | — | 959 | 959 | 905 | 54 |
| 56,304 | 56,322 | 30,983 | 25,339 | — | 280 | 280 | — | 67,179 | 67,713 | 42,330 | 25,383 |
| 245,676 | 245,676 | 143,102 | 102,574 | 181,697 | 353,689 | 3,418 | 350,271 | 4,859,325 | 4,493,104 | 3,499,451 | 993,653 |
| 6,500 | 6,500 | 3,686 | 2,814 | 105,727 | 66,834 | 37,079 | 29,755 | 585,106 | 656,878 | 583,911 | 72,967 |
| 200,055 | 200,830 | 159,057 | 41,773 | 38,365 | 240,130 | 199,567 | 40,563 | 9,601,939 | 10,831,370 | 10,075,146 | 756,224 |
| 185,189 | 185,174 | 104,452 | 80,722 | — | 588 | 588 | — | 286,304 | 285,925 | 202,895 | 83,030 |
| 5,000 | 5,000 | 4,450 | 550 | — | 3,277 | 3,277 | — | 131,501 | 136,327 | 129,901 | 6,426 |
| — | — | — | — | — | — | — | — | 2,000 | 1,963 | 1,684 | 279 |
| — | — | — | — | 6,280 | 559,693 | 556,594 | 3,099 | 1,184,333 | 2,092,091 | 1,955,810 | 136,281 |
| — | — | — | — | 130 | 130 | 130 | — | 130 | 3,399 | 3,081 | 318 |
| — | — | — | — | — | — | — | — | 8,892 | 8,144 | 5,374 | 2,770 |
| — | — | — | — | — | — | — | — | 13,470 | 13,578 | 11,908 | 1,670 |
| — | — | — | — | — | — | — | — | 52,429 | 52,473 | 52,384 | 89 |
| 3,000 | 3,000 | 2,229 | 771 | 115,465 | 145,145 | 115,310 | 29,835 | 4,393,698 | 4,060,350 | 3,933,903 | 126,447 |
| — | — | — | — | 74 | 71 | 64 | 7 | 36,762 | 39,085 | 36,349 | 2,736 |
| 75,720 | 75,720 | 54,172 | 21,548 | 2,017 | 16,772 | 16,764 | 8 | 1,712,086 | 1,759,178 | 1,675,374 | 83,804 |
| — | — | — | — | — | — | — | — | 8,747 | 8,752 | 7,985 | 767 |
| — | — | — | — | — | — | — | — | 150 | 150 | — | 150 |
| — | — | — | — | — | — | — | — | 150 | 150 | — | 150 |
| — | — | — | — | — | — | — | — | 150 | 150 | 145 | 5 |
| — | — | — | — | — | — | — | — | 150 | 150 | — | 150 |
| 6,846 | 6,846 | 2,492 | 4,354 | 22,465 | 21,124 | 16,707 | 4,417 | 199,366 | 252,847 | 227,067 | 25,780 |
| — | — | — | — | 39,442 | 36,028 | 35,967 | 61 | 162,286 | 106,231 | 104,775 | 1,456 |
| — | — | — | — | — | — | — | — | 7,742,319 | 7,748,119 | 7,747,799 | 320 |
| — | — | — | — | — | — | — | — | 20,097,343 | 22,143,507 | 22,129,247 | 14,260 |
| — | — | — | — | — | — | — | — | — | 5,096,329 | 5,093,997 | 2,332 |
| 34,654 | 34,654 | 33,571 | 1,083 | — | — | — | — | 34,654 | 754,446 | 744,689 | 9,757 |
| — | — | — | — | — | — | — | — | — | 719,572 | 710,900 | 8,672 |
| 818,960 | 819,753 | 538,206 | 281,547 | 516,942 | 1,509,306 | 1,009,182 | 500,124 | 56,331,121 | 64,496,517 | 61,972,122 | 2,524,395 |
| — | — | — | — | — | — | 3,707 | (3,707) | — | — | 15,491 | (15,491) |
| — | 31,908 | 31,908 | — | — | 18,995 | 18,995 | — | — | 4,042,567 | 4,038,694 | 3,873 |
| — | — | — | — | — | — | — | — | 682,202 | 837,827 | 640,347 | 197,480 |
| — | — | — | — | — | — | — | — | — | 951,492 | 826,992 | 124,500 |
| — | 31,908 | 31,908 | — | — | 18,995 | 22,702 | (3,707) | 682,202 | 5,831,886 | 5,521,524 | 310,362 |
| 818,960 | 851,661 | 570,114 | 281,547 | 516,942 | 1,528,301 | 1,031,884 | 496,417 | 57,013,323 | 70,328,403 | 67,493,646 | 2,834,757 |
| <u>\$ (818,960)</u> | <u>\$ (851,661)</u> | <u>(9,611)</u> | <u>\$ 842,050</u> | <u>\$ (516,942)</u> | <u>\$ (1,528,301)</u> | <u>(511,119)</u> | <u>\$ 1,017,182</u> | <u>\$ 2,376,223</u> | <u>\$ (10,721,122)</u> | <u>(1,965,306)</u> | <u>\$ 8,755,816</u> |
| — | — | 17,946 | — | — | — | 1,477,489 | — | — | — | 11,971,462 | — |
| — | — | <u>\$ 8,335</u> | — | — | — | <u>\$ 966,370</u> | — | — | — | <u>\$ 10,006,156</u> | — |

Combining Balance Sheet

Other Governmental Funds

June 30, 2025

(Amounts in thousands)

| | Special Revenue | | | | | |
|---|--------------------------------|--------------------------|------------------|--|--|---------------------------------|
| | Commonwealth Transportation | Universal Health Care | Environmental | Student Opportunity Act Investment | High-Quality Early Education & Care | Education and Transportation |
| ASSETS | | | | | | |
| Cash and cash equivalents..... | \$ 499 | \$ 691,975 | \$ 22,044 | \$ 767,877 | \$ 33,717 | \$ 429,501 |
| Restricted cash with fiscal agent..... | 19,735 | — | — | — | — | — |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Taxes..... | 60,185 | 7,483 | 78 | — | — | — |
| Due from federal government..... | — | 30,597 | 3,470 | — | — | — |
| Loans receivable..... | — | — | — | — | — | — |
| Other receivables..... | 7,754 | 162,410 | 181 | — | — | — |
| Due from other funds..... | — | — | — | — | — | — |
| Total assets..... | \$ 88,173 | \$ 892,465 | \$ 25,773 | \$ 767,877 | \$ 33,717 | \$ 429,501 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable..... | \$ 499 | \$ 30,844 | \$ 555 | \$ — | \$ — | \$ 48,650 |
| Accrued payroll..... | — | 235 | 716 | — | — | 301 |
| Tax refunds and abatements payable..... | 21 | — | — | — | — | — |
| Due to other funds..... | — | 14,166 | — | — | — | — |
| Due to component units..... | 17,008 | 23,218 | — | — | — | 94,017 |
| Other accrued liabilities..... | — | 95,144 | — | — | — | — |
| Total liabilities..... | 17,528 | 163,607 | 1,271 | — | — | 142,968 |
| Deferred inflows of resources..... | — | 102,873 | — | — | — | — |
| Total liabilities and deferred inflows of resources..... | 17,528 | 266,480 | 1,271 | — | — | 142,968 |
| Fund balances: | | | | | | |
| Restricted..... | 19,735 | — | — | — | — | 126,857 |
| Committed..... | 50,910 | 625,985 | 24,502 | 767,877 | 33,717 | — |
| Assigned..... | — | — | — | — | — | 159,676 |
| Unassigned (includes deficits)..... | — | — | — | — | — | — |
| Fund balances (deficits)..... | 70,645 | 625,985 | 24,502 | 767,877 | 33,717 | 286,533 |
| Total liabilities and fund balances..... | \$ 88,173 | \$ 892,465 | \$ 25,773 | \$ 767,877 | \$ 33,717 | \$ 429,501 |

See Independent Auditors' Report

Special Revenue

| Education and Transportation Reserve | Education and Transportation Innovation and Capital | Gaming Revenue | MBTA State & Local Contribution | Housing Preservation and Stabilization | Behavioral Health Access and Crisis Intervention Trust | Vaccine Purchase Trust | Enhanced 911 | Sports Wagering |
|--------------------------------------|---|----------------|---------------------------------|--|--|------------------------|-------------------|-----------------|
| \$ 429,000 | \$ 2,183,322 | \$ — | \$ 141,772 | \$ 104,209 | \$ 64,780 | \$ 159,708 | \$ 324,165 | \$ — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | 50,081 | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| \$ 429,000 | \$ 2,183,322 | \$ — | \$ 191,853 | \$ 104,209 | \$ 64,780 | \$ 159,708 | \$ 324,165 | \$ — |
| \$ — | \$ — | \$ — | \$ — | \$ 2,582 | \$ 2,025 | \$ 31,434 | \$ 21,840 | \$ — |
| — | — | — | — | — | — | 4 | 630 | — |
| — | — | — | 812 | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | 517,367 | — | 191,041 | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | 517,367 | — | 191,853 | 2,582 | 2,025 | 31,438 | 22,470 | — |
| — | — | — | — | — | — | — | — | — |
| — | 517,367 | — | 191,853 | 2,582 | 2,025 | 31,438 | 22,470 | — |
| 429,000 | 613,483 | — | — | — | — | — | — | — |
| — | — | — | — | 101,627 | 62,755 | 128,270 | 301,695 | — |
| — | 1,052,472 | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| 429,000 | 1,665,955 | — | — | 101,627 | 62,755 | 128,270 | 301,695 | — |
| \$ 429,000 | \$ 2,183,322 | \$ — | \$ 191,853 | \$ 104,209 | \$ 64,780 | \$ 159,708 | \$ 324,165 | \$ — |

continued

Combining Balance Sheet

Other Governmental Funds

June 30, 2025

(Amounts in thousands)

| | Special Revenue | | | | | |
|--|---|---|---|--|---|---------------------------------------|
| | Regional Greenhouse Gas Initiative (RGGI) Auction Trust | Hospital Investment and Performance Trust | Population Health Investment Trust | Convention and Exhibition Center | Commonwealth Federal Matching Debt Reduction | Opioid Recovery and Remediation |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 196,430 | \$ — | \$ 59,706 | \$ 216,492 | \$ 615,214 | \$ 152,046 |
| Restricted cash with fiscal agent | — | — | — | 473,018 | — | — |
| Receivables, net of allowance for uncollectibles: | | | | | | |
| Taxes | — | — | — | 10,250 | — | — |
| Due from federal government | — | 408,837 | 6,650 | — | — | — |
| Loans receivable | — | — | — | — | — | — |
| Other receivables | — | — | — | — | — | 398,077 |
| Due from other funds | — | — | — | — | — | — |
| Total assets | \$ 196,430 | \$ 408,837 | \$ 66,356 | \$ 699,760 | \$ 615,214 | \$ 550,123 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable | \$ 4,858 | \$ — | \$ 5,677 | \$ 20,717 | \$ 696 | \$ 17,580 |
| Accrued payroll | 86 | — | — | — | — | 30 |
| Tax refunds and abatements payable | — | — | — | — | — | — |
| Due to other funds | — | 178,556 | — | — | — | — |
| Due to component units | — | — | — | — | — | — |
| Other accrued liabilities | — | — | — | — | — | — |
| Total liabilities | 4,944 | 178,556 | 5,677 | 20,717 | 696 | 17,610 |
| Deferred inflows of resources | — | — | — | — | — | 363,472 |
| Total liabilities and deferred inflows of resources | 4,944 | 178,556 | 5,677 | 20,717 | 696 | 381,082 |
| Fund balances: | | | | | | |
| Restricted | — | — | — | — | — | — |
| Committed | 191,486 | 230,281 | 60,679 | 679,043 | 614,518 | 169,041 |
| Assigned | — | — | — | — | — | — |
| Unassigned (includes deficits) | — | — | — | — | — | — |
| Fund balances (deficits) | 191,486 | 230,281 | 60,679 | 679,043 | 614,518 | 169,041 |
| Total liabilities and fund balances | \$ 196,430 | \$ 408,837 | \$ 66,356 | \$ 699,760 | \$ 615,214 | \$ 550,123 |

See Independent Auditors' Report

| Special Revenue | | | Capital Projects | | | | | |
|---------------------|---------------------|-----------------|--------------------------|--------------------------|--------------------------------------|-----------------|----------------------|--|
| Expendable Trust | Other | Debt Service | General Capital Projects | Highway Capital Projects | Federal Highway Construction Program | Other | Total | |
| \$ 1,101,038 | \$ 1,115,404 | \$ 5,654 | \$ — | \$ — | \$ — | \$ 8,393 | \$ 8,822,946 | |
| — | 6,935 | — | — | — | — | — | 499,688 | |
| — | 13,276 | — | — | — | — | — | 141,353 | |
| 217 | 128,639 | 1 | 50,752 | — | — | — | 629,163 | |
| — | 9,389 | — | — | — | — | — | 9,389 | |
| 50,220 | 7,660 | — | — | — | — | — | 626,302 | |
| — | — | — | — | — | 119,209 | — | 119,209 | |
| \$ 1,151,475 | \$ 1,281,303 | \$ 5,655 | \$ 50,752 | \$ — | \$ 119,209 | \$ 8,393 | \$ 10,848,050 | |
| \$ 42,785 | \$ 318,480 | \$ — | \$ 721,517 | \$ — | \$ — | \$ — | \$ 1,270,739 | |
| 1,977 | 4,233 | — | 2,185 | — | — | — | 10,397 | |
| — | 123 | — | — | — | — | — | 956 | |
| — | 122,781 | — | 234,352 | 465,874 | 38,681 | 500 | 1,054,910 | |
| 40,236 | — | — | 3 | 406,986 | 136,810 | — | 1,426,686 | |
| — | — | — | — | — | — | — | 95,145 | |
| 84,998 | 445,617 | — | 958,057 | 872,860 | 175,491 | 500 | 3,858,833 | |
| 661 | 21 | — | — | — | — | — | 467,027 | |
| 85,659 | 445,638 | — | 958,057 | 872,860 | 175,491 | 500 | 4,325,860 | |
| 178,382 | — | 5,655 | — | — | — | 8,393 | 1,381,505 | |
| 702,552 | 780,889 | — | — | — | — | — | 5,525,827 | |
| 177,286 | 105,620 | — | — | — | — | — | 1,495,054 | |
| 7,596 | (50,844) | — | (907,305) | (872,860) | (56,282) | (500) | (1,880,196) | |
| 1,065,816 | 835,665 | 5,655 | (907,305) | (872,860) | (56,282) | 7,893 | 6,522,190 | |
| \$ 1,151,475 | \$ 1,281,303 | \$ 5,655 | \$ 50,752 | \$ — | \$ 119,209 | \$ 8,393 | \$ 10,848,050 | |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

| | Special Revenue | | | | | |
|---|--------------------------------|--------------------------|------------------|--|---|---------------------------------|
| | Commonwealth Transportation | Universal Health Care | Environmental | Student Opportunity Act Investment | High-Quality Early Education & Care Affordability | Education and Transportation |
| REVENUES | | | | | | |
| Taxes | \$ 1,497,022 | \$ 111,436 | \$ 913 | \$ — | \$ — | \$ — |
| Assessments | 26,866 | 651,625 | — | — | — | — |
| Federal grants and reimbursements | — | 628,024 | 8,973 | — | — | — |
| Departmental | 683,846 | 286,586 | 41,763 | — | — | — |
| Miscellaneous | 6,228 | 5,608 | 135 | — | — | 18,072 |
| Total revenues | 2,213,962 | 1,683,279 | 51,784 | — | — | 18,072 |
| OTHER FINANCING SOURCES | | | | | | |
| Bonds premium | — | — | — | — | — | — |
| Issuance of general and special obligation bonds | — | — | — | — | — | — |
| Issuance of current refunding bonds | — | — | — | — | — | — |
| Transfers in for debt service | — | — | — | — | — | — |
| Transfers in | 334,386 | 790,577 | 2,193 | 100,000 | — | 2,997,711 |
| Total other financing sources | 334,386 | 790,577 | 2,193 | 100,000 | — | 2,997,711 |
| Total revenues and other financing sources | 2,548,348 | 2,473,856 | 53,977 | 100,000 | — | 3,015,783 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Judiciary | — | — | — | — | — | — |
| Office of Inspector General | — | 212 | — | — | — | — |
| Governor and Lieutenant Governor | — | — | — | — | — | — |
| Secretary of the Commonwealth | — | — | — | — | — | — |
| Treasurer and Receiver-General | 8,218 | — | — | — | — | — |
| Attorney General | — | — | — | — | — | — |
| District Attorneys | — | — | — | — | — | — |
| Sheriffs | — | — | — | — | — | — |
| Commission on the Status of Women | — | — | — | — | — | — |
| Massachusetts Gaming Commission | — | 5,659 | — | — | — | — |
| Office of the Comptroller | — | — | — | — | — | — |
| Administration and Finance | 125,000 | 355,141 | 6,888 | — | — | 37,000 |
| Energy and Environmental Affairs | — | — | 19,319 | — | — | — |
| Developmental Disabilities Council | — | — | — | — | — | — |
| Health and Human Services | — | 417,866 | — | — | — | — |
| Technology Services and Security | — | — | — | — | — | — |
| Veterans' Services | — | — | — | — | — | — |
| Housing and Livable Communities | — | — | — | — | — | — |
| Massachusetts Department of Transportation | 962,247 | — | — | — | — | 313,227 |
| Cannabis Control Commission | — | — | — | — | — | — |
| Education | — | — | — | 58,000 | 231,282 | 821,267 |
| Center for Health Information and Analysis | — | 117 | — | — | — | — |
| Public Safety and Security | — | — | — | — | — | — |
| Economic Development | — | — | — | — | — | — |
| Labor and Workforce Development | — | — | — | — | — | — |
| Medicaid | — | 1,822,921 | — | — | — | — |
| Direct local aid | — | — | — | 199,769 | — | — |
| Capital outlay | — | — | — | — | — | — |
| Debt service | — | — | — | — | — | — |
| Principal on current refundings | — | — | — | — | — | — |
| Total expenditures | 1,095,465 | 2,601,916 | 26,207 | 257,769 | 231,282 | 1,171,494 |
| OTHER FINANCING USES | | | | | | |
| Transfers out | 314,333 | 158,234 | 28,272 | — | — | 1,700,298 |
| Transfers of appropriations | — | — | — | — | — | 15,836 |
| Transfers of bond proceeds | — | — | — | — | — | — |
| Transfers out for debt service | 1,144,260 | — | — | — | — | — |
| Total other financing uses | 1,458,593 | 158,234 | 28,272 | — | — | 1,716,134 |
| Total expenditures and other financing uses | 2,554,058 | 2,760,150 | 54,479 | 257,769 | 231,282 | 2,887,628 |
| Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses | (5,710) | (286,294) | (502) | (157,769) | (231,282) | 128,155 |
| Fund balances/(deficits) at beginning of year, as restated | 76,355 | 912,279 | 25,004 | 925,646 | 264,999 | 158,378 |
| Fund balances/(deficits) at end of year | \$ 70,645 | \$ 625,985 | \$ 24,502 | \$ 767,877 | \$ 33,717 | \$ 286,533 |

See Independent Auditors' Report

| Special Revenue | | | | | | | | |
|--------------------------------------|---|----------------|---------------------------------|--|--|------------------------|-------------------|-----------------|
| Education and Transportation Reserve | Education and Transportation Innovation and Capital | Gaming Revenue | MBTA State & Local Contribution | Housing Preservation and Stabilization | Behavioral Health Access and Crisis Intervention Trust | Vaccine Purchase Trust | Enhanced 911 | Sports Wagering |
| \$ — | \$ — | \$ 327,030 | \$ 1,436,072 | \$ — | \$ — | \$ — | \$ — | \$ 151,839 |
| — | — | — | 193,069 | — | 16,294 | 96,514 | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | 200 | — | — | — | — | 167,791 | 14,188 |
| 11,015 | 63,523 | — | — | 222 | — | — | 11,880 | — |
| 11,015 | 63,523 | 327,230 | 1,629,141 | 222 | 16,294 | 96,514 | 179,671 | 166,027 |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| 254,657 | 1,461,591 | — | — | 70,569 | — | — | — | — |
| 254,657 | 1,461,591 | — | — | 70,569 | — | — | — | — |
| 265,672 | 1,525,114 | 327,230 | 1,629,141 | 70,791 | 16,294 | 96,514 | 179,671 | 166,027 |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | 1,629,141 | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | 4,894 | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | 5,000 | — | — | — | — | — | 101 | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | 8,744 | 141,436 | — | — |
| — | — | — | — | — | — | — | 9,752 | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | 8,093 | — | — | — | — |
| — | 753,823 | — | — | — | — | — | — | — |
| — | 16,298 | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | 146,751 | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | 7,750 | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | 775,121 | — | 1,629,141 | 8,093 | 16,494 | 141,436 | 161,498 | — |
| 18,536 | 100,000 | 327,230 | — | — | — | 49 | 8,396 | 166,027 |
| — | 10,000 | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| 18,536 | 110,000 | 327,230 | — | — | — | 49 | 8,396 | 166,027 |
| 18,536 | 885,121 | 327,230 | 1,629,141 | 8,093 | 16,494 | 141,485 | 169,894 | 166,027 |
| 247,136 | 639,993 | — | — | 62,698 | (200) | (44,971) | 9,777 | — |
| 181,864 | 1,025,962 | — | — | 38,929 | 62,955 | 173,241 | 291,918 | — |
| \$ 429,000 | \$ 1,665,955 | \$ — | \$ — | \$ 101,627 | \$ 62,755 | \$ 128,270 | \$ 301,695 | \$ — |

continued

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Other Governmental Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | Special Revenue | | | | | |
|---|---|---|------------------------------------|----------------------------------|--|---------------------------------|
| | Regional Greenhouse Gas Initiative (RGGI) Auction Trust | Hospital Investment and Performance Trust | Population Health Investment Trust | Convention and Exhibition Center | Commonwealth Federal Matching Debt Reduction | Opioid Recovery and Remediation |
| REVENUES | | | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ 237,477 | \$ — | \$ — |
| Assessments | — | 878,500 | 106,750 | — | — | — |
| Federal grants and reimbursements | — | 1,060,377 | 204,082 | — | — | — |
| Departmental | 199,347 | — | — | — | — | 42,685 |
| Miscellaneous | — | — | — | 31,197 | — | — |
| Total revenues | 199,347 | 1,938,877 | 310,832 | 268,674 | — | 42,685 |
| OTHER FINANCING SOURCES | | | | | | |
| Bonds premium | — | — | — | — | — | — |
| Issuance of general and special obligation bonds | — | — | — | — | — | — |
| Issuance of current refunding bonds | — | — | — | — | — | — |
| Transfers in for debt service | — | — | — | — | — | — |
| Transfers in | — | — | — | — | 826,992 | — |
| Total other financing sources | — | — | — | — | 826,992 | — |
| Total revenues and other financing sources | 199,347 | 1,938,877 | 310,832 | 268,674 | 826,992 | 42,685 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Judiciary | — | — | — | — | — | — |
| Office of Inspector General | — | — | — | — | — | — |
| Governor and Lieutenant Governor | — | — | — | — | — | — |
| Secretary of the Commonwealth | — | — | — | — | — | — |
| Treasurer and Receiver-General | — | — | — | — | 104,653 | — |
| Attorney General | — | — | — | — | — | — |
| District Attorneys | — | — | — | — | — | — |
| Sheriffs | — | — | — | — | — | — |
| Commission on the Status of Women | — | — | — | — | — | — |
| Massachusetts Gaming Commission | — | — | — | — | — | — |
| Office of the Comptroller | — | — | — | — | — | — |
| Administration and Finance | — | — | — | 85,467 | 96,784 | — |
| Energy and Environmental Affairs | 210,576 | — | — | — | — | — |
| Developmental Disabilities Council | — | — | — | — | — | — |
| Health and Human Services | — | — | 17,861 | — | — | 62,201 |
| Technology Services and Security | — | — | — | — | — | — |
| Veterans' Services | — | — | — | — | — | — |
| Housing and Livable Communities | — | — | — | — | — | — |
| Massachusetts Department of Transportation | — | — | — | — | — | — |
| Cannabis Control Commission | — | — | — | — | — | — |
| Education | — | — | — | — | — | — |
| Center for Health Information and Analysis | — | — | — | — | — | — |
| Public Safety and Security | — | — | — | — | — | 149 |
| Economic Development | 86 | — | — | — | 11,037 | — |
| Labor and Workforce Development | — | — | — | — | — | — |
| Medicaid | — | 1,709,334 | 296,589 | — | — | — |
| Direct local aid | — | — | — | — | — | — |
| Capital outlay | — | — | — | — | — | — |
| Debt service | — | — | — | — | — | — |
| Principal on current refundings | — | — | — | — | — | — |
| Total expenditures | 210,662 | 1,709,334 | 314,450 | 85,467 | 212,474 | 62,350 |
| OTHER FINANCING USES | | | | | | |
| Transfers out | — | — | — | 15,067 | — | 339 |
| Transfers of appropriations | — | — | — | — | — | — |
| Transfers of bond proceeds | — | — | — | — | — | — |
| Transfers out for debt service | — | — | — | 52,473 | — | — |
| Total other financing uses | — | — | — | 67,540 | — | 339 |
| Total expenditures and other financing uses | 210,662 | 1,709,334 | 314,450 | 153,007 | 212,474 | 62,689 |
| Excess/(deficiency) of revenues and other financing sources over expenditures and other financing uses | (11,315) | 229,543 | (3,618) | 115,667 | 614,518 | (20,004) |
| Fund balances/(deficits) at beginning of year, as restated | 202,801 | 738 | 64,297 | 563,376 | — | 189,045 |
| Fund balances/(deficits) at end of year | \$ 191,486 | \$ 230,281 | \$ 60,679 | \$ 679,043 | \$ 614,518 | \$ 169,041 |

