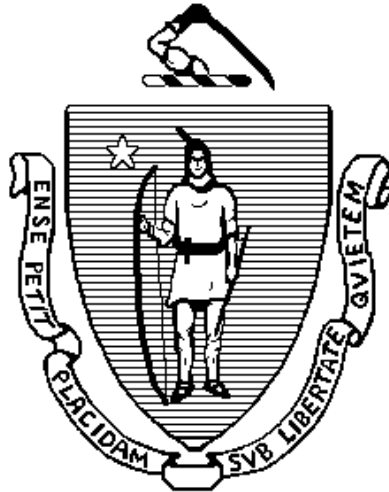


# Commonwealth of Massachusetts



## Statutory Basis Financial Report

*For the Fiscal Year Ended June 30, 2004*

Martin J. Benison, CGFM  
*State Comptroller*

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

This Document is available at the Comptroller's website: [www.mass.gov/osc](http://www.mass.gov/osc)

The Stay-at Homes (Outward Bound)  
Norman Rockwell

This image appeared in the October 1927 issue of the Ladies' Home Journal and is part of the permanent collection of the Norman Rockwell Museum, Stockbridge MA.

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# Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2004

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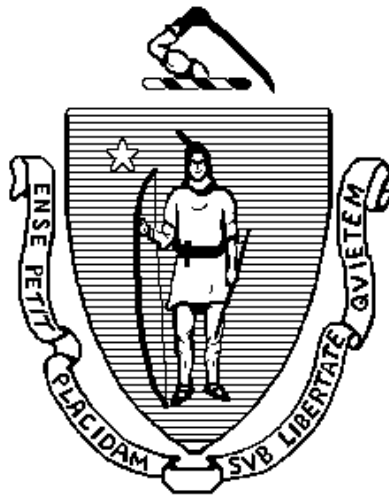
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# *Introductory Section*



Comptroller's Letter of Transmittal  
Constitutional, Legislative and Judicial Officers  
Acknowledgements  
Organization Chart of State Government  
Advisory Board to the Comptroller



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

***October 26, 2004***

***To the Citizens of the Commonwealth of Massachusetts,  
Governor Mitt Romney, and Honorable Members of the  
General Court***

I am pleased to present to you the Statutory Basis Financial Report (SBFR) of the Commonwealth for the fiscal year ended June 30, 2004 (FY04).

The Commonwealth has weathered the worst of the economic downturn over the last two fiscal years. Tax revenues from all sources increased by 8.6% after dropping 15.2% in FY02 and moderately increasing in FY03. Unemployment continues to be slightly better than the nation, beginning the fiscal year at 5.8% and ending the year at 5.3%. Inflation in the Commonwealth remains low at a non-seasonally adjusted 2.91% from July 2003 to July 2004. Fuel and transportation prices rose nearly twice the rate of inflation, with the cost of medical care and education not far behind.

The Commonwealth continued to make difficult decisions to meet these challenges that lie ahead.

- Twenty-four departments were involved in either mergers or reorganizations in an effort to streamline government.
- In July 2004, the Governor signed into law an act that centralizes transportation planning and oversight. Transportation authorities such as the Turnpike and the Port Authority will remain legally separate, the Secretary of Transportation will serve as either chairperson or as a board member of those authorities beginning in FY08.
- Following the closure of 51 funds last year, the Commonwealth now has a clearer definition of net surplus.
- To limit spending during the year, the Commonwealth began to temporarily hold aside tax revenues that represents growth in excess of inflation.
- We also invested nearly \$85 million via an economic stimulus package, channeling funds to technology, education and economic development.
- The Commonwealth continued to appropriate all of the tobacco settlement revenues in FY04, though transfers from Stabilization Fund not reimbursed by held aside tax revenues were largely used for a final supplemental budget, funding Medicaid and other health – related spending, additional local aid, capital projects and other items.

- The Commonwealth escrowed portions of the federal Medicaid additional assistance to states afforded from the federal Jobs Growth Reconciliation Act of 2003.

Additional challenges lie ahead. Pension funding costs in FY05 are estimated to nearly double FY04, due to the actuarial phase-in of market losses in previous years, and the delay of the transfer of the Hynes Convention Center to the Commonwealth Retirement System to fund pension costs and early retirement.

For the first time in a decade, the Unemployment Compensation Fund had to borrow from the federal government to pay unemployment benefits. All of the loans were repaid by June 30, 2004. The city of Springfield has come under fiscal oversight. The Commonwealth has appointed a fiscal control board and authorized \$52 million in loans to help the city. In early July, the Commonwealth ended a decade long debate on funding school construction, creating a new authority and dedicating a portion of sales tax revenue over and above amounts already pledged for the Convention Center and the MBTA to fund these projects. Finally, medical care and Medicaid in general will continue to rise faster than the rest of the budget.

I am reporting that the Commonwealth finished the year ended June 30, 2004 with a budgetary surplus of approximately \$1.89 billion. Of this amount \$1.1 billion is sequestered in the Stabilization Fund. This surplus represents slightly over thirty-four days of budgeted operations. In spite of the overall improvements in the economy the challenges detailed above mean that our financial picture will remain cautious for the near future.

### ***Financial Highlights***

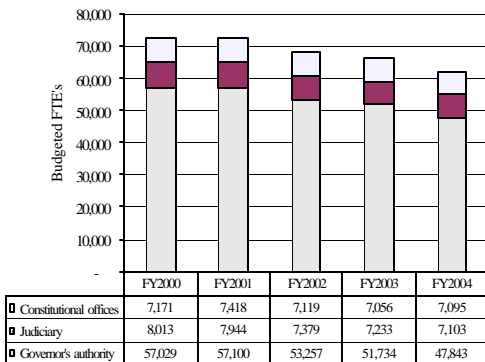
To meet the challenges of this fiscal year, the Commonwealth continued to take extraordinary measures to maintain fiscal balance.

- \$531 million was transferred from the Stabilization Fund to pay for current expenditures. However, at the close of the fiscal year, \$357 million was redeposited into the fund from tax revenues held aside during FY04. An additional \$663.5 million was transferred to the fund from surplus. Also, nearly \$700,000 was recovered from Central Artery Project Costs. Beginning in FY06, an additional 0.5% of current year net tax revenues must be deposited into the Stabilization Fund before the year – end surplus is determined in addition to the current statutorily required carry-forward amount. Finally, the ceiling on the balance in the Stabilization Fund was increased from 10% to 15% of total current year budgeted revenues.
- All of the tobacco settlement proceeds for the year were used in support of current operations.
- The Commonwealth refunded over \$2.8 billion in General Obligation Bonds and Grant Anticipation Notes, continuing to take advantage of some of the lowest interest rates in history.

The Commonwealth continues to refrain from issuing tobacco settlement bonds or pension obligation bonds, which many of our peer states have either considered or sold.

- To fund a deficit in the Unemployment Compensation Fund due to higher payments to recipients than receipts, the Commonwealth received interest-free loans from the federal government between January and April 2004, incurring a net total liability of \$417.9 million. All of these borrowings were paid back in May 2004. The balance of the fund remains low at \$122.5 million, below 5% of FY04 benefits paid.

***Budgeted Full Time Equivalent  
Workforce  
Including Budgeted Higher Education  
June 2000 – June 2004***



The Commonwealth also took measures operationally to achieve balance.

- The budgeted full time equivalent workforce including higher education, dropped from 66,023 as of June 2003 to 62,041 as of June 2004. The graphic to the left details the reductions over the last five years.
- Starting in FY04, the employee's share of group health insurance premiums increased from 15% to 20% of the cost of the insurance for those who earn more than \$35,000. All new employees hired after June 30, 2003 contribute 25% of the cost of the insurance, regardless of salary.
- Tax decreases put in place earlier than FY02 remain frozen. The income tax rate remains at 5.3%. The graduated capital gains tax portion has also been frozen at 5.3%.

### ***Overview of the Financial Statements***

This report includes the reports on the activity and balances of the budgeted funds, non-budgeted special revenue funds, capital project funds, fiduciary funds and the non-appropriated funds of higher education.

The financial operations of these funds are maintained in the Massachusetts Management Accounting and Reporting System, (MMARS). The statewide accounting system is operated by the Commonwealth and contains detailed information summarized in this report. This system, in place since 1986, is in the process of being retired as it is being replaced by a web – based system for FY05.

The SBFR is intended to satisfy the requirements of state finance law, and to present fairly the results of FY04 activity in the Commonwealth's funds. The report contains computations required by state finance law, including the certification of transfers to and balances in the Stabilization Fund and Tax Reduction Fund.

### *Basis of Accounting*

The statutory basis of accounting, defined in Massachusetts law, is used to budget and control fiscal operations. The statutory basis of accounting is not in conformity with accounting principles generally accepted in the United States of America, (GAAP) as defined for governments by the Government Accounting Standards Board (GASB). This report's purpose is to document compliance with Massachusetts state finance law. I will report the Commonwealth's financial position on a GAAP basis in December, in our Comprehensive Annual Financial Report, (CAFR). This report, which will be prepared in accordance with GAAP, provides a basis for comparison with other governments. There are significant differences between what is contained in the SBFR fund balance, revenues and expenditures and what will be presented in December under GAAP. The major differences include presentation of the historical cost of infrastructure (roads and bridges,) the recording of depreciation expense, the presentation of all types of debt on the face of the financial statements and the presentation of those financial statements in an all – encompassing, net assets and net expense format.

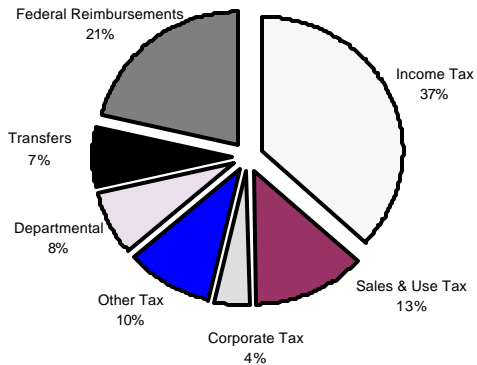
In accordance with Massachusetts General Laws, the Office of the Comptroller transmits the SBFR on or before October 31<sup>st</sup>. The SBFR report for fiscal year ended June 30, 2004 herein is audited by Deloitte & Touche, Independent Certified Public Accountants, and represents the conclusion of financial activity and the closing of the Commonwealth's books on the statutory basis of accounting for the fiscal year. This audit is conducted in conjunction with the Office of the State Auditor, which provides knowledge, expertise and resources to audit the financial statements.

### *The Budgeted Funds*

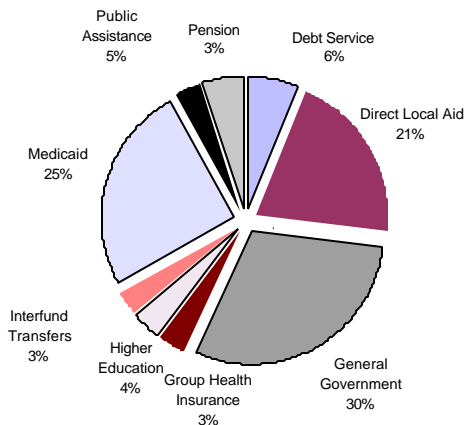
For the first time since FY01, revenues and other sources outpaced expenditures and other uses of budgeted funds, resulting in an operating surplus of over \$1.1 billion. This surplus is indicative of a rise in budgeted revenues and other sources of more than \$2.0 billion led by over \$989 million in increased budgeted tax revenues and nearly \$353 million in increased departmental revenues resulting from the full year implementation of fee increases from FY03. Budgeted expenditures and other uses were up less than 2% for FY04, largely isolated to debt service increases and interfund transfers.

Any assessment surplus or deficit should be viewed in a trend. In that assessment, generally accepted standards indicate that a structural balance is achieved when revenues exceed expenditures over a period of multiple years. After two years of financial operating deficits, reliance on the significant use of prior year surpluses slowed in FY04. Much of the accumulated prior year surplus balances had been used to balance the FY02 and FY03 budgets. As a result of FY04 operations, the Commonwealth was able to transfer \$663.5 million to Stabilization Fund. In FY05 and in future years, the challenge will be to match spending to available revenues.

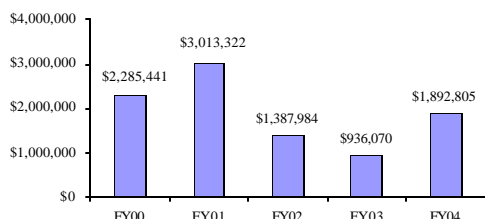
### ***Budgeted Revenues and Other Sources***



### ***Budgeted Expenditures and Other Uses***



### ***Budgeted Funds – Fund Balance (Amounts in Thousands)***



In FY04, budgeted revenues and other sources increased 9.1% from FY03, reflecting strong increases in tax revenues. Federal reimbursements rose approximately 3.8% as a result of increases in Medicaid reimbursements and nearly \$403 million received in federal Medicaid Assistance Percentage (FMAP) payments pursuant to the federal Jobs and Growth Act of 2003. From a multi-year perspective, the proportion of revenue sources by category remained stable.

Budgeted expenditures and other uses, including transfers, decreased by 3.3%. This is largely a result of actions of the Legislature to transfer budgeted pension expenditures “off-budget.” The Budgeted Funds – Operations table on page 6 displays the FY04 summary of budgeted funds, compared to FY03. The FY04 financial statements for each of the 16 individual budgeted funds are included in the financial section of this report.

In conducting the budget process, the Commonwealth excludes those “interfund” transactions within the budgeted funds that are included in this report because by their nature, they have no impact on the combined fund balance of the budgeted funds. The table Budgeted Funds – Operations isolates this “interfund” activity from the budgeted sources and uses to align forecasts prepared during the budget process to actual amounts in this report. Transfers among the Budgeted Funds increased as a result of funds provided from Stabilization Fund to other funds to balance the budget for the year as well as year-end transfers back into the Stabilization Fund. A detailed list of these interfund transfers is included in Note 3 of this report.

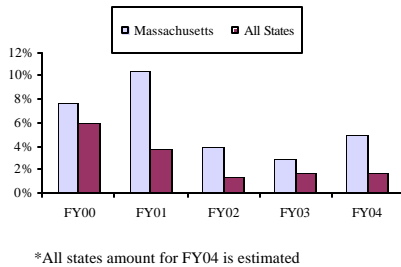
The graph of Budgeted Funds – Fund Balance, portrays the combined fund balance in the budgeted funds for the past five years. This “bottom line” perspective demonstrates the accumulation of resources attributable to balanced budgets through FY01 and the reliance on these resources through FY03 as spending was adjusted to align with the lower revenue base. As part of the General Appropriation Act of FY04, the Convention and Exhibition Center Fund, a large contributor to budgeted fund balance was redefined as non-budgeted, resulting in a beginning balance restatement for FY04. Fifty other budgeted funds were either reclassified to non-budgeted, trust funds or closed as part of the General Appropriation Act, all of which are reflected as a restatement of beginning fund balance, leaving a clearer definition of budgetary activity. In FY04, the ending balance is comprised of the statutory fund balance of the General Fund, the Stabilization Fund, the Workforce Training Fund, the Massachusetts Tourism Fund and the Federal Medicaid Percentage Escrow Fund, offset by deficits in the Highway and Children’s and Senior’s Health Care Assistance Funds. Due to a final supplemental budget occurring after June 30, 2004 and other designations within these fund balances, \$1.8 billion of the total statutory fund balance is either reserved or is available for appropriation in FY05. The remainder is undesignated.



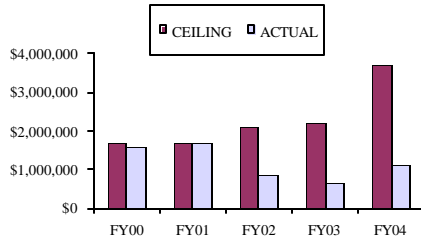
**Budgeted Funds - Operations**  
**(Amounts in thousands)**

	2003	2004
Beginning fund balances:		
Reserved and designated.....	\$ 195,173	\$ 76,735
Reserved for Stabilization Fund.....	881,771	641,325
Undesignated.....	311,040	218,010
Total.....	1,387,984	936,070
Legislative fund reclassification.....	-	(183,285)
Adjusted beginning balance.....	\$ 1,387,984	\$ 752,785
Revenues and other sources:		
Taxes.....	14,279,567	15,268,976
Federal reimbursements.....	4,523,648	5,098,536
Departmental and other revenues.....	1,494,755	1,847,766
Interfund transfers from non-budgeted funds and other sources.....	1,689,198	1,773,068
Budgeted revenues and other sources.....	21,987,168	23,988,346
Intragovernmental Service Fund revenues.....	117,223	133,707
Interfund transfers among budgeted funds and other sources.....	3,193,296	1,924,930
Total revenues and other sources.....	25,297,687	26,046,983
Expenditures and other uses:		
Programs and services.....	20,022,626	20,036,542
Debt service.....	1,373,409	1,419,603
Pension.....	813,469	701,902
Interfund transfers to non-budgeted funds and other uses.....	229,579	690,279
Budgeted expenditures and other uses.....	22,439,083	22,848,326
Intragovernmental Service Fund expenditures.....	117,223	133,707
Interfund transfers among budgeted funds and other uses.....	3,193,296	1,924,930
Total expenditures and other uses.....	25,749,602	24,906,963
Excess (deficiency) of revenues and other sources over expenditures and other uses.....	(451,914)	1,140,020
Ending fund balances:		
Reserved and designated.....	76,735	664,574
Reserved for Stabilization Fund.....	641,325	1,137,320
Undesignated.....	218,010	90,911
Total.....	\$ 936,070	\$ 1,892,805

### ***Stabilization Fund Balance as a Percentage of Budgeted Expenditures***



### ***Stabilization Fund – Fund Balance (Amounts in Thousands)***



### ***Stabilization Fund Activity in FY 2004 (Amounts in Thousands)***

Balance as of June 30, 2003 .....	\$	641,325
Add: Investment income .....		5,259
Recoveries of Central Artery Project Costs.....		695
Transfers from Temporary Holding Fund .....		357,465
Subtotal .....		1,004,744
June 30th Consolidated Net Surplus transfer .....		663,457
Subtotal .....		1,668,201
Less: Transfers and Appropriations from Stabilization .....		(530,881)
Balance as of June 30, 2004 .....	\$	1,137,320

### ***The Stabilization Fund***

With the rapid depletion of the accumulated balances over the last three years, the importance of the balance in the Stabilization Fund and its direct correlation to the financial condition of the Commonwealth is clear. The National Governor's Association, along with the National Association of State Budget Officers in their annual "The Fiscal Survey of States" ranked the Commonwealth in FY03 fifth in the nation in terms of the balance of stabilization. Fifteen states have no stabilization balances. Even more impressive, of states with over \$10 billion in General Fund expenditures in FY03, the Commonwealth's stabilization balance, as a percentage of expenditures, was third in the nation behind Maryland and Florida. As the graphic at the left portrays, the Commonwealth has continued to outpace the rest of the nation in this key element of fiscal condition.

State finance law, as amended during FY03, increased the maximum balance that may accumulate in the Stabilization Fund to a level equal to 10% of budgeted revenues and other sources. For FY04, this ceiling has increased to 15%. The law then directs that any amount in excess of this "cap" be transferred to the Tax Reduction Fund for future, one-time, personal income tax rebates. Due to the significant transfers out of Stabilization over the last two years, it will be a while before the "cap" will be reached. The details of these calculations can be found on pages 272 through 277 of this report.

The graph, Stabilization Fund - Fund Balance portrays this "cap" and the balance of the fund over a five-year period. A balanced budget or "Consolidated Net Surplus," was redefined for FY04 to include all undesignated fund balances in the budgeted funds except for the Inland Fisheries and Game Fund. Under current general laws, an amount equal to 0.5% of tax revenues is retained in the funds contributing to the calculation. Beginning in FY05, an additional .5% of current year tax revenues must be deposited in stabilization before the year-end surplus is determined.

The trend to fragment the budget into such special interest funds was addressed with consolidation and closure of the majority of budgeted funds activity in FY03.

### ***The Non-Budgeted Funds***

The Non-Budgeted Funds represent operations in which the government has imposed its sovereign authority, but has excluded these operations from the annual budget process. During FY04, the Commonwealth maintained 47 of these funds, including certain funds that had previously been reported as budgeted. The largest non-budgeted funds include the Lottery, Federal Grants, Health Care Security Trust (designated to receive tobacco settlement funds), Grant Anticipation, MBTA State and Local Contribution Fund, the Medical Security Trust, the Health Care Quality Improvement Fund and the Uncompensated Care Funds. These funds are commonly referred to as special or dedicated revenue funds whose revenues are matched to related expenditures.

The table, Non-Budgeted Funds – Operations, includes a summary of the FY04 non-budgeted funds. Financial statements for each of the individual funds are included in the financial section of this report. Several of these funds are worth mentioning.

At June 30, 2004, the Federal Grants Fund had a positive fund balance, but there is a deficiency in cash within the fund. This cash deficiency results from the Commonwealth drawing funds from the federal government a few days after applicable cash disbursements had been made to assure an “interest neutral” timing of the federal – state cash exchange. These requirements were established by the Cash Management Improvement Act of 1990. Within the Lottery Funds, gross revenues continued to increase this fiscal year. The Lottery continues to be a strong source of cash flow for the Commonwealth.

#### **Non-Budgeted Funds - Operations (Amounts in thousands)**

	2003	2004
Beginning fund balance.....	\$ 856,096	\$ 862,572
Legislative fund reclassification.....	-	183,285
Adjusted beginning balance.....	<u>856,096</u>	<u>1,045,857</u>
Revenues and other sources:		
Taxes.....	752,775	785,642
Assessments.....	526,888	619,013
Federal grants and reimbursements.....	2,855,445	3,252,986
Tobacco Settlement revenue.....	300,039	253,621
Departmental and miscellaneous.....	4,996,883	5,406,115
Transfers and other sources.....	<u>498,872</u>	<u>1,647,220</u>
Total revenues and other sources.....	<u>9,930,902</u>	<u>11,964,597</u>
Expenditures and other uses:		
Programs and services.....	7,560,198	8,602,787
Debt service.....	77,200	96,219
Transfers and other uses.....	<u>2,287,028</u>	<u>2,719,137</u>
Total expenditures and other uses.....	<u>9,924,426</u>	<u>11,418,143</u>
Excess of revenues and other sources over expenditures and other uses.....	<u>6,476</u>	<u>546,454</u>
Ending fund balance.....	<u>\$ 862,572</u>	<u>\$ 1,592,311</u>

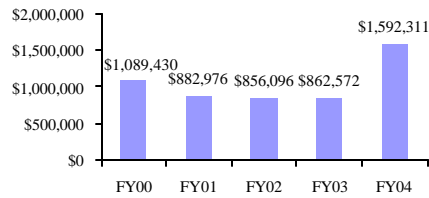
The Health Care Security Trust Fund (HST) reports all revenues received from the Master Settlement Agreement (MSA) between the states and the tobacco industry to recover healthcare costs for tobacco related illnesses. The MSA estimates the Commonwealth revenues for the first 25 years of the settlement to be approximately \$7.6 billion. However, this estimate is prior to possible future adjustments, including adjustments for inflation and changes in the volume of domestic cigarette sales. In FY04, the Commonwealth received nearly \$254 million or 89.7% of the estimated amounts shown in the MSA. All HST proceeds received in FY04 were transferred to the General Fund. The Fund was also used as a cash flow mechanism for the new Health Care Quality Improvement Fund. The decline in HST assets is directly related to this financing since the HST invested assets had a positive return on investment.

The Health Care Quality Improvement Fund (HCQIF) was established in FY03 to accept transfers of fee revenue from nursing homes, along with applicable federal financial participation transferred from the HST. In FY04, this activity generated \$287.0 million in fee revenue and related federal financial participation, along with \$308.4 million in spending. The operating deficit results from a transfer from the HST to fund legislatively mandated non-federally eligible spending.

Federal Grant Anticipation Notes, (GANS) activity related to the Central Artery / Tunnel Project (CA/T) continued this year. During FY98, the Legislature authorized the issuance of up to \$1.5 billion in GANS to finance the current cash needs of the Project. These proceeds of the GANS are being used to pay for federally eligible expenditures. From 2005 to 2015, these eligible expenses will be reimbursed by the federal government and the reimbursement will be used to payoff the GANS. As of June 30, 2004, all of the GANS have been issued. The GANS are not considered general obligation debt of the Commonwealth. Activity related to issuance of GANS and the accumulation of pledged funds and the payment of debt service is accounted for in the Grant Anticipation Note Trust Fund. In July 2003, the Commonwealth completed a cross-over refunding of the GANS. \$388.1 million in GANS issued in 1998 and 2000 at coupons ranging from 5.125% to 5.75% that will mature on December 15, 2008 and 2010, respectively, were partially refinanced with \$408.0 million of refunding notes with yields of 2.51% to 3.39%. The interest on the newly issued refunding notes is paid from an escrow until final redemption. This technique results in economic savings, but does not result in the legal defeasance of the notes. The result is the original as well as the refunding notes are reported on Commonwealth's books until the maturity dates. The \$531 million surplus in the fund for FY04 represents \$521 million held for payment of interest on the GANS inclusive of an escrow for payment of GANS involved with the aforementioned crossover refunding.

The universal health care funds, including the Uncompensated Care and Medical Security Trust Funds, have reported revenue increases of over \$1.8 billion. However, \$346.4 million was transferred out to fund operations this year due to the lagging economy. As of the end of FY04, these funds have a combined fund balance of nearly \$127 million.

***Non-Budgeted Funds –  
Fund Balance  
(Amounts in Thousands)***



The graph Non-Budgeted Funds - Fund Balance shows the combined fund balance in the Non-Budgeted funds for the past five years. In each year, the entire balance is designated for the specific purpose of the fund. The only component of overall growth in fund balance in these funds this fiscal year was due to deposits into the Community Preservation Trust Fund. As indicated in previous years, more consolidation and elimination is needed for these funds. For example, the Government Land Bank Fund has a chronic structural fund deficit. The FY04 deficit balance of \$35 million remains an unbudgeted drain in cash flows in the General Fund. While steps have been taken to stop the growth in this deficit, the Fund should be abolished and the deficit transferred into the General Fund. An additional \$25 million deficit exists in the Motor Vehicle Inspection Fund. Amendments to the enabling statute to the Fund mandates that the Fund must be in balance by June 30, 2009.

***The Capital Projects Funds***

The purpose of these funds is to account for the construction or acquisition of capital assets. The Governor may propose capital outlay budgets, which, upon enactment by the Legislature and approval by the Governor, become capital outlay acts. Capital outlay acts financed through the sale of debt require a two-thirds vote of the Legislature. Numerous acts may be combined for reporting in an individual Capital Project Fund, but each act is accounted for separately within the Capital Projects Fund. These accounts record authorizations for expenditures in itemized capital appropriation accounts and equivalent authorizations to issue bonds or notes in anticipation of federal reimbursements.

The structure of these funds is such that each capital outlay authorization is in balance, creating authorization for inflows, which may be from sales of bonds, federal reimbursements or other revenues and authorization for expenditures. Imbalances due to timing differences develop when the expenditure precedes the inflow of funds from the sale of bonds or federal reimbursements. Because of federal tax arbitrage rules, it is more difficult to sell bonds in anticipation of expenditures. The sale of bonds in advance is not commonplace in the Commonwealth.

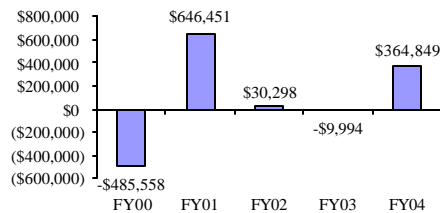
The Commonwealth issued nearly \$4.9 billion in debt this year. Of this amount, \$1.9 billion was used to fund ongoing projects and over \$2.9 billion was issued in the form of general obligation refunding bonds, taking advantage of low interest rates. These refundings generated approximately \$203.6 million in debt service savings over a number of years, equating to \$107.2 million on a present value basis.