See Independent Auditors' Report

| Special Revenue | | | Capital Projects | | | | | |
|---------------------|-------------------|------------------|--------------------------|--------------------------|--------------------------------------|-----------------|---------------------|--|
| Expendable Trust | Other | Debt Service | General Capital Projects | Highway Capital Projects | Federal Highway Construction Program | Other | Total | |
| \$ — | \$ 304,999 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 4,066,788 | |
| 79,714 | 108,505 | — | — | — | — | — | 2,157,837 | |
| 2,520 | 1,038,519 | 29,435 | 135,808 | — | — | — | 3,107,738 | |
| 55,234 | 149,394 | — | — | — | 778 | — | 1,641,812 | |
| 874,470 | 16,527 | — | — | 5,232 | — | — | 1,044,109 | |
| 1,011,938 | 1,617,944 | 29,435 | 135,808 | 5,232 | 778 | — | 12,018,284 | |
| — | — | 67,615 | 182,051 | 105,749 | — | — | 355,415 | |
| — | — | — | 1,903,406 | 1,427,550 | — | — | 3,330,955 | |
| — | — | 610,115 | — | — | — | — | 610,115 | |
| — | — | 2,788,898 | — | — | — | — | 2,788,898 | |
| 64,346 | 601,130 | — | — | — | 1,032,308 | — | 8,536,460 | |
| 64,346 | 601,130 | 3,466,628 | 2,085,457 | 1,533,299 | 1,032,308 | — | 15,621,843 | |
| 1,076,284 | 2,219,074 | 3,496,063 | 2,221,265 | 1,538,531 | 1,033,086 | — | 27,640,127 | |
| 133 | 3,588 | — | — | — | — | — | 3,721 | |
| 32 | — | — | — | — | — | — | 244 | |
| — | 114 | — | — | — | — | — | 114 | |
| — | 10,425 | — | — | — | — | — | 10,425 | |
| 198,339 | 5,258 | 1,657 | 3,383 | 3,631 | — | — | 1,954,280 | |
| 9,246 | 4,811 | — | — | — | — | — | 14,057 | |
| 8,609 | 460 | — | — | — | — | — | 9,069 | |
| 5,519 | 12,490 | — | — | — | — | — | 22,903 | |
| 25 | — | — | — | — | — | — | 25 | |
| — | 68,505 | — | — | — | — | — | 74,164 | |
| 954 | 2,051 | — | — | — | — | — | 3,005 | |
| 43,411 | 88,890 | — | — | — | — | — | 843,682 | |
| 117,980 | 41,164 | — | — | — | — | — | 389,039 | |
| 105 | — | — | — | — | — | — | 105 | |
| 43,300 | 311,019 | — | — | — | — | — | 1,002,427 | |
| 135 | 22,747 | — | — | — | — | — | 32,634 | |
| 1,038 | — | — | — | — | — | — | 1,038 | |
| 6,485 | 19,005 | — | — | — | — | — | 33,583 | |
| 317 | — | — | 366 | 1,356,586 | 1,038,653 | — | 4,425,219 | |
| — | 19,932 | — | — | — | — | — | 19,932 | |
| 25,970 | 126,949 | — | — | — | — | — | 1,279,766 | |
| 31 | 360 | — | — | — | — | — | 508 | |
| 6,309 | 27,842 | — | — | — | — | — | 181,051 | |
| 8,192 | 98,036 | — | — | — | — | — | 117,351 | |
| 62,887 | 130,682 | — | — | — | — | — | 193,569 | |
| — | 69,107 | — | — | — | — | — | 3,905,701 | |
| — | 300,804 | — | — | — | — | — | 500,573 | |
| — | — | — | 2,058,930 | 42,691 | — | — | 2,101,621 | |
| — | — | 2,827,278 | — | — | — | — | 2,827,278 | |
| — | — | 676,072 | — | — | — | — | 676,072 | |
| 539,017 | 1,364,239 | 3,505,007 | 2,062,679 | 1,402,908 | 1,038,653 | — | 20,623,156 | |
| 356,619 | 957,368 | — | 16,161 | 209,757 | 26,160 | — | 4,402,846 | |
| 231 | 17,331 | — | — | — | — | — | 43,398 | |
| — | — | — | 187,866 | — | — | — | 187,866 | |
| — | 136,576 | — | — | — | — | — | 1,333,309 | |
| 356,850 | 1,111,275 | — | 204,027 | 209,757 | 26,160 | — | 5,967,419 | |
| 895,867 | 2,475,514 | 3,505,007 | 2,266,706 | 1,612,665 | 1,064,813 | — | 26,590,575 | |
| 180,417 | (256,440) | (8,944) | (45,441) | (74,134) | (31,727) | — | 1,049,552 | |
| 885,399 | 1,092,105 | 14,599 | (861,864) | (798,726) | (24,555) | 7,893 | 5,472,638 | |
| \$ 1,065,816 | \$ 835,665 | \$ 5,655 | \$ (907,305) | \$ (872,860) | \$ (56,282) | \$ 7,893 | \$ 6,522,190 | |

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2025
 (Amounts in thousands)

| | Commonwealth Transportation Fund | | | | Inland Fisheries and Game Fund | | | |
|--|----------------------------------|------------------|------------------|--------------------|--------------------------------|---------------|------------------|----------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| REVENUES AND OTHER FINANCING SOURCES | | | | | | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 1,851,600 | \$ 1,851,600 | \$ 1,497,767 | \$ (353,833) | \$ 900 | \$ 900 | \$ 914 | \$ 14 |
| Assessments | 26,496 | 26,496 | 26,797 | 301 | — | — | — | — |
| Federal grants and reimbursements | — | — | — | — | 8,420 | 8,420 | 10,120 | 1,700 |
| Departmental | 666,374 | 666,374 | 686,080 | 19,706 | 9,543 | 9,543 | 10,075 | 532 |
| Miscellaneous | 8 | 8 | 6,228 | 6,220 | 90 | 90 | 133 | 43 |
| Total revenues | <u>2,544,478</u> | <u>2,544,478</u> | <u>2,216,872</u> | <u>(327,606)</u> | <u>18,953</u> | <u>18,953</u> | <u>21,242</u> | <u>2,289</u> |
| Other financing sources: | | | | | | | | |
| Operating transfers in | 64,800 | 64,800 | 334,386 | 269,586 | 1,450 | 1,450 | 2,193 | 743 |
| Other fund deficit support | — | — | — | — | — | — | — | — |
| Total other financing sources | <u>64,800</u> | <u>64,800</u> | <u>334,386</u> | <u>269,586</u> | <u>1,450</u> | <u>1,450</u> | <u>2,193</u> | <u>743</u> |
| Total revenues and other financing sources | <u>2,609,278</u> | <u>2,609,278</u> | <u>2,551,258</u> | <u>(58,020)</u> | <u>20,403</u> | <u>20,403</u> | <u>23,435</u> | <u>3,032</u> |
| EXPENDITURES AND OTHER FINANCING USES | | | | | | | | |
| Expenditures: | | | | | | | | |
| Judiciary | — | — | — | — | — | — | — | — |
| Treasurer and Receiver-General | 364,172 | — | 8,218 | (8,218) | — | — | — | — |
| Attorney General | — | — | — | — | — | — | — | — |
| Sheriffs' | — | — | — | — | — | — | — | — |
| Administration and Finance | 125,000 | — | — | — | — | — | — | — |
| Energy and Environmental Affairs | — | — | — | — | 19,571 | 19,728 | 17,396 | 2,332 |
| Health and Human services | — | — | — | — | — | — | — | — |
| Veterans' Services | — | — | — | — | — | — | — | — |
| Housing and Livable Communities | — | — | — | — | — | — | — | — |
| Massachusetts Department of Transportation | 314,280 | 314,280 | 314,280 | — | — | — | — | — |
| Cannabis Control Commission | — | — | — | — | — | — | — | — |
| Education | — | — | — | — | — | — | — | — |
| Center for Health and Information Analysis | — | — | — | — | — | — | — | — |
| Public Safety and Security | — | — | — | — | — | — | — | — |
| Housing and Economic Development | — | — | — | — | — | — | — | — |
| Labor and Workforce Development | — | — | — | — | — | — | — | — |
| Direct local aid | — | — | — | — | — | — | — | — |
| Debt service: | | | | | | | | |
| Principal retirement | — | 464,215 | 450,186 | 14,029 | — | — | — | — |
| Interest and fiscal charges | — | 721,419 | 694,074 | 27,345 | — | — | — | — |
| Total expenditures | <u>803,452</u> | <u>1,499,914</u> | <u>1,466,758</u> | <u>33,156</u> | <u>19,571</u> | <u>19,728</u> | <u>17,396</u> | <u>2,332</u> |
| Other financing uses: | | | | | | | | |
| Fringe benefit cost assessment | — | — | — | — | — | — | 4,878 | (4,878) |
| Operating transfers out | 644,268 | 781,877 | 781,877 | — | — | — | — | — |
| Other fund deficit support | — | 301,724 | 301,724 | — | — | — | — | — |
| Total other financing uses | <u>644,268</u> | <u>1,083,601</u> | <u>1,083,601</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,878</u> | <u>(4,878)</u> |
| Total expenditures and other financing uses | <u>1,447,720</u> | <u>2,583,515</u> | <u>2,550,359</u> | <u>33,156</u> | <u>19,571</u> | <u>19,728</u> | <u>22,274</u> | <u>(2,546)</u> |
| Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses | <u>\$ 1,161,558</u> | <u>\$ 25,763</u> | 899 | <u>\$ (24,864)</u> | <u>\$ 832</u> | <u>\$ 675</u> | 1,161 | <u>\$ 486</u> |
| Fund balances at beginning of year | | | 18,836 | | | | 15,127 | |
| Fund balances at end of year | | | <u>\$ 19,735</u> | | | | <u>\$ 16,288</u> | |

See Independent Auditors' Report

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2025
 (Amounts in thousands)

| | Local Capital Projects Fund | | | | Gaming Local Aid Fund | | | |
|--|-----------------------------|-----------------|-------------|-------------------|-----------------------|------------------|-------------|--------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| REVENUES AND OTHER FINANCING SOURCES | | | | | | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — | \$ 16,500 | \$ 16,500 | \$ — | \$ (16,500) |
| Assessments | — | — | — | — | — | — | — | — |
| Federal grants and reimbursements | — | — | — | — | — | — | — | — |
| Departmental | — | — | — | — | 13,200 | 13,200 | — | (13,200) |
| Miscellaneous | — | — | — | — | — | — | — | — |
| Total revenues | — | — | — | — | 29,700 | 29,700 | — | (29,700) |
| Other financing sources: | | | | | | | | |
| Operating transfers in | 18,700 | 18,700 | 15,889 | (2,811) | 227,900 | 227,900 | 193,751 | (34,149) |
| Other fund deficit support | — | 2,813 | 2,813 | — | — | 63,804 | 63,804 | — |
| Total other financing sources | 18,700 | 21,513 | 18,702 | (2,811) | 227,900 | 291,704 | 257,555 | (34,149) |
| Total revenues and other financing sources | 18,700 | 21,513 | 18,702 | (2,811) | 257,600 | 321,404 | 257,555 | (63,849) |
| EXPENDITURES AND OTHER FINANCING USES | | | | | | | | |
| Expenditures: | | | | | | | | |
| Judiciary | — | — | — | — | — | — | — | — |
| Treasurer and Receiver-General | — | — | — | — | — | — | — | — |
| Attorney General | — | — | — | — | — | — | — | — |
| Sheriffs' | — | — | — | — | — | — | — | — |
| Administration and Finance | — | — | — | — | — | — | — | — |
| Energy and Environmental Affairs | — | — | — | — | — | — | — | — |
| Health and Human services | — | — | — | — | — | — | — | — |
| Veterans' Services | — | — | — | — | — | — | — | — |
| Housing and Livable Communities | 2,500 | 18,702 | 18,702 | — | — | — | — | — |
| Massachusetts Department of Transportation | — | — | — | — | — | — | — | — |
| Cannabis Control Commission | — | — | — | — | — | — | — | — |
| Education | — | — | — | — | — | — | — | — |
| Center for Health and Information Analysis | — | — | — | — | — | — | — | — |
| Public Safety and Security | — | — | — | — | — | — | — | — |
| Economic Development | — | — | — | — | — | — | — | — |
| Labor and Workforce Development | — | — | — | — | — | — | — | — |
| Direct local aid | — | — | — | — | 257,555 | 257,555 | 257,555 | — |
| Debt service: | | | | | | | | |
| Principal retirement | — | — | — | — | — | — | — | — |
| Interest and fiscal charges | — | — | — | — | — | — | — | — |
| Total expenditures | 2,500 | 18,702 | 18,702 | — | 257,555 | 257,555 | 257,555 | — |
| Other financing uses: | | | | | | | | |
| Fringe benefit cost assessment | — | — | — | — | — | — | — | — |
| Operating transfers out | — | — | — | — | — | — | — | — |
| Other fund deficit support | — | — | — | — | — | — | — | — |
| Total other financing uses | — | — | — | — | — | — | — | — |
| Total expenditures and other financing uses | 2,500 | 18,702 | 18,702 | — | 257,555 | 257,555 | 257,555 | — |
| Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses | <u>\$ 16,200</u> | <u>\$ 2,811</u> | — | <u>\$ (2,811)</u> | <u>\$ 45</u> | <u>\$ 63,849</u> | — | <u>\$ (63,849)</u> |
| Fund balances at beginning of year | — | — | — | — | — | — | — | — |
| Fund balances at end of year | — | — | <u>\$ —</u> | — | — | — | <u>\$ —</u> | — |

See Independent Auditors' Report

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2025
 (Amounts in thousands)

| | Marijuana Regulation Fund | | | | Behavioral Health Outreach Access and Support Trust Fund | | | |
|--|---------------------------|-------------------|-----------------|-----------------|--|-------------------|-----------------|----------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| REVENUES AND OTHER FINANCING SOURCES | | | | | | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ 172,600 | \$ 172,600 | \$ 183,269 | \$ 10,669 | \$ — | \$ — | \$ — | \$ — |
| Assessments | — | — | — | — | — | — | — | — |
| Federal grants and reimbursements | — | — | — | — | — | — | — | — |
| Departmental | 21,554 | 21,554 | 19,392 | (2,162) | — | — | — | — |
| Miscellaneous | 1 | 1 | — | (1) | — | — | — | — |
| Total revenues | <u>194,155</u> | <u>194,155</u> | <u>202,661</u> | <u>8,506</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Other financing sources: | | | | | | | | |
| Operating transfers in | — | — | — | — | 20,000 | 20,000 | 18,278 | (1,722) |
| Other fund deficit support | — | — | — | — | — | — | — | — |
| Total other financing sources | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>20,000</u> | <u>20,000</u> | <u>18,278</u> | <u>(1,722)</u> |
| Total revenues and other financing sources | <u>194,155</u> | <u>194,155</u> | <u>202,661</u> | <u>8,506</u> | <u>20,000</u> | <u>20,000</u> | <u>18,278</u> | <u>(1,722)</u> |
| EXPENDITURES AND OTHER FINANCING USES | | | | | | | | |
| Expenditures: | | | | | | | | |
| Judiciary | — | — | — | — | — | 1 | 1 | — |
| Treasurer and Receiver-General | — | — | — | — | — | — | — | — |
| Attorney General | — | — | — | — | — | — | — | — |
| Sheriffs' | — | — | — | — | — | — | — | — |
| Administration and Finance | — | 1,862 | 612 | 1,250 | — | — | — | — |
| Energy and Environmental Affairs | 1,075 | 1,075 | 1,054 | 21 | — | — | — | — |
| Health and Human services | — | 110,757 | 109,015 | 1,742 | 11,335 | 14,972 | 12,263 | 2,709 |
| Veterans' Services | — | — | — | — | — | — | — | — |
| Housing and Livable Communities | — | 99 | 99 | — | — | 205 | 205 | — |
| Massachusetts Department of Transportation | — | — | — | — | — | — | — | — |
| Cannabis Control Commission | 20,006 | 20,005 | 19,932 | 73 | — | — | — | — |
| Education | — | 14,923 | 14,012 | 911 | 4,922 | 6,005 | 5,533 | 472 |
| Center for Health and Information Analysis | — | — | — | — | — | — | — | — |
| Public Safety and Security | — | 7,112 | 6,873 | 239 | — | — | — | — |
| Economic Development | — | 7,500 | 6,928 | 572 | — | — | — | — |
| Labor and Workforce Development | — | — | — | — | — | — | — | — |
| Direct local aid | — | — | — | — | — | — | — | — |
| Debt service: | | | | | | | | |
| Principal retirement | — | — | — | — | — | — | — | — |
| Interest and fiscal charges | — | — | — | — | — | — | — | — |
| Total expenditures | <u>21,081</u> | <u>163,333</u> | <u>158,525</u> | <u>4,808</u> | <u>16,257</u> | <u>21,183</u> | <u>18,002</u> | <u>3,181</u> |
| Other financing uses: | | | | | | | | |
| Fringe benefit cost assessment | — | — | 11,799 | (11,799) | — | — | 492 | (492) |
| Operating transfers out | — | 29,001 | 29,001 | — | — | — | — | — |
| Other fund deficit support | — | 4,361 | 4,361 | — | — | — | — | — |
| Total other financing uses | <u>—</u> | <u>33,362</u> | <u>45,161</u> | <u>(11,799)</u> | <u>—</u> | <u>—</u> | <u>492</u> | <u>(492)</u> |
| Total expenditures and other financing uses | <u>21,081</u> | <u>196,695</u> | <u>203,686</u> | <u>(6,991)</u> | <u>16,257</u> | <u>21,183</u> | <u>18,494</u> | <u>2,689</u> |
| Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses | <u>\$ 173,074</u> | <u>\$ (2,540)</u> | <u>(1,025)</u> | <u>\$ 1,515</u> | <u>\$ 3,743</u> | <u>\$ (1,183)</u> | <u>(216)</u> | <u>\$ 967</u> |
| Fund balances at beginning of year | | | 4,927 | | | | 5,236 | |
| Fund balances at end of year | | | <u>\$ 3,902</u> | | | | <u>\$ 5,020</u> | |

See Independent Auditors' Report

| Federal COVID-19 Response Fund | | | | Student Opportunity Act Investment Fund | | | | Broadband Innovation Fund | | | |
|--------------------------------|-------------------|-------------|-----------------|---|--------------------|-------------------|-------------------|---------------------------|--------------------|---------------|---------------|
| Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| \$ — | — | \$ — | \$ — | \$ — | — | \$ — | \$ — | \$ — | — | \$ — | \$ — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | 6,785 | 6,785 | — | — | — | — | — | — | — | — |
| — | — | 6,785 | 6,785 | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 100,000 | 100,000 | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | 100,000 | 100,000 | — | — | — | — |
| — | — | 6,785 | 6,785 | — | — | 100,000 | 100,000 | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 171 | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 521,065 | 6,785 | 6,785 | — | — | — | — | — | — | — | — | — |
| 233,902 | — | — | — | — | — | — | — | — | — | — | — |
| 232,557 | — | — | — | — | — | — | — | — | — | — | — |
| 8,450 | — | — | — | — | — | — | — | — | — | — | — |
| 164,288 | — | — | — | — | — | — | — | — | — | — | — |
| 11,868 | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 15,004 | — | — | — | — | 58,000 | 58,000 | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 8,718 | — | — | — | — | — | — | — | — | — | — | — |
| 118,658 | — | — | — | — | — | — | — | 37,575 | 37,575 | 37,330 | 245 |
| 1,028 | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | 199,769 | 199,769 | 199,769 | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 1,315,709 | 6,785 | 6,785 | — | 199,769 | 257,769 | 257,769 | — | 37,575 | 37,575 | 37,330 | 245 |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — | — | — |
| 1,315,709 | 6,785 | 6,785 | — | 199,769 | 257,769 | 257,769 | — | 37,575 | 37,575 | 37,330 | 245 |
| <u>\$(1,315,709)</u> | <u>\$ (6,785)</u> | — | <u>\$ 6,785</u> | <u>\$(199,769)</u> | <u>\$(257,769)</u> | (157,769) | <u>\$ 100,000</u> | <u>\$ (37,575)</u> | <u>\$ (37,575)</u> | (37,330) | <u>\$ 245</u> |
| | | — | | | | 925,646 | | | | 37,575 | |
| | | <u>\$ —</u> | | | | <u>\$ 767,877</u> | | | | <u>\$ 245</u> | |

continued

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2025
 (Amounts in thousands)

| | High-Quality Early Education & Care Affordability Fund | | | | Youth Development and Achievement Fund | | | |
|--|--|---------------------|------------------|------------------|--|-----------------|---------------|---------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| REVENUES AND OTHER FINANCING SOURCES | | | | | | | | |
| Revenues: | | | | | | | | |
| Taxes | \$ — | \$ — | \$ — | \$ — | \$ 600 | \$ 600 | \$ — | \$ (600) |
| Assessments | — | — | — | — | — | — | — | — |
| Federal grants and reimbursements | — | — | — | — | — | — | — | — |
| Departmental | — | — | — | — | 480 | 480 | — | (480) |
| Miscellaneous | — | — | — | — | — | — | — | — |
| Total revenues | — | — | — | — | 1,080 | 1,080 | — | (1,080) |
| Other financing sources: | | | | | | | | |
| Operating transfers in | — | — | — | — | — | — | 1,660 | 1,660 |
| Other fund deficit support | — | — | — | — | — | — | — | — |
| Total other financing sources | — | — | — | — | — | — | 1,660 | 1,660 |
| Total revenues and other financing sources | — | — | — | — | 1,080 | 1,080 | 1,660 | 580 |
| EXPENDITURES AND OTHER FINANCING USES | | | | | | | | |
| Expenditures: | | | | | | | | |
| Judiciary | — | — | — | — | — | — | — | — |
| Treasurer and Receiver-General | — | — | — | — | — | — | — | — |
| Attorney General | — | — | — | — | — | — | — | — |
| Sheriffs' | — | — | — | — | — | — | — | — |
| Administration and Finance | — | — | — | — | — | — | — | — |
| Energy and Environmental Affairs | — | — | — | — | — | — | — | — |
| Health and Human services | — | — | — | — | — | — | — | — |
| Veterans' Services | — | — | — | — | — | — | — | — |
| Housing and Livable Communities | — | — | — | — | — | — | — | — |
| Massachusetts Department of Transportation | — | — | — | — | — | — | — | — |
| Cannabis Control Commission | — | — | — | — | — | — | — | — |
| Education | — | 267,010 | 231,282 | 35,728 | — | 1,746 | 1,671 | 75 |
| Center for Health and Information Analysis | — | — | — | — | — | — | — | — |
| Public Safety and Security | — | — | — | — | — | — | — | — |
| Economic Development | — | — | — | — | — | — | — | — |
| Labor and Workforce Development | — | — | — | — | — | — | — | — |
| Direct local aid | — | — | — | — | — | — | — | — |
| Debt service: | | | | | | | | |
| Principal retirement | — | — | — | — | — | — | — | — |
| Interest and fiscal charges | — | — | — | — | — | — | — | — |
| Total expenditures | — | 267,010 | 231,282 | 35,728 | — | 1,746 | 1,671 | 75 |
| Other financing uses: | | | | | | | | |
| Fringe benefit cost assessment | — | — | — | — | — | — | 8 | (8) |
| Operating transfers out | — | — | — | — | — | — | — | — |
| Other fund deficit support | — | — | — | — | — | — | — | — |
| Total other financing uses | — | — | — | — | — | — | 8 | (8) |
| Total expenditures and other financing uses | — | 267,010 | 231,282 | 35,728 | — | 1,746 | 1,679 | 67 |
| Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses | <u>\$ —</u> | <u>\$ (267,010)</u> | <u>(231,282)</u> | <u>\$ 35,728</u> | <u>\$ 1,080</u> | <u>\$ (666)</u> | <u>(19)</u> | <u>\$ 647</u> |
| Fund balances at beginning of year | | | 264,999 | | | | 763 | |
| Fund balances at end of year | | | <u>\$ 33,717</u> | | | | <u>\$ 744</u> | |

See Independent Auditors' Report

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budgetary Basis - Budget and Actual
Other Budgeted Nonmajor Governmental Funds
 Fiscal Year Ended June 30, 2025
 (Amounts in thousands)

| | Education and Transportation Reserve Fund | | | | Education and Transportation Innovation and Capital 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 | — | — | 11,016 | 11,016 | — | — | 63,523 | 63,523 |
| Total revenues | — | — | 11,016 | 11,016 | — | — | 63,523 | 63,523 |
| Other financing sources: | | | | | | | | |
| Operating transfers in | — | — | 254,656 | 254,656 | — | — | 1,461,591 | 1,461,591 |
| Other fund deficit support | — | — | — | — | — | — | — | — |
| Total other financing sources | — | — | 254,656 | 254,656 | — | — | 1,461,591 | 1,461,591 |
| Total revenues and other financing sources | — | — | 265,672 | 265,672 | — | — | 1,525,114 | 1,525,114 |
| EXPENDITURES AND OTHER FINANCING USES | | | | | | | | |
| Expenditures: | | | | | | | | |
| Judiciary | — | — | — | — | — | — | — | — |
| Treasurer and Receiver-General | — | — | — | — | — | — | — | — |
| Attorney General | — | — | — | — | — | — | — | — |
| Sheriffs' | — | — | — | — | — | — | — | — |
| Administration and Finance | — | — | — | — | — | 5,000 | 5,000 | — |
| Energy and Environmental Affairs | — | — | — | — | — | — | — | — |
| Health and Human services | — | — | — | — | — | — | — | — |
| Executive Office of Veterans' Services | — | — | — | — | — | — | — | — |
| Housing and Livable Communities | — | — | — | — | — | — | — | — |
| Massachusetts Department of Transportation | — | — | — | — | — | 577,367 | 60,000 | 517,367 |
| Cannabis Control Commission | — | — | — | — | — | — | — | — |
| Education | — | — | — | — | — | 561,403 | 26,298 | 535,105 |
| Center for Health and Information Analysis | — | — | — | — | — | — | — | — |
| Public Safety and Security | — | — | — | — | — | — | — | — |
| Economic Development | — | — | — | — | — | — | — | — |
| Labor and Workforce Development | — | — | — | — | — | — | — | — |
| Direct local aid | — | — | — | — | — | — | — | — |
| Debt service: | | | | | | | | |
| Principal retirement | — | — | — | — | — | — | — | — |
| Interest and fiscal charges | — | — | — | — | — | — | — | — |
| Total expenditures | — | — | — | — | — | 1,143,770 | 91,298 | 1,052,472 |
| Other financing uses: | | | | | | | | |
| Fringe benefit cost assessment | — | — | — | — | — | — | — | — |
| Operating transfers out | — | 18,536 | 18,536 | — | — | 276,456 | 276,456 | — |
| Other fund deficit support | — | — | — | — | — | — | — | — |
| Total other financing uses | — | 18,536 | 18,536 | — | — | 276,456 | 276,456 | — |
| Total expenditures and other financing uses | — | 18,536 | 18,536 | — | — | 1,420,226 | 367,754 | 1,052,472 |
| Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing uses | <u>\$ —</u> | <u>\$ (18,536)</u> | 247,136 | <u>\$ 265,672</u> | <u>\$ —</u> | <u>\$ (1,420,226)</u> | 1,157,360 | <u>\$ 2,577,586</u> |
| Fund balances at beginning of year | | | 181,864 | | | | 1,025,962 | |
| Fund balances at end of year | | | <u>\$ 429,000</u> | | | | <u>\$ 2,183,322</u> | |

See Independent Auditors' Report

| Early Education and Care Operational Grant Fund | | | | Total | | | |
|---|--------------------|------------------|------------------|---------------------|----------------------|---------------------|---------------------|
| Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| \$ — | \$ — | \$ — | \$ — | \$ 2,042,200 | \$ 2,042,200 | \$ 1,681,950 | \$ (360,250) |
| — | — | — | — | 26,496 | 26,496 | 26,797 | 301 |
| — | — | — | — | 8,420 | 8,420 | 10,120 | 1,700 |
| — | — | — | — | 743,794 | 743,794 | 748,195 | 4,401 |
| — | — | — | — | 99 | 99 | 105,759 | 105,660 |
| — | — | — | — | 2,821,009 | 2,821,009 | 2,572,821 | (248,188) |
| — | — | — | — | 1,480,450 | 1,480,450 | 5,463,661 | 3,983,211 |
| — | — | — | — | — | 89,240 | 89,240 | — |
| — | — | — | — | 1,480,450 | 1,569,690 | 5,552,901 | 3,983,211 |
| — | — | — | — | 4,301,459 | 4,390,699 | 8,125,722 | 3,735,023 |
| — | — | — | — | — | 1 | 1 | — |
| — | — | — | — | 364,172 | — | 8,218 | (8,218) |
| — | — | — | — | 171 | — | — | — |
| — | — | — | — | — | 4 | 4 | — |
| — | — | — | — | 655,504 | 60,437 | 56,637 | 3,800 |
| — | — | — | — | 256,730 | 22,985 | 20,373 | 2,612 |
| — | — | — | — | 434,451 | 290,661 | 207,184 | 83,477 |
| — | — | — | — | 8,450 | — | — | — |
| — | — | — | — | 166,788 | 19,006 | 19,006 | — |
| — | — | — | — | 661,113 | 1,028,112 | 416,728 | 611,384 |
| — | — | — | — | 20,006 | 20,005 | 19,932 | 73 |
| — | 99,990 | 82,129 | 17,861 | 805,373 | 1,942,818 | 1,283,765 | 659,053 |
| — | — | — | — | — | 360 | 360 | — |
| — | — | — | — | 8,718 | 8,517 | 8,213 | 304 |
| — | — | — | — | 156,233 | 45,075 | 44,258 | 817 |
| — | — | — | — | 1,028 | 44,949 | 25,310 | 19,639 |
| — | — | — | — | 500,573 | 500,573 | 500,573 | — |
| — | — | — | — | — | 464,215 | 450,186 | 14,029 |
| — | — | — | — | — | 721,419 | 694,074 | 27,345 |
| — | 99,990 | 82,129 | 17,861 | 4,039,310 | 5,169,137 | 3,754,822 | 1,414,315 |
| — | — | — | — | — | — | 23,287 | (23,287) |
| — | — | — | — | 654,268 | 3,059,566 | 3,059,566 | — |
| — | — | — | — | — | 306,975 | 306,975 | — |
| — | — | — | — | 654,268 | 3,366,541 | 3,389,828 | (23,287) |
| — | 99,990 | 82,129 | 17,861 | 4,693,578 | 8,535,678 | 7,144,650 | 1,391,028 |
| <u>\$ —</u> | <u>\$ (99,990)</u> | <u>(82,129)</u> | <u>\$ 17,861</u> | <u>\$ (392,119)</u> | <u>\$(4,144,979)</u> | <u>981,072</u> | <u>\$ 5,126,051</u> |
| | | <u>150,000</u> | | | | <u>3,032,875</u> | |
| | | <u>\$ 67,871</u> | | | | <u>\$ 4,013,947</u> | |

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | Commonwealth Transportation Fund | Inland Fisheries and Game Fund | Marine Recreational Fisheries Development Fund | Underground Storage Tank Petroleum Product Cleanup Fund |
|--|-------------------------------------|-----------------------------------|--|--|
| Total actual revenues - budgetary basis (pages 190-199) | \$ 2,216,872 | \$ 21,242 | \$ 1,716 | \$ 30,000 |
| Adjustments: | | | | |
| Taxes receivable, net | (738) | (1) | — | — |
| Tax refunds and abatements payable, net | (14) | — | — | — |
| Federal grants receivables, net | — | (1,147) | — | — |
| Departmental and other receivables, net | (2,158) | (25) | — | — |
| Miscellaneous adjustments | — | — | — | — |
| Total actual revenues - GAAP basis (pages 186-189) | \$ 2,213,962 | \$ 20,069 | \$ 1,716 | \$ 30,000 |
| Total actual other financing sources - budgetary basis (pages 190-199) | \$ 334,386 | \$ 2,193 | \$ — | \$ — |
| Adjustments: | | | | |
| Miscellaneous adjustments | — | — | — | — |
| Total actual other financing sources - GAAP basis (pages 186-189) | \$ 334,386 | \$ 2,193 | \$ — | \$ — |
| Total actual expenditures - budgetary basis (pages 190-199) | \$ 1,466,758 | \$ 17,396 | \$ 1,923 | \$ 6,889 |
| Adjustment: | | | | |
| Due to component units accrual, net | 3,699 | — | — | — |
| Miscellaneous adjustments | — | — | — | (1) |
| Reclassification: | | | | |
| MassDOT transfers out is reclassified to expenditures | 769,268 | — | — | — |
| Higher education expenditures are reclassified to transfers out | — | — | — | — |
| Debt service principal and interest payments are reclassified to transfers out to the debt service fund | (1,144,260) | — | — | — |
| Certain expenditures are reclassified to/from Other Financing Uses | — | — | — | — |
| Total actual expenditures - GAAP basis (pages 186-189) | \$ 1,095,465 | \$ 17,396 | \$ 1,923 | \$ 6,888 |
| Total actual other financing uses - budgetary basis (pages 190-199) | \$ 1,083,601 | \$ 4,878 | \$ 283 | \$ 23,111 |
| Adjustment: | | | | |
| Miscellaneous adjustments | — | — | — | 1 |
| Reclassification: | | | | |
| MassDOT transfers out is reclassified to expenditures | (769,268) | — | — | — |
| Higher education expenditures are reclassified to transfers out | — | — | — | — |
| Debt service principal and interest payments are reclassified to transfers out to the debt service fund | 1,144,260 | — | — | — |
| Certain expenditures are reclassified to/from Other Financing Uses | — | — | — | — |
| Total actual other financing uses - GAAP basis (pages 186-189) | \$ 1,458,593 | \$ 4,878 | \$ 283 | \$ 23,112 |

* in pages 200-203

On a GAAP basis, the activities for the Public Safety Trust fund, the Local Capital Projects fund, the Gaming Local Aid fund, the Education Fund, the Gaming Economic Development Fund, the Marijuana Regulation Fund, the Behavioral Health Outreach, Access and Support Trust Fund, the Federal COVID-19 Response Fund, the Broadband Innovation Fund, the Youth Development and Achievement Fund, the Behavioral Health Trust Fund, the Castle Island Marine Park Trust Fund and the Early Education and Care Operational Grant 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 \$1,617,944; \$601,130; \$1,364,239 and \$1,111,275, respectively (all amounts in thousands).

See Independent Auditors' Report

| Public Safety Trust Fund* | Local Capital Projects Fund* | Gaming Local Aid Fund* | Education Fund* | Gaming Economic Development Fund* | Marijuana Regulation Fund* | Behavioral Health Outreach, Access and Support Trust Fund* | Federal COVID-19 Response Fund* | Student Opportunity Act Investment Fund | Broadband Innovation Fund* |
|---------------------------|------------------------------|------------------------|------------------|-----------------------------------|----------------------------|--|---------------------------------|---|----------------------------|
| \$ 934 | \$ — | \$ — | \$ — | \$ — | \$ 202,661 | \$ — | \$ 6,785 | \$ — | \$ — |
| — | — | — | — | — | (2,433) | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | (929) | — | — | — | — |
| 1 | — | — | — | — | — | — | — | — | — |
| <u>\$ 935</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 199,299</u> | <u>\$ —</u> | <u>\$ 6,785</u> | <u>\$ —</u> | <u>\$ —</u> |
| \$ — | \$ 18,702 | \$ 257,555 | \$ 49,718 | \$ 56,451 | \$ — | \$ 18,278 | \$ — | \$ 100,000 | \$ — |
| — | (1) | — | — | — | — | — | — | — | — |
| <u>\$ —</u> | <u>\$ 18,701</u> | <u>\$ 257,555</u> | <u>\$ 49,718</u> | <u>\$ 56,451</u> | <u>\$ —</u> | <u>\$ 18,278</u> | <u>\$ —</u> | <u>\$ 100,000</u> | <u>\$ —</u> |
| \$ 1,347 | \$ 18,702 | \$ 257,555 | \$ 47,139 | \$ 26,926 | \$ 158,525 | \$ 18,002 | \$ 6,785 | \$ 257,769 | \$ 37,330 |
| — | — | — | — | — | — | — | — | — | — |
| — | (1) | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| (3) | — | — | (3,890) | — | (12,736) | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | (612) | — | — | — | — |
| <u>\$ 1,344</u> | <u>\$ 18,701</u> | <u>\$ 257,555</u> | <u>\$ 43,249</u> | <u>\$ 26,926</u> | <u>\$ 145,177</u> | <u>\$ 18,002</u> | <u>\$ 6,785</u> | <u>\$ 257,769</u> | <u>\$ 37,330</u> |
| \$ 163 | \$ — | \$ — | \$ 2,579 | \$ 10,000 | \$ 45,161 | \$ 492 | \$ — | \$ — | \$ — |
| 1 | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| 3 | — | — | 3,890 | — | 12,737 | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | 612 | — | — | — | — |
| <u>\$ 167</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 6,469</u> | <u>\$ 10,000</u> | <u>\$ 58,510</u> | <u>\$ 492</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |

continued

Combining Budget to GAAP Reconciliation
Other Budgeted Nonmajor Governmental Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

| | High-Quality Early Education & Care Affordability Fund | Youth Development and Achievement Fund* | Behavioral Health Trust Fund* | Castle Island Marine Park Trust Fund* |
|--|--|---|----------------------------------|--|
| Total actual revenues - budgetary basis (pages 190-199) | \$ — | \$ — | \$ — | \$ — |
| Adjustments: | | | | |
| Taxes receivable, net | — | — | — | — |
| Tax refunds and abatements payable, net | — | — | — | — |
| Federal grants receivables, net | — | — | — | — |
| Departmental and other receivables, net | — | — | — | — |
| Miscellaneous adjustments | — | — | — | — |
| Total actual revenues - GAAP basis (pages 186-189) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| | | | | |
| Total actual other financing sources - budgetary basis (pages 190-199) | \$ — | \$ 1,660 | \$ — | \$ — |
| Adjustments: | | | | |
| Miscellaneous adjustments | — | — | — | — |
| Total actual other financing sources - GAAP basis (pages 186-189) | <u>\$ —</u> | <u>\$ 1,660</u> | <u>\$ —</u> | <u>\$ —</u> |
| | | | | |
| Total actual expenditures - budgetary basis (pages 190-199) | \$ 231,282 | \$ 1,671 | \$ 108,845 | \$ — |
| Adjustment: | | | | |
| Due to component units accrual, net | — | — | — | — |
| Miscellaneous adjustments | — | — | — | — |
| Reclassification: | | | | |
| MassDOT transfers out is reclassified to expenditures | — | — | — | — |
| Higher education expenditures are reclassified to transfers out | — | — | — | — |
| Debt service principal and interest payments are reclassified to transfers out to the debt service fund | — | — | — | — |
| Certain expenditures are reclassified to/from Other Financing Uses | — | — | — | — |
| Total actual expenditures - GAAP basis (pages 186-189) | <u>\$ 231,282</u> | <u>\$ 1,671</u> | <u>\$ 108,845</u> | <u>\$ —</u> |
| | | | | |
| Total actual other financing uses - budgetary basis (pages 190-199) | \$ — | \$ 8 | \$ 785 | \$ 250 |
| Adjustment: | | | | |
| Miscellaneous adjustments | — | — | — | — |
| Reclassification: | | | | |
| MassDOT transfers out is reclassified to expenditures | — | — | — | — |
| Higher education expenditures are reclassified to transfers out | — | — | — | — |
| Debt service principal and interest payments are reclassified to transfers out to the debt service fund | — | — | — | — |
| Certain expenditures are reclassified to/from Other Financing Uses | — | — | — | — |
| Total actual other financing uses - GAAP basis (pages 186-189) | <u>\$ —</u> | <u>\$ 8</u> | <u>\$ 785</u> | <u>\$ 250</u> |

| Education and Transportation Fund | Education and Transportation Reserve Fund | Education and Transportation Innovation and Capital Fund | Early Education and Care Operational Grant Fund* | Totals |
|-----------------------------------|---|--|--|---------------------|
| \$ 18,072 | \$ 11,016 | \$ 63,523 | \$ — | \$ 2,572,821 |
| — | — | — | — | (3,172) |
| — | — | — | — | (14) |
| — | — | — | — | (1,147) |
| — | — | — | — | (3,112) |
| — | — | — | — | 1 |
| <u>\$ 18,072</u> | <u>\$ 11,016</u> | <u>\$ 63,523</u> | <u>\$ —</u> | <u>\$ 2,565,377</u> |
| \$ 2,997,711 | \$ 254,656 | \$ 1,461,591 | \$ — | \$ 5,552,901 |
| — | 1 | — | — | — |
| <u>\$ 2,997,711</u> | <u>\$ 254,657</u> | <u>\$ 1,461,591</u> | <u>\$ —</u> | <u>\$ 5,552,901</u> |
| \$ 916,551 | \$ — | \$ 91,298 | \$ 82,129 | \$ 3,754,822 |
| 47,552 | — | 517,367 | — | 568,618 |
| — | — | — | — | (2) |
| 223,227 | — | 176,456 | — | 1,168,951 |
| (15,836) | — | (10,000) | — | (42,465) |
| — | — | — | — | (1,144,260) |
| — | — | — | — | (612) |
| <u>\$ 1,171,494</u> | <u>\$ —</u> | <u>\$ 775,121</u> | <u>\$ 82,129</u> | <u>\$ 4,305,052</u> |
| \$ 1,923,525 | \$ 18,536 | \$ 276,456 | \$ — | \$ 3,389,828 |
| — | — | — | — | 2 |
| (223,227) | — | (176,456) | — | (1,168,951) |
| 15,836 | — | 10,000 | — | 42,466 |
| — | — | — | — | 1,144,260 |
| — | — | — | — | 612 |
| <u>\$ 1,716,134</u> | <u>\$ 18,536</u> | <u>\$ 110,000</u> | <u>\$ —</u> | <u>\$ 3,408,217</u> |

Combining Statement of Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds

Pension and OPEB Trust Funds

June 30, 2025

(Amounts in thousands)

| | Pension Trust Funds | | OPEB Trust Fund | Total |
|--|-----------------------|----------------------|------------------------|----------------------|
| | State Employees' PERS | Teacher's PERS | State Retiree Benefits | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 142,448 | \$ 110,711 | \$ 29,055 | \$ 282,214 |
| Net investment in PRIT at fair value | 40,673,552 | 44,093,895 | 2,777,965 | 87,545,412 |
| Other receivables | 133,389 | 118,587 | — | 251,976 |
| Other assets | 8 | 538 | — | 546 |
| Total assets | 40,949,397 | 44,323,731 | 2,807,020 | 88,080,148 |
| LIABILITIES | | | | |
| Accounts payable | 57,216 | 8,234 | 18 | 65,468 |
| Net position available for pension and post-employment benefits | \$ 40,892,181 | \$ 44,315,497 | \$ 2,807,002 | \$ 88,014,680 |

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position - Pension and Post-Employment Benefits Trust Funds

Pension and OPEB Trust Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | Pension Trust Funds | | OPEB Trust Fund | Total |
|---|-----------------------|----------------------|------------------------|----------------------|
| | State Employees' PERS | Teacher's PERS | State Retiree Benefits | |
| ADDITIONS | | | | |
| Contributions: | | | | |
| Employer contributions - Commonwealth and MassDOT | \$ 1,547,546 | \$ — | \$ 654,739 | \$ 2,202,285 |
| Non-employer contributions - Commonwealth | 46,883 | 2,594,483 | — | 2,641,366 |
| Employer and non-employer contributions - other | 14,107 | — | — | 14,107 |
| Employee contributions | 885,959 | 1,010,643 | — | 1,896,602 |
| Boston teachers' contribution from Commonwealth | — | 261,107 | — | 261,107 |
| Other additions | 96,171 | 157,591 | 230 | 253,992 |
| Total contributions | 2,590,666 | 4,023,824 | 654,969 | 7,269,459 |
| Net investment gain/(loss): | | | | |
| Investment gain/(loss) | 3,785,054 | 4,072,525 | 255,047 | 8,112,626 |
| Less: investment expense | (180,625) | (194,371) | (12,505) | (387,501) |
| Net Investment gain/(loss) | 3,604,429 | 3,878,154 | 242,542 | 7,725,125 |
| Total additions | 6,195,095 | 7,901,978 | 897,511 | 14,994,584 |
| DEDUCTIONS | | | | |
| Administration | 18,600 | 21,940 | 283 | 40,823 |
| Retirement benefits and refunds | 3,163,947 | 3,657,842 | 615,871 | 7,437,660 |
| Payments to State Boston Retirement System | — | 261,107 | — | 261,107 |
| Other deductions | 22,224 | 68,131 | — | 90,355 |
| Total deductions | 3,204,771 | 4,009,020 | 616,154 | 7,829,945 |
| Change in net position | 2,990,324 | 3,892,958 | 281,357 | 7,164,639 |
| Net position available for pension and post-employment benefits at beginning of year | 37,901,857 | 40,422,539 | 2,525,645 | 80,850,041 |
| Net position available for pension and post-employment benefits at end of year | \$ 40,892,181 | \$ 44,315,497 | \$ 2,807,002 | \$ 88,014,680 |

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position Held in Trust for Pool Participants
External Investment Trust Funds

June 30, 2025

(Amounts in thousands)

| | Massachusetts Municipal Depository Trust | Pension Reserves Investment Trust | Total |
|---|--|--------------------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 8,291,670 | \$ — | \$ 8,291,670 |
| Short-term investments | 18,846 | — | 18,846 |
| Net investment in PRIT at fair value | — | 27,903,612 | 27,903,612 |
| Receivables, net of allowance for uncollectibles: | | | |
| Other receivables | 18,413 | — | 18,413 |
| Total assets | 8,328,929 | 27,903,612 | 36,232,541 |
| LIABILITIES | | | |
| Accounts payable | 58,409 | — | 58,409 |
| Net position held in trust for pool/pension participants | \$ 8,270,520 | \$ 27,903,612 | \$ 36,174,132 |