A significant portion of the Capital Projects activity continues to relate to the Central Artery / Tunnel Project (CA/T). The CA/T has been the target of an enormous amount of public scrutiny. The Commonwealth has aggressively responded to these concerns regarding the integrity of the cost estimates. For the third year, an independent evaluation of the entire estimate for the project has been undertaken. The current cost of the project stands at \$14.625 billion. The federal government has capped its contribution to this project and the finance plan includes state

**Central Artery / Tunnel Project**  
**(Amounts in Billions)**

Sources of Funds:	2003	2004
Federal Funds	\$ 7.049	\$ 7.049
GANS	1.500	1.500
Massachusetts Turnpike Authority	1.658	1.658
Massachusetts Port Authority	0.302	0.302
Other Commonwealth Debt	3.931	3.931
Commonwealth Operating Funds and Investment Earnings	0.185	0.185
<b>Total Sources</b>	<b>\$ 14.625</b>	<b>\$ 14.625</b>
<b>Costs of Construction:</b>		
Cumulative Costs at Beginning of Fiscal Year	\$ 11.655	\$ 12.728
Current Fiscal Year Spending	1.073	0.589
Actual Costs through End of Fiscal Year	12.728	13.317
Estimated Spending:		
FY04	0.939	-
FY05	0.776	0.801
FY06	0.182	0.507
<b>Total Estimated Costs of Construction:</b>	<b>\$ 14.625</b>	<b>\$ 14.625</b>

**Capital Projects Funds –  
Fund Balance (Deficit)**  
**(Amounts in Thousands)**



sources to fund the state share of the project. The project is over 94% complete as of June 30, 2004.

The east-west portion (Interstate 90) opened on January 18, 2003 and the northbound portion (Interstate 93) opened on March 29, 2003. The southbound portion (Interstate 93) opened partially on December 20, 2003. Substantial completion is expected sometime between May and September 2005.

Pursuant to statute and agreements with the Massachusetts Turnpike Authority (MTA) and the Massachusetts Port Authority (MassPort), the entities have committed to significant ongoing contributions to the Commonwealth as part of the financing for this project. These funds are in addition to funds from the Commonwealth and federal funds for the project.

The graph Capital Projects Funds – Fund Balance (Deficit) shows the combined fund balance in Capital Projects Funds for the past five years. The graph shows a surplus in the funds in FY04. However, the majority of the individual funds remain in deficit due to the timing differences between bonding and expenditures offset by surpluses in three funds. These three funds include a fund for central artery and statewide roads and bridge construction, a fund for the Commonwealth's Convention Centers and a fund for the federal highway construction program. These funds contain designated reserves or escrows where the Commonwealth is able to legally arbitrage revenues consistent with the provisions of the existing tax code.

The Capital Projects Funds – Operations table on the next page, includes the FY04 Capital Projects Funds, summarized and compared to FY03. Financial statements for each of the individual funds are included in the financial section of this report.

The Administration has implemented a coordinated fiscal strategy for the management of Capital Projects Funds. This strategy includes a five-year capital budget linked to debt management and cash management. The focus of this strategy is to manage capital spending and outstanding debt to levels the Administration considers appropriate for the Commonwealth. An important part of the strategy is to control capital spending within an annual administrative "cap."

**Capital Projects Funds - Operations**  
(Amounts in thousands)

	2003	2004
Beginning fund balance (deficit).....	\$ 30,298	\$ (9,994)
Revenues and other sources:		
Federal grants and reimbursements.....	519	3,408
Departmental and miscellaneous.....	40,025	22,985
Payment from Authorities.....	104,914	-
General and special obligation financing.....	1,911,200	1,993,080
Proceeds of refunding bonds.....	3,398,240	2,832,866
Transfer for Federal Reimbursements.....	507,343	598,955
Transfers and other sources.....	284,750	154,428
Total revenues and other sources.....	6,246,991	5,605,722
Expenditures and other uses:		
Acquisition of assets.....	2,635,578	2,229,611
Payments to refunded bond escrow.....	3,398,240	2,832,866
Transfers and other uses.....	253,465	168,402
Total expenditures and other uses.....	6,287,283	5,230,879
Excess (deficiency) of revenues and other sources over expenditures and uses.....	(40,292)	374,843
Ending fund balance (deficit).....	\$ (9,994)	\$ 364,849

***The Fiduciary Funds (Excluding Agency Funds)***

The Fiduciary Funds record the Commonwealth's responsibility for assets it controls on behalf of other parties. Examples of such funds are the Unemployment Compensation and Pension Trust Funds. The table on the following page, which excludes assets held on a purely custodial capacity in so-called Agency Funds, summarizes the FY04 activity of the Fiduciary Funds. Over 89% of the Fiduciary Fund assets are related to the Commonwealth's Pension Fund detailed in fund statements found in this report.

The \$4.0 billion operating gain in this fund group is primarily the result of the net of two significant events:

- The net change in value of pension assets increased by over \$4.3 billion.
- Payments to the unemployed in the Commonwealth exceeded employer contributions to the Unemployment Compensation Trust Fund by over \$368.2 million.

The pension valuation is based on data as of January 1, 2004. Details of this valuation are outlined in Note 10. The value of pension assets of the public retirement system increased from FY03 to FY04 from 68.9% funded to 73.9% funded. This is due to improving economic conditions offset by previous years' early retirement incentive programs.

**Fiduciary Fund - Operations (Excluding Non-Expendable Trusts)**  
(Amounts in thousands)

	<u>2003</u>	<u>2004</u>
Beginning fund balance.....	\$ 28,083,520	\$ 27,673,480
Revenues and other sources:		
Taxes.....	905,821	1,264,364
Federal reimbursements.....	744,385	831,727
Departmental and other revenues.....	1,950,375	1,943,489
Interfund transfers and other sources.....	26,245	178,553
Unrealized and realized investment earnings / (losses).....	<u>967,084</u>	<u>5,104,754</u>
Total revenues and sources.....	<u>4,593,910</u>	<u>9,322,887</u>
Expenditures and other uses:		
Expenditures.....	4,814,732	5,031,389
Interfund transfers.....	<u>189,217</u>	<u>242,995</u>
Total expenditures and uses.....	<u>5,003,949</u>	<u>5,274,384</u>
Deficiency of revenues and sources over expenditures and uses.....	<u>(410,040)</u>	<u>4,048,503</u>
Ending fund balance.....	<u>\$ 27,673,480</u>	<u>\$ 31,721,983</u>

***The Non-Appropriated Funds of Higher Education***

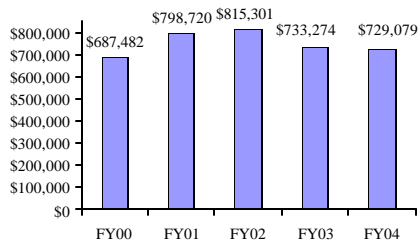
The SBFR includes the financial operations of the non-appropriated funds of the 25 Institutions of Higher Education in the statistical section of this report. Each Institution of Higher Education is authorized and directed in its enabling statute to collect, retain and expend certain fees, rents, sales, donations, federal financial participation and other types of revenue through campus based systems. These financial resources are integral parts of the total financial activity of each campus. They also represent resources in addition to amounts made available from Commonwealth appropriations. Over the past few years, significant efforts have been taken by our office and the institutions to improve the accuracy and timeliness of this Higher Education segment of the financial report.



**Non-Appropriated Funds Of Higher Education - Operations**  
(Amounts in thousands)

	2003	2004
Beginning fund balance.....	\$ 815,301	\$ 733,274
Revenues and other sources:		
Federal Grants and reimbursements.....	299,199	339,160
Departmental and miscellaneous.....	1,313,381	1,550,644
Transfers and other sources .....	107,274	150,694
Total revenues and other sources.....	1,719,854	2,040,498
Expenditures and other uses:		
Programs and services.....	1,646,136	1,828,735
Transfers and other uses.....	155,745	215,958
Total expenditures and uses.....	1,801,881	2,044,693
Excess (deficiency) of revenues and other sources over expenditures and other uses.....	(82,027)	(4,195)
Ending fund balance.....	<u>\$ 733,274</u>	<u>\$ 729,079</u>

***Non-Appropriated Funds of Higher Education – Fund Balance***  
(Amounts in Thousands)



The Non-Appropriated Funds of Higher Education – Operations table includes the FY04 funds, summarized and compared to FY03. Financial statements for each of the individual funds are included in the statistical section of this report. The graph Non-Appropriated Funds of Higher Education – Fund Balance shows the combined fund balance for the past five years. The combined balance represents \$464 million for the University of Massachusetts, \$154 million for the State College system and \$111 million for the Community Colleges. These balances are designated for specific purposes, such as restrictions on endowments or other specialized purposes specified by the funding contributions.

## ***Conclusion***

The Commonwealth has many accomplishments in FY04 of which it can be proud.

The Office of the Comptroller continued its effort to build a more collaborative working relationship among members of this office and Chief Fiscal Officers (CFO) of the Commonwealth in a program we call "PARTNERS in Financial Management." The third CFO conference brought together CFOs from across the Commonwealth for two days of meetings. PARTNERS stands for people, accountability, responsibility, trust, negotiation, efficiency, risk assessment and mitigation, and solutions. We have enhanced the mantra that all systems, big and small, depend on people who are integral to those systems. This recognizes that fiscal officers of the Commonwealth are being given increased authority and at the same time being held accountable for their actions, ensuring a balance of efficiency and integrity of the financial operations of the Commonwealth. We must maintain this standard to maintain the public trust. We strike this balance between efficiency and integrity of operations through constant risk assessment and effective risk mitigation. Finally, we strive to find solutions to many of the Commonwealth's problems in conjunction with the rest of the CFOs, so that full input is heard.

The Commonwealth has eliminated a number of funds and adopted a more straightforward definition of fiscal balance which includes all of the budgeted funds except for the Inland Fish and Game Fund. The definition of fiscal balance that had previously only included the fund balance within three of the budgeted funds has been expanded to include all budgeted funds for FY05. In addition the number of budgeted funds has been reduced from 54 to 9.

The Commonwealth is in the midst of the most significant financial system upgrade in almost two decades. The Office of the Comptroller and the Information Technology Division have partnered with American Management Systems of Fairfax Virginia, and upgraded the Commonwealth financial management system to a web based architecture. The new system was placed into production opening FY05. This project will focus on changing business practices in order to minimize customization to this product.

This strategy will insure the Commonwealth can upgrade to current releases in the future at a reasonable cost. The goal is to keep current with technology in the future and at the same time control the total cost of system ownership. Benefits will accrue directly to the users of the financial system. In addition, this updated technology will allow for the future integration of Commonwealth internet-based applications into "back office" financial systems.

In this environment, the challenge of maintaining effective controls is greater than ever. We continue to ask each department, at its highest levels, to assess its risks and target controls to manage those risks efficiently and effectively. Toward this end, the Office of the Comptroller, in conjunction with the Office of the State Auditor, has continued a multi-pronged effort to improve controls throughout the Commonwealth.

I again would like to express my thanks to the many dedicated employees within the Office of the State Comptroller. We have had another successful year within the office. Our office has undertaken many tasks this year. We are embarking on the redesign of the state accounting system, MMARS. This will be a significant effort but will provide enduring benefits to the Commonwealth. I am proud to have all the employees of the Comptroller's Office on my team to help tackle these and other difficult issues of the future.

Respectfully submitted,

Martin J. Benison  
Comptroller of the Commonwealth

## **CONSTITUTIONAL OFFICERS**

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Kerry Healey  
*Lieutenant Governor*

William F. Galvin  
*Secretary of State*

Thomas F. Reilly  
*Attorney General*

Timothy P. Cahill  
*Treasurer and Receiver-General*

A. Joseph DeNucci  
*Auditor*

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*President of the Senate*

Salvatore F. DiMasi  
*Speaker of the House*

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*Chief Justice, Supreme Judicial Court*

Christopher J. Armstrong  
*Chief Justice, Appeals Court*

Robert A. Mulligan  
*Chief Justice for Administration and Management, Trial Court*

**REPORT PREPARED BY:**

Eric S. Berman, CPA  
*Deputy Comptroller*

**Financial Reporting And Analysis Bureau:**

Bhavdeep J. Trivedi  
*Director*

John Haran, CPA, CGFM  
*Accountant*

Pauline Lieu, CPA, CGFM  
*Accountant*

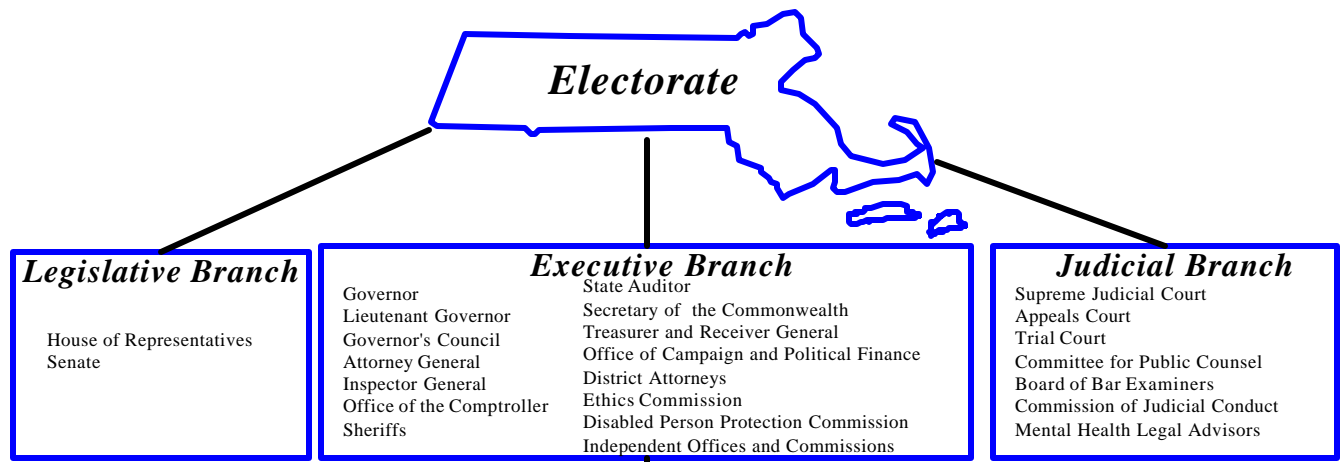
Neil Gouse, CGFM  
*Accountant*

Cathy Hunter  
*Administrative Secretary*

**Accounting Bureau**

Marybeth Shaughnessy-Newell, CPA  
*Director*

Lauren Johnson  
*Art Direction*  
*Director Resource Management*



### **State Agencies**

#### **Administration and Finance**

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

#### **Public Safety**

Executive Office of Public Safety  
 Chief Medical Examiner  
 Criminal History Systems Board  
 Criminal Justice Training Council  
 Department of Correction  
 Department of Fire Services  
 Department of Public Safety  
 Department of State Police  
 Massachusetts Emergency Management Agency  
 Merit Rating Board  
 Military Division/ Massachusetts National Guard  
 Parole Board  
 Registry of Motor Vehicles  
 Sex Offender Registry

#### **Economic Development**

Executive Office of Economic Development  
 Board of Conciliation and Arbitration  
 Department of Labor  
 Division of Unemployment Assistance  
 Division of Industrial Accidents  
 Joint Labor Management Committee  
 Labor Relations Commission  
 Division of Workforce Development  
 Office of Consumer Affairs & Business Regulations  
 Department of Telecommunications and Energy  
 Division of Banks  
 Division of Energy Resources  
 Division of Insurance  
 Division of Professional Licensure  
 Division of Standards  
 State Racing Commission

#### **Commonwealth Development Coordinating Council**

#### **Housing and Community Development**

Department of Housing & Community Development

#### **Environmental Affairs**

Executive Office of Environmental Affairs  
 Department of Conservation and Recreation  
 Department of Environmental Protection  
 Department of Food and Agriculture  
 Fisheries and Wildlife Environmental Law Enforcement  
 State Reclamation Board

#### **Transportation and Construction**

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

#### **Health and Human Services**

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

#### **Education**

Department of Education  
 Board of Higher Education  
 University of Massachusetts System  
 State and Community Colleges  
 Educational Quality & Accountability

#### **Board of Library Commissioners**

*\*As of June 30, 2004*

**ADVISORY BOARD TO THE COMPTROLLER**

Eric A. Kriss (Chair)  
*Secretary for Administration and Finance*

A. Joseph DeNucci  
*Auditor*

Timothy P. Cahill  
*Treasurer and Receiver-General*

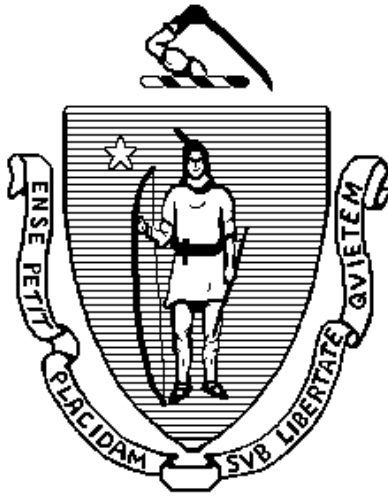
Robert A. Mulligan  
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Thomas F. Reilly  
*Attorney General*

Thomas M. Whitney  
*Gubernatorial Appointee*

Mel Alan Barkan  
*Gubernatorial Appointee*

# *Financial Section*



Independent Auditor's Report  
Combined Financial Statements – Statutory Basis  
Combining and Individual Fund Financial Statements – Statutory Basis



## INDEPENDENT AUDITORS' REPORT

Mr. Martin Benison, Comptroller  
The Commonwealth of Massachusetts

We have audited the accompanying combined financial statements – statutory basis of the Commonwealth of Massachusetts as of and for the year ended June 30, 2004, as listed in the table of contents. These combined financial statements – statutory basis are the responsibility of the management of the Commonwealth of Massachusetts. Our responsibility is to express an opinion on these combined financial statements – statutory basis based on our audit. We did not audit the financial statements of the Pension Reserves Investment Trust, which is the investment vehicle of the Commonwealth of Massachusetts' Pension Trust Funds, the financial statements of which represent 89.4 percent of the assets and 72.9 percent of the revenues of the Fiduciary Fund Type, or the Health Care Security Trust, the financial statements of which represent 17.2 percent of the assets and 5.6 percent of the revenues of the Special Revenue Non-Budgeted Fund Type. Those financial statements were audited by another auditor whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Reserve Investment Trust and the Health Care Security Trust, is based solely on the reports of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements – statutory basis are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – statutory basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement – statutory basis presentation. We believe that our audit and the reports of the other auditor provide a reasonable basis for our opinion.

As discussed in Note 2 to the combined financial statements – statutory basis, the Commonwealth of Massachusetts prepares its combined financial statements - statutory basis on a prescribed basis of accounting that demonstrates compliance with General Laws and budgetary principles and funds of the Commonwealth of Massachusetts, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of another auditor, such combined financial statements – statutory basis referred to above present fairly, in all material respects, the financial position of the Commonwealth of Massachusetts, as of June 30, 2004, and the results of its operations for the year then ended, on the basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements – statutory basis, taken as a whole. The combining and individual fund statements – statutory basis and supplemental information listed in the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the combined financial statements – statutory basis of the Commonwealth of Massachusetts. These financial



statements and schedules are also the responsibility of the management of the Commonwealth of Massachusetts. Such additional information has been subjected to the auditing procedures applied in our audit of the combined financial statements – statutory basis and, in our opinion, based on our audit of the combined financial statements – statutory basis, is fairly stated in all material respects when considered in relation to the combined financial statements – statutory basis taken as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2004, on our consideration of the Commonwealth of Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the use of elected and appointed officials of the Commonwealth of Massachusetts and is not intended to be and should not be used by anyone other than these specified parties.

October 31, 2004

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# *Combined Financial Statements - Statutory Basis*

**All Fund Types And Account Groups**  
**Combined Balance Sheet - Statutory Basis**

June 30, 2004 and 2003  
(Amounts in thousands)

	Governmental Fund Types		
	Budgeted	Non-Budgeted Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
Cash and short-term investments.....	\$ 2,832,914	\$ 947,036	\$ 792,874
Cash on deposit with U.S. Treasury.....	-	-	-
Cash with fiscal agent.....	26,064	521,040	214,181
Investments.....	-	374,568	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	443,771	772,567	-
Other receivables.....	13,921	47,567	-
Due from cities and towns.....	2,674	-	-
Due from other funds.....	47	-	334,380
Fixed assets:			
Land.....	-	-	-
Buildings.....	-	-	-
Machinery and equipment.....	-	-	-
Construction in progress.....	-	-	-
Amount available for retirement of long-term obligations.....	-	-	-
Amount to be provided for retirement of long-term obligations.....	-	-	-
Other assets.....	-	-	-
Total assets and other debits.....	<u>\$ 3,319,391</u>	<u>\$ 2,662,778</u>	<u>\$ 1,341,435</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
Liabilities:			
Deficiency in cash and short-term investments.....	\$ 704,479	\$ 157,064	\$ 599,461
Accounts payable.....	667,713	576,095	300,639
Accrued payroll.....	54,394	2,881	1,386
Agency liabilities.....	-	-	-
Due to federal government.....	-	-	-
Due to cities and towns.....	-	-	-
Due to other funds.....	-	334,427	-
Capital leases.....	-	-	-
Bonds and notes payable.....	-	-	75,100
Total liabilities.....	<u>1,426,586</u>	<u>1,070,467</u>	<u>976,586</u>
Fund equity and other credits:			
Investment in general fixed assets.....	-	-	-
Fund balances (deficit):			
Reserved for:			
Continuing appropriations.....	638,510	-	-
Commonwealth stabilization.....	1,137,320	-	-
Debt service.....	26,064	521,040	214,181
Employees' pension benefits.....	-	-	-
Unemployment benefits.....	-	-	-
Capital projects.....	-	7,465	734,742
Unreserved:			
Designated for specific purpose.....	-	1,124,639	-
Undesignated.....	90,911	(60,833)	(584,074)
Total fund equity and other credits.....	<u>1,892,805</u>	<u>1,592,311</u>	<u>364,849</u>
Total liabilities fund equity and other credits.....	<u>\$ 3,319,391</u>	<u>\$ 2,662,778</u>	<u>\$ 1,341,435</u>

See notes to combined financial statements - statutory basis.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-term Obligations	2004	2003
\$ 2,639,543	\$ -	\$ -	\$ 7,212,367	\$ 4,938,255
122,449	-	-	122,449	490,652
-	-	-	761,285	337,306
29,797,126	-	-	30,171,694	27,471,391
2,981,982	-	-	2,981,982	2,486,834
-	-	-	1,216,338	779,780
846,574	-	-	908,062	551,012
-	-	-	2,674	4,910
-	-	-	334,427	83,622
-	746,160	-	746,160	755,451
-	6,126,494	-	6,126,494	5,626,289
-	1,524,124	-	1,524,124	1,478,645
-	310,238	-	310,238	365,806
-	-	761,285	761,285	337,306
-	-	16,752,730	16,752,730	15,790,416
2,155	-	-	2,155	2,707
<u>\$ 36,389,829</u>	<u>\$ 8,707,016</u>	<u>\$ 17,514,015</u>	<u>\$ 69,934,464</u>	<u>\$ 61,500,382</u>
\$ -	\$ -	\$ -	\$ 1,461,004	\$ 912,442
1,402,633	-	-	2,947,080	2,927,909
340	-	-	59,001	161,707
3,223,206	-	-	3,223,206	2,708,619
5	-	-	5	4
35,828	-	-	35,828	27,103
-	-	-	334,427	83,622
-	-	131,843	131,843	165,216
-	-	17,382,172	17,457,272	16,819,606
<u>4,662,012</u>	<u>-</u>	<u>17,514,015</u>	<u>25,649,666</u>	<u>23,806,228</u>
-	8,707,016	-	8,707,016	8,226,191
-	-	-	638,510	50,675
-	-	-	1,137,320	641,325
-	-	-	761,285	337,306
31,228,478	-	-	31,228,478	26,888,096
122,449	-	-	122,449	490,652
-	-	-	742,207	952,905
376,890	-	-	1,501,529	1,142,869
-	-	-	(553,996)	(1,035,865)
<u>31,727,817</u>	<u>8,707,016</u>	<u>-</u>	<u>44,284,798</u>	<u>37,694,154</u>
<u>\$ 36,389,829</u>	<u>\$ 8,707,016</u>	<u>\$ 17,514,015</u>	<u>\$ 69,934,464</u>	<u>\$ 61,500,382</u>

**All Governmental Fund Types And Expendable Trust Funds**  
**Combined Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis**

Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

	Governmental Fund Types		
	Budgeted	Non-Budgeted Special Revenue	Capital Projects
<b>REVENUES AND OTHER FINANCING SOURCES</b>			
Revenues:			
Taxes.....	\$ 15,268,976	\$ 785,642	\$ -
Assessments.....	126,621	619,013	-
Federal grants and reimbursements.....	5,098,536	3,252,986	3,408
Tobacco settlement revenue.....	-	253,621	-
Departmental.....	1,729,992	5,363,151	5,504
Payments from authorities.....	-	-	-
Miscellaneous.....	124,860	42,964	17,481
Total revenues.....	22,348,985	10,317,377	26,393
Other financing sources:			
Proceeds of general and special obligation bonds.....	-	-	1,993,080
Proceeds of refunding bonds.....	-	469,106	2,832,866
Fringe benefit cost recovery.....	177,646	-	-
Lottery reimbursements.....	78,426	-	-
Lottery distributions.....	904,417	-	-
Caseload increase mitigation transfer.....	-	-	-
Surplus transfer for capital projects.....	-	-	-
Tobacco settlement transfer.....	253,621	-	-
Excess permissible tax revenue.....	714,868	-	-
Municipal medicaid transfer.....	-	-	-
Operating transfers in.....	408,230	366,602	79,980
Health care security trust transfer.....	-	315,612	-
Economic stimulus trust transfer.....	-	100,900	-
Uncompensated care pool transfer.....	-	245,000	-
School building assistance transfer.....	-	150,000	-
Stabilization transfer.....	1,160,705	-	-
Fund consolidation transfer.....	-	-	-
Federal reimbursement transfer in.....	85	-	598,955
State share of federal highway construction.....	-	-	74,448
Other sources.....	-	-	-
Total other financing sources.....	3,697,998	1,647,220	5,579,329
Total revenues and other financing sources.....	26,046,983	11,964,597	5,605,722
<b>EXPENDITURES AND OTHER FINANCING USES</b>			
Expenditures:			
Legislature.....	50,535	-	-
Judiciary.....	572,504	3,834	22,363
Inspector General.....	2,280	-	79
Governor and Lieutenant Governor.....	4,892	-	-
Secretary of the Commonwealth.....	34,272	8,623	2,033
Treasurer and Receiver-General.....	108,623	4,476,746	11,700
Auditor of the Commonwealth.....	16,222	-	-
Attorney General.....	33,011	10,246	796
Ethics Commission.....	1,260	-	-
District Attorney.....	76,924	3,710	-
Office of Campaign & Political Finance.....	994	-	-
Sheriff's Departments.....	214,711	2,736	273
Disabled Persons Protection Commission.....	1,567	48	-
Board of Library Commissioners.....	3,178	3,216	19,500
Comptroller.....	8,427	1,807	25,186
Administration and finance.....	1,381,518	224,519	396,963
Environmental affairs.....	168,526	46,042	121,777
Communities and development.....	67,573	401,161	120,213
Health and human services.....	4,516,362	1,928,169	16,456
Transportation and construction.....	136,946	17,354	1,431,713
Education.....	348,650	831,220	2
Higher education.....	831,295	8,879	14,027
Public safety.....	889,294	119,908	25,233
Economic development.....	-	-	-
Elder affairs.....	-	-	-

Fiduciary Fund Type	Totals (Memorandum Only)	
	2004	2003
Expendable Trust		
\$ 1,264,364	\$ 17,318,982	\$ 15,938,163
27,942	773,576	634,043
831,727	9,186,657	8,123,997
-	253,621	300,039
78,152	7,176,799	6,372,881
-	-	104,914
277,402	462,707	558,203
2,479,587	35,172,342	32,032,240
-	1,993,080	1,911,200
-	3,301,972	3,398,240
-	177,646	157,406
-	78,426	73,222
-	904,417	882,197
-	-	5,992
-	-	-
-	253,621	469,802
-	714,868	-
160,000	160,000	-
18,036	872,848	993,062
-	315,612	215,541
-	100,900	-
-	245,000	-
-	150,000	-
-	1,160,705	625,673
-	-	2,102,281
-	599,040	507,716
-	74,448	166,478
517	517	334
178,553	11,103,100	11,509,144
2,658,140	46,275,442	43,541,384
-	50,535	54,873
251	598,952	588,980
-	2,359	1,827
-	4,892	5,493
40	44,968	49,266
-	4,597,069	4,413,613
275	16,497	16,940
1,772	45,825	46,410
-	1,260	1,263
5,662	86,296	85,061
-	994	993
67	217,787	215,629
-	1,615	1,809
-	25,894	22,991
-	35,420	20,911
3,727	2,006,727	1,841,234
11,255	347,600	369,667
2,910	591,857	583,013
88,942	6,549,929	5,678,289
501	1,586,514	1,844,494
1,817	1,181,689	1,077,361
6,195	860,396	1,011,555
28,881	1,063,316	1,041,566
-	-	32,057
-	-	315,059

**All Governmental Fund Types And Expendable Trust Funds**  
**Combined Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis**  
Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

	Governmental Fund Types		
	Budgeted	Non-Budgeted Special Revenue	Capital Projects
Expenditures (continued):			
Consumer affairs.....	101,674	219,801	4,899
Labor.....	-	-	-
Direct local aid.....	4,783,983	6,272	-
Medicaid.....	5,742,398	288,496	-
Pension.....	701,902	-	-
Debt service:			
Principal retirement.....	826,353	529	-
Interest and fiscal charges.....	665,880	95,690	16,398
Total expenditures.....	22,291,754	8,699,006	2,229,611
Other financing uses:			
Payments to refunded bond escrow agent.....	-	-	2,832,866
Fringe benefit cost assessment.....	46,262	45,639	23,089
Lottery operating reimbursements.....	-	78,426	-
Lottery distributions.....	-	904,417	-
Federal reimbursement transfer out.....	-	599,040	-
State share of federal highway construction.....	-	-	74,448
Tobacco settlement transfer.....	-	253,621	-
Health care quality improvement transfer.....	-	315,612	-
Economic stimulus trust transfer.....	67,266	33,634	-
Excess permissible tax revenue.....	714,868	-	-
Uncompensated care pool transfer .....	245,000	-	-
School building assistance transfer .....	150,000	-	-
Municipal medicaid transfer.....	-	160,000	-
Operating transfers out.....	231,108	328,748	70,865
Caseload increase mitigation transfer.....	-	-	-
Stabilization transfer.....	1,160,705	-	-
Total other financing uses.....	2,615,209	2,719,137	3,001,268
Total expenditures and other financing uses.....	24,906,963	11,418,143	5,230,879
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,140,020	546,454	374,843
Fund balances (deficit) at beginning of year.....	936,070	862,572	(9,994)
Legislative fund reclassification.....	(183,285)	183,285	-
Fund balances at end of year.....	\$ 1,892,805	\$ 1,592,311	\$ 364,849

See notes to combined financial statements - statutory basis.