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position Held in Trust for Pool Participants
External Investment Trust Funds
Fiscal Year Ended June 30, 2025
(Amounts in thousands)

| | Massachusetts Municipal Depository Trust | Pension Reserves Investment Trust | Total |
|--|--|--------------------------------------|----------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Other participant contributions | \$ — | \$ 2,088,729 | \$ 2,088,729 |
| Proceeds from sale of units | 25,652,606 | — | 25,652,606 |
| Total contributions | 25,652,606 | 2,088,729 | 27,741,335 |
| Net investment gain/(loss): | | | |
| Investment gain/(loss) | 377,040 | 2,851,765 | 3,228,805 |
| Less: investment expense | (2,337) | (396,244) | (398,581) |
| Net Investment gain/(loss) | 374,703 | 2,455,521 | 2,830,224 |
| Total additions | 26,027,309 | 4,544,250 | 30,571,559 |
| DEDUCTIONS | | | |
| Cost of units redeemed | 25,541,305 | — | 25,541,305 |
| Distributions to unit holders from net interest income | 374,212 | — | 374,212 |
| Retirement benefits and refunds | 26 | 1,487,205 | 1,487,231 |
| Total deductions | 25,915,543 | 1,487,205 | 27,402,748 |
| Change in net position | 111,766 | 3,057,045 | 3,168,811 |
| Net position held in trust for pool/participants at beginning of year | 8,158,754 | 24,846,567 | 33,005,321 |
| Net position held in trust for pool/participants at end of year | \$ 8,270,520 | \$ 27,903,612 | \$ 36,174,132 |

See Independent Auditors' Report

Combining Statement of Fiduciary Net Position

Custodial Funds

June 30, 2025

(Amounts in thousands)

| | Central Agency Funds | Court Escrow and Client Accounts | Child Support Enforcement | Statutory Bonds and Deposits | Total Custodial Funds |
|--|----------------------------|--|---------------------------------|------------------------------------|-----------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 433,753 | \$ 169,635 | \$ 37,002 | \$ 62,930 | \$ 703,320 |
| Investments and restricted investments | — | — | — | 488,430 | 488,430 |
| Receivables, net of allowance for uncollectibles: | | | | | |
| Taxes | 41,249 | — | — | — | 41,249 |
| Other receivables | — | — | 135,461 | — | 135,461 |
| Due from federal government | — | — | 1,605 | — | 1,605 |
| TOTAL ASSETS | 475,002 | 169,635 | 174,068 | 551,360 | 1,370,065 |
| LIABILITIES | | | | | |
| Accounts payable | 2,746 | 180 | 4,140 | 1,424 | 8,490 |
| Due to cities and towns | 136,818 | — | — | — | 136,818 |
| Due to federal government | 9 | — | — | — | 9 |
| Other liabilities | 6,621 | — | — | — | 6,621 |
| TOTAL LIABILITIES | 146,194 | 180 | 4,140 | 1,424 | 151,938 |
| NET POSITION | | | | | |
| Restricted for: | | | | | |
| Individuals, organizations and other governments | <u>\$ 328,808</u> | <u>\$ 169,455</u> | <u>\$ 169,928</u> | <u>\$ 549,936</u> | <u>\$ 1,218,127</u> |

See Independent Auditors' Report

Combining Statement of Changes in Fiduciary Net Position
Custodial Funds

Fiscal Year Ended June 30, 2025

(Amounts in thousands)

| | Central Agency Funds | Court Escrow and Client Accounts | Child Support Enforcement | Statutory Bonds and Deposits | Total Custodial Funds |
|---|----------------------------|--|---------------------------------|------------------------------------|-----------------------------|
| ADDITIONS | | | | | |
| Sales tax collections for other governments | \$ 719,251 | \$ — | \$ — | \$ — | \$ 719,251 |
| Child support collections | — | — | 612,423 | — | 612,423 |
| Local school aid collections | 1,110,752 | — | — | — | 1,110,752 |
| Municipal health insurance deposit collections | — | — | — | 725,399 | 725,399 |
| Court escrow account collections | — | 117,601 | — | — | 117,601 |
| Other additions | 415,851 | 85,428 | 243 | 15,845 | 517,367 |
| Investment income (loss): | | | | | |
| Interest, dividends and other investment income | 1,373 | 3,643 | 1,154 | 6,941 | 13,111 |
| Net investment income (loss) | 1,373 | 3,643 | 1,154 | 6,941 | 13,111 |
| TOTAL ADDITIONS | \$ 2,247,227 | \$ 206,672 | \$ 613,820 | \$ 748,185 | \$ 3,815,904 |
| DEDUCTIONS | | | | | |
| Sales tax payments to other governments | 719,251 | — | — | — | 719,251 |
| Child support payments to individuals | — | — | 616,325 | — | 616,325 |
| Local school aid payments | 1,110,752 | — | — | — | 1,110,752 |
| Municipal health insurance deposit payments | — | — | — | 926,752 | 926,752 |
| Court escrow account payments | — | 122,663 | — | — | 122,663 |
| Other deductions | 415,925 | 81,754 | — | 7,934 | 505,613 |
| TOTAL DEDUCTIONS | \$ 2,245,928 | \$ 204,417 | \$ 616,325 | \$ 934,686 | \$ 4,001,356 |
| Change in fiduciary net position | 1,299 | 2,255 | (2,505) | (186,501) | (185,452) |
| Net position - beginning | 327,509 | 167,200 | 172,433 | 736,437 | 1,403,579 |
| Net position - ending | \$ 328,808 | \$ 169,455 | \$ 169,928 | \$ 549,936 | \$ 1,218,127 |

See Independent Auditors' Report

Combining Statement of Net Position
Nonmajor Discretely Presented Component Units
June 30, 2025
(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 | \$ 26,640 | \$ 51,839 | \$ 7,527 | \$ 12,382 | \$ 17,666 | \$ 87,951 | \$ 47,172 | \$ 251,177 |
| Short-term investments | — | 115,910 | 11,094 | — | 63,378 | 9,081 | 48,688 | 248,151 |
| Restricted cash and investments | 1,180 | 235,443 | 593,397 | 40,281 | 129,296 | 156,790 | 8,351 | 1,164,738 |
| Assets held in trust | 64,895 | — | — | — | — | — | — | 64,895 |
| Receivables, net of allowance for uncollectibles: | | | | | | | | |
| Federal grants and reimbursements | — | — | 540 | 11,431 | — | — | 50 | 12,021 |
| Loans | 567 | 13,735 | — | — | 42,219 | 22,533 | 285 | 79,339 |
| Lease receivable | 2,556 | 341 | 5,735 | 564 | — | — | 3,076 | 12,272 |
| Other receivables | 6,346 | 13,159 | 6,179 | — | 11,519 | 9,054 | 20,209 | 66,466 |
| Due from primary government | 19,932 | 3,052 | 40,236 | 48,793 | — | 21,148 | 333 | 133,494 |
| Inventory | — | — | — | — | — | 113 | 115 | 228 |
| Other current assets | 3,327 | 5,545 | 6,112 | 3,117 | — | 1,028 | 3,190 | 22,319 |
| Total current assets | 125,443 | 439,024 | 670,820 | 116,568 | 264,078 | 307,698 | 131,469 | 2,055,100 |
| Noncurrent assets: | | | | | | | | |
| Cash and cash equivalents - restricted | 1,591 | 16,204 | — | 82,809 | — | — | 1,471 | 102,075 |
| Long-term investments | — | 2,751 | — | — | — | 2,128 | 1,847,443 | 1,852,322 |
| Endowment investments | — | — | — | — | — | — | 57,935 | 57,935 |
| Lease receivables | 12,487 | 4,455 | — | 1,053 | — | — | 43,943 | 61,938 |
| Other receivables, net | 221 | 278 | — | 95 | — | 3,673 | 21,850 | 26,117 |
| Loans receivables, net | 13,879 | 122,851 | — | — | 479,497 | 52,448 | — | 668,675 |
| Due from primary government | — | — | — | 4,632 | — | — | — | 4,632 |
| Non-depreciable capital assets | 234,404 | — | 54,636 | 4,533 | — | — | 26,499 | 320,072 |
| Depreciable capital and right-to-use assets, net | 393,416 | 118,799 | 146,460 | 34,327 | 4,343 | 48,933 | 76,880 | 823,158 |
| Other noncurrent assets | — | 9,478 | — | — | 2,437 | 2,777 | 269 | 14,961 |
| Total noncurrent assets | 655,998 | 274,816 | 201,096 | 127,449 | 486,277 | 109,959 | 2,076,290 | 3,931,885 |
| Total assets | 781,441 | 713,840 | 871,916 | 244,017 | 750,355 | 417,657 | 2,207,759 | 5,986,985 |
| Deferred outflows of resources: | | | | | | | | |
| Change in fair value of interest rate swaps | — | — | — | — | 11,801 | — | — | 11,801 |
| Pension | 7,367 | — | — | — | — | — | — | 7,367 |
| OPEB | 3,533 | — | — | — | — | — | — | 3,533 |
| Total deferred outflows of resources | 10,900 | — | — | — | 11,801 | — | — | 22,701 |
| Total assets and deferred outflows | 792,341 | 713,840 | 871,916 | 244,017 | 762,156 | 417,657 | 2,207,759 | 6,009,686 |
| LIABILITIES AND DEFERRED INFLOWS | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable and other liabilities | 29,852 | 20,604 | 26,456 | 28,813 | 2,041 | 34,461 | 33,253 | 175,480 |
| Accrued payroll | — | — | — | 356 | 2,306 | 1,281 | — | 3,943 |
| Compensated absences | 1,555 | 2,065 | 416 | 285 | — | 1,258 | — | 5,579 |
| Accrued interest payable | — | 250 | — | — | 1,570 | — | — | 1,820 |
| Due to primary government | — | 1,650 | — | — | — | — | 14,991 | 16,641 |
| Unearned revenue | 12,565 | 65,495 | 151,863 | 1,862 | — | 114,751 | 12,931 | 359,467 |
| Right-to use lease and subscription liabilities | 324 | 2,214 | 811 | 540 | 985 | 1,098 | 1,959 | 7,931 |
| Bonds, notes payable and other obligations | — | 1,275 | — | — | 28,132 | 13,376 | 1,658 | 44,441 |
| Total current liabilities | 44,296 | 93,553 | 179,546 | 31,856 | 35,034 | 166,225 | 64,792 | 615,302 |
| Noncurrent liabilities: | | | | | | | | |
| Compensated absences | 702 | — | 361 | 334 | — | 758 | — | 2,155 |
| Right-to use lease and subscription liabilities | — | 3,040 | 18,164 | 1,616 | 4,840 | 3,278 | 16,587 | 47,525 |
| Due to primary government | — | 21,603 | — | — | — | — | — | 21,603 |
| Unearned revenue | 1,415 | — | — | — | — | — | — | 1,415 |
| Bonds, notes payable and other obligations | — | 15,500 | — | — | 463,847 | 120,896 | 13,915 | 614,158 |
| Net pension liability | 43,526 | — | — | — | — | — | — | 43,526 |
| Net OPEB liability | — | — | — | — | — | — | — | — |
| Other noncurrent liabilities | — | 60,443 | — | 125 | 162,119 | — | 3,392 | 226,079 |
| Total noncurrent liabilities | 45,643 | 100,586 | 18,525 | 2,075 | 630,806 | 124,932 | 33,894 | 956,461 |
| Total liabilities | 89,939 | 194,139 | 198,071 | 33,931 | 665,840 | 291,157 | 98,686 | 1,571,763 |
| Deferred inflows of resources: | | | | | | | | |
| Service concession arrangements | — | — | — | — | — | 343 | — | 343 |
| Pension | 2,734 | — | — | — | — | — | — | 2,734 |
| OPEB | 4,974 | — | — | — | — | — | — | 4,974 |
| Leases | 14,260 | 4,401 | 5,797 | 1,552 | — | — | 40,185 | 66,195 |
| Total deferred inflows of resources | 21,968 | 4,401 | 5,797 | 1,552 | — | 343 | 40,185 | 74,246 |
| Total liabilities and deferred inflows | 111,907 | 198,540 | 203,868 | 35,483 | 665,840 | 291,500 | 138,871 | 1,646,009 |
| NET POSITION | | | | | | | | |
| Net investment/(deficit) in capital assets | 612,004 | 70,433 | 181,159 | 36,704 | (2,139) | 47,334 | 69,260 | 1,014,755 |
| Restricted for: | | | | | | | | |
| Other purposes | 68,584 | 247,634 | 326,601 | 156,627 | 26,481 | 17,289 | 1,837,024 | 2,680,240 |
| Unrestricted | (154) | 197,233 | 160,288 | 15,203 | 71,974 | 61,534 | 162,604 | 668,682 |
| Total net position | \$ 680,434 | \$ 515,300 | \$ 668,048 | \$ 208,534 | \$ 96,316 | \$ 126,157 | \$ 2,068,888 | \$4,363,677 |

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Discretely Presented Component Units
Fiscal Year Ended June 30, 2025
(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 | \$ 80,194 | \$ 82,837 | \$ 3,439 | \$ 2,542 | \$ 13,159 | \$ 176,817 | \$ 9,069 | \$ 368,057 |
| Other | 5,610 | 4,078 | 55,383 | 167,745 | — | 1,864 | 156,968 | 391,648 |
| Total operating revenues | 85,804 | 86,915 | 58,822 | 170,287 | 13,159 | 178,681 | 166,037 | 759,705 |
| Operating expenses: | | | | | | | | |
| Cost of services | 66,248 | 58,048 | 92,194 | 103,861 | 2,016 | 158,128 | 59,084 | 539,579 |
| Administration costs | 43,633 | 30,447 | 8,825 | 109 | 14,978 | 34,219 | 45,912 | 178,123 |
| Depreciation and Amortization | 38,600 | 10,590 | 5,538 | 4,760 | 944 | 4,795 | 2,785 | 68,012 |
| Total operating expenses | 148,481 | 99,085 | 106,557 | 108,730 | 17,938 | 197,142 | 107,781 | 785,714 |
| Operating income/(loss) | (62,677) | (12,170) | (47,735) | 61,557 | (4,779) | (18,461) | 58,256 | (26,009) |
| Nonoperating revenues/(expenses): | | | | | | | | |
| Net increase/decrease in fair value of investments | — | — | — | — | 1,976 | — | — | 1,976 |
| Operating grants | 12,986 | 376 | 104,178 | — | — | 419 | — | 117,959 |
| Interest income | 6,013 | 14,753 | 29,742 | 3,725 | 4,498 | 4,995 | 221,198 | 284,924 |
| Other nonoperating revenue/(expense) | 4,063 | 57,696 | (403) | — | 5,135 | (55,560) | 10,619 | 21,550 |
| Nonoperating revenues/(expenses), net | 23,062 | 72,825 | 133,517 | 3,725 | 11,609 | (50,146) | 231,817 | 426,409 |
| Income/(loss) before contributions | (39,615) | 60,655 | 85,782 | 65,282 | 6,830 | (68,607) | 290,073 | 400,400 |
| Capital contributions | 74,342 | 7,583 | 4,970 | — | — | 7,829 | — | 94,724 |
| Change in net position | 34,727 | 68,238 | 90,752 | 65,282 | 6,830 | (60,778) | 290,073 | 495,124 |
| Net position - beginning | 645,707 | 447,062 | 577,296 | 143,252 | 89,486 | 186,935 | 1,778,815 | 3,868,553 |
| Net position - ending | \$ 680,434 | \$ 515,300 | \$ 668,048 | \$ 208,534 | \$ 96,316 | \$ 126,157 | \$ 2,068,888 | \$4,363,677 |

See Independent Auditors' Report



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' Annual Comprehensive 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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| | |
|---|-----|
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| | |
|---|-----|
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Schedule of Net Position by Component

Last Ten Fiscal Years

(Amounts in thousands)

| | 2025 | 2024*** | 2023 | 2022 | 2021 |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Governmental activities | | | | | |
| Net investment in capital assets* | \$ (3,068,979) | \$ (2,346,839) | \$ (1,331,848) | \$ (2,065,404) | \$ (1,958,190) |
| Restricted | 2,088,328 | 2,244,029 | 924,765 | 1,285,776 | 1,320,793 |
| Unrestricted* | (68,180,803) | (67,288,210) | (69,360,014) | (71,977,915) | (78,418,503) |
| Total governmental activities net position | <u>\$ (69,161,454)</u> | <u>\$ (67,391,020)</u> | <u>\$ (69,767,097)</u> | <u>\$ (72,757,543)</u> | <u>\$ (79,055,900)</u> |
| Business-type activities | | | | | |
| Net investment in capital assets** | \$ 4,147,590 | \$ 4,088,920 | \$ 3,965,038 | \$ 3,761,986 | \$ 3,778,471 |
| Restricted | 3,181,118 | 3,494,444 | 2,906,317 | 2,175,161 | 1,908,425 |
| Unrestricted** | 682,030 | (430,515) | (749,564) | (603,430) | (2,428,455) |
| Total business-type activities net position | <u>\$ 8,010,738</u> | <u>\$ 7,152,849</u> | <u>\$ 6,121,791</u> | <u>\$ 5,333,717</u> | <u>\$ 3,258,441</u> |
| Commonwealth net position | | | | | |
| Net investment in capital assets | \$ 1,078,611 | \$ 1,742,081 | \$ 2,633,190 | \$ 1,696,582 | \$ 1,820,281 |
| Restricted | 5,269,446 | 5,738,473 | 3,831,082 | 3,460,937 | 3,229,218 |
| Unrestricted | (67,498,773) | (67,718,725) | (70,109,578) | (72,581,345) | (80,846,958) |
| Total Commonwealth net position | <u>\$ (61,150,716)</u> | <u>\$ (60,238,171)</u> | <u>\$ (63,645,306)</u> | <u>\$ (67,423,826)</u> | <u>\$ (75,797,459)</u> |

See Independent Auditors' Report

* 2023 - 2015 - Governmental activities - reclassification between net investment in capital assets and unrestricted. There was no impact on net position.

**Business-type activities' net investment in capital assets and net position restated for 2023 - information not available for 2022-2015.

*** As restated, see note 1T on pages 82-83 - Business-type activities

| 2020 | 2019 | 2018 | 2017 | 2016 |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| \$ (1,960,676) | \$ (1,647,669) | \$ (1,608,691) | \$ (1,401,635) | \$ (1,229,474) |
| 1,543,264 | 1,270,844 | 1,546,202 | 1,926,716 | 1,538,662 |
| (77,259,953) | (73,703,527) | (74,091,999) | (63,911,602) | (58,948,692) |
| <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> |
| \$ 3,938,922 | \$ 3,868,576 | \$ 3,777,515 | \$ 3,623,966 | \$ 3,311,658 |
| 1,319,929 | 2,271,721 | 1,833,109 | 1,735,575 | 1,745,840 |
| (591,205) | (490,819) | (595,311) | 722,923 | 678,667 |
| <u>\$ 4,667,646</u> | <u>\$ 5,649,478</u> | <u>\$ 5,015,313</u> | <u>\$ 6,082,464</u> | <u>\$ 5,736,165</u> |
| \$ 1,978,246 | \$ 2,220,907 | \$ 2,330,581 | \$ 2,222,331 | \$ 2,082,184 |
| 2,863,193 | 3,542,565 | 3,379,311 | 3,662,291 | 3,284,502 |
| (77,851,158) | (74,194,346) | (74,849,067) | (63,188,679) | (58,270,025) |
| <u>\$ (73,009,719)</u> | <u>\$ (68,430,874)</u> | <u>\$ (69,139,175)</u> | <u>\$ (57,304,057)</u> | <u>\$ (52,903,339)</u> |

Changes in Net Position
Last Ten Fiscal Years
(Amounts in thousands)

| | 2025 | 2024* | 2023 | 2022 | 2021 |
|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| EXPENSES | | | | | |
| Governmental Activities: | | | | | |
| General government | \$ 4,052,100 | \$ 3,690,195 | \$ 3,787,362 | \$ 3,902,680 | \$ 3,522,506 |
| Judiciary | 1,621,992 | 1,483,297 | 1,334,037 | 1,243,650 | 1,429,817 |
| Direct local aid | 8,265,832 | 7,962,691 | 7,300,065 | 6,758,880 | 6,499,305 |
| Medicaid | 26,323,064 | 23,600,996 | 24,714,689 | 22,064,800 | 20,208,100 |
| Group Health Insurance | 2,414,661 | 2,172,282 | 1,957,686 | 1,863,586 | 1,710,258 |
| Energy and Environmental Affairs | 1,367,138 | 1,312,517 | 859,147 | 822,053 | 900,326 |
| Housing and Economic Development | 4,046,052 | 3,646,100 | 2,963,505 | 2,806,068 | 2,963,819 |
| Health and Human Services | 15,273,503 | 13,886,097 | 14,338,681 | 13,785,541 | 11,658,328 |
| Transportation and Public Works | 4,547,763 | 3,513,748 | 2,868,870 | 3,122,013 | 3,283,352 |
| Early Elementary and Secondary Education | 8,437,350 | 9,081,911 | 7,811,625 | 6,961,534 | 7,687,798 |
| Public Safety and Security | 3,899,789 | 4,165,298 | 3,477,565 | 3,126,435 | 3,716,834 |
| Labor and Workforce Development | 502,800 | 353,961 | 448,410 | 440,198 | 428,225 |
| Lottery | 4,796,456 | 4,911,262 | 4,850,287 | 4,651,322 | 4,617,789 |
| Interest (unallocated) | 1,662,553 | 1,574,300 | 1,488,890 | 1,445,343 | 1,510,178 |
| Total governmental activities | 87,211,053 | 81,354,655 | 78,200,819 | 72,994,103 | 70,136,635 |
| Business-type Activities: | | | | | |
| Unemployment compensation | 2,145,856 | 2,214,741 | 1,889,677 | 3,904,080 | 19,438,890 |
| Family and Employment Security Trust | 1,294,920 | 1,104,335 | 899,367 | 686,343 | 236,361 |
| Higher Education: | | | | | |
| University of Massachusetts | 4,478,236 | 4,089,905 | 3,973,304 | 3,669,599 | 3,419,868 |
| State Universities | 1,337,346 | 1,284,954 | 1,196,945 | 1,135,857 | 1,078,315 |
| Community Colleges (Nonmajor) | 1,150,341 | 1,029,525 | 990,335 | 967,202 | 900,821 |
| Total business-type activities | 10,406,699 | 9,723,460 | 8,949,628 | 10,363,081 | 25,074,255 |
| Total Commonwealth expenses | \$ 97,617,752 | \$ 91,078,115 | \$ 87,150,447 | \$ 83,357,184 | \$ 95,210,890 |
| REVENUES | | | | | |
| Program Revenues: | | | | | |
| Governmental Activities: | | | | | |
| Charges for services: | | | | | |
| General government | \$ 929,727 | \$ 686,425 | \$ 591,379 | \$ 561,303 | \$ 747,288 |
| Judiciary | 65,906 | 62,121 | 49,371 | 65,958 | 59,074 |
| Medicaid | 438,429 | 786,818 | 665,633 | 642,125 | 1,272,228 |
| Group Health Insurance | 957,026 | 935,591 | 935,591 | 898,761 | 860,726 |
| Energy and Environmental Affairs | 495,152 | 472,502 | 414,613 | 386,816 | 319,315 |
| Housing and Economic Development | 264,605 | 260,444 | 246,490 | 257,188 | 242,815 |
| Health and Human Services | 3,896,265 | 3,410,969 | 2,989,732 | 2,915,732 | 1,576,692 |
| Transportation and Public Works | 639,594 | 642,777 | 605,371 | 602,857 | 627,594 |
| Early Elementary and Secondary Education | 7,561 | 7,690 | 6,411 | 6,366 | 6,624 |
| Public Safety and Security | 393,131 | 401,938 | 361,173 | 405,960 | 345,917 |
| Labor and Workforce Development | 44,827 | 24,087 | 73,409 | 192,356 | 56,603 |
| Lottery | 5,975,463 | 6,171,948 | 6,142,338 | 5,861,393 | 5,827,632 |
| Total charges for services | 14,107,686 | 13,863,310 | 13,081,511 | 12,796,815 | 11,942,508 |
| Operating grants and contributions | 25,977,849 | 27,586,881 | 27,680,603 | 27,170,190 | 22,611,465 |
| Capital grants and contributions | 135,807 | 87,743 | 101,788 | 114,296 | 77,259 |
| Total governmental activities | 40,221,342 | 41,537,934 | 40,863,902 | 40,081,301 | 34,631,232 |
| Business-type Activities: | | | | | |
| Charges for services: | | | | | |
| Unemployment compensation | 2,003,621 | 1,817,877 | 1,795,731 | 1,881,248 | 1,608,603 |
| Family and employment security trust | 1,352,311 | 1,148,319 | 916,906 | 925,337 | 1,005,102 |
| Higher Education: | | | | | |
| University of Massachusetts | 2,277,064 | 2,064,348 | 2,125,627 | 2,001,814 | 1,636,154 |
| State Universities | 624,895 | 602,478 | 634,710 | 607,506 | 562,137 |
| Community Colleges (Nonmajor) | 176,755 | 203,868 | 198,016 | 176,012 | 200,278 |
| Operating grants and contributions | 1,646,968 | 2,063,238 | 1,431,347 | 4,963,847 | 16,603,329 |
| Capital grants and contributions | 18,915 | 11,277 | 201,144 | 195,238 | 174,851 |
| Total business-type activities | 8,100,529 | 7,911,405 | 7,303,481 | 10,751,002 | 21,790,454 |
| Total Commonwealth program revenues | \$ 48,321,871 | \$ 49,449,339 | \$ 48,167,383 | \$ 50,832,303 | \$ 56,421,686 |
| General Revenues and Other Changes in Net Position (all types consolidated): | | | | | |
| Governmental Activities: | | | | | |
| Taxes (all types) | \$ 44,909,477 | \$ 41,331,611 | \$ 39,947,336 | \$ 39,803,816 | \$ 34,947,335 |
| Investment earnings and miscellaneous | 2,419,352 | 2,960,072 | 2,404,903 | 1,135,334 | 697,132 |
| Transfers, net | (2,109,552) | (2,098,885) | (1,928,133) | (1,727,991) | (1,517,599) |
| Total governmental activities | 45,219,277 | 42,192,798 | 40,424,106 | 39,211,159 | 34,126,868 |
| Business-type Activities: | | | | | |
| Investment earnings and miscellaneous | 1,054,507 | 772,480 | 506,088 | (40,636) | 356,997 |
| Transfers, net | 2,109,552 | 2,098,885 | 1,928,133 | 1,727,991 | 1,517,599 |
| Total business -type activities | 3,164,059 | 2,871,365 | 2,434,221 | 1,687,355 | 1,874,596 |
| Total Commonwealth general revenues | \$ 48,383,336 | \$ 45,064,163 | \$ 42,858,327 | \$ 40,898,514 | \$ 36,001,464 |
| CHANGES IN NET POSITION | | | | | |
| Governmental activities | \$ (1,770,434) | \$ 2,376,077 | \$ 3,087,189 | \$ 6,298,357 | \$ (1,378,535) |
| Business-type activities | 857,889 | 1,059,310 | 788,074 | 2,075,276 | (1,409,205) |
| Total changes in net position | \$ (912,545) | \$ 3,435,387 | \$ 3,875,263 | \$ 8,373,633 | \$ (2,787,740) |

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* As restated, see note IT on pages 82-83 - Business - type activities

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|----|--------------------|----------------------|-----------------------|-----------------------|-----------------------|
| \$ | 2,923,397 | \$ 2,766,272 | \$ 2,792,959 | \$ 2,764,634 | \$ 2,616,051 |
| | 1,396,370 | 1,221,969 | 1,162,698 | 1,226,221 | 1,154,038 |
| | 6,390,233 | 6,089,548 | 5,900,634 | 5,734,682 | 5,598,687 |
| | 19,206,749 | 18,093,807 | 18,105,722 | 17,182,691 | 16,825,110 |
| | 1,651,357 | 1,670,238 | 1,648,278 | 1,668,100 | 1,632,703 |
| | 824,062 | 701,950 | 732,161 | 720,182 | 1,069,510 |
| | 1,599,085 | 1,574,628 | 1,544,103 | 1,411,189 | 1,367,957 |
| | 9,645,198 | 8,662,012 | 8,298,704 | 8,131,843 | 7,912,817 |
| | 2,806,861 | 2,554,289 | 2,483,768 | 2,535,121 | 2,711,910 |
| | 6,618,282 | 5,607,240 | 6,101,603 | 6,243,115 | 5,420,052 |
| | 3,962,024 | 3,006,893 | 2,757,266 | 2,913,849 | 2,746,612 |
| | 342,418 | 298,930 | 295,061 | 312,510 | 324,678 |
| | 4,306,512 | 4,445,654 | 4,325,321 | 4,128,209 | 4,299,592 |
| | 1,491,983 | 1,522,183 | 1,419,910 | 1,384,248 | 1,250,004 |
| | 63,164,531 | 58,215,613 | 57,568,188 | 56,356,594 | 54,929,721 |
| | 11,948,319 | 1,483,901 | 1,552,404 | 1,514,002 | 1,499,811 |
| | 5,434 | — | — | — | — |
| | 3,446,910 | 3,282,171 | 3,307,087 | 3,167,596 | 3,151,215 |
| | 1,150,987 | 1,145,531 | 1,089,551 | 1,063,196 | 1,002,577 |
| | 886,593 | 917,967 | 887,223 | 936,241 | 928,067 |
| | 17,438,243 | 6,829,570 | 6,836,265 | 6,681,035 | 6,581,670 |
| \$ | 80,602,774 | \$ 65,045,183 | \$ 64,404,453 | \$ 63,037,629 | \$ 61,511,391 |
| \$ | 926,889 | \$ 611,834 | \$ 652,138 | \$ 594,132 | \$ 565,434 |
| | 69,737 | 81,567 | 91,500 | 95,937 | 100,568 |
| | 1,388,195 | 1,129,343 | 1,054,698 | 897,542 | 841,697 |
| | 822,420 | 808,194 | 941,946 | 802,628 | 799,011 |
| | 280,252 | 279,267 | 273,504 | 249,565 | 289,738 |
| | 225,908 | 163,315 | 213,530 | 194,940 | 173,941 |
| | 822,920 | 1,411,918 | 1,292,584 | 1,359,519 | 1,224,967 |
| | 568,028 | 627,941 | 625,595 | 596,200 | 577,292 |
| | 7,365 | 8,445 | 7,846 | 7,919 | 7,508 |
| | 370,568 | 338,099 | 248,234 | 280,400 | 284,264 |
| | 203,992 | 307,506 | 269,293 | 40,652 | 38,581 |
| | 5,391,167 | 5,644,440 | 5,436,551 | 5,254,468 | 5,405,128 |
| | 11,077,441 | 11,411,869 | 11,107,419 | 10,373,902 | 10,308,129 |
| | 18,661,840 | 16,253,915 | 16,230,934 | 15,519,380 | 15,158,087 |
| | 77,964 | 66,085 | 99,002 | 58,354 | 85,759 |
| | 29,817,245 | 27,731,869 | 27,437,355 | 25,951,636 | 25,551,975 |
| | 1,833,362 | 1,852,195 | 1,617,394 | 1,468,492 | 1,611,096 |
| | 840,600 | — | — | — | — |
| | 1,844,180 | 1,860,268 | 1,907,824 | 1,882,899 | 1,875,144 |
| | 644,932 | 679,801 | 658,608 | 654,170 | 616,025 |
| | 221,732 | 237,288 | 259,156 | 274,868 | 274,252 |
| | 9,250,714 | 976,096 | 931,780 | 909,228 | 891,823 |
| | 145,646 | 112,033 | 160,201 | 238,621 | 265,714 |
| | 14,781,166 | 5,717,681 | 5,534,963 | 5,428,278 | 5,534,054 |
| \$ | 44,598,411 | \$ 33,449,550 | \$ 32,972,318 | \$ 31,379,914 | \$ 31,086,029 |
| \$ | 30,482,040 | \$ 30,609,957 | \$ 27,964,093 | \$ 25,949,577 | \$ 25,676,303 |
| | 1,169,416 | 1,513,855 | 1,283,283 | 995,073 | 1,161,089 |
| | (1,404,336) | (1,565,932) | (1,123,731) | (1,286,709) | (1,246,055) |
| | 30,247,120 | 30,557,880 | 28,123,645 | 25,657,941 | 25,591,337 |
| | 333,608 | 145,483 | 423,379 | 312,347 | 245,441 |
| | 1,404,336 | 1,565,932 | 1,123,731 | 1,286,709 | 1,246,055 |
| | 1,737,944 | 1,711,415 | 1,547,110 | 1,599,056 | 1,491,496 |
| \$ | 31,985,064 | \$ 32,269,295 | \$ 29,670,755 | \$ 27,256,997 | \$ 27,082,833 |
| \$ | (3,100,166) | \$ 74,136 | \$ (2,007,188) | \$ (4,747,017) | \$ (3,786,409) |
| | (919,133) | 599,526 | 245,808 | 346,299 | 443,880 |
| \$ | (4,019,299) | \$ 673,662 | \$ (1,761,380) | \$ (4,400,718) | \$ (3,342,529) |

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)

(Amounts in thousands)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|
| General Fund | | | | | |
| Committed (2)..... | \$ 8,110,684 | \$ 8,523,632 | \$ 8,036,051 | \$ 6,937,864 | \$ 4,626,419 |
| Assigned (3)..... | 1,425,519 | 2,848,646 | 2,322,991 | 2,542,037 | 1,070,523 |
| Unassigned..... | 3,305,574 | 4,078,803 | 4,255,805 | 4,451,749 | 4,045,371 |
| Total General Fund..... | <u>12,841,777</u> | <u>15,451,081</u> | <u>14,614,847</u> | <u>13,931,650</u> | <u>9,742,313</u> |
| All other governmental funds | | | | | |
| Nonspendable..... | 393,199 | 450,897 | 526,385 | 615,882 | 755,378 |
| Restricted (1)..... | 2,148,398 | 2,244,029 | 924,765 | 1,285,777 | 1,320,793 |
| Committed (2)..... | 5,525,827 | 5,278,711 | 5,085,302 | 3,403,602 | 2,179,151 |
| Assigned (3)..... | 3,141,239 | 1,847,637 | 1,344,555 | 1,254,362 | 976,474 |
| Unassigned..... | (1,880,196) | (1,725,067) | (3,485,620) | (2,358,148) | (1,156,764) |
| Total all other governmental funds..... | <u>9,328,467</u> | <u>8,096,207</u> | <u>4,395,387</u> | <u>4,201,475</u> | <u>4,075,032</u> |
| Total governmental fund balances..... | <u>\$ 22,170,244</u> | <u>\$23,547,288</u> | <u>\$19,010,234</u> | <u>\$ 18,133,125</u> | <u>\$ 13,817,345</u> |

- (1) Restricted fund balance overall decreased by \$96 million from FY24 mainly due to a decrease of education and transportation related fund balances, which revenue generated by the 4% income tax surtax on income greater than \$1 million, which is constitutionally restricted for education and transportation purposes.
- (2) The major decrease in the committed fund balance from FY24 is mainly due to a decrease of approximately \$413 million in the ending balance of the Commonwealth's stabilization, a decrease of \$231 million in High-Quality Early Education & Care Affordability Trust Fund and a decrease of \$158 million in the Student Opportunity Act Investment Fund. The decrease was partially offset by a significant increase of \$615 million increase in Commonwealth Federal Matching and Debt Reduction fund balance.
- (3) Assigned fund balance decreased from due primarily to a \$410 million decrease in budgetary fund prior appropriations continued, offset by a \$234 million in increases in funds the MSBA reserved for grants and loans to local cities and towns for school construction, and a \$46 million increase in expendable trust assigned balances.

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| 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 3,501,181 | \$ 3,424,376 | \$ 2,001,299 | \$ 1,300,678 | \$ 1,291,514 |
| 731,696 | 445,216 | 349,927 | 98,316 | 109,328 |
| 1,697,212 | 2,000,618 | 1,164,566 | 939,018 | 1,173,549 |
| 5,930,089 | 5,870,210 | 3,515,792 | 2,338,012 | 2,574,391 |
| — | — | — | — | — |
| 1,294,124 | 1,316,707 | 1,519,833 | 1,926,716 | 1,377,671 |
| 1,824,616 | 1,583,112 | 1,300,923 | 1,051,009 | 1,130,574 |
| 951,226 | 811,501 | 605,903 | 586,339 | 736,239 |
| (942,539) | (470,195) | (104,007) | (304,694) | (545,129) |
| 3,127,427 | 3,241,125 | 3,322,652 | 3,259,370 | 2,699,355 |
| \$ 9,057,516 | \$ 9,111,335 | \$ 6,838,444 | \$ 5,597,382 | \$ 5,273,746 |

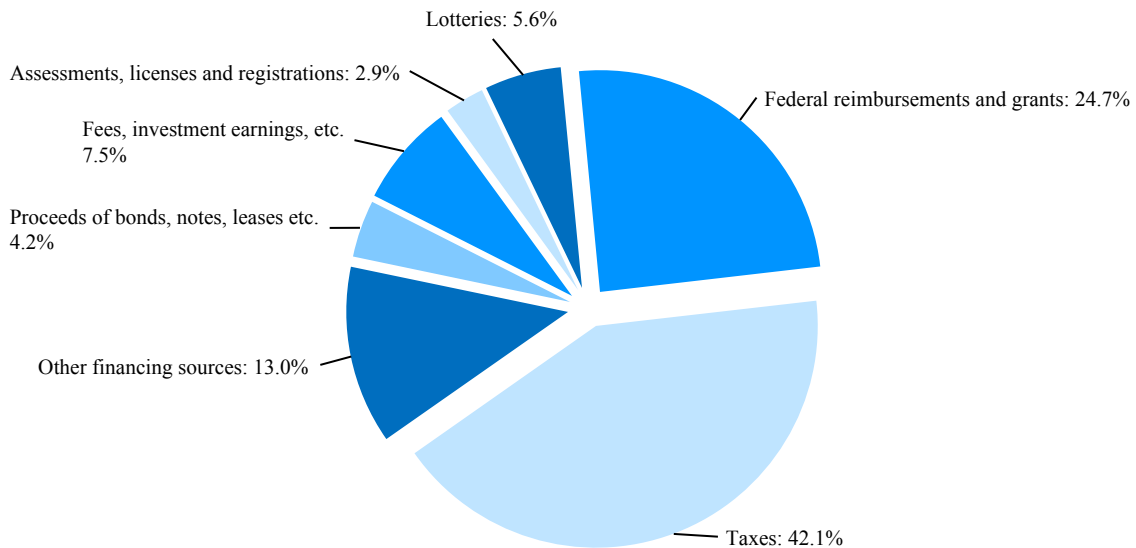
Ten-Year Schedule of Revenues and Other Financing Sources
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

(Amounts in millions)

| | 2025 | | 2024 | | 2023 | | 2022 | | 2021 | |
|---|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | Total | % | Total | % | Total | % | Total | % | Total | % |
| Taxes | \$ 44,886 | 42.1 | \$ 41,306 | 39.3 | \$ 39,976 | 42.6 | \$ 39,816 | 43.4 | \$ 34,955 | 41.2 |
| Federal reimbursements | 19,322 | 18.1 | 19,384 | 18.5 | 19,320 | 20.6 | 17,801 | 19.4 | 16,438 | 19.4 |
| Federal grants | 6,997 | 6.6 | 8,143 | 7.8 | 8,473 | 9.0 | 9,413 | 10.2 | 6,515 | 7.7 |
| Lotteries | 5,991 | 5.6 | 6,193 | 5.9 | 6,158 | 6.6 | 5,864 | 6.4 | 5,829 | 6.9 |
| Assessments | 2,579 | 2.4 | 2,173 | 2.1 | 1,822 | 1.9 | 1,585 | 1.7 | 1,350 | 1.6 |
| Motor vehicle licenses and registrations | 581 | 0.5 | 590 | 0.6 | 555 | 0.6 | 549 | 0.6 | 515 | 0.6 |
| Fees, investment earnings, etc. | 7,961 | 7.5 | 8,594 | 8.2 | 7,273 | 7.7 | 6,166 | 6.7 | 5,780 | 6.8 |
| Issuance of general and special obligation bonds | 3,331 | 3.1 | 4,557 | 4.3 | 1,610 | 1.7 | 2,085 | 2.3 | 4,216 | 5.0 |
| Issuance of refunding bonds | 610 | 0.6 | 2,011 | 1.9 | 813 | 0.9 | 525 | 0.6 | 1,766 | 2.1 |
| Bond premiums | 355 | 0.3 | 685 | 0.7 | 248 | 0.3 | 369 | 0.4 | 786 | 0.9 |
| Proceeds of capital lease | — | — | — | — | — | — | — | — | 2 | — |
| Leases & SBITAs issued | 218 | 0.2 | 312 | 0.3 | 58 | — | — | — | — | — |
| Other financing sources | 13,782 | 13.0 | 11,037 | 10.4 | 7,583 | 8.1 | 7,668 | 8.3 | 6,569 | 7.8 |
| Total revenues and other financing sources | \$106,613 | 100.0 | \$104,985 | 100.0 | \$ 93,889 | 100.0 | \$ 91,841 | 100.0 | \$ 84,721 | 100.0 |

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**Apportionment of Revenues by Source -
Fiscal Year Ended June 30, 2025**



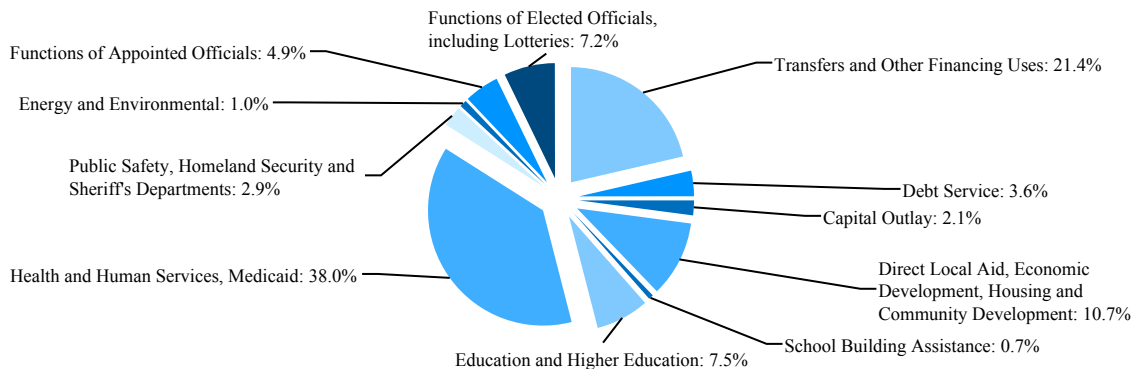
| | % 2019 | | % 2018 | | % 2017 | | % 2016 | | |
|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| 2020 | Total | Total | Total | Total | Total | Total | Total | Total | Total |
| \$ 30,266 | 41.7 | \$ 30,618 | 43.8 | \$ 28,243 | 41.1 | \$ 25,828 | 37.7 | \$ 25,746 | 38.0 |
| 14,427 | 19.9 | 12,650 | 18.1 | 12,647 | 18.3 | 11,932 | 17.4 | 11,577 | 17.1 |
| 4,048 | 5.6 | 3,678 | 5.3 | 3,684 | 5.3 | 3,635 | 5.3 | 3,656 | 5.4 |
| 5,395 | 7.4 | 5,652 | 8.1 | 5,442 | 7.9 | 5,258 | 7.7 | 5,406 | 8.0 |
| 1,378 | 1.9 | 1,377 | 2.0 | 1,354 | 2.0 | 1,219 | 1.8 | 1,104 | 1.6 |
| 515 | 0.7 | 566 | 0.8 | 566 | 0.8 | 554 | 0.8 | 546 | 0.8 |
| 5,527 | 7.6 | 5,794 | 8.3 | 5,518 | 8.0 | 4,966 | 7.3 | 4,957 | 7.3 |
| 2,787 | 3.8 | 2,008 | 2.9 | 2,779 | 4.0 | 3,464 | 5.1 | 3,969 | 5.9 |
| 1,225 | 1.7 | 819 | 1.2 | 993 | 1.4 | 1,853 | 2.7 | 1,463 | 2.2 |
| 276 | 0.4 | 470 | 0.7 | 562 | 0.8 | 812 | 1.2 | 613 | 0.9 |
| 1 | — | — | — | — | — | 1 | — | 31 | — |
| — | — | — | — | — | — | — | — | — | — |
| 6,662 | 9.3 | 6,143 | 8.8 | 7,202 | 10.4 | 8,915 | 13.0 | 8,682 | 12.8 |
| <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> |

Ten-Year Schedule of Expenditures and Other Financing Uses by Secretariat
All Governmental Fund Types - Fund Perspective
(Modified Accrual Basis of Accounting)

| | 2025 | | 2024 | | 2023 | | 2022 | | 2021 | |
|--|-------------------|--------------|-------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | \$ | % Total | \$ | % Total | \$ | % Total | \$ | % Total | \$ | % Total |
| Legislature | 97 | 0.1 | 89 | 0.1 | 83 | 0.1 | 76 | 0.1 | 73 | 0.1 |
| Judiciary | 1,363 | 1.3 | 1,307 | 1.3 | 1,199 | 1.3 | 1,095 | 1.3 | 1,023 | 1.3 |
| Office of Inspector General | 9 | — | 8 | — | 7 | — | 6 | — | 6 | — |
| Governor and Lieutenant Governor | 9 | — | 9 | — | 7 | — | 7 | — | 9 | — |
| Secretary of the Commonwealth | 94 | 0.1 | 82 | 0.1 | 87 | 0.1 | 59 | 0.1 | 78 | 0.1 |
| Treasurer and Receiver-General | 7,085 | 6.6 | 7,035 | 7.0 | 7,196 | 7.8 | 6,743 | 7.7 | 6,583 | 8.1 |
| State Auditor | 24 | — | 23 | — | 23 | — | 21 | — | 20 | — |
| Attorney General | 176 | 0.2 | 74 | 0.1 | 115 | 0.1 | 165 | 0.2 | 112 | 0.1 |
| State Ethics Commission | 4 | — | 3 | — | 3 | — | 3 | — | 2 | — |
| District Attorneys | 193 | 0.2 | 186 | 0.2 | 171 | 0.2 | 161 | 0.2 | 154 | 0.2 |
| Office of Campaign and Political Finance | 2 | — | 2 | — | 2 | — | 2 | — | 2 | — |
| Sheriff's | 911 | 0.8 | 833 | 0.8 | 764 | 0.8 | 679 | 0.8 | 699 | 0.9 |
| Disabled Persons Protection Commission | 14 | — | 14 | — | 12 | — | 10 | — | 7 | — |
| Commission on the Status of Women | 1 | — | 1 | — | 1 | — | 1 | — | — | — |
| Massachusetts Gaming Commission | 74 | 0.1 | 66 | 0.1 | 59 | 0.1 | 56 | 0.1 | 46 | 0.1 |
| Office of the Comptroller | 45 | — | 34 | — | 28 | — | 27 | — | 22 | — |
| Administration and Finance | 3,931 | 3.6 | 3,545 | 3.5 | 3,161 | 3.4 | 3,613 | 4.2 | 2,910 | 3.9 |
| Energy and Environmental | 1,050 | 1.0 | 1,068 | 1.1 | 696 | 0.7 | 592 | 0.7 | 461 | 0.6 |
| Developmental Disabilities Council | 1 | — | — | — | — | — | — | — | — | — |
| Health and Human Services | 14,546 | 13.5 | 13,381 | 13.3 | 14,060 | 15.2 | 13,446 | 15.4 | 10,702 | 13.2 |
| Technology Services and Security | 234 | 0.2 | 209 | 0.2 | 205 | 0.2 | 173 | 0.2 | 156 | 0.2 |
| Veterans' Services | 131 | 0.1 | 119 | 0.1 | 38 | — | — | — | — | — |
| Office of the Veteran Advocate | 2 | — | — | — | — | — | — | — | — | — |
| Housing and Livable Communities | 2,871 | 2.7 | 2,620 | 2.6 | 284 | 0.3 | — | — | — | — |
| Massachusetts Department of Transportation | 4,428 | 4.1 | 3,360 | 3.3 | 2,776 | 3.0 | 3,002 | 3.4 | 2,909 | 3.6 |
| Office of the Child Advocate | 5 | — | 5 | — | 5 | — | 3 | — | 2 | — |
| Commission Against Discrimination | 12 | — | 10 | — | 8 | — | 7 | — | 7 | — |
| Cannabis Control Commission | 20 | — | 19 | — | 17 | — | 14 | — | 11 | — |
| Board of Library Commissioners | 55 | 0.1 | 50 | — | 45 | — | 43 | — | 37 | — |
| Education* | 8,130 | 7.5 | 8,166 | 8.1 | 7,085 | 7.6 | 6,579 | 7.5 | 5,049 | 6.2 |
| Center for Health and Information Analysis | 35 | — | 34 | — | 32 | — | 29 | — | 21 | — |
| Massachusetts School Building Assistance | 755 | 0.7 | 811 | 0.8 | 580 | 0.6 | 628 | 0.7 | 752 | 0.9 |
| Public Safety and Security | 2,293 | 2.1 | 2,648 | 2.6 | 2,138 | 2.3 | 1,839 | 2.1 | 1,769 | 2.2 |
| Massachusetts Peace Officer Standards and Training Commission | 8 | — | 8 | — | 7 | — | 2 | — | — | — |
| Commission on the Status of Persons with Disabilities | — | — | — | — | — | — | — | — | — | — |
| Economic Development* | 357 | 0.3 | 390 | 0.4 | 2,193 | 2.4 | 2,294 | 2.6 | 2,440 | 3.0 |
| Labor and Workforce Development* | 451 | 0.4 | 338 | 0.3 | 428 | 0.5 | 411 | 0.5 | 356 | 0.4 |
| Medicaid | 26,323 | 24.4 | 23,601 | 23.5 | 24,715 | 26.6 | 22,065 | 25.3 | 20,208 | 25.0 |
| Pension | 1,896 | 1.8 | 1,825 | 1.8 | 2,133 | 2.3 | 2,117 | 2.4 | 1,657 | 2.1 |
| Direct local aid | 8,266 | 7.7 | 7,963 | 7.9 | 7,300 | 7.9 | 6,759 | 7.7 | 6,499 | 8.0 |
| Capital outlay | 2,310 | 2.1 | 2,012 | 2.0 | 1,516 | 1.6 | 1,420 | 1.6 | 1,308 | 1.6 |
| Debt service: | | | | | | | | | | |
| Principal/commercial paper repayment | 1,526 | 1.4 | 1,503 | 1.5 | 1,732 | 1.9 | 1,780 | 2.0 | 1,878 | 2.3 |
| Interest | 1,685 | 1.6 | 1,553 | 1.5 | 1,497 | 1.6 | 1,245 | 1.4 | 1,230 | 1.5 |
| Principal on current refunding | 676 | 0.6 | 2,308 | 2.3 | 888 | 1.0 | 610 | 0.7 | 1,065 | 1.3 |
| Other financing uses: | | | | | | | | | | |
| Payments to refunding bond escrow agent | — | — | — | — | — | — | 347 | 0.4 | 2,469 | 3.1 |
| Transfers | 15,892 | 14.7 | 13,136 | 13.5 | 9,507 | 10.4 | 9,396 | 10.7 | 8,084 | 10.0 |
| Total expenditures and other financing uses | \$ 107,990 | 100.0 | \$ 100,448 | 100.0 | \$ 92,803 | 100.0 | \$ 87,525 | 100.0 | \$ 80,816 | 100.0 |
| Change in Governmental Fund Balance | \$ (1,377) | | \$ 4,537 | | \$ 1,086 | | \$ 4,316 | | \$ 3,905 | |
| Ratio of debt service expenditures to total noncapital expenditures | 4.3% | | 6.3% | | 5.0% | | 4.8% | | 6.1% | |