Fiduciary Fund Type	Totals (Memorandum Only)	
Expendable Trust	2004	2003
2,554,731	2,881,105	57,029
-	-	2,977,112
-	4,790,255	5,075,394
-	6,030,894	5,686,503
-	701,902	813,469
-	826,882	737,832
-	777,968	729,175
2,707,026	35,927,397	35,396,868
-	2,832,866	3,398,240
5,126	120,116	114,452
-	78,426	73,222
-	904,417	882,197
-	599,040	507,716
-	74,448	166,478
-	253,621	469,802
-	315,612	215,541
-	100,900	-
-	714,868	-
-	245,000	-
-	150,000	-
-	160,000	-
237,868	868,589	989,233
-	-	5,992
-	1,160,705	625,673
242,994	8,578,608	9,550,827
2,950,020	44,506,005	44,947,695
(291,880)	1,769,437	(1,406,311)
785,385	2,574,033	3,980,344
-	-	-
\$ 493,505	\$ 4,343,470	\$ 2,574,033

## Budgeted Funds

### Combined Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis - Budget and Actual

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES AND OTHER FINANCING SOURCES</b>			
Revenues:			
Taxes.....	\$ 14,123,700	\$ 15,268,976	\$ 1,145,276
Assessments.....	-	126,621	126,621
Federal grants and reimbursements.....	4,918,400	5,098,536	180,136
Departmental.....	2,301,900	1,729,992	(571,908)
Miscellaneous.....	-	124,860	124,860
Total revenues.....	21,344,000	22,348,985	1,004,985
Other financing sources:			
Fringe benefit cost recovery.....	-	177,646	177,646
Lottery reimbursements.....	78,203	78,426	223
Lottery distributions.....	957,812	904,417	(53,395)
Tobacco settlement transfer.....	-	253,621	253,621
Excess permissible tax revenue.....	-	714,868	714,868
Operating transfers in.....	135,720	408,230	272,510
Stabilization transfer.....	-	1,160,705	1,160,705
Federal reimbursement transfer in.....	-	85	85
Total other financing sources.....	1,171,735	3,697,998	2,526,263
Total revenues and other financing sources.....	22,515,735	26,046,983	3,531,248
<b>EXPENDITURES AND OTHER FINANCING USES</b>			
Expenditures:			
Legislature.....	77,191	50,535	26,656
Judiciary.....	617,626	572,504	45,122
Inspector General.....	2,501	2,280	221
Governor and Lieutenant Governor.....	5,135	4,892	243
Secretary of the Commonwealth.....	37,557	34,272	3,285
Treasurer and Receiver-General.....	120,367	108,623	11,744
Auditor of the Commonwealth.....	16,323	16,222	101
Attorney General.....	34,126	33,011	1,115
Ethics Commission.....	1,302	1,260	42
District Attorney.....	77,497	76,924	573
Office of Campaign & Political Finance.....	998	994	4
Sheriff's Departments.....	216,337	214,711	1,626
Disabled Persons Protection Commission.....	1,572	1,567	5
Board of Library Commissioners.....	3,180	3,178	2
Comptroller.....	8,680	8,427	253
Administration and finance.....	1,452,948	1,381,518	71,430
Environmental affairs.....	237,145	168,526	68,619
Communities and development.....	74,320	67,573	6,747
Health and human services.....	4,584,355	4,516,362	67,993
Transportation and construction.....	147,073	136,946	10,127
Education.....	466,282	348,650	117,632
Higher education.....	845,671	831,295	14,376
Public safety.....	921,796	889,294	32,502
Consumer affairs.....	133,216	101,674	31,542
Direct local aid.....	4,861,304	4,783,983	77,321
Medicaid.....	5,997,084	5,742,398	254,686
Pension.....	16,791	701,902	(685,111)
Debt service:			
Principal retirement.....	857,904	826,353	31,551
Interest and fiscal charges.....	733,894	665,880	68,014
Total expenditures.....	22,550,175	22,291,754	258,421
Other financing uses:			
Fringe benefit cost assessment.....	-	46,262	(46,262)
Economic stimulus trust transfer.....	67,266	67,266	-
Excess permissible tax revenue.....	714,868	714,868	-
Uncompensated care pool transfer.....	245,000	245,000	-
School building assistance transfer.....	150,000	150,000	-
Operating transfers out.....	231,108	231,108	-
Stabilization transfer.....	497,248	1,160,705	(663,457)
Total other financing uses.....	1,905,490	2,615,209	(709,719)
Total expenditures and other financing uses.....	24,455,665	24,906,963	(451,298)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,939,930)	1,140,020	3,079,950
Fund balances at beginning of year.....	936,070	936,070	-
Legislative fund reclassification.....	(183,285)	(183,285)	-
Fund balances (deficit) at end of year.....	\$ (1,187,145)	\$ 1,892,805	\$ 3,079,950

See notes to combined financial statements - statutory basis.

## Nonexpendable Trust Fund

### Statement Of Revenues, Expenses And Changes In Fund Balances - Statutory Basis

Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

	2004	2003
<b>REVENUES</b>		
Revenues:		
Investment earnings.....	\$ -	\$ -
Total revenues.....	-	-
<b>EXPENSES</b>		
Expenses:		
Treasurer and Receiver-General.....	-	-
Total expenses.....	-	-
Excess (deficiency) of revenues over expenses.....	-	-
Fund balances at beginning of year.....	5,834	5,834
Fund balances at end of year.....	\$ 5,834	\$ 5,834

See notes to combined financial statements - statutory basis.

## Pension Trust Funds

### Combined Statements of Changes in Net Assets Available for Pension Benefits - Statutory Basis

Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

	2004	2003
Additions:		
Contributions:		
Commonwealth contributions.....	\$ 687,335	\$ 762,685
Employees contributions.....	882,741	853,344
Total contributions.....	<u>1,570,076</u>	<u>1,616,029</u>
Net investment income:		
Net appreciation in fair value of investments.....	4,276,991	159,876
Interest.....	356,339	377,591
Dividends.....	348,352	286,894
Real estate operating income, net.....	166,116	129,312
Alternative investments.....	14,064	5,855
Other.....	9,240	11,807
Total investment income.....	<u>5,171,102</u>	<u>971,335</u>
Less: investment expense.....	<u>76,432</u>	<u>59,258</u>
Net investment income.....	<u>5,094,670</u>	<u>912,077</u>
Total additions.....	<u>6,664,746</u>	<u>2,528,106</u>
Deductions:		
Administration reimbursement.....	14,579	13,520
Retirement benefits and refunds.....	<u>2,309,785</u>	<u>2,004,044</u>
Total deductions.....	<u>2,324,364</u>	<u>2,017,564</u>
Net increase .....	4,340,382	510,542
Net assets available for pension benefits at beginning of year (fund balances reserved for employees' pension benefits).....	<u>26,888,096</u>	<u>26,377,554</u>
Net assets available for pension benefits at end of year (fund balances reserved for employees' pension benefits).....	<u>\$ 31,228,478</u>	<u>\$ 26,888,096</u>

See notes to combined financial statements - statutory basis.

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**1. FINANCIAL STATEMENT PRESENTATION**

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**A. Introduction**

The accompanying combined financial statements (Statutory Basis Financial Report) of the Commonwealth of Massachusetts (the Commonwealth) are presented in accordance with the requirements of Section 12 of Chapter 7A as amended by Section 4 of Chapter 88 of the Acts of 1997 of the Massachusetts General Laws. The Office of the Comptroller also publishes the Commonwealth's Comprehensive Annual Financial Report (CAFR) which is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for governments. GAAP is prescribed by the Governmental Accounting Standards Board (GASB), the authoritative standard-setting body for establishing governmental accounting and financial reporting principles.

The Statutory Basis Financial Report (SBFR) includes all the budgeted and non-budgeted funds and account groups of the Commonwealth, as recorded by the Office of the Comptroller in compliance with Massachusetts General Laws and in accordance with the Commonwealth's budgetary principles.

The Statutory Basis Financial Report's Financial Statements are not intended to include independent authorities, non-appropriated funds of higher education or other organizations included in the Commonwealth's reporting entity as it would be defined under GAAP.

**B. Statutory Basis**

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

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

**C. Governmental Fund Types**

The Fund types and account groups are organized as follows:

Governmental Fund Types account for the general governmental activities of the Commonwealth.

*Budgeted Funds* – are the primary operating funds of the Commonwealth. They account for all budgeted governmental transactions. Major budgeted funds include the General and Highway funds which are identified by the Comptroller as the operating funds of the Commonwealth.

*Non-Budgeted Special Revenue Funds* – are established by law to account for specific revenue sources that have been segregated from the budgeted funds to support specific governmental activities such as federal grants, funds related to the tobacco settlement and the operations of the state lottery.

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

resources are derived from proceeds of bonds and other obligations, which are generally received after related expenditures have been incurred, operating transfers authorized by the Legislature and from federal reimbursements. Deficit balances in Capital Projects Funds represent amounts to be financed.

#### **D. *Fiduciary Fund Types***

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

*Expendable Trust Funds* – account for trusts whose principal and investment income may be expended for a designated purpose.

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

*Pension Trust Funds* – account for the net assets available for plan benefits held in trust for the State Employees' and Teachers' Retirement Systems.

*Agency Funds* – account for assets the Commonwealth holds on behalf of others. Agency Funds are custodial in nature and do not involve measurement of operations.

#### **E. *Account Groups***

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

*General Fixed Assets Account Group* – accounts for the general fixed assets of the Commonwealth and capital leases.

*General Long-term Obligations Account Group* – accounts for long-term bonds and notes issued by the Commonwealth and capital leases.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. *Statutory Basis of Accounting***

The SBFR is prepared from the Commonwealth's books and records and other official reports which are maintained on the basis of accounting used in the preparation of the Commonwealth's legally adopted annual budget (statutory basis). The statutory basis emphasizes accountability and budgetary control of appropriations. The SBFR is not intended to present the Commonwealth's financial condition and results of operations in conformity with GAAP. Under GAAP, the books are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting.

Under the statutory basis of accounting, revenues are generally recognized when cash deposits are received by the Treasury. However, revenues receivable for federal grants and reimbursements are recognized when related expenditures are incurred. Amounts due from political subdivisions of the Commonwealth are recognized when considered measurable and available. Deeds excise taxes are recognized at the time of collection by the counties and the Commonwealth.



Under the statutory basis of accounting, expenditures are generally recorded when the related cash disbursement occurs. At year-end, payroll is accrued and payables are recognized, to the extent of approved encumbrances, for goods or services received by June 30. Costs incurred under the federally-sponsored Medicaid program, amounts required to settle claims and judgments against the Commonwealth, and certain other liabilities are not recognized until they are encumbered or otherwise processed for payment. Under GAAP, expenditures are recorded in the period in which the related fund liability is incurred.

The Pension Trust Funds are reported using a flow of economic resources measurement focus and the accrual basis of accounting on both the statutory and GAAP basis. Under this method, additions are recorded when earned and deductions are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of net change in assets available for pension benefits.

The accounting policies followed in preparing the accompanying statutory basis financial report are described in the remainder of this section.

**B. *Cash, Short-term  
Investments and  
Investments***

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

The Pension Trust Funds, with investments of approximately \$29,797,126,000 at fair value, are permitted to make investments in equity securities, fixed income securities, real estate, timber and other alternative investments. For investments traded in an active market, the fair value of the investment will be its market price. The Pension Trust Funds include investments in real estate, venture capital funds, real estate funds, limited partnerships, futures pools, international hedge pools, commodities pools, balanced pools, leveraged buyouts, private placements and other alternative investments. The structure, risk profile, return potential and marketability differ from traditional equity and fixed income investments. Concentration of credit risk exists if a number of companies in which the fund has invested are engaged in similar activities and have similar economic characteristics that could cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. To mitigate the exposure to concentrations of risk, the Pension Trust Funds invest in a variety of industries located in diverse geographic areas. As of June 30, 2004, the estimated fair values, determined by management with input from the investment managers, of these real estate and alternative investments were \$5,496,796,000 of the Pension Trust Funds, representing 15.1% of the total assets of the Fiduciary Fund Type.

**C. *Securities Lending  
Program***

The Pension Trust Funds participate in securities lending programs. Under these programs, the Trusts receive a fee for allowing brokerage firms to borrow certain securities for a predetermined period of time, securing such loans with cash or collateral typically equaling 102% to 105% of the fair value of the security borrowed. The collateral securities cannot be pledged or sold by

the Pension Reserve Investment Trust (PRIT) unless the lending agents default. The lending agents are required to indemnify PRIT in the event that they fail to return the securities on loan (and if the collateral is inadequate to replace the securities on loan) or if the lending agents fail to perform their obligations as stipulated in the agreements. There were no losses resulting from default of the lending agents during the years ending June 30, 2004 and 2003. At June 30, 2004, the fair value of the securities on loan from PRIT was approximately \$2,115,720,000. The fair value of the collateral held by PRIT amounted to \$2,204,156,000 at June 30, 2004, of which \$943,000,000 was cash.

**D. *Receivables***

Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to the Commonwealth for its expenditures on federally funded reimbursement and grant programs are reported as "Due from federal government."

**E. *Due from Cities and Towns***

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

**F. *Dedicated Revenue***

The Commonwealth has various streams of dedicated revenues reflected in non-budgeted fund activity. Approximately \$2.0 billion in revenues from federal grants passed through the Federal Grants Fund represents the greatest source of dedicated revenues. The largest pledge of tax revenues apportions a "dedicated sales tax" amounting to 1% of applicable sales in the Commonwealth directly to the Massachusetts Bay Transportation Authority (MBTA). Total dedicated sales tax revenue directed to the MBTA in FY04 was approximately \$684,281,000. Other major dedicated tax revenue streams include surcharges from areas contiguous to convention centers to support such centers' operations, motor fuels taxes to support highway construction, repairs and maintenance and cigarette taxation to support health and human service costs. In FY05 additional dedicated sales tax revenue will be pledged to fund school construction via a transfer to the Massachusetts School Building Authority.

**G. *Inventories***

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

**H. *General Fixed Assets***

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

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

The Commonwealth capitalizes all land except land associated with infrastructure. It capitalizes buildings and equipment, including computer software, with a cost in excess of \$100,000 and \$50,000 respectively at the date of acquisition and with an expected useful life greater than one year. Public domain general fixed assets and infrastructure (roads, bridges, tunnels, dams, water and sewer systems, etc.) are not capitalized. Interest incurred during construction is not material and is not capitalized. Under the statutory basis of accounting, no depreciation is taken on general fixed assets.

**I. *Interfund / Intrafund Transactions***

During the course of its operations, the Commonwealth records transactions between funds and / or between departments. On the statutory basis, transactions between Governmental and Fiduciary Fund Types are recorded as adjustments to the funds' cash accounts. As a result, a fund may report a deficiency in cash and short-term investments.

Transactions of a buyer/seller nature between departments within a fund are not eliminated.

Transfers in and out net to approximately \$4,259,000 due to higher education non-appropriated fund activity, which is not included in the combined statements – statutory basis.

**J. *Risk Management***

The Commonwealth does not insure for state employees workers' compensation, casualty, theft, tort claims and other losses. Such liabilities are not recognized on the statutory basis until encumbered and / or processed for payment. For employees workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Chapter 258 of the Massachusetts General Laws (General Laws) limits the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances. The Group Insurance Commission administers contributory health care and other insurance programs for the Commonwealth's employees and retirees.

The Commonwealth has entered into agreements for insurance for Central Artery/Tunnel Project workers' compensation and certain general liability claims that may arise in the course of the Project. This special arrangement has been approved by the Federal Highway Administration as a cost-effective method to fund current and potential future claims by contractors, workers, and other parties affected by the project. Pursuant to the agreement, the Commonwealth conveys a sum of money to an agent each month. This amount includes both federal and state share. The agent manages and settles all claims. At the conclusion of the program, the balance remaining, if any, will be returned to the Commonwealth. The monthly amount conveyed to an agent is accounted for (on the statutory basis of accounting) as an expenditure in the Federal Highway Capital Projects Fund.

**K. *Encumbrances***

Encumbrance accounting is utilized in the Governmental Fund Types as a significant aspect of budgetary control. The full amounts of purchase orders, contracts and other commitments of appropriated resources are encumbered and recorded as deductions from appropriations prior to actual expenditure, ensuring that such commitments do not exceed appropriations. Encumbrances outstanding at year-end for goods or services received on or before June 30 are reported as expenditures and statutory basis liabilities as a component of accounts payable.

**L. *Fringe Benefit Cost Recovery***

The Commonwealth appropriates and pays the fringe benefit costs of its employees and retirees through the General Fund. These fringe benefits include the costs of employees' health insurance, pensions, unemployment compensation, and other costs necessary to support the state work force. As directed by Chapter 29, Sections 5D and 6B(f) of the Massachusetts General Laws, these costs are assessed to other funds based on their payroll costs, net of credits for direct payments. Since these fringe benefit costs are not appropriated

in the budget, the required assessment creates a variance between budget and actual expenditures at year-end. The fringe benefit cost recoveries of \$177,646,000 in the budgeted funds result from costs assessments of \$120,116,000 in the governmental fund types and the expendable trust funds. The remainder of \$57,530,000 is assessed to the higher education non-appropriated activity, which is not included in the statutory basis financial report.

**M. *Lottery Revenue and Prizes***

Ticket revenues are recognized when sold and prizes awarded by the Massachusetts Lottery Commission are recognized as drawings are held.

**N. *Fund Balances***

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

Fund balance has been reserved as follows:

“Reserved for continuing appropriations” – are unexpended amounts in appropriations, which the Legislature has specifically authorized to be carried into the next FY.

“Reserved for Commonwealth stabilization” – are amounts set aside in the Commonwealth Stabilization Fund in accordance with 5C of Chapter 29 of the Massachusetts General Laws.

“Reserved for debt service” – are amounts held by fiscal agents or the Commonwealth to fund future debt service obligations.

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

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

“Reserved for capital projects” - are amounts reserved for capital projects.

Unreserved fund balance is segregated into two components:

“Designated for specific purpose” – are all unreserved fund balances for which the Legislature or Executive Branch has evidenced an intention to restrict for a specific purpose.

“Undesignated” – consists of cumulative surpluses or deficits of the Governmental Fund Types not otherwise designated.

**O. *Reclassification***

Certain reclassifications have been made to the FY03 account balances to conform to the presentation used in FY04. Due to departmental mergers and transfers among secretariats, certain functions of government may not be entirely comparable to FY03. FY03 balances were not reclassified to reflect these changes in law because doing so would be inconsistent with FY03 statutes. These changes primarily affected Consumer Affairs, Labor and Health and Human Services.

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**3. BUDGETARY CONTROL**

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State finance law requires that a balanced budget be approved by the Governor and the Legislature. The Governor presents an annual budget to the Legislature, which includes estimates of revenues and other financing sources and recommended expenditures and other financing uses. The Legislature, which has full authority to amend the budget, adopts an expenditure budget by appropriating monies at the individual appropriation account level in an annual appropriations act.

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

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

The majority of the Commonwealth's appropriations are non-continuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the Legislature has authorized that an unspent balance from the prior year be carried forward and made available for spending in the current fiscal year. In addition, the Legislature may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits and 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 discrepancy to separately published budget documents. In conducting the budget process, the Commonwealth excludes those interfund transactions that by their nature have no impact on the combined fund balance of the budgeted funds.

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

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. Alternatively, the Governor may propose specific additional revenues to equal the deficiency. The Governor may also propose to transfer funds from the Stabilization Fund to cure such deficiency. This proposal must be delivered to the Legislature 15 days before any reductions take effect.

The following table summarizes budgetary activity for FY04 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 26 of the Acts of 2003:		
Direct appropriations.....	\$ 20,811,293	\$ 20,685,549
Estimated revenues, transfers, direct appropriations retained revenue appropriations, interagency chargebacks and appropriations carried forward from FY2003 .....	1,192,798	1,192,798
Total Original Budget.....	22,004,092	21,878,347
Supplemental Acts of 2003:		
Chapter 101.....	-	1,619
Chapter 118.....	-	22,161
Chapter 140.....	-	110,393
Chapter 141.....	-	20,750
Supplemental Acts of 2004:		
Chapter 40.....	-	52,188
Chapter 65.....	-	64,076
Chapter 304.....	-	11,529
Total Before June 30, 2004 .....	22,004,092	22,161,063
Supplemental Acts of 2004, passed after June 30, but for FY04:		
Chapter 352 .....	-	389,133
Total Budgeted Revenues and Expenditures per Legislative Action .....	22,004,092	22,550,196
Plus: Transfers of Revenues and Expenditures (including rounding).....	511,643	1,905,490
Budgeted Revenues and Expenditures as Reported.....	\$ 22,515,735	\$ 24,455,686

The following table identifies the interfund activity from budgeted sources and uses to reconcile forecasts prepared during the budget process to the results presented in these statements: (amounts in thousands)

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Actual as presented in the combined budget and actual statement - statutory basis.....	\$ 26,046,983	\$ 24,906,963
Adjustments to revenues and expenditures		
Transfer to the Intragovernmental Service Fund Revenues.....	(133,707)	(133,707)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments.....	(46,262)	(46,262)
Year-end Stabilization Transfer.....	(663,457)	(663,457)
Transfer from the Intragovernmental Service Fund to the General Fund.....	(550)	(550)
RMV License Plates.....	(2,374)	(2,374)
Stabilization transfers to the General Fund.....	(115,815)	(115,815)
Excess Permissible Tax Revenue Transfer from General Fund to Temporary Holding Fund.....	(357,403)	(357,403)
Year-End Excess Permissible Tax Revenue Transfer from Temporary Holding Fund to Stabilization Fund .....	(357,465)	(357,465)
Transfers from Stabilization Fund per Chapter 352 .....	(381,433)	(381,433)
Other .....	(171)	(171)
Actual as presented on budgetary documents.....	<u>\$ 23,988,346</u>	<u>\$ 22,848,326</u>

The section divider for the budgeted funds contains a list of budgeted funds grouped by categories.

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

Also as part of the FY04 General Appropriation Act, the Legislature redefined consolidated net surplus to include all budgeted funds. Along with this action, the Legislature closed 51 budgeted, capital projects and trust funds. All of the future activity in these funds will be reported in the General Fund. Several other minor funds were also moved from budgeted funds to non-budgeted funds or trust funds.

The FY02 General Appropriation Act adjusted the calculation of permissible tax revenues under Massachusetts General Laws Chapter 62F. Effective on July 1, 2003, the Commissioner of Revenue calculated the difference between cumulative net state tax revenues and cumulative permissible tax revenues on a quarterly basis instead of on an annual basis. For any quarter in which cumulative net state tax revenues exceed permissible tax revenues as certified by the Commissioner of Revenue, the Comptroller transfers this excess from the General Fund to the Temporary Holding Fund contained within the Stabilization Fund. The FY04 General Appropriation Act amended this language to say that in any year when the Stabilization Fund is required to pay current expenses of the Commonwealth, any balance within the Temporary Holding Fund contained within the Stabilization Fund reimburses the Stabilization Fund. Any funds remaining in the temporary holding fund at the end of the fiscal year are to be transferred to the General Fund and included as part of the calculation of consolidated net surplus.

#### 4. DEPOSITS AND INVESTMENTS

The Commonwealth maintains a cash and short-term investment pool that is available for use by all funds. Each fund type's net equity in this pool is displayed on the combined balance sheet as either "Cash and short-term investments" or "Deficiency in cash and short-term investments." The investments of the Pension Trust Funds are held in a separate trust.

The Office of the Treasurer and Receiver-General (Treasury) manages the Commonwealth's short-term investment pool. Statutes authorize investment in obligations of the U.S. Treasury, authorized bonds of all states, banker's acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements that any of these obligations secure. Such investments are carried at cost, which approximates fair value.

Pooled cash and short-term investments include the following (amounts in thousands):

Cash and short-term investments.....	\$ 7,212,367
Cash with fiscal agent.....	761,285
Cash on Deposit with U. S. Treasury.....	122,449
Deficiency in cash and short-term investments.....	<u>(1,461,004)</u>
Total.....	<u>\$ 6,635,097</u>

Other investments, mainly in escrows, the Pension Trust Funds and the Health Care Security Trust Fund (HST) are reported at fair value in the financial statements. The investments of the Pension Trust Funds are held separately from those of other Commonwealth funds, with the exception of their investments in the Massachusetts Municipal Depository Trust (MMDT). The Pension Trust Funds and the HST are permitted to make investments in equity securities, fixed income securities, real estate and other alternative investments. In the following table these alternative investments, venture capital and futures pools are classified as other investments.

Investments are classified as to collateral risk into the following three categories:

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

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

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



The following table presents a combined view of investments, followed by tables separating the Pension Trust Fund investments and the HST investments from this combined view. (Amounts are in thousands).

Investment	Market Value			Total
	CATEGORY 1	CATEGORY 2	CATEGORY 3	
Repurchase agreements.....	\$ 219	\$ -	\$ -	\$ 219
Government obligations.....	2,377,261	-	-	2,377,261
Equity securities.....	16,103,952	-	-	16,103,952
Fixed income securities.....	4,543,246	-	-	4,543,246
Other.....	7,459	-	-	7,459
	<u>\$ 23,032,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>23,032,137</u>
Money market investments.....				404,196
Money market related accounts.....				5,397,054
Real estate.....				2,664,604
Assets held in trust.....				2,981,982
Cash on deposit with U. S. Treasury.....				122,449
Certificates of deposit.....				272,301
Other.....				4,475,171
Total.....				<u>\$39,349,894</u>

The Pension Trust Funds have invested a significant portion of their portfolios into a trust, which pools assets for investment purposes and allocates returns on these investments in proportion to each fund's share of the pool. The fund includes money held on behalf of other governments.

The investments are carried at fair value. At June 30, 2004, they are as follows (amounts in thousands):

Investment	Market Value			Total
	CATEGORY 1	CATEGORY 2	CATEGORY 3	
Government obligations.....	\$ 2,346,849	\$ -	\$ -	\$ 2,346,849
Equity securities.....	15,871,564	-	-	15,871,564
Fixed income securities.....	4,456,835	-	-	4,456,835
	<u>\$ 22,675,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>22,675,248</u>
Money market related accounts.....				1,826,707
Real estate.....				2,648,651
Other.....				4,473,226
Total.....				<u>\$ 31,623,832</u>

On behalf of the HST, the Pension Reserve Management Board has invested a significant portion of their portfolio into a trust, which pools assets for investment purposes and allocates returns on these investments in proportion to the fund's share of the pool.

The investments are carried at fair value. At June 30, 2004, they are as follows (amounts in thousands):

Investment	Market Value			Total
	CATEGORY 1	CATEGORY 2	CATEGORY 3	
Government obligations.....	\$ 30,412	\$ -	\$ -	\$ 30,412
Equity securities.....	232,388	-	-	232,388
Fixed income securities.....	86,411	-	-	86,411
Other.....	7,459	-	-	7,459
	<u>\$ 356,670</u>	<u>\$ -</u>	<u>\$ -</u>	356,670
Money market related accounts.....				88,616
Real estate.....				15,953
Other.....				1,945
Total.....				<u>\$ 463,184</u>

Of the investments, \$75,146,281 in the Health Care Security Trust Fund represents amounts owed to the General Fund. On July 1, 2004, \$43,917,971 of these accrued redemptions were transferred to the General Fund in accordance with Massachusetts General Laws Chapter 29D, Section 3(f), representing 50% of the total return generated by the Account for the period October 1, 2002 through September 30, 2003. Said Chapter 29D, Section 3(f) was recently amended by Section 14 of Chapter 352 of the Acts of 2004. The period upon which the total return calculation is based changed to the 12-month period ending June 30. As a result of this amendment, the fund includes an additional \$31,228,310 owed to the General Fund representing 50% of the amount of earnings of the investments for the nine-month period beginning October 1, 2003 and ending June 30, 2004 to be paid on July 1, 2005. Total return represents net investment income less administrative fees.

**A. Financial Instruments  
with Off-Balance Sheet  
Risk**

Certain investments of the Commonwealth may involve a degree of risk not accounted for on the respective financial statements. A description of such "off-balance sheet risks" are as follows:

*Forward Currency Contracts*

The Pension Trust Funds enter into forward currency contracts to hedge the exposure to changes in foreign currency exchange rates on foreign portfolio holdings. The market value of the contract will fluctuate with changes in currency exchange rates. Risks may arise upon entering these contracts from the potential inability of 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.

When the contract is closed, the Pension Trust Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Fluctuations in the value of forward currency contracts are recorded as unrealized gains or losses by the Pension Trust Funds.

#### *Futures Contracts*

The Pension Trust Funds 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 primarily corresponds with the value of underlying instruments, which may 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 arise from the potential inability of a counterparty to meet the terms of a contract and from unanticipated movements in the value of a foreign currency relative to the U.S. dollar. The Pension Trust Funds may also invest in financial futures contracts for non-hedging purposes.

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

#### *Options*

PRIT is also engaged in selling or “writing” options. The Pension Trust Funds, as writers of options, may have no control over whether the underlying securities may be sold (call) or purchased (put) and, as a result, bear the market risk of an unfavorable change in the price of the security underlying the written option. As of June 30, 2004, there were no material options outstanding.

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**5. SHORT-TERM FINANCING AND CREDIT AGREEMENTS**

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Massachusetts General Laws authorize the Treasurer to issue temporary notes in anticipation of revenue or bond financing. When this short-term debt does not meet long-term financing criteria, it is classified as a fund liability. Short-term debt may be issued on either a stand-alone basis or through a commercial paper program maintained by the Commonwealth.

**A. General Fund**

The balance of revenue anticipation notes (RANs) outstanding may fluctuate during a fiscal year, but must be reduced to zero at June 30. During FY04, the Commonwealth issued RANs through its commercial paper program on a periodic basis to meet cash flow needs. A maximum of \$450,000,000 of RANs were outstanding at any time during the year. All RANs were retired before the end of June 2004.

**B. Capital Project Funds**

The Commonwealth may issue bond anticipation notes (BANs) to temporarily finance its capital projects. BANs may be issued either on a stand-alone basis or through the Commonwealth's commercial paper program.

Beginning in FY03 and continuing through FY04, the Commonwealth periodically issued BANs through the commercial paper program. BANs were rolled over and paid down at various times during the fiscal year. No more than \$650,100,000 of BANs were outstanding under the commercial paper program at any time during FY04. At June 30, 2004, BANs totaling \$75,100,000 remain outstanding.

On March 28, 2002, \$180,000,000 in General Obligation BANs were also issued to finance costs of the Central Artery / Tunnel Project, in advance of receiving certain contributions from the Massachusetts Port Authority (Massport). These BANs were retired in April, 2003 through the issuance of commercial paper. During June 2003, Massport delivered to the Commonwealth \$104,900,000 pursuant to Section 12 of Chapter 81A of the General Laws and the Roadway Transfer Agreement dated as of March 23, 1999, as amended (the "Transfer Agreement") among Massport, the Commonwealth, acting by and through the Massachusetts Highway Department, and the Massachusetts Turnpike Authority. This payment of \$104,900,000 was applied to retire a portion of the commercial paper BANs. \$75,100,000 of such BANs remains outstanding as of June 30, 2004.

On December 31, 2003, Massport was expected to make an additional payment to the Commonwealth under the Transfer Agreement of \$50,000,000, which would have been applied against these BANs. However, under the terms of the Transfer Agreement, the final two payments of \$50,000,000 each are due on December 31, 2003 and 2004, respectively, only to the extent that Massport has received assets of commensurate value. Prior to December 31, 2003, Massport informed the Commonwealth that such assets had not been received and that Massport therefore withhold the final two payments until such assets were transferred.

**C. Line-of-Credit Facilities**

During FY04, the Commonwealth maintained line-of-credit facilities to provide liquidity support for commercial paper notes totaling \$1,000,000,000. The Commonwealth has a total of five line-of-credit facilities to provide such liquidity support, each in the amount of \$200,000,000. These facilities expire in periods from December 2004, through December 2006 at various times. The annual cost of these facilities ranges from 0.125% to 0.17%.

The following schedule details short – term financing and credit agreement activity, net, for all funds for the fiscal year (amounts in thousands):

	Beginning Balance July 1, 2003	Issued / Drawn	Redeemed / Repaid	Ending Balance June 30, 2004	Credit Limit June 30, 2004
General Fund:					
Revenue anticipation notes.....	\$ -	\$ 450,000	\$ (450,000)	\$ -	\$ -
Line-of-credit agreements.....	-	-	-	-	1,000,000
Subtotal - General Fund activity.....	-	450,000	(450,000)	-	1,000,000
Capital Projects Funds:					
Bond anticipation notes.....	857,100	575,000	(1,357,000)	75,100	-
Subtotal - Capital Projects Funds activity.....	857,100	575,000	(1,357,000)	75,100	-
Total short-term financing and credit agreement activity.....	<u>\$ 857,100</u>	<u>\$ 1,025,000</u>	<u>\$ (1,807,000)</u>	<u>\$ 75,100</u>	<u>\$ 1,000,000</u>

**6. LONG-TERM DEBT**

Under the Constitution of the Commonwealth of Massachusetts, the Commonwealth may borrow money (a) for defense, (b) in anticipation of receipts from taxes or other sources, any such loan to be paid out of the revenue of the year in which the loan is made, or (c) by a two-thirds vote of the members of each house of the Legislature present and voting thereon. The Constitution further provides that borrowed money shall not be expended for any other purpose than that for which it was borrowed or for the reduction or discharge of the principal of the loan. In addition, the Commonwealth may give, loan or pledge its credit to another entity by a two-thirds vote of the members of each house of the Legislature. The Legislature may not in any manner allow the Commonwealth 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 Commonwealth has waived its sovereign immunity and consented to be sued on contractual obligations, including bonds and notes issued by it and all claims with respect thereto. However, the property of the Commonwealth is not subject to attachment or levy to pay a judgment, and the satisfaction of any judgment generally requires legislative appropriation. Enforcement of a claim for the payment of principal or interest on bonds and notes of the Commonwealth may also be subject to the provisions of federal or Commonwealth statutes, if any, enacted to extend the time for payment or impose other constraints upon enforcement.

As of June 30, 2004, the Commonwealth had three types of long-term debt outstanding, general obligation bonds, special obligation bonds and federal highway grant anticipation notes. The following is a summary of the Commonwealth's debt outstanding by type of debt (amounts in thousands):

	Amount Outstanding
<b><u>General Obligation Debt:</u></b>	
General Obligation Bonds:	
Fixed rate.....	\$ 12,203,178
Variable rate.....	1,364,480
Auction rate securities.....	401,500
College opportunity bonds.....	83,578
County debt assumed.....	675
Grant anticipation notes (inclusive of cross-over refunding notes).....	<u>1,908,015</u>
<b>Subtotal - General Obligation Debt.....</b>	<b>15,961,426</b>
<b><u>Special Obligation Debt:</u></b>	
Special Obligation Bonds (inclusive of cross-over refunding bonds):	
Fixed rate.....	\$ 1,335,276
Variable rate.....	<u>86,590</u>
<b>Subtotal - Special Obligation Debt.....</b>	<b>1,421,866</b>
Discount / (Premium) and issuance cost.....	<u>(1,120)</u>
<b>Total Outstanding Debt.....</b>	<b><u>\$ 17,382,172</u></b>

**A. General Obligation Bonds**

General Obligation Bonds are authorized and issued primarily to provide funds for Commonwealth-owned capital projects and Commonwealth supported local government improvements. They are backed by the full faith and credit of the Commonwealth and paid from the Governmental Funds, from which debt service principal and interest payments are appropriated. Massachusetts General Laws provide for the allocation of bond proceeds to these authorizations in arrears, as expenditures are made, unless the proceeds are allocated at the time of issuance. In addition, forms of general obligation bonds are issued for specific programs approved by the Legislature. These are as follows:

**i. College Opportunity Bonds**

Some Commonwealth general obligation debt is issued in the form of College Opportunity Bonds (COBs) as authorized by the Massachusetts General Laws. These bonds are sold to fund the Commonwealth's "U. Plan" which is part of a college savings program administered by the Massachusetts Educational Financing Authority. These bonds are privately placed and are structured to meet the needs of investors in this plan. Such bonds were initially issued in fiscal year 1996, and have been issued in each subsequent fiscal year, including FY04, during which approximately \$10,585,000, (including accretion), of such bonds were issued. Outstanding COBs have maturity dates ranging from 2005 through 2023. COBs have an accreting interest component payable at maturity. The annual accretion rate of each COB's maturity is a variable rate equal to the annual change in the Consumer Price Index (CPI) plus 2.0%. Assuming the CPI averages 3.5% during the life of the outstanding COBs the payments due at maturities of the COBs will total approximately \$171,533,000, including accretion. In addition, COBs pay current interest in the amount of 0.5% per year of the initial amount still outstanding. The full faith and credit of the Commonwealth back these bonds.

**ii. County Debt Assumed**

Chapter 38 of the Acts of 1997 and Chapter 300 of the Acts of 1998 abolished governments of several Massachusetts counties on various effective dates. As part of these provisions, the Commonwealth assumed the outstanding debt of Middlesex County on July 1, 1997, of Hampden and Worcester Counties on July 1, 1998, that of Essex County on July 1, 1999 and that of Berkshire County on July 1, 2000. The county debt assumed has become general obligation debt of the Commonwealth. As of June 30, 2004, \$675,000 of these obligations remains outstanding.

**iii. Variable Rate Demand Bonds**

Included in the long-term debt is \$1,451,070,000 of general obligation variable rate demand bonds (VRDBs) maturing from 2008 through 2030 in varying amounts, of which \$1,267,025,000 is swapped to fixed rates. The redemption schedule for these bonds is included in the bond redemption schedule contained herein. The interest rate on the VRDBs is determined either weekly or daily based on the activity of the Commonwealth's remarketing agents, and interest is paid monthly. On any reset date, holders of the VRDBs can require the Commonwealth (acting through its remarketing and tender agents) to repurchase the bonds (a "put"). The remarketing agent is authorized to use its best efforts to resell any repurchased bonds by adjusting the interest rates offered. The Commonwealth pays an annual fee to the remarketing agents equal to 0.05% of the outstanding par amount of the bonds.

Under the provisions of stand-by bond-purchase agreements entered into by the Commonwealth with certain commercial banks, the remarketing and tender agents are entitled to draw amounts sufficient to pay the purchase price of any bonds that cannot be resold. During any such period, the Commonwealth is required to pay the bank(s) at an interest rate based on their respective prime lending rates. If the remarketing agent is unable to resell any put bonds within six months of the put date, the stand-by bond-purchase agreements include provisions to convert any such bonds to installment loans payable over an extended period of time, with interest payable at a rate based on the bank(s) prime lending rate(s). The stand-by bond-purchase agreements expire on various dates between August of 2005 and December 2013. The Commonwealth is required to renew or replace these agreements as long as the VRDBs remain outstanding. The Commonwealth currently pays an annual fee to maintain these agreements, which range from 0.13% to 0.22% of the par amount of the bonds.

**iv Other Variable Rate Bonds**

As part of its refunding activities during FY03, the Commonwealth issued \$97,455,000 of refunding bonds which pay a variable rate interest that depends on changes in the Consumer Price Index (CPI). These bonds, which pay interest every six months, are not subject to periodic remarketing, nor do bondholders have the right to "put" such bonds back to the Commonwealth.

On June 29, 2004 as part of the Commonwealth's issuance of the Convention and Exhibition Center Special Obligation Bonds, \$86,590,000 of such bonds were issued paying a variable rate of interest also indexed to changes in the CPI. Similar to the 2003 Bonds, the Convention Center Bonds pay interest semiannually, but mature serially from FY15 to FY18.

As detailed in the variable rate debt schedule, these CPI based bonds all have been swapped to fixed rates ranging from 4.45% to 5.25%.

**v Auction Rate Securities**

Also included in the long-term debt is \$401,500,000 of general obligation Auction Rate Securities (ARS) maturing in varying amounts from 2020 through 2030. The interest rate payable on the bonds changes weekly as determined pursuant to specified auction procedures. Interest on the bonds is payable weekly. In the case of a failed auction (i.e., insufficient bids to clear the market) existing buyers may be required to hold their bonds with interest payable at a rate equal to a percentage of an ARS industry index, up to a maximum rate of 12.0%.



**B. *Special Obligation Bonds***

The Commonwealth also issues special obligation revenue bonds as authorized by Massachusetts General Laws. Such bonds may be secured by all or a portion of revenues credited to the Highway Fund and are not general obligations of the Commonwealth. At June 30, 2004, the Commonwealth had outstanding \$1,405,930,000 of such special obligation bonds, of which \$1,331,946,000 is allocated to debt not subject to the Commonwealth's statutory debt limit. These bonds are secured by a pledge of 6.86 cents of the 21 cent motor fuel excise tax imposed on gasoline.

In June of 2002, the Commonwealth sold \$319,130,000 of special obligation revenue bonds, Series 2002A. Of this amount, \$183,180,000 was issued to refund prior special obligation bonds. The remainder was used to fund capital spending in the Commonwealth. The escrow funded by the refunding bonds and related premium will be used only to secure the principal related to \$190,075,000, (as well as exclusive of related call premiums) in previously issued special obligation bonds, some of which matured on June 1, 2004 and others will mature in June 1, 2006 and 2008. The interest related to these maturities is not secured by this escrow. Rather, it will be paid from the existing stream of motor fuel excise taxes. Interest on a portion of the newly issued refunding bonds will be paid from the proceeds of the escrow until the aforementioned prior bonds are called for redemption. This technique, which is generally referred to as a "crossover refunding," results in economic savings to the Commonwealth similar to a normal refunding, but does not meet the accounting definition of defeasance of debt, in which case the defeased debt and the related escrow accounts would have been removed. Until such time as the escrow is used to repay the principal of the refunded bonds, such amounts will be reported in the Highway Capital Projects Fund. As of June 30, 2004, \$122,315,000 of these amounts remained outstanding.

On June 29, 2004, the Commonwealth issued \$686,715,000 of Special Obligation Bonds to permanently finance the costs of construction or renovation of the Commonwealth's convention and exhibition centers in Boston, Springfield and Worcester. To date, these projects were financed primarily through the issuance of notes. The total proceeds from the sale were approximately \$706,729,000. The bonds are secured solely by pledged receipts of tax revenues within special districts surrounding those facilities and certain other moneys or securities established within credit facilities. The bonds mature from FY15 to FY34.

**C. *Federal Highway Grant Anticipation Notes***

The Commonwealth also issued Federal Highway GANs to finance current cash flow for the Central Artery/Tunnel Project in anticipation of future federal reimbursements. Section 9 through 10D of Chapter 11 of the Acts of 1997, as amended by Chapter 121 of the Acts of 1998, authorizes the Commonwealth to sell up to \$1,500,000,000 in GANs. All Federal Highway Construction reimbursements and reimbursements from the federal highway construction trust funds are pledged to the repayment of the GANs. These notes are secured by the pledge of Federal Highway Construction Reimbursements without a general obligation pledge. Under certain limited circumstances, a portion of the revenue from the Commonwealth's motor fuels excise tax may be used to pay debt service on the GANs.

In July of 2004, the Commonwealth sold \$408,015,000 of GANs refunding notes, Series 2003A. These notes are Special Obligations of the Commonwealth. The escrow funded by the notes will be used to secure the principal related to \$418,340,000 of GANs, including related call premiums, in previously issued series callable on December 15, 2008 and 2010. The interest related to these maturities is not secured by this escrow. Rather, it will be paid from Commonwealth appropriations or the existing stream of future federal grants. Interest on the newly issued refunding notes will be paid from the proceeds of the escrow until the aforementioned prior notes are called for redemption. For the purposes of the pledge but not for accounting purposes, at the time of call, the refunding notes will become GANs. This results in economic savings to the Commonwealth similar to a normal refunding, but does not meet the accounting definition of defeasance of debt, in which case the defeased debt and the related escrow accounts would have been removed. Until such time as the escrow is issued to repay the principal of the refunded notes, such amounts will be reported in the Grant Anticipation Note Trust Fund. As a result of this transaction, the Commonwealth will reduce its debt service by \$23.9 million over the next 12 years, resulting in an economic gain of \$15.4 million on a present value basis. Inclusive of the cross-over refunding notes, at June 30, 2004, the Commonwealth has \$1,907,340,000 of GANs outstanding, including accreted interest on capital appreciation bonds with maturity dates ranging from 2006 to 2015.

**D. Interest Rate Swap  
Agreements**

The Commonwealth enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

*Objective of the Interest Rate Swap Agreements*

In connection with the issuance of variable rate refunding bonds in 1997, 1998, 2001 and 2003, the Commonwealth entered into interest rate swap agreements with certain counterparties. The purpose of these agreements is to effectively fix the interest rate payable on the corresponding variable rate refunding bonds, and to achieve an all-in synthetic interest rate that is lower than the rate that could have been achieved on a natural fixed rate basis at the time the agreements were entered into.

*Terms of the Interest Rate Swap Agreements*

The bonds and related swap agreements have final maturities ranging from 2013 to 2021. The swaps' total notional value of \$1,451,070,000 matches the par amount of the related variable rate refunding bonds. Under the swap agreements, the Commonwealth pays the relevant counterparties' fixed rates ranging from 4.15% to 5.25% and receives variable rate payments equal to the amount of variable rate payments the Commonwealth pays on the related variable rate refunding bonds.

The following chart details the Commonwealth's outstanding swaps and related bond issuances:

Associated Bond Issue	Notional Amounts (thousands)	Effective Date	Fixed Rate Paid (Range)	Variable Rate Received	Fair Market Values (thousands)	Final Termination Date	Counterparty Credit Rating
<i>General Obligation Bonds:</i>							
Series 1997B	\$ 162,768	8/12/1997	4.659%	Actual Bond Rate	\$ (12,949)	August 1, 2015	AA+/Aaa
Series 1997B	108,512	8/12/1997	4.659%	Actual Bond Rate	(11,005)	August 1, 2015	AAA/Aaa
Series 1998A & B	299,712	9/17/1998	4.174%	Actual Bond Rate	(19,219)	September 1, 2016	AAA/Aaa
Series 1998A & B	199,808	9/17/1998	4.174%	Actual Bond Rate	(8,219)	September 1, 2016	AAA/Aaa
Series 2001B & C	496,225	2/20/2001	4.150%	Actual Bond Rate	(31,836)	January 1, 2021	AAA/Aaa
Series 2003B	87,455	3/12/2003	4.500%	Actual Bond Rate	1,521	March 1, 2014	AA+/Aaa
Series 2003B	10,000	3/12/2003	4.500%	Actual Bond Rate	297	March 1, 2013	A/A2
Subtotal	<u>1,364,480</u>				<u>\$ (81,410)</u>		
<i>Special Obligation Dedicated Tax Revenue Bonds (CPI Based Swaps):</i>							
Series 2004	28,863	6/29/2004	4.45% - 5.25%	Actual Bond Rate	(1,301)	January 1, 2018	A/A1
Series 2004	28,863	6/29/2004	4.45% - 5.25%	Actual Bond Rate	(1,303)	January 1, 2018	A+/Aa3
Series 2004	28,863	6/29/2004	4.45% - 5.25%	Actual Bond Rate	(1,078)	January 1, 2018	AA-/Aa2
Subtotal	<u>86,590</u>				<u>\$ (3,682)</u>		
Total	<u>\$ 1,451,070</u>				<u>\$ (85,092)</u>		

#### *Fair Market Value of the Interest Rate Swap Agreements*

Swap rates for the types and remaining terms of the Commonwealth's swap agreements are generally lower (as of June 30, 2004) than those that prevailed when the various swap contracts were entered into. This is the result of two factors: (1) lower interest rates in general; and (2) the shortening of the remaining terms of the swap contracts due to the passage of time and an upward sloping yield curve for such instruments. As a result, the Commonwealth's swap agreements have an estimated fair market value of negative \$85,092,000 as of June 30, 2004. If all the Commonwealth's swap agreements had been terminated as of the end of fiscal year 2004, the Commonwealth would have been required to make a payment of this magnitude. Although the Commonwealth has the option of terminating its swap agreements at any time (and either make or receive any termination payment due), the Commonwealth's counterparties do not have such an option. Therefore, the Commonwealth would only have to make a payment of the magnitude estimated if certain termination events occurred, as described below.

#### *Credit Risk of the Interest Rate Swap Agreements*

The swap contracts require that the Commonwealth's counterparties maintain certain ratings levels. If they fail to maintain such ratings, the Commonwealth could choose to terminate the related swap agreement and receive or pay a termination payment depending on the interest rates at the time. Similarly, the Commonwealth is required to maintain a certain credit rating under the agreements, generally in the "A" category. If the Commonwealth's rating fell below those levels, the Commonwealth's counterparties could choose to make variable rate payments based on a market index (instead of the actual bond rate) which would subject the Commonwealth to basis risk, as noted below.

*Basis, Market and Rollover Risk of the Interest Rate Swap Agreements*

Because the terms on the interest rate swap agreements require the Commonwealth's counterparties to make variable rate payments equal to those the Commonwealth makes on the related variable rate bonds, the Commonwealth is not generally subject to any basis or market risk as a result of these agreements. Under certain circumstances, such as a downgrade of the credit rating of the bonds or the enactment of tax-related legislation which causes the related bonds to trade differently, the swap agreements provide that the Commonwealth's counterparties, may, at their option, pay a variable rate that is based on one or more market indices such as LIBOR or the BMA swap index. Under these circumstances, the Commonwealth would be subject to basis risk if these indices varied significantly from the variable rates that were determined for the Commonwealth's variable rate demand bonds through the associated remarketing process.

The swap contracts have the same maturity dates and amortizations as the related bonds. Therefore, the Commonwealth is not subject to any rollover risk as a result of these agreements.

*Termination Risk of the Interest Rate Swap Agreements*

The swap contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The swap agreements are not otherwise subject to termination except at the Commonwealth's option. If one or more of the swap agreements were terminated, then related variable rate bonds would no longer be hedged and the Commonwealth would no longer be paying a synthetic fixed rate with respect to the bonds. In addition, if at the time of termination, the swap had a negative fair value, the Commonwealth would incur a loss and would be required to settle with the related counterparty or counterparties at the swaps' fair market values.

*Interest Rate Swap Agreement Dispute*

The Commonwealth is party to an interest rate swap agreement relating to the Commonwealth's General Obligation Refunding Bonds, 2001 Series B and 2001 Series C, pursuant to which the Commonwealth makes payments at a fixed rate of 4.15% per annum and receives payments from its swap counterparty at a floating rate based on the actual rate on its bonds, which are variable rate obligation bonds. The notional amount of the swap currently is \$496,225,000 and the scheduled termination date is January 1, 2021. Swap payments are made monthly, with the Commonwealth netting its fixed rate obligation against the floating rate amount due from the swap counterparty. The swap documentation provide that the method for determining the floating rate obligation of the counterparty may change upon an "Event of Taxability" as defined therein. The swap counterparty has asserted that an Event of Taxability has occurred and that, as a result, commencing May 3, 2004, the Commonwealth's monthly net payments to the counterparty must be increased. The Commonwealth disagrees with this assertion and, on April 23, 2004, filed a complaint in Suffolk County Superior Court seeking a declaratory judgment and related preliminary injunction relief. The swap payment made by the Commonwealth on May 3, 2004 and each monthly payment made thereafter have been calculated based on the pre-existing method. Had they been calculated as asserted by the swap counterparty, under market conditions on each such payment date through

October 1, 2004, the payments would have been approximately \$1.0 million greater in the aggregate. The termination value of the swap as of June 30, 2004 is believed to have been approximately \$31.8 million in favor of the swap counterparty and will vary from time to time. The Commonwealth has continued to make net swap payments based on its actual variable rate bond payments pending legal developments.