* Reflects departmental and functional reorganizations as of the year implemented. Prior years not restated.
 See Independent Auditors' Report

Apportionment of Expenditures - Fiscal Year Ended June 30, 2025



| 2020 | % Total | 2019 | % Total | 2018 | % Total | 2017 | % Total | 2016 | % Total |
|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| \$ 70 | 0.1 | \$ 68 | 0.1 | \$ 68 | 0.1 | \$ 67 | 0.1 | \$ 61 | 0.1 |
| 1,022 | 1.4 | 985 | 1.5 | 921 | 1.4 | 908 | 1.3 | 880 | 1.3 |
| 6 | — | 5 | — | 5 | — | 4 | — | 5 | — |
| 7 | — | 7 | — | 7 | — | 7 | — | 7 | — |
| 63 | 0.1 | 55 | 0.1 | 45 | 0.1 | 51 | 0.1 | 44 | 0.1 |
| 5,961 | 8.2 | 6,092 | 9.0 | 5,854 | 8.6 | 5,657 | 8.2 | 5,799 | 8.7 |
| 19 | — | 18 | — | 19 | — | 18 | — | 19 | — |
| 108 | 0.2 | 107 | 0.2 | 98 | 0.1 | 76 | 0.1 | 67 | 0.1 |
| 2 | — | 2 | — | 2 | — | 2 | — | 2 | — |
| 150 | 0.2 | 138 | 0.2 | 129 | 0.2 | 130 | 0.2 | 124 | 0.2 |
| 2 | — | 3 | — | 2 | — | 2 | — | 2 | — |
| 718 | 1.0 | 672 | 1.0 | 635 | 0.9 | 624 | 0.9 | 616 | 0.9 |
| 6 | — | 5 | — | 4 | — | 3 | — | 3 | — |
| — | — | — | — | — | — | — | — | — | — |
| 44 | 0.1 | 50 | 0.1 | 44 | 0.1 | 37 | 0.1 | 34 | 0.1 |
| 17 | — | 16 | — | 16 | — | 17 | — | 17 | — |
| 2,490 | 3.4 | 2,310 | 3.4 | 2,475 | 3.7 | 2,444 | 3.6 | 2,416 | 3.6 |
| 466 | 0.6 | 477 | 0.7 | 445 | 0.7 | 405 | 0.6 | 436 | 0.6 |
| — | — | — | — | — | — | — | — | — | — |
| 8,817 | 12.1 | 8,054 | 12.0 | 7,813 | 11.5 | 7,463 | 11.0 | 7,402 | 10.9 |
| 140 | 0.2 | 116 | 0.2 | 81 | 0.1 | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| 2,486 | 3.4 | 2,349 | 3.5 | 2,387 | 3.5 | 2,391 | 3.5 | 2,595 | 3.8 |
| 2 | — | 1 | — | 1 | — | 1 | — | 1 | — |
| — | — | — | — | — | — | — | — | — | — |
| 13 | — | 10 | — | 2 | — | — | — | — | — |
| 33 | — | 30 | — | 28 | — | 28 | — | 28 | — |
| 4,323 | 6.0 | 3,972 | 5.9 | 3,723 | 5.5 | 3,589 | 5.3 | 3,478 | 5.1 |
| 20 | — | 20 | — | 21 | — | 23 | — | 27 | — |
| 713 | 1.0 | 572 | 0.9 | 550 | 0.8 | 621 | 0.9 | 626 | 0.9 |
| 2,066 | 2.8 | 1,463 | 2.2 | 1,400 | 2.1 | 1,374 | 2.0 | 1,385 | 2.0 |
| — | — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — | — |
| 1,223 | 1.7 | 1,157 | 1.7 | 1,089 | 1.6 | 1,021 | 1.5 | 1,048 | 1.5 |
| 280 | 0.4 | 258 | 0.4 | 255 | 0.4 | 259 | 0.4 | 277 | 0.4 |
| 19,207 | 26.5 | 18,094 | 26.8 | 18,106 | 26.9 | 17,183 | 25.2 | 16,825 | 24.9 |
| 1,384 | 1.9 | 1,368 | 2.0 | 1,294 | 1.9 | 1,127 | 1.7 | 1,103 | 1.6 |
| 6,390 | 8.8 | 6,090 | 9.0 | 5,901 | 8.7 | 5,735 | 8.4 | 5,599 | 8.3 |
| 1,051 | 1.5 | 1,310 | 1.9 | 1,253 | 1.8 | 1,202 | 1.8 | 1,162 | 1.7 |
| — | — | — | — | — | — | — | — | — | — |
| 1,948 | 2.7 | 1,480 | 2.2 | 3,706 | 5.5 | 4,676 | 6.9 | 4,487 | 6.6 |
| 1,238 | 1.7 | 1,484 | 2.2 | 1,381 | 2.0 | 1,262 | 1.9 | 1,248 | 1.8 |
| 409 | 0.6 | 956 | 1.4 | 522 | 0.8 | 188 | 0.3 | 250 | 0.4 |
| — | — | — | — | — | — | — | — | — | — |
| 1,655 | 2.3 | — | — | 628 | 0.9 | 2,304 | 3.4 | 2,613 | 3.9 |
| 8,067 | 11.1 | 7,709 | 11.4 | 6,838 | 10.1 | 7,215 | 10.6 | 7,094 | 10.5 |
| <u>\$ 72,616</u> | <u>100.0</u> | <u>\$ 67,503</u> | <u>100.0</u> | <u>\$ 67,748</u> | <u>100.0</u> | <u>\$ 68,114</u> | <u>100.0</u> | <u>\$ 67,781</u> | <u>100.0</u> |
| <u>\$ (108)</u> | | <u>\$ 2,273</u> | | <u>\$ 1,241</u> | | <u>\$ 324</u> | | <u>\$ (32)</u> | |
| <u>5.8%</u> | | <u>6.7%</u> | | <u>9.5%</u> | | <u>10.7%</u> | | <u>10.5%</u> | |

Personal Income by Industry
Last Ten Calendar Years

(Amounts in millions)

| | 2024 | 2023 | 2022 | 2021 | 2020 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total personal income | \$ 667,993 | \$ 614,224 | \$ 594,119 | \$ 575,188 | \$ 550,584 |
| Unearned income | 179,664 | 151,920 | 142,298 | 152,340 | 166,915 |
| Farm earnings | 184 | 139 | 126 | 126 | 170 |
| Nonfarm earnings | 488,145 | 462,165 | 451,695 | 422,722 | 383,499 |
| Private earnings | 469,786 | 443,839 | 433,761 | 407,096 | 368,213 |
| Agricultural services, forestry, fishing | 561 | 602 | 573 | 705 | 600 |
| Mining | 586 | 456 | 144 | 94 | 146 |
| Construction | 28,152 | 26,961 | 27,594 | 27,349 | 22,859 |
| Manufacturing | 32,954 | 30,795 | 30,829 | 29,969 | 28,355 |
| Durable goods | 21,152 | 20,814 | 20,929 | 20,502 | 19,760 |
| Nondurable goods | 11,802 | 9,981 | 9,900 | 9,467 | 8,595 |
| Transportation and utilities | 15,917 | 17,282 | 14,222 | 12,561 | 11,669 |
| Wholesale trade | 19,371 | 18,673 | 18,539 | 17,366 | 15,280 |
| Retail trade | 20,997 | 21,304 | 20,014 | 19,436 | 17,303 |
| Services | 351,248 | 327,766 | 321,846 | 299,616 | 272,001 |
| Government | 51,313 | 49,121 | 48,762 | 45,595 | 43,642 |
| Federal, civilian | 7,082 | 6,628 | 6,018 | 5,920 | 5,821 |
| Military | 1,211 | 1,071 | 1,048 | 1,001 | 1,096 |
| State and local | 43,020 | 41,422 | 41,696 | 38,674 | 36,725 |
| Personal income tax revenue (fiscal year, statutory basis) | \$ 26,712 | \$ 24,112 | \$ 18,995 | \$ 24,337 | \$ 19,618 |
| Total personal income | \$ 667,993 | \$ 614,224 | \$ 594,119 | \$ 575,188 | \$ 550,584 |
| Average Effective Rate | 4.00 % | 3.93 % | 3.20 % | 4.23 % | 3.56 % |
| Highest Earned Income Tax Rate | 5.00 % | 5.00 % | 5.00 % | 5.00 % | 5.00 % |

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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| 2019 | 2018 | 2017 | 2016 | 2015 |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 511,334 | \$ 483,433 | \$ 450,962 | \$ 442,500 | \$ 415,636 |
| 126,165 | 118,567 | 111,017 | 108,349 | 97,728 |
| 108 | 103 | 129 | 151 | 195 |
| 385,061 | 364,763 | 339,816 | 334,000 | 317,713 |
| 369,080 | 349,476 | 323,875 | 319,931 | 272,533 |
| 625 | 659 | 716 | 677 | 406 |
| 144 | 274 | 608 | 379 | 276 |
| 23,397 | 23,177 | 20,609 | 19,473 | 17,197 |
| 28,568 | 27,271 | 26,550 | 27,181 | 26,497 |
| 20,020 | 19,239 | 18,709 | 18,894 | 18,193 |
| 8,548 | 8,032 | 7,841 | 8,287 | 8,304 |
| 11,724 | 9,667 | 8,649 | 8,330 | 7,600 |
| 15,254 | 15,102 | 14,830 | 14,621 | 13,938 |
| 17,438 | 16,432 | 15,982 | 15,520 | 14,716 |
| 271,930 | 256,894 | 235,931 | 233,750 | 191,903 |
| 44,549 | 42,557 | 42,492 | 41,130 | 39,921 |
| 5,647 | 5,458 | 5,477 | 5,427 | 5,202 |
| 1,003 | 900 | 891 | 860 | 860 |
| 37,899 | 36,199 | 36,124 | 34,843 | 33,859 |

| | | | | |
|------------|------------|------------|------------|------------|
| \$ 17,361 | \$ 17,109 | \$ 16,240 | \$ 14,394 | \$ 14,449 |
| \$ 511,334 | \$ 483,433 | \$ 450,962 | \$ 442,500 | \$ 415,636 |
| 3.40 % | 3.54 % | 3.60 % | 3.25 % | 3.48 % |
| 5.00 % | 5.05 % | 5.10 % | 5.10 % | 5.15 % |

Commonwealth of Massachusetts
Personal Income Tax Filers and Liability by Income Level
Calendar (Tax) Years 2023 and 2014

(Amounts, except income level are in thousands)

Calendar Year 2023 (or Fiscal Year 2024)

| Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
|----------------------------|-------------------------|----------------------------|--------------------------------------|----------------------------|
| \$100,001 and higher | 1,133,816 | 28.1% | \$ 17,551,590 | 80.8% |
| \$75,001 - \$100,000 | 382,604 | 9.5% | 1,411,098 | 6.5% |
| \$50,001 - \$75,000 | 575,329 | 14.3% | 1,443,653 | 6.6% |
| \$25,001 - \$50,000 | 759,212 | 18.7% | 1,031,066 | 4.8% |
| \$10,001 - \$25,000 | 552,193 | 13.7% | 244,964 | 1.1% |
| \$10,000 and lower | 633,147 | 15.7% | 36,097 | 0.2% |
| Total | <u>4,036,301</u> | <u>100.0%</u> | <u>\$ 21,718,468</u> | <u>100.0%</u> |

Calendar Year 2014 (or Fiscal Year 2015)

| Income Level | Number of Filers | Percentage of Total | Personal Income Tax Liability | Percentage of Total |
|----------------------------|-------------------------|----------------------------|--------------------------------------|----------------------------|
| \$100,001 and higher | 733,307 | 19.8% | \$ 9,684,457 | 72.7% |
| \$75,001 - \$100,000 | 298,797 | 8.1% | 1,108,477 | 8.3% |
| \$50,001 - \$75,000 | 474,976 | 12.8% | 1,199,591 | 9.0% |
| \$25,001 - \$50,000 | 786,552 | 21.2% | 1,028,605 | 7.7% |
| \$10,001 - \$25,000 | 673,024 | 18.2% | 273,862 | 2.1% |
| \$10,000 and lower | 738,337 | 19.9% | 32,912 | 0.2% |
| Total | <u>3,704,993</u> | <u>100.0%</u> | <u>\$ 13,327,904</u> | <u>100.0%</u> |

Source: Massachusetts Department of Revenue - 2023 is the most recent tax year for which complete data is available.

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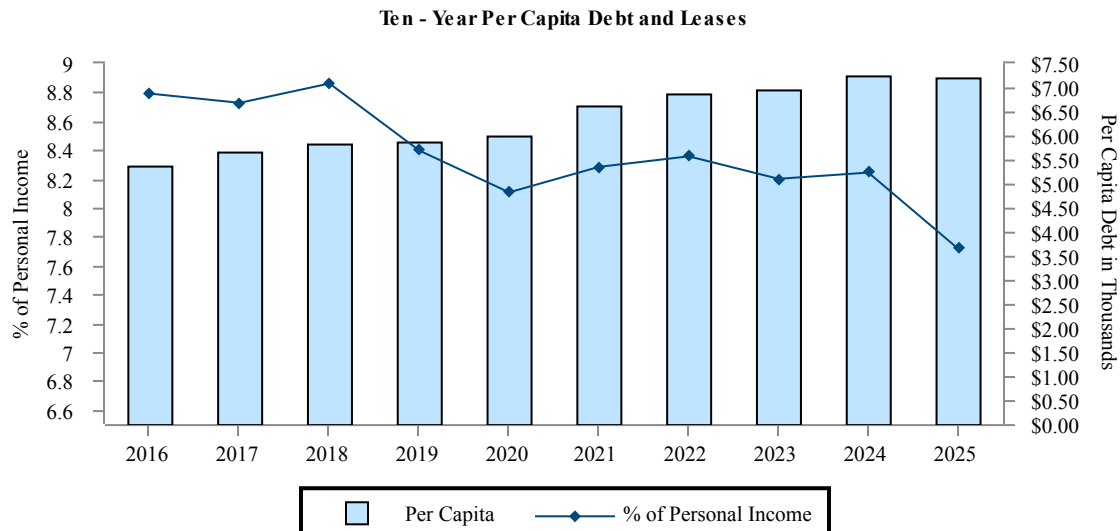
Ten-Year Schedule of Per Capita General Long-Term Bonded Debt and Leases

(Amounts in thousands, except for percentages)

| Fiscal Year Ended June 30 | Governmental Activities | | | | | | Business-Type Activities | | | Total Primary Government | Prior Year Personal Income (6) | Massachusetts Resident Population (4) | Debt as a % of Personal Income | Amount of Debt Per Capita |
|---------------------------|-------------------------|-------------------------|-----------|----------------------|-----------------|----------------|--------------------------|-------------------------|-----------|--------------------------|--------------------------------|---------------------------------------|--------------------------------|---------------------------|
| | Bonded Debt (1) | Right-to-use Leases (5) | SBITA (5) | MSBA Bonded debt (2) | MSBA Leases (5) | MSBA SBITA (5) | Bonded Debt (3) | Right-to-use Leases (5) | SBITA (5) | | | | | |
| 2025 | \$ 38,041,782 | \$ 815,126 | \$ 65,949 | \$ 5,521,739 | \$ 8,923 | \$ 136 | \$ 5,943,385 | \$ 1,086,037 | \$ 58,138 | \$ 51,541,215 | \$667,993,020 | 7,136 | 7.7% | \$ 7.22 |
| 2024 | 36,194,300 | 823,374 | 102,898 | 5,719,461 | 1,216 | 118 | 6,599,974 | 1,137,607 | 53,049 | 50,631,997 | 614,224,147 | 7,001 | 8.2% | 7.23 |
| 2023 | 32,987,686 | 830,636 | 38,193 | 5,915,372 | 2,311 | 399 | 7,448,982 | 1,200,797 | 54,620 | 48,478,996 | 594,118,801 | 6,982 | 8.2% | 6.94 |
| 2022 | 32,774,329 | 942,590 | — | 6,323,688 | 3,454 | — | 6,759,878 | 1,257,644 | — | 48,061,583 | 575,187,880 | 6,985 | 8.4% | 6.88 |
| 2021 | 32,229,313 | 14,260 | — | 6,508,385 | — | — | 6,842,430 | 8,724 | — | 45,603,112 | 550,584,495 | 6,894 | 8.3% | 6.61 |
| 2020 | 30,701,422 | 17,114 | — | 6,053,947 | — | — | 4,667,917 | 8,842 | — | 41,449,242 | 511,333,665 | 6,895 | 8.1% | 6.01 |
| 2019 | 30,219,316 | 19,835 | — | 6,054,994 | — | — | 4,284,704 | 9,589 | — | 40,588,438 | 483,433,495 | 6,886 | 8.4% | 5.89 |
| 2018 | 29,496,401 | 22,492 | — | 5,990,554 | — | — | 4,438,502 | 9,825 | — | 39,957,774 | 450,961,579 | 6,864 | 8.9% | 5.82 |
| 2017 | 28,216,650 | 30,856 | — | 5,828,790 | — | — | 4,529,353 | 8,979 | — | 38,614,628 | 442,500,000 | 6,827 | 8.7% | 5.66 |
| 2016 | 26,422,941 | 41,302 | — | 5,624,275 | — | — | 4,438,282 | 9,887 | — | 36,536,687 | 415,636,000 | 6,797 | 8.8% | 5.38 |

- (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, source: <https://www.census.gov> (U.S. Census Bureau). Population data is reported as of July 1 of the previous year.
- (5) Leases represent right-to-use leases and subscription leases starting 2022 and Capital Leases for periods 2021 and earlier.
- (6) Source: <https://www.bea.gov> (Bureau of Economic Analysis)

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Ten-Year Schedule of Outstanding Direct Debt and Statutory Debt Limit

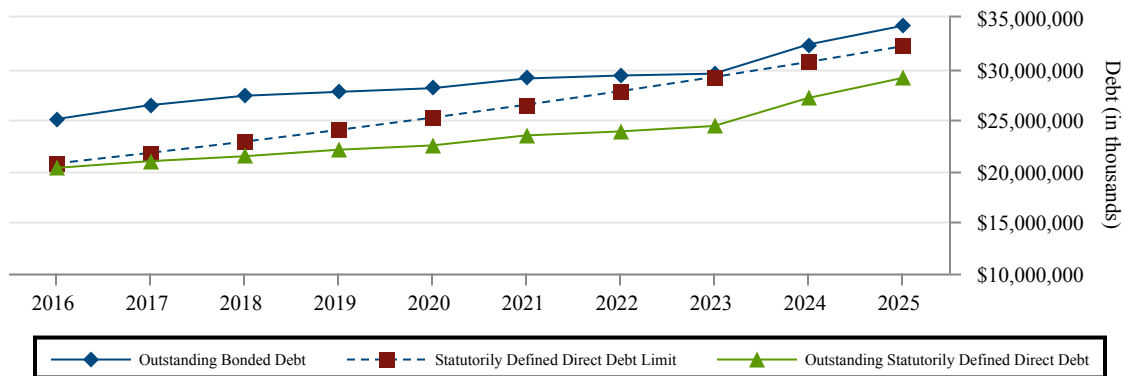
(Amounts in thousands)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Outstanding principal as of June 30 (1)..... | \$ 34,183,840 | \$ 32,361,758 | \$ 29,520,860 | \$ 29,335,406 | \$ 29,048,457 |
| Less: principal of direct debt excluded from statutory debt limit: | | | | | |
| Central artery project bonds..... | (490,556) | (551,473) | (618,232) | (691,378) | (847,790) |
| Accelerated bridge program..... | (1,524,990) | (1,480,072) | (1,507,360) | (1,537,605) | (1,555,220) |
| Grant anticipation notes (2)..... | (133,620) | (255,805) | (389,675) | (478,235) | (582,550) |
| School Modernization and Reconstruction Trust Bonds ... | (49,759) | (143,163) | (242,630) | (337,411) | (430,926) |
| Convention center bonds..... | (366,620) | (397,245) | (426,235) | (453,675) | (479,645) |
| MBTA forward funding bonds..... | — | (207) | (207) | (207) | (207) |
| Special obligation gas bonds..... | — | — | — | — | (28,385) |
| Rail enhancement program bonds (3)..... | (2,528,685) | (2,393,389) | (1,928,881) | (1,958,461) | (1,637,221) |
| Outstanding direct debt, net proceeds/principal..... | 29,089,610 | 27,140,404 | 24,407,640 | 23,878,434 | 23,486,513 |
| Statutory debt limit..... | 32,188,031 | 30,655,267 | 29,195,493 | 27,805,231 | 26,481,173 |
| Debt margin (debt limit less direct debt)..... | <u>\$ 3,098,421</u> | <u>\$ 3,514,863</u> | <u>\$ 4,787,853</u> | <u>\$ 3,926,797</u> | <u>\$ 2,994,660</u> |
| Debt margin as a percentage of direct debt limit..... | <u>9.6%</u> | <u>11.5%</u> | <u>16.4%</u> | <u>14.1%</u> | <u>11.3%</u> |

- (1) Exclusive of the Massachusetts School Building Authority debt.
- (2) Inclusive of crossover refunding amounts.
- (3) Section 4 of Chapter 220 of the Acts of 2016 exempted bonds issued under the Rail Enhancement Program from the statutory debt limit.

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**Outstanding Bonded Debt, Statutory Direct Debt and Statutory Debt Limit
2016 - 2025**



| 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------|---------------|---------------|---------------|---------------|
| \$ 28,098,890 | \$ 27,739,221 | \$ 27,360,819 | \$ 26,445,665 | \$ 25,079,591 |
| — | — | — | — | — |
| 28,098,890 | 27,739,221 | 27,360,819 | 26,445,665 | 25,079,591 |
| (945,574) | (1,013,492) | (1,092,519) | (1,110,195) | (1,150,296) |
| (1,663,350) | (1,665,205) | (1,680,555) | (1,642,730) | (1,535,890) |
| (662,270) | (684,745) | (748,445) | (738,010) | (657,040) |
| (496,936) | (574,902) | (598,985) | (632,348) | (652,197) |
| (504,255) | (527,635) | (552,110) | (575,420) | (597,630) |
| (207) | (207) | (207) | (207) | (207) |
| (55,290) | (80,930) | (105,230) | (128,270) | (170,735) |
| (1,260,565) | (1,104,610) | (1,131,105) | (644,540) | — |
| 22,510,443 | 22,087,495 | 21,451,663 | 20,973,945 | 20,315,596 |
| 25,220,164 | 24,019,204 | 22,875,433 | 21,786,126 | 20,748,692 |
| \$ 2,709,721 | \$ 1,931,709 | \$ 1,423,770 | \$ 812,181 | \$ 433,096 |
| 10.7% | 8.0% | 6.2% | 3.7% | 2.1% |

Ten Fiscal Year Schedule of Pledged Revenue Coverage
Special Obligation Transportation 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)

| | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|--------------|--------------|--------------|---------------|---------------|
| Commonwealth Transportation Fund Bonds | | | | | |
| The CTF bonds are secured by the full 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 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 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. 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. For years prior to 2023, receipts are net of revenues pledged to Highway Fund bonds, which were issued prior to 2010, and final payments for which were made in 2022. | | | | | |
| CTF Bond Issues (Includes Revenues in Excess of Those Needed to Pay Debt Service on Pre-2010 Highway Bonds, Which Matured in FY22) | | | | | |
| Receipts | \$ 1,339,901 | \$ 1,361,251 | \$ 1,313,036 | \$ 1,302,636 | \$ 1,266,755 |
| Operating Expenses | N/A | N/A | N/A | N/A | N/A |
| Net Available Revenues | \$ 1,339,901 | \$ 1,361,251 | \$ 1,313,036 | \$ 1,302,636 | \$ 1,266,755 |
| Annual Debt Service | \$ 240,923 | \$ 233,434 | \$ 215,493 | \$ 186,189 | \$ 189,083 |
| Debt Service Coverage Ratio | 5.56 | 5.83 | 6.09 | 7.00 | 6.70 |
| Ratings History of Bonds (Fitch, Moody's and S&P)* | NA, Aa1, AAA | NA, Aa1, AAA | NA, Aa1, AAA | NA, Aa1, AA+ | NA, Aa1, AA+ |
| 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 | \$ 238,955 | \$ 225,208 | \$ 203,560 | \$ 148,719 | \$ 45,744 |
| Operating Expenses | N/A | N/A | N/A | N/A | N/A |
| Net Available Revenues | \$ 238,955 | \$ 225,208 | \$ 203,560 | \$ 148,719 | \$ 45,744 |
| Annual Debt Service | \$ 52,473 | \$ 52,433 | \$ 52,392 | \$ 52,350 | \$ 52,283 |
| Debt Service Coverage Ratio | 4.55 | 4.30 | 3.89 | 2.84 | 0.87 |
| Ratings History of Bonds (Fitch, Moody's and S&P)* | NA, Aa3, A- | NA, A1, A- | NA, A1, A- | NA, A1, A- | NA, A1, BBB+ |
| Grant Anticipation Notes (GANS) | | | | | |
| Grant Anticipation Notes are secured by all federal highway reimbursements, which are deposited in the Grant Anticipation Note Trust fund. 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. | | | | | |
| GANS (Includes Revenues in Excess of those Needed to Pay Debt Service Commonwealth Transportation Fund Bonds) | | | | | |
| Receipts | \$ 2,045,709 | \$ 1,941,450 | \$ 1,851,800 | \$ 1,744,871 | \$ 1,792,915 |
| Operating Expenses | N/A | N/A | N/A | N/A | N/A |
| Net Available Revenues | \$ 2,045,709 | \$ 1,941,450 | \$ 1,851,800 | \$ 1,744,871 | \$ 1,792,915 |
| Annual Debt Service | \$ 134,975 | \$ 153,523 | \$ 112,087 | \$ 133,012 | \$ 112,368 |
| Debt Service Coverage Ratio | 15.16 | 12.65 | 16.52 | 20.50 | 15.96 |
| Ratings History of Bonds (Fitch, Moody's and S&P)* | NR, Aa2, AAA | NR, Aa2, AAA | NR, Aa2, AAA | AA+, Aa2, AAA | AA+, Aa2, AAA |

*Uninsured rating, if available.
See Independent Auditors' Report

| 2020 | 2019 | 2018 | 2017 | 2016 |
|------|------|------|------|------|
|------|------|------|------|------|

| | | | | |
|--------------|--------------|--------------|--------------|--------------|
| \$ 1,250,653 | \$ 1,373,116 | \$ 1,362,788 | \$ 1,326,734 | \$ 1,294,357 |
| N/A | N/A | N/A | N/A | N/A |
| \$ 1,250,653 | \$ 1,373,116 | \$ 1,362,788 | \$ 1,326,734 | \$ 1,294,357 |
| \$ 184,361 | \$ 176,189 | \$ 149,968 | \$ 129,024 | \$ 94,859 |
| 6.78 | 7.79 | 9.09 | 10.28 | 13.65 |
| NA, Aa1, AA+ | NA, Aa1, AAA | NA, Aa1, AAA | NA, Aa1, AAA | NA, AAA, AAA |

| | | | | |
|------------|------------|------------|------------|------------|
| \$ 145,835 | \$ 164,197 | \$ 146,872 | \$ 133,789 | \$ 134,806 |
| N/A | N/A | N/A | N/A | N/A |
| \$ 145,835 | \$ 164,197 | \$ 146,872 | \$ 133,789 | \$ 134,806 |
| \$ 52,222 | \$ 54,601 | \$ 54,473 | \$ 54,540 | \$ 54,540 |
| 2.79 | 3.01 | 2.70 | 2.45 | 2.47 |
| NA, A1, A | NA, A1, A | NA, A1, A | NA, A1, A | NA, A1, A |

| | | | | |
|---------------|---------------|---------------|---------------|---------------|
| \$ 1,705,993 | \$ 1,771,001 | \$ 1,756,726 | \$ 1,734,397 | \$ 1,707,187 |
| N/A | N/A | N/A | N/A | N/A |
| \$ 1,705,993 | \$ 1,771,001 | \$ 1,756,726 | \$ 1,734,397 | \$ 1,707,187 |
| \$ 111,218 | \$ 100,493 | \$ 97,489 | \$ 80,359 | \$ 76,049 |
| 15.34 | 20.57 | 20.96 | 21.58 | 22.45 |
| AA+, Aa2, AAA | AA+, Aa2, AAA | AA+, Aa2, AAA | AA+, Aa2, AAA | AA+, Aa1, 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**

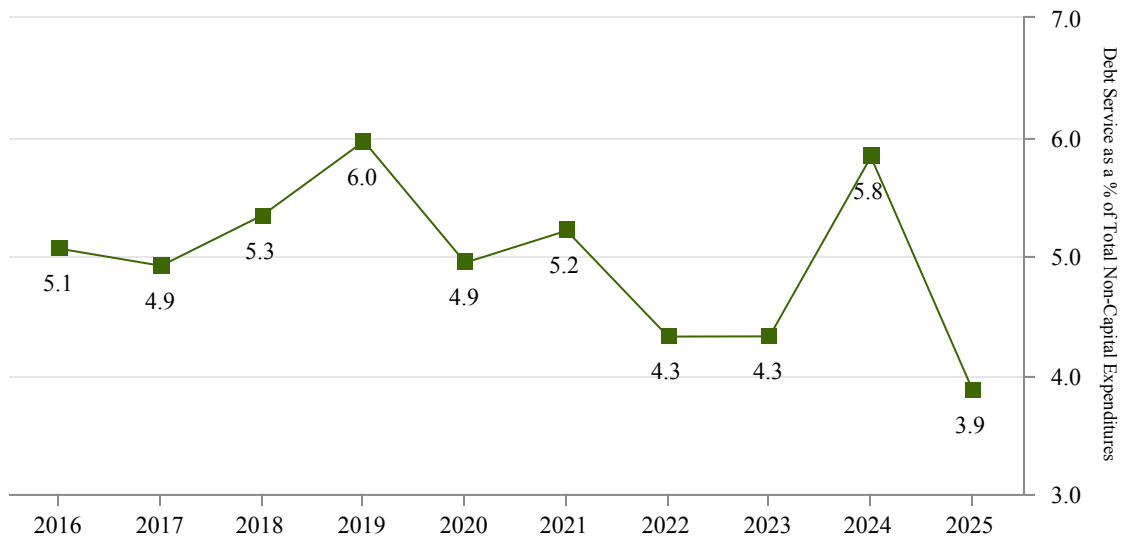
(Amounts in thousands)

| Fiscal year ended June 30 | Debt service ⁽¹⁾ | Total non-capital expenditures ⁽²⁾ | Ratio (%) |
|------------------------------|-----------------------------|--|-----------|
| 2025 | \$ 3,503,350 | 90,314,885 | 3.9 |
| 2024 | 4,979,656 | 85,377,992 | 5.8 |
| 2023 | 3,527,748 | 81,583,443 | 4.3 |
| 2022 | 3,248,922 | 75,166,146 | 4.3 |
| 2021 | 3,572,588 | 68,543,124 | 5.2 |
| 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 |

- (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.

See Independent Auditors' Report

Debt Service to Non-Capital Expenditures Ratio Fiscal Year 2016 - 2025



**Component Units Revenue Bond Coverage
For the Last Ten Fiscal Years**

(Amounts in thousands)

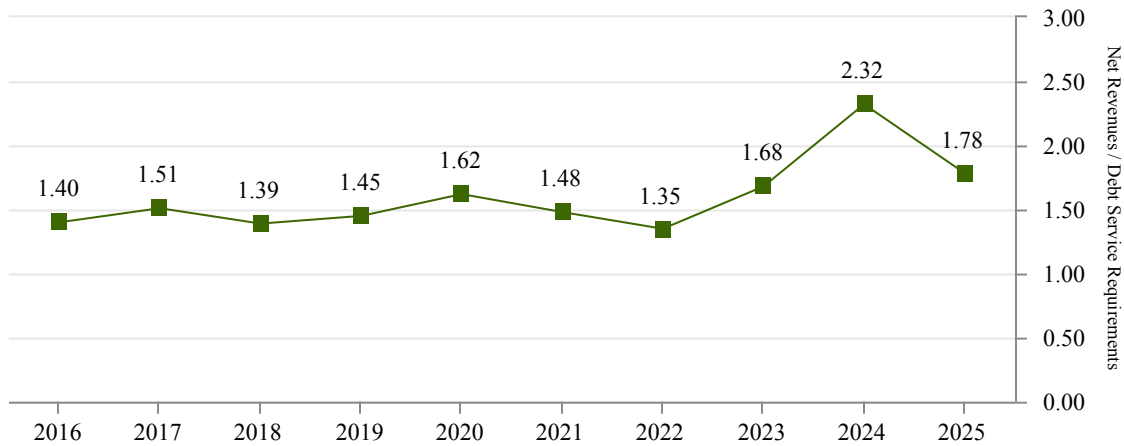
| Fiscal year ended June 30 | Net Revenues ⁽¹⁾ | Debt service requirements ⁽²⁾ | Coverage Ratio (%) |
|------------------------------|-----------------------------|---|-----------------------|
| 2025 | \$ 2,825,455 | \$ 1,584,543 | 1.78 |
| 2024 | 2,655,517 | 1,143,897 | 2.32 |
| 2023 | 2,846,930 | 1,693,612 | 1.68 |
| 2022 | 2,393,922 | 1,773,781 | 1.35 |
| 2021 | 2,234,478 | 1,513,531 | 1.48 |
| 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 |

- (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

See Independent Auditors' Report

Component Units Revenue Bond Coverage Fiscal Year 2016 - 2025



Ten-Year Schedule of Massachusetts and United States Resident Population

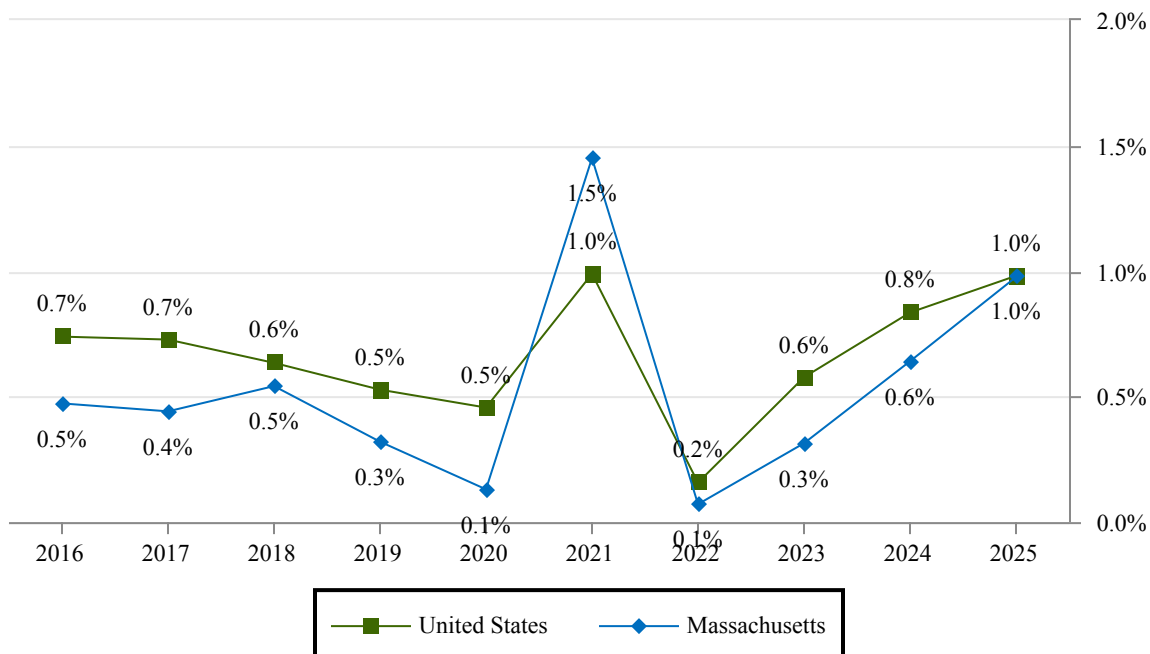
(Amounts in thousands)

| Beginning of Fiscal Year | Massachusetts Resident Population (1) | % Change | United States Resident Population (1) | % Change | Massachusetts as % of U.S. |
|--------------------------|---------------------------------------|----------|---------------------------------------|----------|----------------------------|
| 2025 | 7,136 | 1.0% | 340,111 | 1.0% | 2.1% |
| 2024 | 7,067 | 0.6% | 336,806 | 0.8% | 2.1% |
| 2023 | 7,022 | 0.3% | 334,017 | 0.6% | 2.1% |
| 2022 | 7,000 | 0.1% | 332,100 | 0.2% | 2.1% |
| 2021 | 6,995 | 1.5% | 331,578 | 1.0% | 2.1% |
| 2020 | 6,895 | 0.1% | 328,330 | 0.5% | 2.1% |
| 2019 | 6,886 | 0.3% | 326,838 | 0.5% | 2.1% |
| 2018 | 6,864 | 0.5% | 325,122 | 0.6% | 2.1% |
| 2017 | 6,827 | 0.4% | 323,072 | 0.7% | 2.1% |
| 2016 | 6,797 | 0.5% | 320,739 | 0.7% | 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.

See Independent Auditors' Report

**Massachusetts and United States Estimated Year-to-Year Population Change
Fiscal Year 2016 - Fiscal Year 2025**



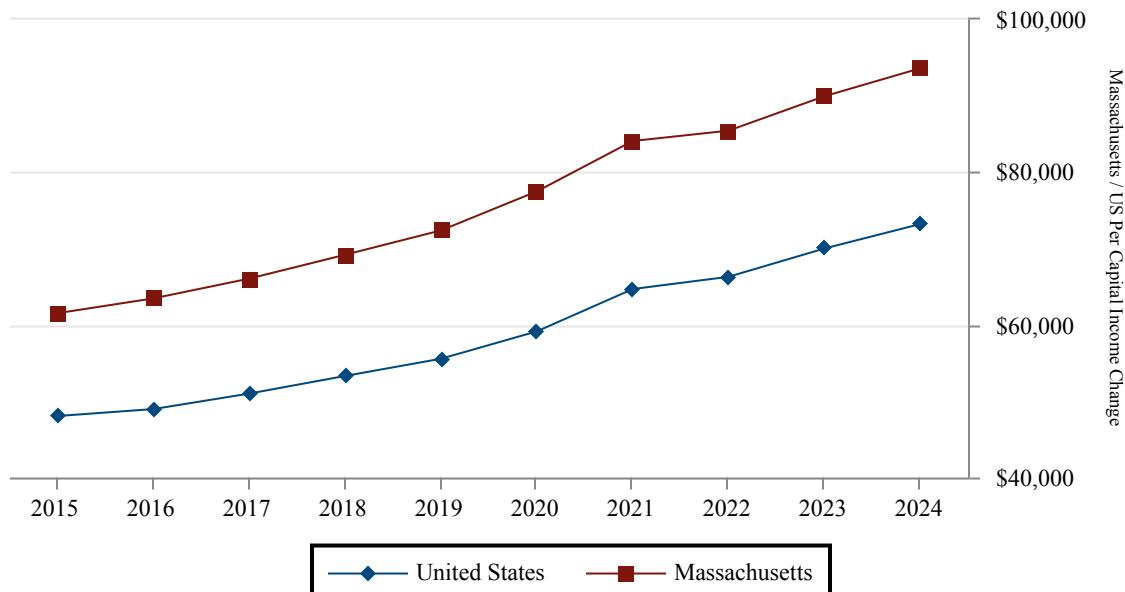
Ten-Year Schedule of Massachusetts and United States Resident Per Capita Net Income

| Calendar year | Massachusetts | % Change | United States | % Change | Massachusetts as % of U.S. |
|---------------|---------------|----------|---------------|----------|----------------------------|
| 2024 | \$ 93,607 | 4.1 % | \$ 73,204 | 4.6 % | 127.9 % |
| 2023 | 89,947 | 5.3 % | 70,002 | 5.6 % | 128.5 % |
| 2022 | 85,441 | 1.6 % | 66,298 | 2.5 % | 128.9 % |
| 2021 | 84,087 | 8.5 % | 64,692 | 9.4 % | 130.0 % |
| 2020 | 77,493 | 7.1 % | 59,151 | 6.4 % | 131.0 % |
| 2019 | 72,381 | 4.6 % | 55,567 | 4.2 % | 130.3 % |
| 2018 | 69,191 | 4.7 % | 53,311 | 4.5 % | 129.8 % |
| 2017 | 66,069 | 4.1 % | 51,006 | 4.1 % | 129.5 % |
| 2016 | 63,476 | 3.2 % | 48,974 | 1.9 % | 129.6 % |
| 2015 | 61,536 | 5.9 % | 48,062 | 3.8 % | 128.0 % |

Source: Bureau of Economic Analysis, US Department of Commerce. Prior years restated due to revised estimates updated on September 26, 2025.

See Independent Auditors' Report

Massachusetts and United States Estimated Per Capita Net Income
Calendar Year 2015 - 2024



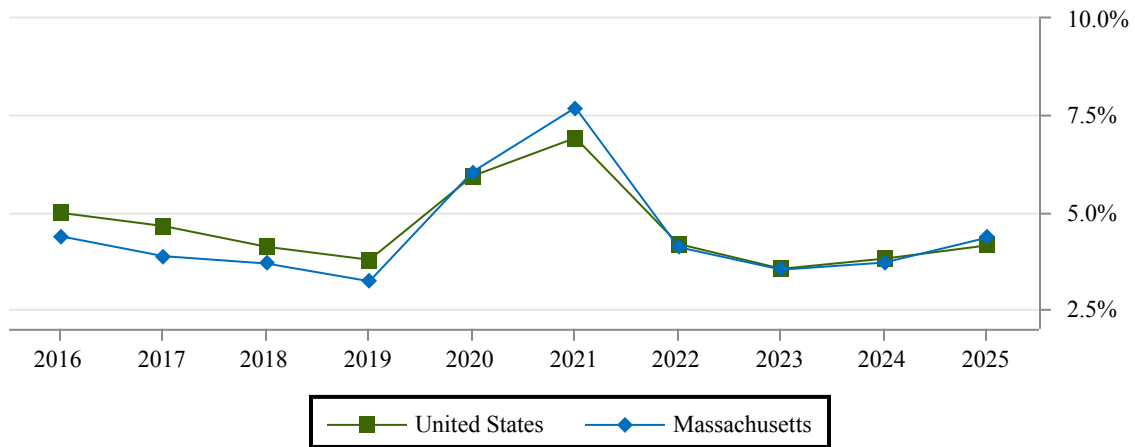
**Ten-Year Schedule of Annual Average Civilian Labor Force,
Unemployment and Unemployment Rates
For Massachusetts and the United States**
(Amounts in thousands)

| Fiscal Year | Massachusetts | | | United States | | | Massachusetts Rate as % of U.S. Rate |
|-------------|---------------|--------------|---------------------|---------------|--------------|---------------------|--------------------------------------|
| | Labor Force | Unemployment | Unemployment Rate % | Labor Force | Unemployment | Unemployment Rate % | |
| 2025 | 3,929 | 171 | 4.4% | 169,543 | 7,038 | 4.2% | 104.8 % |
| 2024 | 3,856 | 143 | 3.7% | 167,702 | 6,389 | 3.8% | 97.4 % |
| 2023 | 3,773 | 133 | 3.5% | 165,577 | 5,875 | 3.5% | 100.0 % |
| 2022 | 3,752 | 154 | 4.1% | 162,925 | 6,821 | 4.2% | 97.6 % |
| 2021 | 3,740 | 288 | 7.7% | 160,575 | 11,115 | 6.9% | 111.6 % |
| 2020 | 3,788 | 229 | 6.0% | 162,570 | 9,654 | 5.9% | 101.7 % |
| 2019 | 3,843 | 124 | 3.2% | 162,675 | 6,148 | 3.8% | 84.2 % |
| 2018 | 3,774 | 139 | 3.7% | 161,152 | 6,632 | 4.1% | 90.2 % |
| 2017 | 3,692 | 143 | 3.9% | 159,790 | 7,429 | 4.6% | 84.8 % |
| 2016 | 3,625 | 159 | 4.4% | 158,047 | 7,887 | 5.0% | 88.0 % |

Source: Federal Bureau of Labor Statistics, August 2025. 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
Fiscal Year 2016 to Fiscal Year 2025**



Largest Private Sector Massachusetts Employers 2025 and 2016
(Alphabetical Order)

| 2025 | | | 2016 | | |
|---------------------------------------|------------------|--------------------|---------------------------------------|------------------|--------------------|
| Employer | Headquarters | Product or Service | Employer | Headquarters | Product or Service |
| Bay State Medical Center, Inc. | Boston | Hospital | Bay State Medical Center, Inc. | Boston | 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 |
| Dana-Farber Cancer Institute, Inc. | Boston | Hospital | DeMoulas Supermarkets, Inc. | Tewksbury | Supermarket |
| DeMoulas Supermarkets, Inc. | Tewksbury | Supermarket | General Hospital Corporation | Boston | Hospital |
| General Hospital Corporation | Boston | Hospital | Harvard University | Cambridge | University |
| Harvard University | Cambridge | University | Mass General Brigham Incorporated | Boston | Hospital |
| Mass General Brigham Incorporated | Boston | Hospital | Massachusetts Institute of Technology | Cambridge | University |
| Massachusetts Institute of Technology | Cambridge | University | Northeastern University | Boston | University |
| Northeastern University | Boston | University | Shaw's Supermarkets, Inc. | West Bridgewater | Supermarket |
| Shaw's Supermarkets, Inc. | West Bridgewater | Supermarket | Southcoast Hospitals Group | Fairhaven | Hospital |
| Southcoast Hospitals Group | Fairhaven | Hospital | State Street Bank and Trust Company | Boston | Banking |
| State Street Bank and Trust Company | Boston | Banking | The Children's Hospital Corporation | Boston | Hospital |
| The Children's Hospital Corporation | Boston | Hospital | The Stop & Shop Supermarkets Company | Quincy | Supermarket |
| The Stop & Shop Supermarkets Company | Quincy | Supermarket | The TJX Companies | Framingham | Retail |
| The TJX Companies, Inc. | Framingham | Retail | UMASS Memorial Medical Center, Inc. | Worcester | Hospital |
| Tufts University | Medford | University | Atrius Health Inc. | Newton | Doctors |
| UMASS Memorial Medical Center, Inc. | Worcester | Hospital | E.M.C Corporation | Hopkinton | Manufacturing |

Source: Massachusetts Executive Office of Labor and Workforce Development, Department of Economic Research. In addition, Amazon.Com Services, Inc., CVS Pharmacy, Inc, Home Depot U.S.A.; Inc., Target Corp, United Parcel Services, Inc., and Wal-Mart Associates, Inc. are all large Massachusetts employers, but are headquartered outside of Massachusetts. The information is based from June 2025 reports filed by private employers subject to unemployment compensation laws. The list may not include those employers who do business in MA under multiple legal corporations and those who register each store, facility or franchisee as a separate employer.