Debt service on the variable rate bonds is as follows (assuming a short term rate of 2% and a CPI rate of 3%):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate		Total
	Principal	Interest	Swaps, Net		
2005	\$ -	\$ 32,623,645	\$ 31,965,358	\$	64,589,003
2006	-	32,623,645	31,965,358		64,589,003
2007	-	32,623,645	31,965,358		64,589,003
2008	2,340,000	32,588,545	31,927,204		66,855,749
2009	3,870,000	32,518,795	31,851,386		68,240,181
2010-2014	495,555,000	142,580,842	136,844,068		774,979,910
2015-2019	753,465,000	50,875,480	49,818,691		854,159,171
2020-2024	195,840,000	4,214,800	4,530,910		204,585,710
Total	<u>\$ 1,451,070,000</u>	<u>\$ 360,649,397</u>	<u>\$ 350,868,333</u>		<u>\$ 2,162,587,730</u>

#### E. Outstanding Debt

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

The amount of long-term debt authorized but unissued is measured in accordance with the statutory basis of accounting. Only the net proceeds (exclusive of discount and costs of issuance) are deducted from the total authorized by the Legislature.

Long-term debt outstanding (including discount and issuance cost) and debt authorized and unissued at June 30, 2004 is as follows (amounts in thousands):

Purpose	Bonds Outstanding	Fiscal Year Maturities	Authorized and Unissued
GANs.....	\$ 1,907,340	2006-2015	\$ -
Capital Projects:			
General.....	5,496,512	2005-2031	3,958,557
Highway.....	8,774,386	2005-2034	2,666,991
Local Aid.....	1,142,134	2005-2031	99,146
Other.....	61,800	2005-2029	103,299
	<u>15,474,832</u>		<u>6,827,993</u>
Total.....	<u>\$ 17,382,172</u>		<u>\$ 6,827,993</u>

Interest rates on the Commonwealth's debt outstanding at the end of FY04 ranged from 0.0% to 8.0%.

Changes in long-term debt outstanding (including discount and issuance cost) and bonds authorized - unissued for the year ended June 30, 2004 are as follows (amounts in thousands):

	Bonds Outstanding	Authorized and Unissued
Balance July 1, 2003.....	\$ 15,962,506	\$ 8,721,581
General and special obligation bonds:		
Principal, less discount and issuance costs.....	1,993,086	(1,993,086)
Net premium and issuance costs.....	(67,096)	-
General obligation refunding bonds:		
Principal on Refunding Bonds.....	2,936,710	-
Principal on Refunded Bonds.....	(2,750,667)	-
Retired discount on Refunded Bonds.....	66,077	-
Increase in bonds authorized.....	-	310,461
Decrease in bonds authorized.....		(210,963)
Bonds retired.....	(758,444)	-
Balance June 30, 2004.....	<u>\$ 17,382,172</u>	<u>\$ 6,827,993</u>

At June 30, 2004, debt service requirements to maturity for principal (including discount, capital appreciation and issuance costs) and interest including all variable rate interest not hedged by swap agreements (assumed interest rate is 5%) are as follows (amounts in thousands):

Fiscal Year Ended				
June 30,	Principal	Interest	Total	
2005.....	\$ 880,272	\$ 843,653	\$ 1,723,925	
2006.....	998,102	829,576	1,827,678	
2007.....	1,038,302	779,519	1,817,821	
2008.....	1,069,225	725,953	1,795,178	
2009.....	1,076,809	671,376	1,748,185	
2010-2014.....	5,116,215	2,519,304	7,635,519	
2015-2019.....	3,455,335	1,360,286	4,815,621	
2020-2024.....	2,252,708	634,770	2,887,478	
2025-2029.....	872,914	292,264	1,165,178	
2030-2032.....	622,290	59,900	682,190	
Total	<u>\$ 17,382,171</u>	<u>\$ 8,716,601</u>	<u>\$ 26,098,773</u>	

The Commonwealth issued bonds and notes through both competitive and negotiated sales during FY04. The costs for legal counsel and underwriting fees for bond sales were \$879,000 and \$23,884,000 respectively. In addition, the Commonwealth paid \$156,000 for disclosure counsel services.

**F. Bonds Defeased Through Refunding during FY04**

As authorized by the Massachusetts General Laws, the Commonwealth advance refunded certain general obligation bonds through the issuance of \$2,528,695,000 of general obligation refunding bonds (exclusive of the aforementioned special obligation refunding bonds) during FY04. Net proceeds totaling approximately \$2,829,668,000 were used to purchase U.S. Government and U.S. Government Agency securities which were deposited in irrevocable trusts with an escrow agent to provide for all future debt service payments of the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the liabilities therefore have been removed from the General Long-term Obligations Account Group. As a result of these refundings, the Commonwealth decreased current year debt service payments and has taken advantage of lower interest rates, and it has decreased its aggregate debt service payments by approximately \$203,600,000 over the next 20 years and will experience an economic gain (the difference between the present values of the debt service payments of the refunded and refunding bonds) of approximately \$107,200,000. At June 30, 2004, approximately \$1,940,005,000 of the bonds refunded remain outstanding and are defeased.

**G. Prior Defeasance**

In prior years, the Commonwealth defeased certain general and special obligation bonds by purchasing securities (from the proceeds of refunding bonds or from surplus operating funds) and placing them in irrevocable trusts to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the financial statements. At June 30, 2004, approximately \$4,327,954,000 of bonds outstanding from activities in prior fiscal years are considered defeased.

**H. Statutory Debt Limit**

The Massachusetts General Laws establish limits on the amount of direct debt outstanding. By statutorily limiting the Commonwealth's ability to issue direct debt, this limit provides a control on annual capital spending. The direct debt limit for FY04 was approximately \$12,822,414,000. Outstanding debt subject to the limit at June 30, 2004 was approximately \$12,459,055,000. The limit increases 5% per year.

For purposes of determining compliance with the limit, outstanding direct debt is defined to include general obligation bonds and minibonds at the amount of their original net proceeds. It excludes BANs and discount and issuance costs, if any, financed by these bonds. It also excludes special obligation bonds, GANs, refunded bonds, certain refunding bonds, debt issued by counties, and debt issued in conjunction with the MBTA forward funding.

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

	<u>Debt Outstanding</u>
Balance June 30, 2004.....	\$ 17,382,172
Less amounts excluded:	
Discount and issuance cost.....	1,120
Special Obligation Principal.....	(1,347,882)
GANs Principal.....	(1,908,015)
County Debt Assumed.....	(675)
MBTA Forward Funding.....	(601,027)
Central Artery Tunnel.....	(1,066,638)
Outstanding Direct Debt.....	<u>\$ 12,459,055</u>

**I. Subsequent Bond Issuances**

In August of 2004, the Commonwealth sold \$300,000,000 of General Obligation Bonds, 2004 Series C. The proceeds were used to fund capital spending.

In August of 2004, the Commonwealth issued an additional series of College Opportunity Bonds totaling \$12,682,000. This includes an initial amount of \$7,118,000 plus an expected \$5,564,000 in interest to be accreted through maturity.

**7. LEASES**

In order to finance the acquisition of equipment, the Commonwealth has entered into various lease / purchase agreements, including tax-exempt lease purchase (TELP) agreements, which are accounted for as capital leases. Lease agreements are for various terms and contain clauses indicating that their continuation is subject to appropriation by the Legislature. For the fiscal year ended June 30, 2004, capital lease / purchase expenditures totaled approximately \$34,790,000.

At June 30, 2004, the Commonwealth's aggregate outstanding liability under capital leases, based on the present value of the net minimum lease payments, totaled approximately \$131,843,000. This liability is reported in the General Long-Term Obligations Account Group. Equipment acquired under capital leases and included in the General Fixed Assets Account Group totaled approximately \$160,440,000.

The Commonwealth has numerous operating lease agreements for real property and equipment with varying terms. These agreements contain provisions indicating that continuation is subject to appropriation by the Legislature.

Certain colleges have capital leases for energy projects with guaranteed energy savings. The result of these savings yields zero interest due from 2014 – 2022 on these leases.

Operating lease expenditures for the fiscal year ended June 30, 2004 were approximately \$192,268,000.



The following is a schedule of future minimum payments under non-cancelable leases as of June 30, 2004 (amounts in thousands):

	Capital Leases		Operating	
	<u>Principal</u>	<u>Interest</u>	<u>Leases</u>	<u>Total</u>
2005.....	\$ 34,897	\$ 6,157	\$ 167,626	\$ 208,680
2006.....	29,015	4,746	110,075	143,836
2007.....	22,840	3,395	82,822	109,057
2008.....	21,032	2,816	53,254	77,102
2009.....	7,292	888	36,947	45,127
2010-2014.....	16,767	1,278	115,002	133,047
2015-2019.....	-	9	45,982	45,991
2020-2023.....	-	-	45,982	45,982
2024-2028.....	-	-	45,982	45,982
2029-2033.....	-	-	36,789	36,789
Total.....	<u>\$ 131,843</u>	<u>\$ 19,289</u>	<u>\$ 740,461</u>	<u>\$ 891,593</u>

## 8. INDIVIDUAL FUND DEFICITS

In order to resolve the deficits in the budgeted funds, the Comptroller has recommended authorization of transfers from other budgeted funds with surplus balances or a plan of fund consolidation. For the Non-Budgeted Special Revenue Funds, the Comptroller has recommended similar budgeted transfers to subsidize and resolve the deficits or consolidation of such funds into budgeted funds. In both cases, such steps require legislative action.

The Capital Projects Fund deficit reported in the following table reflects the time lag between capital expenditures and the sale of related bonds. To arrive at the combined capital projects fund balance, this individual fund deficit is offset by capital funds earmarked in the Central Artery Statewide Road and Bridge Infrastructure Fund of \$732,581,000, \$134,182,000 held in escrow for the Series 2002A Special Obligation Bonds and \$82,160,000 in reserve for the other Capital Projects Funds.

The following Budgeted, Non-Budgeted Special Revenue and Capital Projects Funds are included in the combined totals and have individual fund deficits at June 30, 2004, as follows (amounts in thousands):

Budgeted Funds:	
Highway Fund.....	\$ 716,533
Children's and Seniors' Health Care Assistance Fund.....	<u>161,665</u>
Total Budgeted Funds.....	<u>878,198</u>
Non-Budgeted Special Revenue:	
Other:	
Government Land Bank Fund.....	35,097
Mosquito and Greenhead Fly Control Fund.....	81
Motor Vehicle Safety Inspection Trust Fund.....	<u>25,655</u>
Total Non - Budgeted Funds.....	<u>60,833</u>
Capital Projects:	
General Capital Projects Fund.....	282,206
Capital Investment Trust Fund.....	755
Capital Improvements and Investment Trust Fund.....	7,224
Capital Expenditure Reserve Fund.....	98,829
Highway Capital Projects Fund.....	176,565
Government Land Bank Capital Project Fund.....	5,000
Local Capital Projects Fund.....	<u>13,495</u>
Total Capital Projects Funds.....	<u>584,074</u>
Total .....	<u>\$ 1,523,105</u>

## 9. MEDICAID COSTS

The Commonwealth provides medical care for low-income, elderly and other residents who qualify for such assistance under the federally-sponsored Medical Assistance Program (Medicaid). The Commonwealth pays the full cost of care and is reimbursed by the federal government for 50% of that cost. For the fiscal year ended June 30, 2004, the General Fund, and Children's and Seniors' Health Fund include \$5,742,398,000 in expenditures for Medicaid claims processed for payment.

The combined financial statements – statutory basis include Medicaid claims processed but unpaid at June 30, 2004 of approximately \$177,038,000 as accounts payable. The Commonwealth estimates its total liability, as determined in accordance with GAAP, at \$736,100,000 including the amounts reported as accounts payable at June 30, 2004. This amount includes estimates of both the cost of care provided as of June 30, 2004, for which claims have not been processed and other costs. Of this amount, \$387,381,000 is expected to be reimbursed by the federal government and third party recoveries.

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**10. RETIREMENT SYSTEMS**

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**A. Primary Government**

The Commonwealth is statutorily responsible for the pension benefits for Commonwealth employees (members of the State Employees' Retirement System) and for teachers of the cities, towns, regional school districts throughout the Commonwealth and Quincy College (members of the Teachers' Retirement System, except for teachers in the Boston public schools, who are members of the State-Boston Retirement System but whose pensions are also the responsibility of the Commonwealth). The members of the retirement systems do not participate in the Social Security System.

The Commonwealth has assumed responsibility for payment of cost-of-living adjustments (COLA) for the separate (non-teacher) retirement systems of its cities, towns and counties, granted in fiscal year 1981 to 1996. The Commonwealth is statutorily required to have an actuarial valuation once every three years and every two years to confirm to the requirements of GAAP.

**B. Plan Descriptions**

The *State Employees' Retirement System* (SERS) is a single employer defined benefit public employee retirement system (PERS), covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies, including the state police officers at the Massachusetts Port Authority and the Massachusetts Turnpike Authority. The SERS is administered by the Commonwealth and is part of the reporting entity and does not issue a stand alone financial report.

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

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

Certain Commonwealth employees and current retirees employed prior to the establishment of the State Employees' Retirement System are covered on a "pay-as-you-go" basis. During the year ended June 30, 2004, the Commonwealth's pension expenditure included payments totaling \$14,567,000 to current retirees employed prior to the establishment of the current plans and the non-contributory plans.

The policy for post-retirement benefit increases for all retirees of the SERS, TRS, BTRS and COLA of local governments is subject to legislative approval.

Membership – Membership in SERS, TRS and BTRS as of January 1, 2004, the date of the most recent valuation, is as follows:

	<u>SERS</u>	<u>TRS</u>	<u>BTRS</u>
Retirees and beneficiaries			
currently receiving benefits.....	51,418	39,341	2,992
Terminated employees entitled to			
benefits but not yet receiving them....	2,966	N/A	169
Subtotal.....	<u>54,384</u>	<u>39,341</u>	<u>3,161</u>
Current employees:			
Vested*.....	41,229	43,978	3,432
Non-vested*.....	38,893	43,956	2,523
Subtotal.....	<u>80,122</u>	<u>87,934</u>	<u>5,955</u>
Total.....	<u>134,506</u>	<u>127,275</u>	<u>9,116</u>

\* Estimated

### **C. Benefit Provisions**

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

### **D. Funding Progress**

During FY01, the Legislature passed Chapter 114 of the Acts of 2000, which modified Chapter 32 of the General Laws. This modification became effective on July 1, 2001. In Chapter 114, teachers who are members of the State Teachers Retirement System, or teachers who are members of the State – Boston Retirement System before 1975, who resigned or took an unpaid leave of absence because of maternity leave will be allowed to “buy back” into the fund up to a maximum of four years. The member must pay the amount determined by the Retirement Board by December 31, 2001 to qualify, as long as the member has worked longer than ten years. If the member completes ten years of service after December 31, 2001, payment can be made within 18 months of completion of ten years of service. In addition, the law creates a superannuation retirement benefit program for all teachers hired on or after July 1, 2001. This program has a contribution rate of 11 percent of regular compensation. To be eligible for the alternative benefit at retirement, the teacher must have completed thirty years of eligible service. All previous members may elect to participate in the program, as long as they participate with the equivalent of a minimum of five years of employee contributions at the new rate. If the member retires before five years, the teacher must pay into the system, the amount that would have been paid in one lump sum, or in installments as the Board may prescribe. The alternative benefit is calculated as the percentage of average compensation determined under the current formula increased by 2% of the average annual compensation for each full year of service in excess of 24 years. The election to participate is irrevocable.

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

Actuarial Valuation as of January 1	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAL)	Funded Ratio %	Annual Covered Payroll *	UAL as a % of Covered Payroll
State Employees' Retirement System						
2004	\$ 15,931,000	\$ 18,966,000	\$ 3,065,000	84.0 %	\$ 3,842,000	79.8 %
2003	13,947,000	17,551,000	3,604,000	79.5	3,779,000	95.4
2002	15,002,000	15,961,000	959,000	94.0	4,034,000	23.8
2001	13,922,000	15,170,000	1,248,000	91.8	3,700,000	33.7
2000	13,364,000	14,138,000	773,000	94.5	3,472,000	22.3
1998	9,914,000	11,361,000	1,447,000	87.3	3,111,000	46.5
1996	7,366,000	9,441,000	2,075,000	78.0	2,989,000	69.4
1995	5,879,000	8,602,000	2,723,000	68.3	2,992,000	91.0
1993	5,071,000	8,738,000	3,667,000	58.0	2,919,000	125.6
Teachers' Retirement System						
2004	17,075,000	24,519,000	7,444,000	69.6	4,556,000	163.4
2003	14,762,000	22,892,000	8,129,000	64.5	4,406,000	184.5
2002	15,712,000	20,620,000	4,908,000	76.2	4,264,000	115.1
2001	14,390,000	18,170,000	3,779,000	79.2	4,072,000	92.8
2000	13,681,000	16,420,000	2,739,000	83.3	3,704,000	73.9
1998	10,170,000	13,095,000	2,925,000	77.7	3,175,000	92.1
1996	7,553,000	10,252,000	2,699,000	73.7	2,810,000	96.0
1995	6,014,000	9,712,000	3,698,000	61.9	2,667,000	138.7
1993	5,142,000	8,921,000	3,779,000	57.6	2,428,000	155.6
State - Boston Retirement System ( Boston Teachers)						
2004	1,040,000	2,022,000	982,000	51.4	368,000	266.8
2003	919,000	1,918,000	998,000	47.9	387,000	257.9
2002	984,000	1,756,000	772,000	56.0	370,000	208.6
2001	918,000	1,502,000	583,000	61.1	304,000	191.8
2000	860,000	1,381,000	521,000	62.3	285,000	182.8
1998	699,000	1,219,000	520,000	57.3	285,000	182.5
1996	549,000	1,025,000	476,000	53.6	274,000	173.7
1995	438,000	833,000	395,000	52.6	232,000	170.3
1993	370,000	743,000	373,000	49.8	206,000	181.1

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

#### **E. Pension Actuarial Valuation**

The Commonwealth's pension actuarial valuation was performed as of January 1, 2004 pursuant to Chapter 32 of the General Laws of the Commonwealth of Massachusetts and based on the plan provisions at that time. The following are the most significant assumptions used in preparing the 2004 actuarial valuation:

Investment return.....	8.25% per year
Interest rate credited to annuity savings.....	3.5% per year
Cost of living increases.....	3% per year
Mortality.....	RP-2000 Health Annuitant table projected with scale AA (gender distinct). This is applicable to both pre-retirement and post-retirement benefits. Adjustments made for disabled members and certain other groups.
Salary Increases.....	Based on analysis of past experience - ranges from 4.75% to 8.5% for groups 1 and 2, 5.5% to 9.5% for group 3, 5.5% to 12% for group 4 and 4.75% to 9.5% for teachers.

**F. Contributions Required  
and Contributions Made**

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

The Commonwealth was financially responsible for the COLA granted to participants in the 104 retirement systems of cities, towns and counties in fiscal year 1981 to 1996. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to the respective system. Any future COLA granted by the Legislature to employees of these plans will be the responsibility of the individual system. The individual employer governments are also responsible for the basic pension benefits. The retirement systems are not administered by the Commonwealth and are not part of the reporting entity. The actuarial accrued liability for COLA as of January 1, 2004 was \$522,000,000.

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

Member contributions vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>% of Compensation</u>
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

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

This legislation also directed the Secretary of Administration and Finance to prepare a funding schedule to meet these requirements, and to update his 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 2004, the amortization payments are designed to eliminate the unfunded liability by fiscal year 2023 on a 4.50% increasing basis. Contributions by the Commonwealth of \$687,335,000 were made during the fiscal year ended June 30, 2004. Of this amount \$71,198,000 represents payments for COLA granted to participants in retirement systems of cities, towns and counties. The Commonwealth schedule encompasses SERS, TRS and Boston Teachers.

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

- Normal cost plus amortization of net pension obligation cost
- Interest and amortization on any unfunded prior service costs

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

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

Actuarial Valuation as of January 1	Annual Required Contribution (ARC)	Interest on NPO	Amortization of NPO	Pension Cost	Actual Contribution Made	Net Pension (Obligation) Asset (NPO)	% of ARC Contributed	% of Pension Cost Contributed
State Employees' Retirement System								
2004	\$ 349,557	\$ (109,346)	\$ (90,749)	\$ 330,960	\$ 246,754	\$ 1,241,195	71 %	75 %
2003	397,698	(117,299)	(96,940)	377,338	280,929	1,325,401	71	74
2002	215,795	(111,506)	(92,152)	196,441	266,660	1,421,811	124	136
2001	275,204	(109,731)	(133,387)	298,861	320,381	1,351,592	116	107
2000	352,084	(108,400)	107,190	350,873	367,000	1,330,071	104	105
1999	319,454	(103,188)	98,556	314,822	378,000	1,313,944	118	120
1998	261,255	(83,446)	77,180	254,989	494,289	1,250,766	189	194
1997	246,037	(65,478)	41,889	222,448	463,590	1,011,466	188	208
1996	232,158	(46,918)	29,523	214,763	433,114	770,324	187	202
1995	249,640	(31,639)	19,614	237,615	417,361	551,973	167	176
Teachers' Retirement System								
2004	610,841	(65,373)	(54,255)	599,722	359,476	552,153	59	60
2003	651,021	(83,468)	(68,980)	636,534	417,204	792,400	64	66
2002	411,225	(82,377)	(68,079)	396,927	410,143	1,011,729	100	103
2001	475,053	(78,498)	(95,421)	491,976	539,000	998,513	113	110
2000	480,873	(79,487)	78,599	479,985	468,000	951,489	97	98
1999	373,777	(70,312)	67,155	370,620	481,826	963,474	129	130
1998	315,474	(59,126)	54,686	311,034	446,619	852,267	142	144
1997	245,426	(44,832)	28,681	229,275	418,519	716,682	171	183
1996	232,403	(30,311)	19,073	221,165	392,003	527,439	169	177
1995	277,343	(24,002)	14,880	268,221	342,441	356,601	123	128
Boston Teachers Retirement System								
2004	74,787	5,374	4,460	75,701	45,364	(95,480)	61	60
2003	76,151	3,411	2,819	76,743	52,944	(65,142)	70	69
2002	940,003	(67)	(56)	93,992	51,833	41,343	6	55
2001	66,820	1,542	1,875	66,488	86,000	815	129	129
2000	58,266	448	(443)	58,271	45,000	18,697	77	77
1999	53,453	(989)	944	53,409	36,000	5,426	67	67
1998	48,795	(2,114)	1,995	48,636	35,000	11,983	72	72
1997	34,621	(2,082)	1,332	33,871	35,000	25,619	101	103
1996	32,908	(1,860)	1,171	32,219	34,822	24,490	106	108
1995	28,168	(1,816)	1,126	27,478	28,000	21,887	99	102

**G. *Change in Budgetary  
Funding for Pensions  
and Transfer of Assets***

In the FY04 GAA, the Legislature changed the funding mechanism for the Commonwealth's pension obligations, moving the funding "off – budget." The original pension funding schedule called for an \$832.3 million appropriation. However, the FY04 GAA amended the General Laws to allow annual pension appropriations to be paid at an amount equal to the scheduled amount less the value of any capital assets transferred to the pension liability fund. The FY04 GAA funded the \$832.3 million pension obligation using \$687.3 million in cash from the General Fund and the transfer to the pension liability fund of the Commonwealth from the Massachusetts Convention Center Authority the Hynes Convention Center and the Boston Common Garage, valued at \$145 million. However, the Treasurer and Receiver – General, acting on behalf of the Pension Reserves Investment Management Board, which manages the assets of the pension liability fund, found the valuation on the assets to be transferred from the Massachusetts Convention Center Authority unacceptable. To compensate, the Legislature set the transfers for pensions at \$1.2 billion for FY05.

In addition, the FY05 GAA also added certain other pension payments to be funded "off-budget." These payments to veterans and other groups paid pursuant to various acts passed in the 1980's totaled approximately \$14.6 million in FY04 and are expected to total a similar amount in FY05.

**H. *Post-retirement Health  
Care and Life Insurance  
Benefits***

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies. The Commonwealth recognizes its share of the costs of providing these benefits when paid. These payments totaled approximately \$273,828,000 for the fiscal year ended June 30, 2004. There are approximately 53,847 participants eligible to receive benefits at June 30, 2004.

The Commonwealth has not performed an actuarial valuation of its post-retirement health care and life insurance benefit liability. Private industry typically sees an actuarial accrued liability of 10 to 20 times the current annual payments. For the Commonwealth, this would extrapolate to an actuarial accrued liability of \$2.5 billion to \$5 billion.

The FY04 General Appropriation Act changed the employee contribution rates for group health insurance, with the exception of current employees earning less than \$35,000 and retirees. Current employees as of July 1, 2003 will contribute 20% to their health insurance costs if they earn over \$35,000. New employees will contribute 25%. In fiscal 2006, the contribution rates will return to 15% for all employees.



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## 11. COMMITMENTS

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### A. *Regional Transit Authorities*

Under Chapter 161B of the General Laws, the Commonwealth is obligated to provide annual subsidies to certain regional transit authorities for contract assistance, debt service assistance and their net cost of service deficiencies. The FY04 General Appropriation Act amended Chapter 161B. After July 1, 2003, bonds and notes issued by the various authorities are no longer guaranteed by the Commonwealth and are not general obligations of the Commonwealth.

### B. *MBTA and Other Authorities*

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2004, totaling \$2,278,390,000.

The MBTA's forward funding legislation of 1999 provides for the MBTA to issue general obligation, revenue or other debt secured by a pledge or conveyance of all or a portion of revenues, receipts or other assets or funds of the MBTA. This new debt is not backed by the full faith and credit of the Commonwealth.

In addition to the residual obligations of the MBTA, the Commonwealth guarantees debt of a number of Public Authorities. At June 30, 2004, the aggregate outstanding debt for which the Commonwealth is obligated to provide contract assistance support totaled approximately \$1,597,957,000 long-term, of which \$693,885,000 is for the Route 3 North Transportation Improvements Association and \$655,890,000 is for the University of Massachusetts Building Authority. No short-term regional transit authority debt is guaranteed.

In addition, the Commonwealth guarantees the debt of certain local governments and public higher education building authorities but does not provide contract assistance. The majority of these guarantees are for bonds outstanding for certain series' of the University of Massachusetts Building Authority. The Commonwealth guarantees these series of bonds to a maximum of \$200 million.

### C. *Saltonstall Building*

The Massachusetts Development Finance Agency (MDFA) was authorized in legislation to undertake redevelopment of the Saltonstall State Office Building and its surrounding area. Under the provisions of MDFA's bond authorization, the building is to be leased by the MDFA for a lease term of up to 50 years with extension terms permitted for an aggregate 30 more years. The MDFA renovated the building and will lease half of it back to the Commonwealth for office space and related parking for a comparable lease term. The remainder of the building and surrounding area has been redeveloped as private office space, housing and retail establishments. Upon completion, the Commonwealth will be obligated for future lease payments for space it rents. However, this obligation is not a general obligation or a pledge of credit of the Commonwealth. Though MDFA's bonds are revenue obligations, with pledges of the public and private lease payments, the Commonwealth's lease payments are due upon occupancy and are subject to annual appropriation. The Commonwealth has commenced occupancy of the building.

**D. Central Artery / Tunnel Project**

The Central Artery / Tunnel Project is the largest single component of the Commonwealth's capital program according to the finance plan filed as of October 1, 2004. The current cost estimate is \$14.625 billion. The plan includes a maximum obligation of \$8.549 billion from the federal government. The finance plan is currently under review.

At June 30, 2004, the Commonwealth had commitments of approximately \$862,829,000 related to ongoing construction projects. The majority relate to construction funding for the Central Artery/Tunnel Project. The Central Artery/Tunnel Project continues to anticipate federal participation and payments from the Massachusetts Turnpike Authority (MTA) and the Massachusetts Port Authority (MassPort).

**12. CONTINGENCIES**

A number of lawsuits are pending or threatened against the Commonwealth, which arise from the ordinary course of operations. These include claims for property damage and personal injury, breaches of contract, condemnation proceedings and other alleged violations of law. For those cases in which it is probable that a loss will be incurred and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid, the Attorney General estimates the liability to be approximately \$6,650,000 to be paid during FY05. No accrual has been made for this amount in the combined financial statements – statutory basis.

Under the statutory basis of accounting, workers' compensation costs are recognized when claims are presented and paid. The Commonwealth's outstanding liability for such claims at June 30, 2004 is estimated to be \$313,800,000, of which approximately \$37,660,000 is expected to be paid during FY05. No accrual has been made for these amounts in the combined financial statements – statutory basis.

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. Any disallowances become liabilities of the fund, which received the assistance. At June 30, 2004, the Commonwealth estimated that liabilities, if any, which may result from such audits are not material.

Chapter 200A of the Massachusetts General Laws, the Commonwealth's Abandoned Property Law, requires deposit of certain unclaimed assets into a managed Fiduciary Fund. These unclaimed assets are to be remitted to the General Fund each June 30, where it is included as miscellaneous revenue. Amounts remitted during FY04 totaled approximately \$159,864,000. Since inception, approximately \$1,320,031,000 has been remitted. A portion of this amount represents a contingency, because claims for refunds can be made by the owners of the property.

**A. Tobacco Settlement**

A Master Settlement Agreement (MSA) was executed in November of 1998 between five tobacco companies and 46 states, including the Commonwealth. 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 FY04, the Commonwealth received approximately \$253,621,000 or 90% of the estimated amounts shown in the MSA. All received amounts were transferred to the General Fund.

On December 19, 2003, 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 Master Settlement Agreement through 2025. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. The Commonwealth at present 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. No appeal was filed within the applicable time period.

**B. Unemployment  
Compensation Fund**

During FY04, the Commonwealth received interest free loans from the federal government to fund the unemployment compensation operating deficit, the fund balance declined by \$368.2 million. All of these borrowings were paid back in May 2004. No additional revenues were needed to be collected from employers in order to pay accrued interest as the loans were interest free. The fund balance in the Unemployment Compensation Fund stands at approximately \$122.5 million as of June 30, 2004. On October 13, 2004, the Commissioner of the Division of Unemployment Assistance announced that further loans will be needed in FY05 to pay unemployment benefits.

**C. *UMass Dartmouth Lease Revenue Bonds***

In September 2000, the Massachusetts Development Finance Agency issued Lease Revenue bonds (University of Massachusetts at Dartmouth, College of Visual and Performing Arts Project), 2000 Issue (the “UMass Dartmouth Lease Revenue Bonds”) in the principal amount of \$21,500,000 to finance the acquisition and rehabilitation of a facility to house the College of Visual and Performing Arts for the University of Massachusetts at Dartmouth (“UMass Dartmouth”). The facility was leased by a private limited partnership to the Commonwealth on behalf of UMass Dartmouth. The obligations of the Commonwealth under the lease, which were subject to annual appropriation, were pledged to secure the Lease Revenue Bonds. During the initial months of FY04, monthly lease payments were not paid. Interest and scheduled principal in respect of the UMass Dartmouth Lease Revenue Bonds payable on August 1, 2003 were paid in full from previously available funds. The Governor’s FY05 budget recommended a separate appropriation to meet this obligation.

On September 26, 2003 Moody’s Investors Service placed the Lease Revenue Bonds on “Watchlist for possible downgrade” citing its belief that the Commonwealth had failed to appropriate lease payments for the facility financed by the UMass Dartmouth Lease Revenue Bonds. At the same time, Moody’s also placed on “Watchlist for possible downgrade” the \$416.3 million outstanding principal amount of lease revenue bonds of the Route 3 North Transportation Improvements Association. The latter are also secured by a lease, subject to annual appropriation, of the Commonwealth. While the FY04 GAA did contain an express appropriation for the Route 3 North lease, and all amounts due and payable thereunder have been paid by the Commonwealth, Moody’s justified the Watchlist classification of the Route 3 North lease revenue bonds by “the exposed weakness in the budget process” of the Commonwealth arising from the supposed failure to appropriate for the lease of the UMass Dartmouth facility.

The Executive Office for Administration and Finance and the Office of the State Treasurer have concluded that the FY04 GAA authorized payment of the UMass Dartmouth lease and that, while the Legislature did not provide a specific line item appropriation for the lease payments, it did so only because it intended that the lease payments be made from a general appropriation of approximately \$327.8 million for the University of Massachusetts.

The monthly lease payments were brought current on October 28, 2003 and remain current. On November 24, 2003 Moody’s downgraded the Lease Revenue Bonds from “A1” to “A2”. At the same time, Moody’s confirmed the “Aa3” rating for the Route 3 North lease revenue bonds. Both issues were removed from “Watchlist for possible downgrade”. On November 26, 2003 the Governor signed a supplemental budget for FY04, which included an appropriation of \$2.7 million for the facilities costs, including lease payments, associated with the College of Visual and Performing Arts at UMass Dartmouth. The FY05 GAA included \$2.6 million in a specific item appropriation to fully fund this obligation.

**13. NON-TAX REVENUE INITIATIVES**

Chapter 653, Acts of 1989, amended Chapter 29 of the Massachusetts General Laws by adding Sections 29D and 29E, which authorize certain non-tax revenue initiatives and require reporting thereon, as follows.

**A. Debt Collection**

Pursuant to Massachusetts General Laws Chapter 29, Section D, Chapter 7A Section 8, allows private debt collection agencies to engage in debt collection for the Commonwealth. The fees paid are contingency based from the proceeds collected. Collections and fees paid during FY04 were:

<u>Department Collectors</u>	<u>Collections</u>	<u>Fees</u>
ACS State & Local Solutions .....	\$ 1,270,142	\$ 254,028
Allen Daniel Associates.....	249,864	46,060
Collection Company of America.....	2,316,948	512,782
Delta Management Associates, Inc....	571,965	143,940
Glenn Associates, Inc.....	637,881	121,246
Gragil Associates, Inc.....	97,302	21,404
NCO Financial Systems, Inc.....	1,344	66
OSI Collection Services, Inc.....	1,359,989	266,953
Walker Associates Inc.....	804,000	-
Windham Professionals, Inc.....	1,403,012	717,070
Total.....	<u>\$ 8,712,447</u>	<u>\$ 2,083,549</u>

Under the same program, the following amounts were collected and fees paid for institutions of higher education: (These figures are a subset of the above).

<u>Department Collectors</u>	<u>Collections</u>	<u>Fees</u>
Allen Daniel Associates.....	\$ 201,018	\$ 36,692
Collection Company of America.....	1,338,358	292,603
Delta Management Associates, Inc....	570,169	143,583
Glenn Associates, Inc.....	615,235	116,974
NCO Financial Systems, Inc.....	1,344	69
OSI Collection Services, Inc.....	438,348	88,070
Windham Professionals.....	188,277	43,644
Total.....	<u>\$ 3,352,749</u>	<u>\$ 721,635</u>

**B. Revenue Maximization**

Pursuant to Massachusetts General Law Chapter 29 Section 29E, contractors were engaged on a contingent fee basis to assist several of the Commonwealth's departments in the identification and collection of federal and other non-tax revenues. During FY04, \$199,241,000 was generated through such efforts, of which \$97,306,000 was credited back to the federal government. After contractor payments of \$8,695,000, the Commonwealth received \$93,240,000.

**C. Revenue Optimization**

The final year of authorization for the Revenue Optimization or "RevOpt" Campaign was in FY03. The RevOpt language allowed departments that are current MMARS users to engage in competitive procurements for expert services that will realize additional revenues for the Commonwealth. Payments made to vendors were contingent upon realized revenue and was made from the revenue generated from this effort. From inception through FY03, forty agencies proposed approximately 270 new projects, of which 66 projects generated over \$254 million in gross optimized revenue, yielding over \$223 million in net revenue to the General Fund.

**D. Cost Avoidance**

The Comptroller's appropriation authorizes contract arrangements engaged on a contingent fee basis for the purpose of identification and pursuit of cost saving/avoidance opportunities. During FY04, \$160,016,000 of state expenditures were avoided, of which \$80,008,000 would have been funded by the federal government. After contractor payments of \$11,123,000, the Commonwealth had a net cost saving / avoidance of approximately \$68,885,000.

**E. Intercept**

Intercept is authorized by M.G.L. Chapter 7A Section 3 and 815 CMR 9:06. Intercept is an automated process that offsets Commonwealth payments to delinquent receivables that have been approved by the Office of the State Comptroller. During FY04, the Intercept process was enhanced by using Web based technology to accept debt files from institutions of higher education. In FY04, the Commonwealth intercepted \$5,195,000 of which \$2,491,000 was on behalf of institutions of higher education.

**F. Telecommunication Audits**

Pursuant to Massachusetts General Law Chapter 29, Section 29E, authorized contractors were engaged on a contingent fee basis to provide telecommunication services audits to eligible entities of the Commonwealth. In FY03, five new contractors were added to this statewide contract to identify current or past billing overcharges and/or improper tariff rates and to negotiate a refund for overcharges with telecommunication companies on behalf of Commonwealth agencies. Telecommunication services audits could include, but are not limited to voice and data communication service recovery. The contract has exercised the second of two (1) year renewal options. There have been five authorized task orders from three different contractors to perform these services. In FY04, the contracts have not realized any refunds for the Commonwealth. Therefore, no payments have been made to the contractors to date.

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# ***Combining and Individual Fund Financial Statements - Statutory Basis***

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# *Individual Budgeted Funds*

## **MAJOR BUDGETED FUNDS:**

***The General Fund*** - The General Fund is the Commonwealth's primary Governmental Fund. All governmental activities not specifically directed to another fund are accounted for in the General Fund. As a result, most budgeted expenditures of the Executive secretariats, the Legislature, constitutional offices, Judiciary, institutions of higher education and independent commissions are paid for from the General Fund. It similarly receives a significant portion of sales, individual income and corporate taxes, and the full amount of most other governmental taxes.

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

***Infrastructure Fund (Subfund of Highway Fund)*** - details specific components of revenue and expenditure related to the Highway Fund segregated per instructions in Section 2 O of Chapter 29 of the General Laws.

***The Commonwealth Stabilization Fund*** - to account for amounts calculated in accordance with state finance law and maintain a reserve to enhance the Commonwealth's fiscal stability. For FY2003, the fund accounted for monies received from tax loophole closures, demutualized insurance company investments held by the Commonwealth and the residual surplus or deficit fund balances of closed funds. In FY2004, these functions were expanded to include cost recoveries from the Central Artery / Tunnel Project and the residual balance of the Temporary Holding Fund to the extent of expenditures from Stabilization..

***Administrative Control Funds*** - account for the revenues generated by certain administrative functions of government, for which the Legislature has required that separate funds be established. These funds include:

***Temporary Holding Fund*** - to account for cumulative tax revenues during the fiscal year in excess of permissible tax revenues as defined in Chapter 62F, Section 6A of the General Laws. The fund balance in the fund closes annually to the Stabilization Fund to the extent of revenues from that fund. Any remaining balance transfers to the General Fund.

***Intragovernmental Service Fund*** - to account for the charges of any state agency for services provided by another state agency, for example, charges levied by the public employee retirement administration for workers compensation chargeback.

## **BUDGETED ENVIRONMENTAL FUNDS:**

These funds account for a variety of revenues, which finance programs to preserve, protect and enhance the environment. These funds include:

***Inland Fisheries and Game Fund*** - to account for revenues from license and permit fees for inland fishing, hunting, trapping, and sporting licenses and revenue producing stamps or the sales of land, rights and properties, gifts, interest, and federal grant reimbursements; used for developing, maintaining and operating the division of fisheries.

## **OTHER BUDGETED FUNDS:**

These funds account for a variety of miscellaneous taxes, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

***Workforce Training Fund*** - to account for revenues from new unemployment surcharge of .075% of unemployment taxable wages on employers; to provide grants to employers and labor groups to provide education and training to new and existing employees.

***Massachusetts Clean Elections Fund*** - to account revenues from the voluntary tax return "check off" on personal tax returns for the purpose of payment to eligible candidates for public financing of campaigns for statewide elective office. The fund was repealed effective July 1, 2003 according to Chapter 26, Acts of 2003, Section 43. All activity will be transferred to and reported in a new trust fund, the State Election Campaign Fund.



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***Federal Medicaid Assistance Percentage Escrow Fund -***

to account for the inflows associated with Commonwealth Medicaid reimbursements in accordance with the Federal Jobs Growth Reconciliation Act of 2003 during FY2004 and 2006. The fund expires on June 30, 2005.

***Massachusetts Tourism Fund*** - to account for revenues received from hotel taxes; used to fund the Office of Travel and Tourism promotions and the Massachusetts Convention Center Authority.

***Children's and Seniors' Health Care Assistance Fund*** – to account for a portion of the cigarette and smokeless tobacco tax, inventory tax and related investment income; to be appropriated for the provision of medical benefits to expansion beneficiaries and a five year pilot program of pharmacy assistance.

The following fund has been enacted in legislation but are inactive:

***Collective Bargaining Reserve Fund*** - to account for transfers from the general fund, which may be used to fund negotiated contracts for state employees.

***Tax Reduction Fund*** – to account for the maintenance of a reserve, which shall be used only to reduce personal income taxes.

**Budgeted Funds**  
Combining Balance Sheet - Statutory Basis

June 30, 2004 and 2003  
(Amounts in thousands)

	General	Highway	Commonwealth Stabilization	Administrative Control
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 1,563,318	\$ -	\$ 1,137,320	\$ 15,521
Cash with fiscal agent.....	-	26,064	-	-
Receivables, net of allowance for uncollectibles:				
Due from federal government.....	410,954	-	-	-
Other receivables.....	13,921	-	-	-
Due from cities and towns.....	2,674	-	-	-
Due from other funds.....	-	47	-	-
Total assets.....	<u>\$ 1,990,867</u>	<u>\$ 26,111</u>	<u>\$ 1,137,320</u>	<u>\$ 15,521</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deficiency in cash and short-term investments.....	\$ -	\$ 704,479	\$ -	\$ -
Accounts payable.....	636,836	7,960	-	14,770
Accrued payroll.....	50,319	3,717	-	334
Total liabilities.....	<u>687,155</u>	<u>716,156</u>	<u>-</u>	<u>15,104</u>
Fund balances (deficit):				
Reserved for:				
Continuing appropriations.....	345,241	424	-	417
Commonwealth stabilization.....	-	-	1,137,320	-
Debt service.....	-	26,064	-	-
Unreserved:				
Undesignated.....	958,471	(716,533)	-	-
Total fund balances (deficit).....	<u>1,303,712</u>	<u>(690,045)</u>	<u>1,137,320</u>	<u>417</u>
Total liabilities and fund balances.....	<u>\$ 1,990,867</u>	<u>\$ 26,111</u>	<u>\$ 1,137,320</u>	<u>\$ 15,521</u>

		Totals (Memorandum only)	
Environmental	Other	2004	2003
\$ 11,142	\$ 105,613	\$ 2,832,914	\$ 1,995,531
-	-	26,064	26,060
-	32,817	443,771	349,888
-	-	13,921	4,791
-	-	2,674	4,910
-	-	47	5
<u>\$ 11,142</u>	<u>\$ 138,430</u>	<u>\$ 3,319,391</u>	<u>\$ 2,381,185</u>
\$ -	\$ -	\$ 704,479	\$ 600,512
5	8,142	667,713	697,143
-	24	54,394	147,460
<u>5</u>	<u>8,166</u>	<u>1,426,586</u>	<u>1,445,115</u>
500	291,928	638,510	50,675
-	-	1,137,320	641,325
-	-	26,064	26,060
<u>10,637</u>	<u>(161,664)</u>	<u>90,911</u>	<u>218,010</u>
<u>11,137</u>	<u>130,264</u>	<u>1,892,805</u>	<u>936,070</u>
<u>\$ 11,142</u>	<u>\$ 138,430</u>	<u>\$ 3,319,391</u>	<u>\$ 2,381,185</u>

**Budgeted Funds**  
Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis  
Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

	General	Highway	Commonwealth Stabilization
<b>REVENUES AND OTHER FINANCING SOURCES</b>			
Revenues:			
Taxes.....	\$ 14,558,577	\$ 585,226	\$ -
Assessments.....	115,131	11,490	-
Federal grants and reimbursements.....	4,349,022	1,952	-
Departmental.....	1,200,833	398,231	695
Miscellaneous.....	118,085	1,304	5,259
Total revenues.....	20,341,648	998,203	5,954
Other financing sources:			
Fringe benefit cost recovery.....	177,646	-	-
Lottery reimbursements.....	78,426	-	-
Lottery distributions.....	904,417	-	-
Caseload increase mitigation transfer.....	-	-	-
Tobacco settlement transfer.....	253,621	-	-
Excess permissible tax revenue.....	-	-	357,465
Operating transfers in.....	320,761	68,713	-
Stabilization transfer.....	491,468	200	663,457
Fund consolidation transfer.....	-	-	-
Federal reimbursement transfer in.....	-	85	-
Total other financing sources.....	2,226,339	68,998	1,020,922
Total revenues and other financing sources.....	22,567,987	1,067,201	1,026,876
<b>EXPENDITURES AND OTHER FINANCING USES</b>			
Expenditures:			
Legislature.....	50,535	-	-
Judiciary.....	572,504	-	-
Inspector General.....	2,280	-	-
Governor and Lieutenant Governor.....	4,892	-	-
Secretary of the Commonwealth.....	34,158	-	-
Treasurer and Receiver-General.....	107,474	1,149	-
Auditor of the Commonwealth.....	16,222	-	-
Attorney General.....	32,572	432	-
Ethics Commission.....	1,260	-	-
District Attorney.....	73,913	3,011	-
Office of Campaign & Political Finance.....	994	-	-
Sheriff's Departments.....	214,351	360	-
Disabled Persons Protection Commission.....	1,567	-	-
Board of Library Commissioners.....	3,178	-	-
Comptroller.....	8,427	-	-
Administration and finance.....	1,266,255	5,746	-
Environmental affairs.....	159,679	1	-
Communities and development.....	67,217	156	-
Health and human services.....	4,482,500	-	-
Transportation and construction.....	91,999	44,552	-
Education.....	348,650	-	-
Higher education.....	831,295	-	-
Public safety.....	635,509	244,790	-
Economic development.....	-	-	-
Elder affairs.....	-	-	-
Consumer affairs.....	63,212	61	-
Labor.....	-	-	-
Direct local aid.....	4,783,983	-	-
Medicaid.....	5,261,238	-	-
Pension.....	699,309	2,593	-
Debt service:			
Principal retirement.....	436,995	389,358	-
Interest and fiscal charges.....	322,031	343,849	-
Total expenditures.....	20,574,199	1,036,058	-
Other financing uses:			
Fringe benefit cost assessment.....	-	41,743	-
Pension funding transfer.....	-	-	-
Economic stimulus trust transfer.....	-	-	33,633
Excess permissible tax revenue.....	357,403	-	-
Uncompensated care pool transfer.....	245,000	-	-
School building assistance transfer.....	150,000	-	-
Operating transfers out.....	146,593	83,418	-
Tobacco settlement transfer.....	-	-	-
Caseload increase mitigation transfer.....	-	-	-
Stabilization transfer.....	538,926	-	497,248
Fund consolidation transfer.....	-	-	-
Total other financing uses.....	1,437,922	125,161	530,881
Total expenditures and other financing uses.....	22,012,121	1,161,219	530,881
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	555,866	(94,018)	495,995
Fund balances (deficit) at beginning of year.....	747,846	(596,027)	641,325
Legislative fund reclassification.....	-	-	-
Fund balances (deficit) at end of year.....	\$ 1,303,712	\$ (690,045)	\$ 1,137,320

Administrative Control	Environmental	Other	Totals (Memorandum only)	
			2004	2003
\$ -	902	\$ 124,271	\$ 15,268,976	\$ 14,279,567
-	-	-	126,621	107,069
-	5,709	741,853	5,098,536	4,523,648
118,263	8,089	3,881	1,729,992	1,366,705
62	19	131	124,860	138,204
118,325	14,719	870,136	22,348,985	20,415,193
-	-	-	177,646	157,406
-	-	-	78,426	73,222
-	-	-	904,417	882,197
-	-	-	-	5,992
-	-	-	253,621	427,802
357,403	-	-	714,868	-
18,585	171	-	408,230	607,548
-	-	5,580	1,160,705	625,673
-	-	-	-	2,102,281
-	-	-	85	373
375,988	171	5,580	3,697,998	4,882,494
494,313	14,890	875,716	26,046,983	25,297,687
-	-	-	50,535	54,873
-	-	-	572,504	566,183
-	-	-	2,280	1,826
-	-	-	4,892	5,453
114	-	-	34,272	36,521
-	-	-	108,623	103,765
-	-	-	16,222	16,159
-	-	7	33,011	32,123
-	-	-	1,260	1,263
-	-	-	76,924	75,556
-	-	-	994	993
-	-	-	214,711	210,715
-	-	-	1,567	1,604
-	-	-	3,178	3,113
-	-	-	8,427	8,378
108,951	-	566	1,381,518	1,270,972
358	8,488	-	168,526	177,730
-	-	200	67,573	84,861
15,413	-	18,449	4,516,362	4,198,851
395	-	-	136,946	155,271
-	-	-	348,650	327,758
-	-	-	831,295	969,037
8,995	-	-	889,294	876,026
-	-	-	-	26,966
-	-	-	-	283,569
-	-	38,401	101,674	37,677
-	-	-	-	58,116
-	-	-	4,783,983	5,069,377
-	-	481,160	5,742,398	5,485,112
-	-	-	701,902	813,469
-	-	-	826,353	737,692
-	-	-	665,880	635,717
134,226	8,488	538,783	22,291,754	22,326,726
1,592	1,098	1,829	46,262	48,290
-	-	-	-	-
-	-	33,633	67,266	-
357,465	-	-	714,868	-
-	-	-	245,000	-
-	-	-	150,000	-
613	-	484	231,108	485,493
-	-	-	-	162,000
-	-	-	-	5,992
-	-	124,531	1,160,705	625,673
-	-	-	-	2,095,427
359,670	1,098	160,477	2,615,209	3,422,875
493,896	9,586	699,260	24,906,963	25,749,601
417	5,304	176,456	1,140,020	(451,914)
-	6,134	136,792	936,070	1,387,984
-	(301)	(182,984)	(183,285)	-
\$ 417	\$ 11,157	\$ 130,264	\$ 1,892,805	\$ 956,070

## Budgeted Funds

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

Fiscal Year Ended June 30, 2004

(Amounts in thousands)

	General			Highway		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES AND OTHER FINANCING SOURCES</b>						
Revenues:						
Taxes.....	\$ 13,386,600	\$ 14,558,577	\$ 1,171,977	\$ 600,100	\$ 585,226	\$ (14,874)
Assessments.....	-	115,131	115,131	-	11,490	11,490
Federal grants and reimbursements.....	4,592,700	4,349,022	(243,678)	3,700	1,952	(1,748)
Departmental.....	1,871,500	1,200,833	(670,667)	427,500	398,231	(29,269)
Miscellaneous.....	-	118,085	118,085	-	1,304	1,304
Total revenues.....	19,850,800	20,341,648	490,848	1,031,300	998,203	(33,097)
Other financing sources:						
Fringe benefit cost recovery.....	-	177,646	177,646	-	-	-
Lottery reimbursements.....	78,203	78,426	223	-	-	-
Lottery distributions.....	957,812	904,417	(53,395)	-	-	-
Tobacco settlement transfer.....	-	253,621	253,621	-	-	-
Excess permissible tax revenue.....	-	-	-	-	-	-
Operating transfers in.....	128,620	320,761	192,141	7,100	68,713	61,613
Stabilization transfer.....	-	491,468	491,468	-	200	200
Federal reimbursement transfer in.....	-	-	-	-	85	85
Total other financing sources.....	1,164,635	2,226,339	1,061,704	7,100	68,998	61,898
Total revenues and other financing sources.....	21,015,435	22,567,987	1,552,552	1,038,400	1,067,201	28,801
<b>EXPENDITURES AND OTHER FINANCING USES</b>						
Expenditures:						
Legislature.....	77,191	50,535	26,656	-	-	-
Judiciary.....	617,626	572,504	45,122	-	-	-
Inspector General.....	2,501	2,280	221	-	-	-
Governor and Lieutenant Governor.....	5,135	4,892	243	-	-	-
Secretary of the Commonwealth.....	37,442	34,158	3,284	-	-	-
Treasurer and Receiver-General.....	119,203	107,474	11,729	1,164	1,149	15
Auditor of the Commonwealth.....	16,323	16,222	101	-	-	-
Attorney General.....	33,681	32,572	1,109	432	432	-
Ethics Commission.....	1,302	1,260	42	-	-	-
District Attorney.....	74,238	73,913	325	3,259	3,011	248
Office of Campaign and Political Finance.....	998	994	4	-	-	-
Sheriff's Departments.....	215,906	214,351	1,555	431	360	71
Disabled Persons Protection Commission.....	1,572	1,567	5	-	-	-
Board of Library Commissioners.....	3,180	3,178	2	-	-	-
Comptroller.....	8,680	8,427	253	-	-	-
Administration and finance.....	1,335,368	1,266,255	69,113	5,764	5,746	18
Environmental affairs.....	227,354	159,679	67,675	1	1	-
Communities and development.....	73,962	67,217	6,745	158	156	2
Health and human services.....	4,549,970	4,482,500	67,470	-	-	-
Transportation and construction.....	100,987	91,999	8,988	45,688	44,552	1,136
Education.....	466,282	348,650	117,632	-	-	-
Higher education.....	845,671	831,295	14,376	-	-	-
Public safety.....	665,471	635,509	29,962	247,295	244,790	2,505
Consumer affairs.....	69,671	63,212	6,459	61	61	-
Direct local aid.....	4,861,304	4,783,983	77,321	-	-	-
Medicaid.....	5,500,277	5,261,238	239,039	-	-	-
Pension.....	13,802	699,309	(685,507)	2,989	2,593	396
Debt service:						
Principal retirement.....	455,405	436,995	18,410	402,499	389,358	13,141
Interest and fiscal charges.....	345,822	322,031	23,791	388,072	343,849	44,223
Total expenditures.....	20,726,324	20,574,199	152,125	1,097,813	1,036,058	61,755
Other financing uses:						
Fringe benefit cost assessment.....	-	-	-	-	41,743	(41,743)
Economic stimulus trust transfer.....	-	-	-	-	-	-
Excess permissible tax revenue.....	357,403	357,403	-	-	-	-
Uncompensated care pool transfer.....	245,000	245,000	-	-	-	-
School building assistance transfer.....	150,000	150,000	-	-	-	-
Operating transfers out.....	146,593	146,593	-	83,418	83,418	-
Stabilization transfer.....	-	538,926	(538,926)	-	-	-
Total other financing uses.....	898,996	1,437,922	(538,926)	83,418	125,161	(41,743)
Total expenditures and other financing uses.....	21,625,320	22,012,121	(386,801)	1,181,231	1,161,219	20,012
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(609,885)	555,866	1,165,751	(142,831)	(94,018)	48,813
Fund balances (deficit) at beginning of year.....	747,846	747,846	-	(596,027)	(596,027)	-
Legislative fund reclassification.....	-	-	-	-	-	-
Fund balances (deficit) at end of year.....	\$ 137,961	\$ 1,303,712	\$ 1,165,751	\$ (738,858)	\$ (690,045)	\$ 48,813