See Independent Auditors' Report

**Full Time Equivalent Employees
by Function / Program
Last Ten Years**

| Functions / Programs | 2025 | 2024 | 2023 | 2022 | 2021 |
|--|---------------|---------------|---------------|---------------|---------------|
| General government | 7,623 | 7,395 | 7,150 | 6,936 | 6,942 |
| Judiciary | 7,851 | 7,680 | 7,435 | 7,094 | 7,061 |
| Energy and environmental affairs | 3,110 | 3,061 | 2,823 | 2,635 | 2,671 |
| Health and human services | 23,479 | 23,006 | 21,788 | 21,447 | 22,022 |
| Housing and Livable Communities | 568 | 500 | 382 | — | — |
| Transportation and construction | 4,156 | 4,298 | 4,031 | 3,614 | 3,504 |
| Education | 1,039 | 1,003 | 953 | 912 | 908 |
| Public safety and security | 17,031 | 16,736 | 16,418 | 16,216 | 16,649 |
| Economic development | 710 | 703 | 657 | 1,011 | 980 |
| Veterans' Service | 769 | 738 | 713 | — | — |
| Higher Education: | | | | | |
| University of Massachusetts | 15,852 | 15,690 | 15,374 | 15,124 | 14,840 |
| State universities | 5,112 | 5,035 | 4,964 | 4,948 | 4,944 |
| Community colleges | 5,084 | 4,913 | 4,738 | 4,712 | 4,653 |
| Totals | 92,384 | 90,758 | 87,426 | 84,649 | 85,174 |
| Percentage change | 1.8 % | 3.8 % | 3.3 % | (0.6)% | (1.6)% |

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.

See Independent Auditors' Report

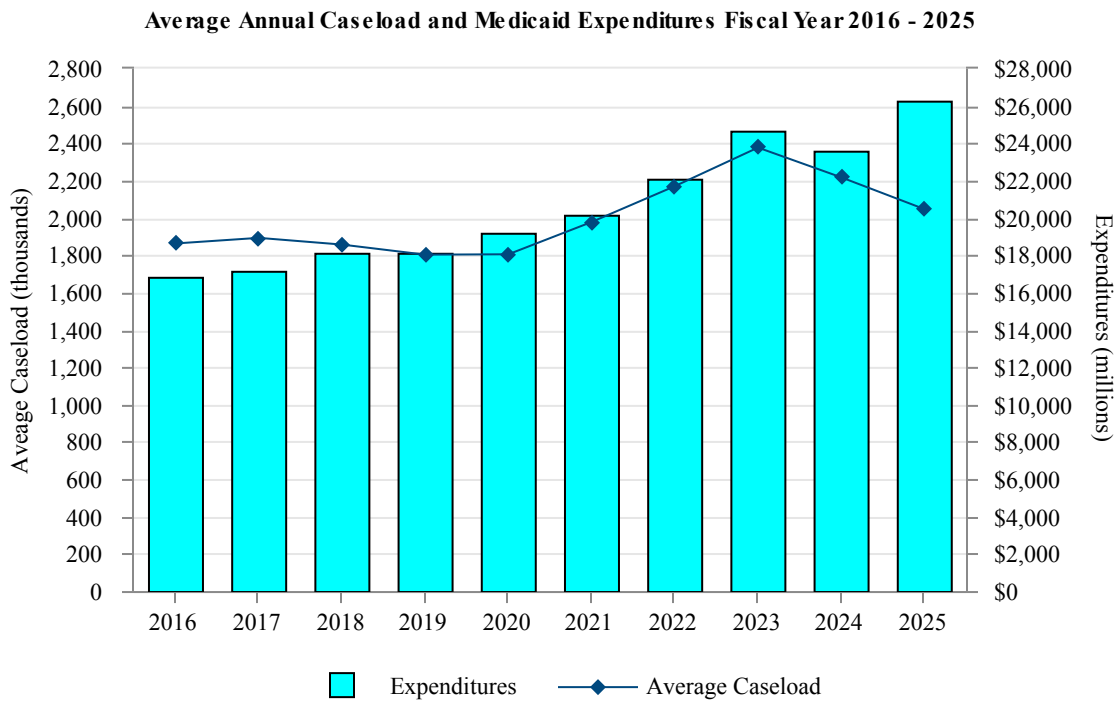
| 2020 | 2019 | 2018 | 2017 | 2016 | Change - 2025 from 2016 |
|---------------|---------------|---------------|---------------|---------------|-------------------------------|
| 6,890 | 6,900 | 6,855 | 6,905 | 7,018 | 8.6 % |
| 7,217 | 7,164 | 7,229 | 7,208 | 7,264 | 8.1 % |
| 2,626 | 2,614 | 2,533 | 2,509 | 2,539 | 22.5 % |
| 22,218 | 22,209 | 22,104 | 21,817 | 21,557 | 8.9 % |
| — | — | — | — | — | — % |
| 3,584 | 3,555 | 3,527 | 3,482 | 4,004 | 3.8 % |
| 887 | 852 | 821 | 815 | 907 | 14.6 % |
| 16,907 | 16,676 | 16,502 | 16,522 | 16,868 | 1.0 % |
| 936 | 922 | 918 | 818 | 844 | (15.9)% |
| — | — | — | — | — | — % |
| 15,324 | 15,193 | 14,737 | 15,032 | 15,130 | 4.8 % |
| 5,136 | 5,219 | 5,233 | 5,186 | 5,050 | 1.2 % |
| 4,858 | 4,816 | 4,917 | 5,066 | 5,032 | 1.0 % |
| 86,583 | 86,120 | 85,376 | 85,360 | 86,213 | 7.2 % |
| 0.5 % | 0.9 % | — % | (1.0)% | (1.8)% | |

**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 |
|------------------------------|----------------------------|--------------------------|----------------------------------|
| 2025 | 2,047 | \$ 26,323 | \$ 12,859 |
| 2024 | 2,217 | 23,601 | 10,645 |
| 2023 | 2,377 | 24,715 | 10,398 |
| 2022 | 2,170 | 22,065 | 10,168 |
| 2021 | 1,978 | 20,208 | 10,216 |
| 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 |

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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 |
| 2024 | 3,186 | 15,568 | 9,089 | 47,677 | 75,520 | 0.08% | 84.2% | 15.8% |
| 2023 | 3,188 | 15,580 | 9,089 | 47,601 | 75,458 | 0.24% | 84.2% | 15.8% |
| 2022 | 3,188 | 15,564 | 9,086 | 47,439 | 75,277 | 2.96% | 84.2% | 15.8% |
| 2021 | 3,190 | 15,557 | 9,032 | 45,333 | 73,112 | 0.02% | 85.8% | 14.2% |
| 2020 | 3,190 | 15,588 | 9,046 | 45,271 | 73,095 | 0.11% | 85.8% | 14.2% |
| 2019 | 3,168 | 15,613 | 9,049 | 45,183 | 73,013 | 1.10% | 85.8% | 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% |

Source: Massachusetts Highway Department, Bureau of Transportation Planning and Development Annual Road Inventory Reports, Lane Miles Table 8. Exclusive of shoulders

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**Massachusetts Real Property Owned and Leased
Annual Inventory, Acreage, Improvements and Square Footage
Last Ten Years**

| Functions/Programs | Survey Year 2025 | Survey Year 2024 | Survey Year 2023 | Survey Year 2022 | Survey Year 2021 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Government: | | | | | |
| Total Acreage | 2,952 | 3,065 | 4,087 | 3,281 | 3,234 |
| Number of Improvements | 220 | 259 | 258 | 317 | 331 |
| Gross square footage | 4,212,224 | 4,404,603 | 4,817,038 | 5,764,113 | 5,643,667 |
| Judiciary: | | | | | |
| Total Acreage | 153 | 152 | 150 | 143 | 144 |
| Number of Improvements | 81 | 77 | 76 | 77 | 73 |
| Gross square footage | 5,119,828 | 5,119,828 | 5,108,767 | 5,130,191 | 5,129,991 |
| Energy and environmental affairs: | | | | | |
| Total Acreage | 793,596 | 790,817 | 780,582 | 354,720 | 347,857 |
| Number of Improvements | 4,482 | 4,429 | 4,394 | 4,161 | 4,108 |
| Gross square footage | 108,989,478 | 108,945,697 | 109,079,497 | 107,960,374 | 104,763,962 |
| Housing and economic development: | | | | | |
| Total Acreage | 2 | 2 | 2 | 2 | 2 |
| Number of Improvements | 5 | 5 | 6 | 6 | 6 |
| Gross square footage | 57,812 | 57,812 | 67,412 | 67,412 | 67,412 |
| Health and human services: | | | | | |
| Total Acreage | 2,640 | 2,616 | 2,492 | 2,018 | 2,111 |
| Number of Improvements | 500 | 487 | 476 | 474 | 466 |
| Gross square footage | 8,982,470 | 8,983,483 | 8,888,144 | 8,467,766 | 8,079,366 |
| Transportation and public works: | | | | | |
| Total Acreage | 179 | 6,866 | 6,693 | 1,072 | 1,061 |
| Number of Improvements | 56 | 973 | 970 | 1,001 | 999 |
| Gross square footage | 400,595 | 6,293,626 | 6,295,186 | 6,815,457 | 6,583,261 |
| Education: | | | | | |
| Total Acreage | 208 | 208 | 208 | 150 | 150 |
| Number of Improvements | 30 | 30 | 30 | 30 | 30 |
| Gross square footage | 508,706 | 508,706 | 508,706 | 508,706 | 508,706 |
| Public safety and security: | | | | | |
| Total Acreage | 11,593 | 11,619 | 10,123 | 9,382 | 9,352 |
| Number of Improvements | 1,175 | 1,136 | 1,135 | 1,079 | 1,078 |
| Gross square footage | 15,990,437 | 15,003,893 | 15,233,261 | 14,773,374 | 14,554,396 |
| Higher Education: | | | | | |
| Total Acreage | 7,513 | 7,476 | 7,426 | 6,589 | 6,577 |
| Number of Improvements | 1,243 | 1,240 | 1,208 | 1,227 | 1,215 |
| Gross square footage | 43,343,796 | 43,228,850 | 42,912,717 | 43,067,759 | 42,579,314 |
| Totals for Commonwealth (exclusive of Component Units): | | | | | |
| Total Acreage | 818,836 | 822,821 | 811,763 | 377,357 | 370,488 |
| Number of Improvements | 7,792 | 8,636 | 8,553 | 8,372 | 8,306 |
| Gross square footage | 187,605,346 | 192,546,498 | 192,910,728 | 192,555,152 | 187,910,075 |
| Percentage Change for Commonwealth: | | | | | |
| Acreage | (0.5)% | 1.4 % | 115.1 % | 1.9 % | (52.7)% |
| Improvement | (9.8)% | 1.0 % | 2.2 % | 0.8 % | 11.4 % |
| Gross square footage | (2.6)% | (0.2)% | 0.2 % | 2.5 % | 13.2 % |

Source: Division of Capital Asset Management and Maintenance

See Independent Auditors' Report

| Survey Year 2020 | Survey Year 2019 | Survey Year 2018 | Survey Year 2017 | Survey Year 2016 |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| 4,615 | 4,812 | 5,108 | 4,964 | 2,488 |
| 330 | 307 | 287 | 268 | 118 |
| 5,602,706 | 6,056,184 | 5,848,109 | 6,054,449 | 4,808,125 |
| 154 | 152 | 155 | 154 | 153 |
| 74 | 69 | 73 | 75 | 75 |
| 5,129,991 | 4,763,973 | 4,935,067 | 5,224,810 | 4,843,949 |
| 753,328 | 692,352 | 689,821 | 688,129 | 680,310 |
| 3,329 | 2,625 | 2,352 | 2,184 | 2,186 |
| 83,595,589 | 12,292,810 | 8,410,119 | 8,214,843 | 8,134,142 |
| 2 | 2 | 2 | 2 | 2 |
| 6 | 6 | 6 | 6 | 6 |
| 67,412 | 78,012 | 78,012 | 78,012 | 78,012 |
| 2,569 | 2,560 | 2,760 | 2,862 | 5,568 |
| 463 | 462 | 455 | 455 | 627 |
| 8,088,467 | 7,908,283 | 8,390,655 | 8,131,022 | 8,361,435 |
| 6,957 | 6,951 | 7,160 | 7,195 | 6,968 |
| 1,008 | 971 | 965 | 952 | 930 |
| 6,519,615 | 6,296,235 | 6,273,557 | 6,123,984 | 5,820,282 |
| 208 | 208 | 220 | 208 | 208 |
| 30 | 30 | 40 | 40 | 40 |
| 508,706 | 223,706 | 207,633 | 207,633 | 207,633 |
| 10,198 | 10,336 | 12,071 | 19,271 | 19,150 |
| 1,035 | 1,129 | 1,100 | 1,118 | 1,063 |
| 14,483,439 | 15,394,170 | 15,176,714 | 14,998,157 | 13,845,503 |
| 5,924 | 5,923 | 5,715 | 6,770 | 7,244 |
| 1,178 | 1,185 | 1,136 | 1,101 | 1,078 |
| 42,039,298 | 42,092,601 | 40,434,772 | 43,339,713 | 38,443,057 |
| 783,955 | 723,296 | 723,012 | 729,555 | 722,091 |
| 7,453 | 6,784 | 6,414 | 6,199 | 6,123 |
| 166,035,223 | 95,105,974 | 89,754,638 | 92,372,623 | 84,542,138 |
| 8.4 % | — % | (0.9)% | 1.0 % | 0.9 % |
| 9.9 % | 5.8 % | 3.5 % | 1.2 % | — % |
| 74.6 % | 6.0 % | (2.8)% | 9.3 % | (0.7)% |

**Massachusetts Public Higher Education
Enrollment and Degrees Conferred
Last Ten Academic Years**

| Academic Year | Fall 2024 | Fall 2023 | Fall 2022 | Fall 2021 | Fall 2020 |
|--|---------------|---------------|---------------|---------------|---------------|
| ENROLLMENT | | | | | |
| University System | | | | | |
| Undergraduate (FTE)..... | 50,145 | 49,903 | 50,144 | 50,720 | 52,633 |
| Graduate (FTE)..... | 13,691 | 14,952 | 14,434 | 14,066 | 13,437 |
| System Enrollment | 63,836 | 64,855 | 64,578 | 64,786 | 66,070 |
| State University System | | | | | |
| Undergraduate (FTE)..... | 27,283 | 27,614 | 27,004 | 28,208 | 31,087 |
| Graduate (FTE)..... | 4,590 | 5,623 | 5,611 | 4,940 | 5,859 |
| System Enrollment | 31,873 | 33,237 | 32,615 | 33,148 | 36,946 |
| Community College System | | | | | |
| Undergraduate (FTE)..... | 42,770 | 39,870 | 41,858 | 38,503 | 39,814 |
| DEGREES CONFERRED | | | | | |
| | 2025 | 2024 | 2023 | 2022 | 2021 |
| University System | | | | | |
| Certificates (MD)..... | 726 | 666 | 732 | 734 | 693 |
| Associates..... | 49 | 49 | 53 | 53 | 70 |
| Bachelors..... | 12,517 | 12,634 | 13,280 | 13,100 | 13,364 |
| Masters..... | 5,525 | 5,256 | 4,805 | 4,342 | 4,111 |
| Doctoral..... | 704 | 725 | 596 | 712 | 599 |
| Certificate of Advance Graduate Study..... | 51 | 54 | 57 | 58 | 48 |
| Post-Baccalaureate Certificate..... | 796 | 709 | 638 | 749 | 652 |
| First Professional..... | 99 | 111 | 110 | 86 | 86 |
| Total Degrees | 20,467 | 20,204 | 20,271 | 19,834 | 19,623 |
| State University System | | | | | |
| Certificates..... | 82 | 67 | 60 | 61 | 45 |
| Bachelors..... | 6,340 | 6,350 | 6,907 | 7,478 | 7,996 |
| Masters..... | 2,996 | 3,062 | 3,093 | 3,199 | 2,855 |
| Certificate of Advance Graduate Study..... | 161 | 159 | 134 | 137 | 130 |
| Post-Baccalaureate Certificate..... | 360 | 280 | 322 | 276 | 301 |
| Total Degrees | 9,939 | 9,918 | 10,516 | 11,151 | 11,327 |
| Community College System | | | | | |
| Certificates..... | 2,733 | 2,251 | 2,320 | 2,295 | 2,473 |
| Associates..... | 7,802 | 7,533 | 7,598 | 8,641 | 9,267 |
| Total Degrees | 10,535 | 9,784 | 9,918 | 10,936 | 11,740 |
| Total All Systems - Degrees | 40,941 | 39,906 | 40,705 | 41,921 | 42,690 |

Source: Massachusetts Board of Higher Education. Enrollment information based at the start of the academic year.

See Independent Auditors' Report

| Fall 2019 | Fall 2018 | Fall 2017 | Fall 2016 | Fall 2015 | % Change - 2024 from 2015 |
|---------------|---------------|---------------|---------------|---------------|---------------------------------|
| 53,103 | 56,544 | 56,275 | 51,209 | 50,816 | (1.3) % |
| 12,907 | 18,161 | 18,284 | 12,769 | 12,517 | 9.4 % |
| 66,010 | 74,705 | 74,559 | 63,978 | 63,333 | 0.8 % |
| 34,807 | 35,081 | 36,074 | 35,909 | 34,700 | (21.4) % |
| 6,003 | 6,169 | 5,694 | 5,641 | 8,007 | (42.7) % |
| 40,810 | 41,250 | 41,768 | 41,550 | 42,707 | (25.4) % |
| 47,190 | 47,891 | 52,306 | 55,336 | 59,827 | (28.5) % |
| 2020 | 2019 | 2018 | 2017 | 2016 | % Change - 2025 from 2016 |
| 604 | 573 | 571 | 505 | 423 | 71.6 % |
| 80 | 93 | 82 | 73 | 85 | (42.4) % |
| 13,061 | 13,118 | 13,036 | 12,754 | 12,124 | 3.2 % |
| 4,074 | 4,099 | 4,013 | 3,771 | 3,669 | 50.6 % |
| 662 | 665 | 599 | 602 | 575 | 22.4 % |
| 49 | 67 | 71 | 76 | 86 | (40.7) % |
| 658 | 696 | 708 | 842 | 769 | 3.5 % |
| 58 | 47 | 49 | 50 | 53 | 86.8 % |
| 19,246 | 19,358 | 19,129 | 18,673 | 17,784 | 15.1 % |
| 54 | 39 | 28 | 35 | 40 | 105.0 % |
| 8,516 | 8,692 | 8,867 | 8,775 | 8,762 | (27.6) % |
| 2,876 | 2,693 | 2,388 | 2,283 | 2,353 | 27.3 % |
| 138 | 92 | 85 | 83 | 73 | 120.5 % |
| 259 | 370 | 302 | 359 | 283 | 27.2 % |
| 11,843 | 11,886 | 11,670 | 11,535 | 11,511 | (13.7) % |
| 2,311 | 2,886 | 3,332 | 3,147 | 3,131 | (12.7) % |
| 9,413 | 10,276 | 10,416 | 11,067 | 11,317 | (31.1) % |
| 11,724 | 13,162 | 13,748 | 14,214 | 14,448 | (27.1) % |
| 42,813 | 44,406 | 44,547 | 44,422 | 43,743 | (6.4) % |

Calculation of Transfers: Stabilization Fund*

Fiscal Year Ended June 30, 2025
(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* | \$ (515,024) | \$ 301,724 | \$ (2,813) | \$ (63,804) | \$ 890 | \$ (22,623) | \$ 4,361 | \$ (297,289) |
| Fund Balance Deficit Elimination Transfers Per Section 5C of Ch. 29 | 217,735 | (301,724) | 2,813 | 63,804 | (890) | 22,623 | (4,361) | — |
| Budgeted Fund Undesignated Balance - before Section 188 of chapter 73 of the acts of 2025 capital gains above threshold recalculation transfer** | (297,289) | — | — | — | — | — | — | (297,289) |
| Capital Gains Tax Revenue Used to Eliminate General Fund Deficit capital gains above the threshold Per Section 5C of Ch. 29/ MGL C. 29.5G/ Section 188 of chapter 73 of the acts of 2025 | 297,289 | | | | | | | 297,289 |
| Budgeted Fund Undesignated Balances (Consolidated Net Surplus) | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |

Stabilization Balance Reconciliation:

| | |
|--|---------------------|
| Balance as of July 1, 2024 | \$ 8,523,632 |
| Certain tax revenues | 179 |
| FY2025 Stabilization Fund Interest Earnings | 406,229 |
| Transfer of FY2024 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund*** | (420,764) |
| Transfer of FY2025 Stabilization Fund Interest to the Commonwealth Federal Matching and Debt Reduction Fund | (406,229) |
| Accounting Adjustment for Change in Value of Short-Term Bond Fund | 7,637 |
| Stabilization Fund Balance as of June 30, 2025 | \$ 8,110,684 |
| Memo: Change in Stabilization Fund Balance, FY24-25 | \$ (412,948) |

* Excludes funds not part of the consolidated net surplus or with no FY25 balances or activity

**Supersedes Section 5C of Chapter 29 of the Massachusetts General Laws, which determines the disposition of the consolidated net surplus

*** Timing difference - Transfer for \$421 million in Fiscal 2024 interest is a Fiscal 2025 event for reporting purposes.

Note: Details may not add to totals due to rounding

See Independent Auditors' Report

Calculation of Transfers: Tax Reduction Fund

June 30, 2025

(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 25.5% of budgeted revenues and other financial resources:

| | |
|---|-------------------|
| Undesignated fund balance in the Stabilization Fund | \$ 8,110,684 |
| Allowable Stabilization Fund balance | <u>15,742,311</u> |
| Stabilization Fund excess, if any, transferable to Tax Reduction Fund | <u>\$ —</u> |

Part 2: Status of Stabilization Fund after transfers:

| | |
|---|---------------------|
| Stabilization Fund balance | \$ 8,110,684 |
| Transfer to Tax Reduction Fund | <u>—</u> |
| Stabilization Fund balance after transfer to Tax Reduction Fund | <u>\$ 8,110,684</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> |

See Independent Auditors' Report

MASSACHUSETTS GENERAL INFORMATION

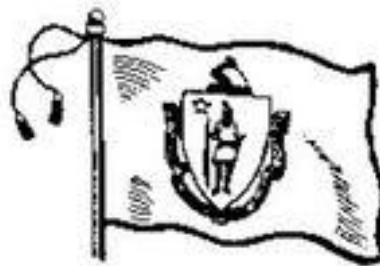
Admitted to Union (6th State): 1788
Population: 7,136,171

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 Dinosaur



Podokesaurus Holyokensis, a mid-Jurassic era dino with a "light and delicate frame" that likely weighed in at 90 pounds and measured about three to six feet in length.

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



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