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## Budgeted Funds

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

Fiscal Year Ended June 30, 2004

(Amounts in thousands)

(Amounts in thousands)						
	Other			Totals (Memorandum only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes.....	\$ 137,000	\$ 124,271	\$ (12,729)	\$ 14,123,700	\$ 15,268,976	\$ 1,145,276
Assessments.....	-	-	-	-	126,621	126,621
Federal grants and reimbursements.....	322,000	741,853	419,853	4,918,400	5,098,536	180,136
Departmental.....	2,900	3,881	981	2,301,900	1,729,992	(571,908)
Miscellaneous.....	-	131	131	-	124,860	124,860
Total revenues.....	461,900	870,136	408,236	21,344,000	22,348,985	1,004,985
Other financing sources:						
Fringe benefit cost recovery.....	-	-	-	-	177,646	177,646
Lottery reimbursements.....	-	-	-	78,203	78,426	223
Lottery distributions.....	-	-	-	957,812	904,417	(53,395)
Tobacco settlement transfer.....	-	-	-	-	253,621	253,621
Excess permissible tax revenue .....	-	-	-	-	714,868	714,868
Operating transfers in.....	-	-	-	135,720	408,230	272,510
Stabilization transfer.....	-	5,580	5,580	-	1,160,705	1,160,705
Federal reimbursement transfer in.....	-	-	-	-	85	85
Total other financing sources.....	-	5,580	5,580	1,171,735	3,697,998	2,526,263
Total revenues and other financing sources.....	461,900	875,716	413,816	22,515,735	26,046,983	3,531,248
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature.....	-	-	-	77,191	50,535	26,656
Judiciary.....	-	-	-	617,626	572,504	45,122
Inspector General.....	-	-	-	2,501	2,280	221
Governor and Lieutenant Governor.....	-	-	-	5,135	4,892	243
Secretary of the Commonwealth.....	-	-	-	37,557	34,272	3,285
Treasurer and Receiver-General.....	-	-	-	120,367	108,623	11,744
Auditor of the Commonwealth.....	-	-	-	16,323	16,222	101
Attorney General.....	13	7	6	34,126	33,011	1,115
Ethics Commission.....	-	-	-	1,302	1,260	42
District Attorney.....	-	-	-	77,497	76,924	573
Office of Campaign and Political Finance.....	-	-	-	998	994	4
Sheriff's Departments.....	-	-	-	216,337	214,711	1,626
Disabled Persons Protection Commission.....	-	-	-	1,572	1,567	5
Board of Library Commissioners.....	-	-	-	3,180	3,178	2
Comptroller.....	-	-	-	8,680	8,427	253
Administration and finance.....	566	566	-	1,452,948	1,381,518	71,430
Environmental affairs.....	-	-	-	237,145	168,526	68,619
Communities and development.....	200	200	-	74,320	67,573	6,747
Health and human services.....	18,896	18,449	447	4,584,355	4,516,362	67,993
Transportation and construction.....	-	-	-	147,073	136,946	10,127
Education.....	-	-	-	466,282	348,650	117,632
Higher education.....	-	-	-	845,671	831,295	14,376
Public safety.....	-	-	-	921,796	889,294	32,502
Consumer affairs.....	63,484	38,401	25,083	133,216	101,674	31,542
Direct local aid.....	-	-	-	4,861,304	4,783,983	77,321
Medicaid.....	496,807	481,160	15,647	5,997,084	5,742,398	254,686
Pension.....	-	-	-	16,791	701,902	(685,111)
Debt service:						
Principal retirement.....	-	-	-	857,904	826,353	31,551
Interest and fiscal charges.....	-	-	-	733,894	665,880	68,014
Total expenditures.....	579,966	538,783	41,183	22,550,175	22,291,754	258,421
Other financing uses:						
Fringe benefit cost assessment.....	-	1,829	(1,829)	-	46,262	(46,262)
Economic stimulus trust transfer.....	33,633	33,633	-	67,266	67,266	-
Excess permissible tax revenue.....	-	-	-	714,868	714,868	-
Uncompensated care pool transfer .....	-	-	-	245,000	245,000	-
School building assistance transfer .....	-	-	-	150,000	150,000	-
Operating transfers out.....	484	484	-	231,108	231,108	-
Stabilization transfer.....	-	124,531	(124,531)	497,248	1,160,705	(663,457)
Total other financing uses.....	34,117	160,477	(126,360)	1,905,490	2,615,209	(709,719)
Total expenditures and other financing uses.....	614,083	699,260	(85,177)	24,455,665	24,906,963	(451,298)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(152,183)	176,456	328,639	(1,939,930)	1,140,020	3,079,950
Fund balances (deficit) at beginning of year.....	136,792	136,792	-	936,070	936,070	-
Legislative fund reclassification.....	(182,984)	(182,984)	-	(183,285)	(183,285)	-
Fund balances (deficit) at end of year.....	\$ (198,375)	\$ 130,264	\$ 328,639	\$ (1,187,145)	\$ 1,892,805	\$ 3,079,950



**General Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,563,318	\$ 1,208,109
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	410,954	332,305
Other receivables.....	13,921	4,791
Due from cities and towns.....	<u>2,674</u>	<u>4,910</u>
Total assets.....	<u>\$ 1,990,867</u>	<u>\$ 1,550,115</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 636,836	\$ 666,444
Accrued payroll.....	<u>50,319</u>	<u>135,825</u>
Total liabilities.....	<u>687,155</u>	<u>802,269</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	345,241	49,402
Unreserved fund balance (deficit):		
Undesignated.....	<u>958,471</u>	<u>698,444</u>
Total fund balance (deficit).....	<u>1,303,712</u>	<u>747,846</u>
Total liabilities and fund balance.....	<u>\$ 1,990,867</u>	<u>\$ 1,550,115</u>

**General Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Taxes.....	\$ 13,386,600	\$ 14,558,577	\$ 1,171,977	\$ 8,644,099
Assessments.....	-	115,131	115,131	85,631
Federal grants and reimbursements.....	4,592,700	4,349,022	(243,678)	3,479,844
Departmental.....	1,871,500	1,200,833	(670,667)	733,165
Miscellaneous.....	-	118,085	118,085	88,752
Total revenues.....	19,850,800	20,341,648	490,848	13,031,491
Other financing sources:				
Fringe benefit cost recovery.....	-	177,646	177,646	157,406
Lottery reimbursements.....	78,203	78,426	223	73,222
Lottery distributions.....	957,812	904,417	(53,395)	1,000
Operating transfers in.....	128,620	320,761	192,141	368,806
Stabilization transfers.....	-	491,468	491,468	550,000
Tobacco settlement transfer.....	-	253,621	253,621	-
Total other financing sources.....	1,164,635	2,226,339	1,061,704	1,150,434
Total revenues and other financing sources.....	21,015,435	22,567,987	1,552,552	14,181,925
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Legislature.....	77,191	50,535	26,656	54,873
Judiciary.....	617,626	572,504	45,122	566,183
Inspector General.....	2,501	2,280	221	1,826
Governor and Lieutenant Governor.....	5,135	4,892	243	5,393
Secretary of the Commonwealth.....	37,442	34,158	3,284	36,404
Treasurer and Receiver-General.....	119,203	107,474	11,729	97,183
Auditor of the Commonwealth.....	16,323	16,222	101	15,577
Attorney General.....	33,681	32,572	1,109	29,249
Ethics Commission.....	1,302	1,260	42	630
District Attorney.....	74,238	73,913	325	65,113
Office of Campaign and Political Finance.....	998	994	4	495
Sheriff's Departments.....	215,906	214,351	1,555	210,178
Disabled Persons Protection Commission.....	1,572	1,567	5	1,604
Board of Library Commissioners.....	3,180	3,178	2	340
Comptroller.....	8,680	8,427	253	7,891

**General Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Expenditures (continued):				
Administration and finance.....	1,335,368	1,266,255	69,113	969,212
Environmental affairs.....	227,354	159,679	67,675	53,234
Communities and development.....	73,962	67,217	6,745	60,810
Health and human services.....	4,549,970	4,482,500	67,470	3,467,590
Transportation and construction.....	100,987	91,999	8,988	17,849
Education.....	466,282	348,650	117,632	9,735
Higher education.....	845,671	831,295	14,376	966,394
Public safety.....	665,471	635,509	29,962	475,276
Economic development.....	-	-	-	3,586
Elder affairs.....	-	-	-	175,220
Consumer affairs.....	69,671	63,212	6,459	31,893
Labor.....	-	-	-	30,725
Direct local aid.....	4,861,304	4,783,983	77,321	-
Medicaid.....	5,500,277	5,261,238	239,039	4,842,437
Pension.....	13,802	699,309	(685,507)	283,837
Debt service:				
Principal retirement.....	455,405	436,995	18,410	362,975
Interest and fiscal charges.....	345,822	322,031	23,791	250,702
Total expenditures.....	20,726,324	20,574,199	152,125	13,094,414
Other financing uses:				
Excess permissible tax revenue.....	357,403	357,403	-	-
Uncompensated care pool transfer .....	245,000	245,000	-	-
School building assistance transfer .....	150,000	150,000	-	-
Operating transfers out.....	146,593	146,593	-	230,645
Stabilization transfer.....	-	538,926	(538,926)	75,673
Fund consolidation transfer.....	-	-	-	1,802,426
Total other financing uses.....	898,996	1,437,922	(538,926)	2,108,744
Total expenditures and other financing uses.....	21,625,320	22,012,121	(386,801)	15,203,158
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(609,885)	555,866	1,165,751	(1,021,233)
Fund balance (deficit) at beginning of year.....	747,846	747,846	-	1,769,079
Fund balance (deficit) at end of year.....	\$ 137,961	\$ 1,303,712	\$ 1,165,751	\$ 747,846

# Highway Fund

## Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash with fiscal agent.....	\$ 26,064	\$ 26,060
Due from other funds.....	47	5
Total assets.....	<u>\$ 26,111</u>	<u>\$ 26,065</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 704,479	\$ 600,512
Accounts payable.....	7,960	10,908
Accrued payroll.....	<u>3,717</u>	<u>10,672</u>
Total liabilities.....	<u>716,156</u>	<u>622,092</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	424	1,194
Reserved for debt service.....	26,064	26,060
Unreserved fund balance (deficit):		
Undesignated.....	<u>(716,533)</u>	<u>(623,281)</u>
Total fund balance (deficit).....	<u>(690,045)</u>	<u>(596,027)</u>
Total liabilities and fund balance.....	<u>\$ 26,111</u>	<u>\$ 26,065</u>

# Highway Fund

## Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004

(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Taxes.....	\$ 600,100	\$ 585,226	\$ (14,874)	\$ 578,534
Assessments.....	-	11,490	11,490	11,018
Federal grants and reimbursements.....	3,700	1,952	(1,748)	1,953
Departmental.....	427,500	398,231	(29,269)	404,105
Miscellaneous.....	-	1,304	1,304	1,551
Total revenues.....	<u>1,031,300</u>	<u>998,203</u>	<u>(33,097)</u>	<u>997,161</u>
Other financing sources:				
Stabilization transfer.....	-	200	200	-
Operating transfers in.....	7,100	68,713	61,613	11,700
Federal reimbursement transfer in .....	-	85	85	373
Total other financing sources.....	<u>7,100</u>	<u>68,998</u>	<u>61,898</u>	<u>12,073</u>
Total revenues and other financing sources.....	<u>1,038,400</u>	<u>1,067,201</u>	<u>28,801</u>	<u>1,009,234</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Governor and Lieutenant Governor.....	-	-	-	24
Treasurer and Receiver-General.....	1,164	1,149	15	1,152
Attorney General.....	432	432	-	423
District Attorney.....	3,259	3,011	248	2,716
Sheriff's Departments.....	431	360	71	344
Administration and finance.....	5,764	5,746	18	5,425
Environmental affairs.....	1	1	-	23,114
Communities and development.....	158	156	2	23,114
Transportation and construction.....	45,688	44,552	1,136	118,128
Public safety.....	247,295	244,790	2,505	243,940
Consumer affairs.....	61	61	-	1,966
Pension.....	2,989	2,593	396	58,748
Debt service:				
Principal retirement.....	402,499	389,358	13,141	279,869
Interest and fiscal charges.....	388,072	343,849	44,223	325,065
Total expenditures.....	<u>1,097,813</u>	<u>1,036,058</u>	<u>61,755</u>	<u>1,060,914</u>
Other financing uses:				
Fringe benefit cost assessment.....	-	41,743	(41,743)	24,630
Operating transfers out.....	83,418	83,418	-	82,188
Total other financing uses.....	<u>83,418</u>	<u>125,161</u>	<u>(41,743)</u>	<u>106,818</u>
Total expenditures and other financing uses.....	<u>1,181,231</u>	<u>1,161,219</u>	<u>20,012</u>	<u>1,167,732</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(142,831)	(94,018)	48,813	(158,498)
Fund balance (deficit) at beginning of year.....	(596,027)	(596,027)	-	(437,529)
Fund balance (deficit) at end of year.....	<u>\$ (738,858)</u>	<u>\$ (690,045)</u>	<u>\$ 48,813</u>	<u>\$ (596,027)</u>

**Infrastructure Fund (Subfund Of Highway Fund)**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,409,460	\$ 1,275,108
Cash with fiscal agent.....	26,064	26,060
Total assets.....	<u>\$ 1,435,524</u>	<u>\$ 1,301,168</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	26,064	26,060
Unreserved fund balance (deficit):		
Undesignated.....	1,409,460	1,275,108
Total fund balance (deficit).....	<u>1,435,524</u>	<u>1,301,168</u>
Total liabilities and fund balance.....	<u>\$ 1,435,524</u>	<u>\$ 1,301,168</u>

Note: The Infrastructure Fund was established by Section 16 of Chapter 121, Acts of 1990 as a subfund of the Highway Fund, and it is a component of, not an addition to, that fund. The entire Highway Fund, including this subfund, is presented in the preceding financial statements labeled Highway Fund.

**Infrastructure Fund (Subfund Of Highway Fund)**  
Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Taxes.....	\$ 196,380	\$ 196,380	\$ -	\$ 194,232
Miscellaneous.....	-	186	186	266
Total revenues.....	196,380	196,566	186	194,498
Other financing sources:				
Operating transfers in.....	-	68,713	68,713	6,000
Total other financing sources.....	-	68,713	68,713	6,000
Total revenues and other financing sources.....	196,380	265,279	68,899	200,498
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Debt service:				
Principal retirement.....	94,508	94,508	-	24,865
Interest and fiscal charges.....	30,243	30,243	-	27,258
Total expenditures.....	124,751	124,751	-	52,123
Other financing uses:				
Operating transfers out.....	6,172	6,172	-	7,007
Total other financing uses.....	6,172	6,172	-	7,007
Total expenditures and other financing uses.....	130,923	130,923	-	59,130
Excess (deficiency) of revenues and other financing over expenditures and other financing uses.....	65,457	134,356	68,899	141,368
Fund balance (deficit) at beginning of year.....	1,301,168	1,301,168	-	1,159,800
Fund balance (deficit) at end of year.....	\$ 1,366,625	\$ 1,435,524	\$ 68,899	\$ 1,301,168

Note: The Infrastructure Fund was established by Section 16 of Chapter 121, Acts of 1990 as a subfund of the Highway Fund, and it is a component of, not an addition to, that fund. The entire Highway Fund, including this subfund, is presented in the preceding financial statements labeled Highway Fund.

**Commonwealth Stabilization Fund**  
Balance Sheet- Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,137,320	\$ 641,325
Total assets.....	<u>\$ 1,137,320</u>	<u>\$ 641,325</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for stabilization.....	1,137,320	641,325
Total fund balance (deficit).....	<u>1,137,320</u>	<u>641,325</u>
Total liabilities and fund balance.....	<u>\$ 1,137,320</u>	<u>\$ 641,325</u>



**Commonwealth Stabilization Fund**  
Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Departmental.....	\$ -	\$ 695	\$ 695	\$ -
Miscellaneous.....	-	5,259	5,259	6,456
Total revenues.....	-	5,954	5,954	6,456
Other financing sources:				
Excess permissible tax revenue.....	-	357,465	357,465	-
Operating transfer in.....	-	-	-	186,620
Stabilization transfer.....	-	663,457	663,457	75,673
Fund consolidation transfer.....	-	-	-	170,330
Total other financing sources.....	-	1,020,922	1,020,922	432,623
Total revenues and other financing sources.....	-	1,026,876	1,026,876	439,079
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Administration and finance.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Economic stimulus trust transfer.....	33,633	33,633	-	-
Stabilization transfer.....	497,248	497,248	-	550,000
Fund consolidation transfer.....	-	-	-	129,525
Total other financing uses.....	530,881	530,881	-	679,525
Total expenditures and other financing uses.....	530,881	530,881	-	679,525
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(530,881)	495,995	1,026,876	(240,446)
Fund balance (deficit) at beginning of year.....	641,325	641,325	-	881,771
Fund balance (deficit) at end of year.....	\$ 110,444	\$ 1,137,320	\$ 1,026,876	\$ 641,325

**Administrative Control Funds**  
Combining Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

ASSETS	Temporary Holding Funds	Intra- Governmental Service	2004	2003
Cash and short-term investments.....	\$ -	\$ 15,521	\$ 15,521	\$ 13,098
Total assets.....	<u>\$ -</u>	<u>\$ 15,521</u>	<u>\$ 15,521</u>	<u>\$ 13,098</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable.....	\$ -	\$ 14,770	\$ 14,770	\$ 12,447
Accrued payroll.....	<u>-</u>	<u>334</u>	<u>334</u>	<u>651</u>
Total liabilities.....	<u>-</u>	<u>15,104</u>	<u>15,104</u>	<u>13,098</u>
Fund balances (deficits):				
Reserved for:				
Continuing appropriations.....	<u>-</u>	<u>417</u>	<u>417</u>	<u>-</u>
Total fund balances (deficits).....	<u>-</u>	<u>417</u>	<u>417</u>	<u>-</u>
Total liabilities and fund balances.....	<u>\$ -</u>	<u>\$ 15,521</u>	<u>\$ 15,521</u>	<u>\$ 13,098</u>

## Administrative Control Funds

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

Fiscal Year Ended June 30, 2004

(Amounts in thousands)

	Temporary Holding Funds	Intra- Governmental Service	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Departmental.....	\$ -	\$ 118,263	\$ 118,263	\$ 110,362
Miscellaneous.....	62	-	62	-
Total revenues.....	62	118,263	118,325	110,362
Other financing sources:				
Excess permissible tax revenue.....	357,403	-	357,403	-
Operating transfers in.....	-	18,585	18,585	10,575
Total other financing sources.....	357,403	18,585	375,988	10,575
Total revenues and other financing sources.....	357,465	136,848	494,313	120,937
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Secretary of the Commonwealth.....	-	114	114	117
Administration and finance.....	-	108,951	108,951	97,227
Environmental affairs.....	-	358	358	418
Health and human services.....	-	15,413	15,413	10,052
Transportation and construction.....	-	395	395	341
Public safety.....	-	8,995	8,995	8,877
Total expenditures.....	-	134,226	134,226	117,032
Other financing uses:				
Fringe benefit cost assessment.....	-	1,592	1,592	2,300
Operating transfers out.....	-	613	613	2,687
Excess permissible tax revenue.....	357,465	-	357,465	-
Total other financing uses.....	357,465	2,205	359,670	4,987
Total expenditures and other financing uses.....	357,465	136,431	493,896	122,019
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	417	417	(1,082)
Fund balances (deficit) at beginning of year (as restated).....	-	-	-	1,082
Fund balances (deficit) at end of year.....	\$ -	\$ 417	\$ 417	\$ -

**Temporary Holding Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>-</u>	<u>-</u>
Total fund balance (deficit) .....	<u>-</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Temporary Holding Fund**  
**Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Miscellaneous.....	\$ -	\$ 62	\$ 62	\$ -
Total revenues.....	-	62	62	-
Other financing sources:				
Excess permissible tax revenue.....	-	357,403	357,403	-
Total other financing sources.....	-	357,403	357,403	-
Total revenues and other financing sources.....	-	357,465	357,465	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Administration and finance.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Excess permissible tax revenue.....	357,465	357,465	-	-
Total other financing uses.....	357,465	357,465	-	-
Total expenditures and other financing uses.....	357,465	357,465	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(357,465)	-	357,465	-
Fund balance (deficit) at beginning of year.....	-	-	-	-
Fund balance (deficit) at end of year.....	\$ (357,465)	\$ -	\$ 357,465	\$ -

**Intragovernmental Service Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 15,521	\$ 13,098
Total assets.....	<u>\$ 15,521</u>	<u>\$ 13,098</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 14,770	\$ 12,447
Accrued payroll.....	<u>334</u>	<u>651</u>
Total liabilities.....	<u>15,104</u>	<u>13,098</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	<u>417</u>	<u>-</u>
Total fund balance (deficit) .....	<u>417</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 15,521</u>	<u>\$ 13,098</u>

**Intragovernmental Service Fund**  
**Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Departmental.....	\$ -	\$ 118,263	\$ 118,263	\$ 110,362
Total revenues.....	-	118,263	118,263	110,362
Other financing sources:				
Operating transfers in.....	-	18,585	18,585	10,575
Total other financing sources.....	-	18,585	18,585	10,575
Total revenues and other financing sources.....	-	136,848	136,848	120,937
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Secretary of the Commonwealth.....	115	114	1	117
Administration and finance.....	111,250	108,951	2,299	97,227
Environmental affairs.....	370	358	12	418
Health and human services.....	15,489	15,413	76	10,052
Transportation and construction.....	398	395	3	341
Public safety.....	9,030	8,995	35	8,877
Total expenditures.....	136,652	134,226	2,426	117,032
Other financing uses:				
Fringe benefit cost assessment.....	-	1,592	(1,592)	2,300
Operating transfers out.....	613	613	-	2,687
Total other financing uses.....	613	2,205	(1,592)	4,987
Total expenditures and other financing uses.....	137,265	136,431	834	122,019
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(137,265)	417	137,682	(1,082)
Fund balance (deficit) at beginning of year.....	-	-	-	1,082
Fund balance (deficit) at end of year.....	\$ (137,265)	\$ 417	\$ 137,682	\$ -

**Inland Fisheries And Game Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 11,142	\$ 6,390
Total assets.....	<u>\$ 11,142</u>	<u>\$ 6,390</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 5	\$ 350
Accrued payroll.....	<u>-</u>	<u>207</u>
Total liabilities.....	<u>5</u>	<u>557</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	500	-
Unreserved fund balance (deficit):		
Undesignated.....	<u>10,637</u>	<u>5,833</u>
Total fund balance (deficit).....	<u>11,137</u>	<u>5,833</u>
Total liabilities and fund balance.....	<u>\$ 11,142</u>	<u>\$ 6,390</u>



**Inland Fisheries And Game Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Taxes.....	\$ -	\$ 902	\$ 902	\$ 892
Federal grants and reimbursements.....	-	5,709	5,709	1,836
Departmental.....	-	8,089	8,089	5,632
Miscellaneous.....	-	19	19	66
Total revenues.....	-	14,719	14,719	8,426
Other financing sources:				
Operating transfers in.....	-	171	171	81
Total other financing sources.....	-	171	171	81
Total revenues and other financing sources.....	-	14,890	14,890	8,507
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Environmental affairs.....	9,420	8,488	932	7,273
Pension.....	-	-	-	797
Total expenditures.....	9,420	8,488	932	8,070
Other financing uses				
Fringe benefit cost assessment.....	-	1,098	(1,098)	838
Operating transfers out.....	-	-	-	13
Total other financing uses.....	-	1,098	(1,098)	851
Total expenditures and other financing uses.....	9,420	9,586	(166)	8,921
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(9,420)	5,304	14,724	(414)
Fund balance (deficit) at beginning of year.....	5,833	5,833	-	6,247
Fund balance (deficit) at end of year.....	\$ (3,587)	\$ 11,137	\$ 14,724	\$ 5,833

**Workforce Training Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 24,281	\$ 36,939
Total assets.....	<u>\$ 24,281</u>	<u>\$ 36,939</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 3,501	\$ 4,203
Accrued payroll.....	<u>12</u>	<u>36</u>
Total liabilities.....	<u>3,513</u>	<u>4,239</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	20,768	-
Unreserved fund balance (deficit):		
Undesignated.....	<u>-</u>	<u>32,700</u>
Total fund balance (deficit).....	<u>20,768</u>	<u>32,700</u>
Total liabilities and fund balance.....	<u>\$ 24,281</u>	<u>\$ 36,939</u>

**Workforce Training Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Taxes.....	\$ 24,000	\$ 20,451	\$ (3,549)	\$ 21,394
Total revenues.....	24,000	20,451	(3,549)	21,394
Other financing sources:				
Stabilization transfer.....	-	300	300	-
Total other financing sources.....	-	300	300	-
Total revenues and other financing sources.....	24,000	20,751	(3,249)	21,394
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Communitites and development.....	200	200	-	26
Consumer affairs.....	45,821	21,784	24,037	250
Labor.....	-	-	-	24,722
Total expenditures.....	46,021	21,984	24,037	24,998
Other financing uses:				
Fringe benefit cost assessment.....	-	185	(185)	184
Stabilization transfer.....	-	10,511	(10,511)	-
Operating transfers out.....	3	3	-	12,001
Total other financing uses.....	3	10,699	(10,696)	12,185
Total expenditures and other financing uses.....	46,024	32,683	13,341	37,183
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(22,024)	(11,932)	10,092	(15,789)
Fund balance (deficit) at beginning of year.....	32,700	32,700	-	48,489
Fund balance (deficit) at end of year.....	\$ 10,676	\$ 20,768	\$ 10,092	\$ 32,700

**Massachusetts Clean Elections Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ 477
Total assets.....	<u>\$ -</u>	<u>\$ 477</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	-	477
Total fund balance (deficit).....	<u>-</u>	<u>477</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ 477</u>

**Massachusetts Clean Elections Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Departmental.....	\$ -	\$ -	\$ -	\$ 468
Miscellaneous.....	-	-	-	86
Total revenues.....	-	-	-	554
Other financing sources:				
Operating transfers in.....	-	-	-	-
Total other financing sources.....	-	-	-	-
Total revenues and other financing sources.....	-	-	-	554
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Office of Campaign & Political Finance.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Operating transfers out.....	477	477	-	24,120
Total other financing uses.....	477	477	-	24,120
Total expenditures and other financing uses.....	477	477	-	24,120
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(477)	(477)	-	(23,566)
Fund balance (deficit) at beginning of year.....	477	477	-	24,043
Fund balance (deficit) at end of year.....	\$ -	\$ -	\$ -	\$ 477

**Federal Medicaid Assistance Percentage Escrow Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 260,118	\$ -
Due from federal government.....	9,882	-
Total assets.....	<u>\$ 270,000</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	270,000	-
Unreserved fund balance (deficit):		
Undesignated.....	<u>-</u>	<u>-</u>
Total fund balance (deficit).....	<u>270,000</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 270,000</u>	<u>\$ -</u>

**Federal Medicaid Assistance Percentage Escrow Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Federal grants and reimbursements.....	\$ -	\$ 402,753	\$ 402,753	\$ -
Total revenues.....	-	402,753	402,753	-
Other financing sources:				
Operating transfers in.....	-	-	-	-
Total other financing sources.....	-	-	-	-
Total revenues and other financing sources.....	-	402,753	402,753	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Environmental affairs.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Economic stimulus trust transfer.....	33,633	33,633	-	-
Stabilization transfer.....	-	99,120	(99,120)	-
Total other financing uses.....	33,633	132,753	(99,120)	-
Total expenditures and other financing uses.....	33,633	132,753	(99,120)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(33,633)	270,000	303,633	-
Fund balance (deficit) at beginning of year.....	-	-	-	-
Fund balance (deficit) at end of year.....	\$ (33,633)	\$ 270,000	\$ 303,633	\$ -

**Massachusetts Tourism Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,509	\$ 1,530
Total assets.....	<u>\$ 1,509</u>	<u>\$ 1,530</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 607	\$ 802
Accrued payroll.....	<u>12</u>	<u>65</u>
Total liabilities.....	<u>619</u>	<u>867</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	890	-
Unreserved fund balance (deficit):		
Undesignated.....	<u>-</u>	<u>663</u>
Total fund balance (deficit).....	<u>890</u>	<u>663</u>
Total liabilities and fund balance.....	<u>\$ 1,509</u>	<u>\$ 1,530</u>



**Massachusetts Tourism Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Taxes.....	\$ 37,700	\$ 31,116	\$ (6,584)	\$ 29,104
Total revenues.....	<u>37,700</u>	<u>31,116</u>	<u>(6,584)</u>	<u>29,104</u>
Other financing sources:				
Stabilization transfer.....	-	890	890	-
Total other financing sources.....	<u>-</u>	<u>890</u>	<u>890</u>	<u>-</u>
Total revenues and other financing sources.....	<u>37,700</u>	<u>32,006</u>	<u>(5,694)</u>	<u>29,104</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Governor and Lieutenant Governor.....	-	-	-	10
Economic development.....	-	-	-	20,057
Consumer affairs.....	17,663	16,617	1,046	-
Labor.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
Total expenditures.....	<u>17,663</u>	<u>16,617</u>	<u>1,046</u>	<u>20,070</u>
Other financing uses:				
Fringe benefit cost assessment.....	-	258	(258)	490
Stabilization transfer.....	-	14,900	(14,900)	-
Operating transfers out.....	<u>4</u>	<u>4</u>	<u>-</u>	<u>10,784</u>
Total other financing uses.....	<u>4</u>	<u>15,162</u>	<u>(15,158)</u>	<u>11,274</u>
Total expenditures and other financing uses.....	<u>17,667</u>	<u>31,779</u>	<u>(14,112)</u>	<u>31,344</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	20,033	227	(19,806)	(2,240)
Fund balance (deficit) at beginning of year.....	<u>663</u>	<u>663</u>	<u>-</u>	<u>2,903</u>
Fund balance (deficit) at end of year.....	<u>\$ 20,696</u>	<u>\$ 890</u>	<u>\$ (19,806)</u>	<u>\$ 663</u>

**Children's and Seniors' Health Care Assistance Fund**  
Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Due from federal government.....	\$ 22,935	\$ 17,583
Total assets.....	<u>\$ 22,935</u>	<u>\$ 17,583</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 180,295	\$ 96,999
Accounts payable.....	4,034	616
Total liabilities.....	<u>184,329</u>	<u>97,615</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	270	-
Unreserved fund balance (deficit):		
Undesignated.....	(161,664)	(80,032)
Total fund balance (deficit).....	<u>(161,394)</u>	<u>(80,032)</u>
Total liabilities and fund balance.....	<u>\$ 22,935</u>	<u>\$ 17,583</u>

**Children's and Seniors' Health Care Assistance Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Revenues:				
Taxes.....	\$ 75,300	\$ 72,704	\$ (2,596)	\$ 80,369
Federal grants and reimbursements.....	322,000	339,100	17,100	392,447
Departmental.....	2,900	3,881	981	2,987
Miscellaneous.....	-	131	131	132
Total revenues.....	<u>400,200</u>	<u>415,816</u>	<u>15,616</u>	<u>475,935</u>
Other financing sources:				
Stabilization transfer.....	-	4,390	4,390	-
Operating transfers in.....	-	-	-	27,714
Tobacco settlement transfer.....	-	-	-	120,000
Total other financing sources.....	<u>-</u>	<u>4,390</u>	<u>4,390</u>	<u>147,714</u>
Total revenues and other financing sources.....	<u>400,200</u>	<u>420,206</u>	<u>20,006</u>	<u>623,649</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Expenditures:				
Attorney General.....	13	7	6	16
Administration and finance.....	566	566	-	-
Health and human services.....	18,896	18,449	447	19,281
Elder affairs.....	-	-	-	466
Medicaid.....	496,807	481,160	15,647	621,890
Total expenditures.....	<u>516,282</u>	<u>500,182</u>	<u>16,100</u>	<u>641,653</u>
Other financing uses:				
Fringe benefit cost assessment.....	-	1,386	(1,386)	1,244
Total other financing uses.....	<u>-</u>	<u>1,386</u>	<u>(1,386)</u>	<u>1,244</u>
Total expenditures and other financing uses.....	<u>516,282</u>	<u>501,568</u>	<u>14,714</u>	<u>642,897</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses....	(116,082)	(81,362)	34,720	(19,248)
Fund balance (deficit) at beginning of year.....	(80,032)	(80,032)	-	(60,784)
Fund balance (deficit) at end of year.....	<u>\$ (196,114)</u>	<u>\$ (161,394)</u>	<u>\$ 34,720</u>	<u>\$ (80,032)</u>

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# ***Non-Budgeted Funds***

## **SPECIAL REVENUE FUNDS:**

These funds account for the proceeds of specific revenue sources that are restricted to finance specific functions. Funds that are not subject to appropriation are considered Non-budgeted Special Revenue Funds.

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

## **LOTTERY FUNDS:**

The two lottery funds account for the operations of the State and Arts Lotteries.

***State Lottery Fund*** – to account for revenue from sale of lottery tickets and for the payment of prizes, expenses of the State Lottery Commission and the distribution to municipalities and school districts. Transfers are made to the General Fund.

***Arts Lottery Fund*** - to account for revenues from sale of lottery tickets, for payment of prizes and the expenses of the State Lottery Commission, and for the administration of the Arts Lottery Council. Transfers are made to the General Fund.

## **UNIVERSAL HEALTH CARE FUNDS:**

The three Universal Healthcare Funds account for assessments and other revenues that are dedicated to making health care and health insurance accessible and affordable to all Citizens of the Commonwealth.

***Uncompensated Care Fund*** – to account for funds received from hospitals, transfers from budgeted funds and federal reimbursements; used for the purposes of the Uncompensated Care Pool.

***Medical Security Trust Fund*** – to account for premiums, fees, and contributions; used for health insurance for workers receiving unemployment insurance.

## **OTHER FUNDS:**

The other minor special revenue funds account for a variety of miscellaneous taxes, assessments, fees, fines and other revenues, which are restricted to the financing of specific Commonwealth programs.

***Department of Telecommunication and Energy Trust Fund*** – to account for expenditures by the Department of Telecommunications and Energy for activities of the department related to the regulation of electric companies.

***Liability Management and Reduction Fund*** - to account for charge backs assessed to departments as premiums for the provision of insurance coverage for state agencies to cover payment of judgements, settlements and litigation costs in tort claims.

***Debt Defeasance Trust Fund*** – to account for transfers from General Fund and Highway Fund for purpose of defeasing debt pursuant to Chapter 55 of the Acts of 1999 section 6, 7 and 8, as amended, and Sections 13 and 17 of Chapter 87 of the Acts of 2000. The Fund is repealed as of June 30, 2005.

***Health Care Security Trust Fund*** – to account for revenues received from tobacco companies under the tobacco settlement, interest income fees and federal grants as well as expenditures to the Health Care Quality Improvement Fund for health related services and programs intended to control or reduce the use of tobacco in the Commonwealth.

***Commonwealth of Massachusetts Civil Monetary Penalty (CMP) Fund*** – to account for civil monetary penalties paid by nursing homes participating in the medical program for the protection of health and property of residents in a nursing home if the facility is found deficient.

***MBTA State and Local Contribution Fund*** – to account for the transfer of revenue and MBTA service area assessments from the Commonwealth to the MBTA as set forth in Massachusetts General Laws, Chapter 10, Section 35T.

***Catastrophic Illness in Children Relief Fund*** – to account for receipts from a portion of an employer's

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unemployment health insurance contribution and certain Federal financial participation. The assistance is for medical expenses of childhood catastrophic illnesses not covered by any other State and Federal program and subject to certain family income limits.

***MBTA Infrastructure Renovation Fund*** – to account for supplemental appropriations beyond the MBTA State and Local Contribution Fund for certain MBTA infrastructure improvements. Funds are to be used for, but not limited to, compliance with the American with Disabilities Act, elevator and escalator improvements, waterproofing, fare gates, signage, lighting and structural improvements only. No rolling stock is to be acquired through the fund.

***Community Preservation Trust Fund*** – to account for revenues received from surcharges on real estate property taxes, public and private sources as gifts, grants and donations, from damages, penalties costs from litigation settlements and surcharge on municipal liens imposed by the cities and towns who accept funds from the trust, to further community open – space preservation programs.

***Health Insurance Portability and Accountability Act Fund*** – to account for revenues received from Federal reimbursements under the Social Security Act, other Federal reimbursements, grants, gifts or other contributions to meet the costs of compliance with the Federal Health Insurance Portability and Accountability Act of 1996 (HIPPA).

***State Racing Fund*** – to record activity described in Section 9, Chapter 139, Acts of 2001 for improvements to the horse and greyhound racing industry in the Commonwealth. Revenues are from taxes, assessments and expenditures are for related programs.

***Division of Professional Licensure Trust Fund*** – to support programs and administrative costs of the Division of Professional Licensure. Revenues are from professional registration fees and expenditures are for regulatory purpose. The fund is not allowed to incur deficit. Any year end balance in excess of 20% of prior year's expenditures is to revert to the General Fund.

***Victims of Drunk Driving Trust Fund*** – to account for fines collected from convicted individuals of driving under the influence of various substances defined by the law. Expenditures are for grants to community based programs to provide counseling and support services to victims of accidents.

***Health Care Quality Improvement Trust Fund*** – to account for transferred fees and federal participation from the Health Care Security Trust fund paid by health care providers. Expenditures are to health care providers for Medicaid related services.

***Department of Fire Services Hazardous Materials Emergency Mitigation Response Recovery Trust Fund*** – to account for monies received from fees, fines and investment income up to a maximum of \$250,000 per year. All revenues in excess of \$250,000 are transferred to the General Fund and may be made available for appropriation. Expenditures are for emergency hazardous materials response and mitigation costs up to a maximum of \$250,000 per year.

***Registers Technological Fund*** – to account for funds received from deeds excise taxes for the benefit of abolished counties. Expenditures are for technological improvements at the registries of deeds in those counties.

***County Registers Technological Fund*** – to account for monies received from deeds excise taxes for Barnstable, Bristol, Dukes, Norfolk, Plymouth and Nantucket Counties. Expenditures are for technical improvements at those counties.

***State Election Campaign Fund*** – to account for the costs of quadrennial statewide elections provided for through tax contributions from citizens.

***Essential Community Provider Expendable Trust Fund*** – to account for the financial support to community health centers, community health center-based managed care organizations, and other essential community providers that serve populations in need of community-based care, clinical support, care coordination services, pharmacy management services or other special needs for continuing community care including, but not limited to, those populations that are chronically ill, elderly, or disabled.

***Economic Stimulus Trust Fund*** - to account programs established in Chapter 141 of the Acts of 2003 including workforce development grants, international marketing and tourism promotion, new technology development, for 'brownfields' redevelopment and to the Massachusetts Mathematics, Science, Technology and Engineering Grant Fund. The fund expires on June 30, 2004.

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**Springfield Fiscal Recovery Trust Fund** - to account for interest free loans to the City of Springfield, the goal of which is to bring fiscal stability to the City.

**School Modernization and Reconstruction Trust Fund** - to account for dedicated sales tax revenues in support of the School Building Assistance Program.

**Government Land Bank Fund** – to account for proceeds from disposition, conversion and redevelopment of land used for payments of principal and interest on bonds and notes of the Massachusetts Development Finance Agency.

**Natural Heritage and Endangered Species Fund** - to account for revenues from public and private sources and/or the federal government as reimbursements, grants, donations or other receipts; used to acquire by purchase, lease, easement or license land critical to nongame wildlife and endangered species for purposes of protecting and enhancing nongame wildlife.

**Massachusetts Mathematics, Science, Technology and Engineering Grant Fund** – to account for the support provided to Massachusetts students who want to participate in programs that support careers in fields related to mathematics, science, technology, and engineering. The grants also support curriculum development in those fields.

**Mosquito and Greenhead Fly Control Fund** –to account for assessments to cities and towns of various mosquito control districts; appropriated to support activities designed to control mosquitoes and /or “greenhead” flies.

**Oil Overcharge Fund** – to account for the fines and penalties collected under federal litigation from certain oil companies; used to provide fuel assistance and home insulation for low-income residents.

**Environmental Trust Fund** – to account for fines, gifts and grants used for restoration, protection and improvement of the quality of Boston Harbor, Lynn Harbor, Massachusetts Bay, Buzzard’s Bay and Cape Cod Bay.

**Children’s Trust Fund** – to account for gifts, grants, interest, and donations to the Child Abuse Prevention Board and certain appropriations designated to be transferred to the fund; used for support programs to raise awareness of child abuse and prevention programs.

**Child Support Enforcement Fund** – to account for Federal grants used for activities associated with the collection of child support.

**Department of Industrial Accidents Special Fund** – to account for assessments to employers and cities and towns for workers’ compensation insurance premiums and penalties assessed against employers who fail to insure for the workers’ compensation; used to reimburse the General Fund for the operating account of the Department of Industrial Accidents and for administrative overhead.

**County Correction Fund** – to account for approximately 7.5% of the deeds excise tax distributed to counties for the operation of county correctional facilities.

**Massachusetts AIDS Fund** – to account for gifts, grants, and donations; used for research, treatment, and education related to acquired immune deficiency syndrome.

**Trust Fund for the Head Injury Treatment Services Fund** - to account for revenues from a surcharge on fines resulting from ‘driving under the influence’ convictions; funds the Massachusetts Rehabilitation Commission’s statewide head injury program to develop and maintain non-residential rehabilitation services for head injured persons,

**Board of Registration in Medicine Fund** – to account for certain revenues and expenditures of the Board.

**Water Pollution Abatement Projects Administration Fund** – to account for transfers from the Water Pollution Abatement Trust and general obligation bond proceeds; used for the administration of the Department of Environmental Protection to fund water pollution abatement projects.

**Commonwealth Sewer Rate Relief Fund** – to account for transfers of amounts from the General Fund or other funds; used for the purpose of mitigating sewer rate increases and making sewer rate relief grants to municipalities.

**Motor Vehicle Safety Inspection Trust Fund** – to account for vehicle inspection fees for administration and operation of safety inspection programs by the Registry of Motor Vehicles.

**Child Care Quality Fund** – to account for expenditures by the commissioner of the Office for Children for

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providing grants for not-for-profit childcare organizations for the purpose of improving childcare services.

***Convention and Exhibition Center Fund*** – to account for surcharges imposed on tourist tickets, such as cruise and for any land-based sightseeing located in the Commonwealth to finance the construction of a new Boston Convention Center along with centers in Worcester and Springfield.

***Firearms Fingerprint Identity Verification Trust Fund*** – to account for fees paid in firearms registrations for the purposes of financing fingerprint identification verifications with the fingerprint records maintained by the Federal Bureau of Investigations or any other federal agency for the verification of firearms license application identities.

***Grant Anticipation Note Trust Fund*** - to account for proceeds to cover grant anticipation note expenditures and pay the related debt service of the proceeds.

The following funds have been enacted in legislation but are inactive:

***Energy Technology Development Fund*** – to account for revenues received from miscellaneous trusts, gifts and donations to be administered and expended by the commissioner of the Division of Energy Resources to promote energy efficiency and the research development and commercialization of new energy technologies.

***Federally-Assisted Housing Fund*** – to account for Federal housing financial assistance; used for payments of principal and interest on bond debt.

**Non-Budgeted Special Revenue Funds**  
Combining Balance Sheet - Statutory Basis

June 30, 2004 and 2003  
(Amounts in thousands)

	Federal Grants	Lotteries	Universal Health Care
<b>ASSETS</b>			
Cash and short-term investments.....	\$ -	\$ 33,698	\$ 216,581
Cash with fiscal agent.....	-	-	-
Investments.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	390,931	-	45,529
Other receivables.....	-	2,038	45,529
Total assets.....	<u>\$ 390,931</u>	<u>\$ 35,736</u>	<u>\$ 307,639</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deficiency in cash and short-term investments.....	\$ 157,064	\$ -	\$ -
Accounts payable.....	220,046	35,736	180,150
Accrued payroll.....	2,473	-	21
Due to other funds.....	-	-	-
Total liabilities.....	<u>379,583</u>	<u>35,736</u>	<u>180,171</u>
Fund balances:			
Reserved for:			
Debt service.....	-	-	-
Capital projects.....	-	-	-
Unreserved:			
Designated for specific purpose.....	11,348	-	127,468
Undesignated.....	-	-	-
Total fund balances.....	<u>11,348</u>	<u>-</u>	<u>127,468</u>
Total liabilities and fund balances.....	<u>\$ 390,931</u>	<u>\$ 35,736</u>	<u>\$ 307,639</u>



Totals (Memorandum only)		
Other	2004	2003
\$ 696,757	\$ 947,036	\$ 449,522
521,040	521,040	79,748
374,568	374,568	476,789
336,107	772,567	429,892
-	47,567	44,150
<u>\$ 1,928,472</u>	<u>\$ 2,662,778</u>	<u>\$ 1,480,101</u>
\$ -	\$ 157,064	\$ 46,347
140,163	576,095	478,315
387	2,881	9,245
<u>334,427</u>	<u>334,427</u>	<u>83,622</u>
<u>474,977</u>	<u>1,070,467</u>	<u>617,529</u>
521,040	521,040	79,748
7,465	7,465	7,465
985,823	1,124,639	842,302
(60,833)	(60,833)	(66,943)
<u>1,453,495</u>	<u>1,592,311</u>	<u>862,572</u>
<u>\$ 1,928,472</u>	<u>\$ 2,662,778</u>	<u>\$ 1,480,101</u>

**Non-Budgeted Special Revenue Funds**  
Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2004 and 2003  
(Amounts in thousands)

	Federal Grants	Lotteries	Universal Health Care
<b>REVENUES AND OTHER FINANCING SOURCES</b>			
Revenues:			
Taxes.....	\$ -	\$ 1,699	\$ -
Assessments.....	-	-	313,030
Federal grants and reimbursements.....	2,024,105	-	445,792
Tobacco settlement revenue.....	-	-	-
Departmental.....	-	4,603,266	677,606
Miscellaneous.....	56	1,948	1,523
Total revenues.....	2,024,161	4,606,913	1,437,951
Other financing sources:			
Proceeds of grant anticipation notes.....	-	-	-
Tobacco settlement transfer.....	-	-	-
Operating transfers in.....	4,152	38,589	157,759
Health care security trust transfer .....	-	-	-
Economic stimulus trust transfer .....	-	-	-
Uncompensated care pool transfer .....	-	-	245,000
School building assistance transfer .....	-	-	-
Total other financing sources.....	4,152	38,589	402,759
Total revenues and other financing sources.....	2,028,313	4,645,502	1,840,710
<b>EXPENDITURES AND OTHER FINANCING USES</b>			
Expenditures:			
Judiciary.....	1,040	-	-
Governor and Lieutenant Governor.....	-	-	-
Secretary of the Commonwealth.....	690	-	-
Treasurer and Receiver-General.....	836	3,621,677	-
Attorney General.....	10,078	-	-
District Attorney.....	-	3,537	-
Sheriff's Departments.....	2,736	-	-
Disabled Persons Protection Commission.....	48	-	-
Board of Library Commissioners.....	3,216	-	-
Comptroller.....	-	-	-
Administration and finance.....	7,614	-	100
Environmental affairs.....	30,223	-	-
Communities and development.....	401,126	-	-
Health and human services.....	375,457	-	1,470,078
Transportation and construction.....	17,354	-	-
Education.....	831,220	-	-
Higher education.....	8,480	-	-
Public safety.....	87,604	-	-
Economic development.....	-	-	-
Elder affairs.....	-	-	-
Consumer affairs.....	165,076	-	38,815
Labor.....	-	-	-
Direct local aid.....	-	-	-
Medicaid.....	-	-	-
Debt service:			
Principal retirement.....	-	-	-
Interest and fiscal charges.....	-	-	-
Total expenditures.....	1,946,335	3,621,677	1,508,993
Other financing uses:			
Fringe benefit cost assessment.....	35,393	2,393	342
Lottery operating reimbursements.....	-	78,426	-
Lottery distributions.....	-	904,417	-
Federal reimbursement transfer out.....	-	-	-
Tobacco settlement transfer.....	-	-	-
Health care quality improvement transfer.....	-	-	-
Economic stimulus trust transfer.....	-	-	-
Municipal medicaid transfer.....	-	-	160,000
Operating transfers out.....	45,120	38,589	186,496
Total other financing uses.....	80,513	1,023,825	346,838
Total expenditures and other financing uses.....	2,026,848	4,645,502	1,855,831
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,465	-	(15,121)
Fund balances at beginning of year.....	9,883	-	142,589
Legislative fund reclassification.....	-	-	-
Fund balances at end of year.....	\$ 11,348	\$ -	\$ 127,468

Other	Totals (Memorandum only)	
	2004	2003
\$ 783,943	\$ 785,642	\$ 752,775
305,983	619,013	526,888
783,089	3,252,986	2,855,445
253,621	253,621	300,039
82,279	5,363,151	4,957,509
39,437	42,964	39,374
2,248,352	10,317,377	9,432,030
469,106	469,106	-
-	-	42,000
166,102	366,602	241,331
315,612	315,612	215,541
100,900	100,900	-
-	245,000	-
150,000	150,000	-
1,201,720	1,647,220	498,872
3,450,072	11,964,597	9,930,902
2,794	3,834	3,692
-	-	20
7,933	8,623	2,491
854,233	4,476,746	4,297,333
168	10,246	10,985
173	3,710	3,654
-	2,736	3,967
-	48	33
-	3,216	2,931
1,807	1,807	2,674
216,805	224,519	40,386
15,819	46,042	44,580
35	401,161	373,488
82,634	1,928,169	1,436,807
-	17,354	8,982
-	831,220	741,952
399	8,879	8,481
32,304	119,908	105,148
-	-	539
-	-	31,438
15,910	219,801	15,287
-	-	217,922
6,272	6,272	6,017
288,496	288,496	201,391
529	529	140
95,690	95,690	77,060
1,622,001	8,699,006	7,637,398
7,511	45,639	40,394
-	78,426	73,222
-	904,417	882,197
599,040	599,040	507,716
253,621	253,621	307,802
315,612	315,612	215,541
33,634	33,634	-
-	160,000	-
58,543	328,748	260,156
1,267,961	2,719,137	2,287,028
2,889,962	11,418,143	9,924,426
560,110	546,454	6,476
710,100	862,572	856,096
183,285	183,285	-
\$ 1,453,495	\$ 1,592,311	\$ 862,572

**Federal Grants Fund**  
Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	\$ 390,931	\$ 301,031
Total assets.....	<u>\$ 390,931</u>	<u>\$ 301,031</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 157,064	\$ 46,347
Accounts payable.....	220,046	236,773
Accrued payroll.....	2,473	8,028
Total liabilities.....	<u>379,583</u>	<u>291,148</u>
Fund balance:		
Designated for specific purpose.....	11,348	9,883
Total fund balance (deficit).....	11,348	9,883
Total liabilities and fund balance.....	<u>\$ 390,931</u>	<u>\$ 301,031</u>

**Federal Grants Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ 2,024,105	\$ 1,851,680
Miscellaneous.....	56	76
Total revenues.....	2,024,161	1,851,756
Other financing sources:		
Operating transfers in.....	4,152	-
Total other financing sources.....	4,152	-
Total revenues and other financing sources.....	2,028,313	1,851,756
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Judiciary.....	1,040	1,018
Secretary of the Commonwealth.....	690	792
Treasurer and Receiver-General.....	836	665
Attorney General.....	10,078	10,925
District Attorney.....	3,537	3,505
Sheriff's Departments.....	2,736	3,967
Disabled Persons Protection Commission.....	48	33
Board of Library Commissioners.....	3,216	2,931
Administration and finance.....	7,614	10,185
Environmental affairs.....	30,223	28,454
Communities and development.....	401,126	373,465
Health and human services.....	375,457	313,009
Transportation and construction.....	17,354	8,982
Education.....	831,220	741,952
Higher education.....	8,480	8,481
Public safety.....	87,604	70,078
Economic development.....	-	539
Elder affairs.....	-	31,438
Consumer affairs.....	165,076	1,197
Labor.....	-	168,090
Total expenditures.....	1,946,335	1,779,706
Other financing uses:		
Fringe benefit cost assessment.....	35,393	32,282
Operating transfers out.....	45,120	38,265
Total other financing uses.....	80,513	70,547
Total expenditures and other financing uses.....	2,026,848	1,850,253
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,465	1,503
Fund balance (deficit) at beginning of year.....	9,883	8,380
Fund balance (deficit) at end of year.....	\$ 11,348	\$ 9,883

**State Lottery Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 24,071	\$ 14,501
Receivables, net of allowance for uncollectibles:		
Other receivables.....	1,200	1,835
Total assets.....	<u>\$ 25,271</u>	<u>\$ 16,336</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 25,271	\$ 16,336
Total liabilities.....	<u>25,271</u>	<u>16,336</u>
Fund balance:		
Designated for specific purpose.....	-	-
Total fund balance (deficit).....	-	-
Total liabilities and fund balance.....	<u>\$ 25,271</u>	<u>\$ 16,336</u>

## State Lottery Fund

### Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004

(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ 1,699	\$ 1,841
Departmental.....	4,339,674	4,176,037
Miscellaneous.....	1,465	1,143
Total revenues.....	4,342,838	4,179,021
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	4,342,838	4,179,021
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Treasurer and Receiver-General.....	3,404,477	3,260,693
Total expenditures.....	3,404,477	3,260,693
Other financing uses:		
Fringe benefit cost assessment.....	2,393	2,063
Lottery operating reimbursements .....	71,576	66,673
Lottery distributions.....	825,803	803,583
Operating transfers out.....	38,589	46,009
Total other financing uses.....	938,361	918,328
Total expenditures and other financing uses.....	4,342,838	4,179,021
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ -	\$ -

**Arts Lottery Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 9,627	\$ 25,575
Receivables, net of allowance for uncollectibles:		
Other receivables.....	838	709
Total assets.....	<u>\$ 10,465</u>	<u>\$ 26,284</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 10,465	\$ 26,284
Total liabilities.....	<u>10,465</u>	<u>26,284</u>
Fund balance:		
Designated for specific purpose.....	-	-
Total fund balance (deficit).....	-	-
Total liabilities and fund balance.....	<u>\$ 10,465</u>	<u>\$ 26,284</u>



## Arts Lottery Fund

### Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 263,592	\$ 247,128
Miscellaneous.....	483	431
Total revenues.....	<u>264,075</u>	<u>247,559</u>
Other financing sources:		
Operating transfers in.....	38,589	46,009
Total other financing sources.....	<u>38,589</u>	<u>46,009</u>
Total revenues and other financing sources.....	<u>302,664</u>	<u>293,568</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Treasurer and Receiver-General.....	217,200	208,405
Total expenditures.....	<u>217,200</u>	<u>208,405</u>
Other financing uses:		
Lottery operating reimbursements .....	6,850	6,549
Lottery distributions.....	78,614	78,614
Total other financing uses.....	<u>85,464</u>	<u>85,163</u>
Total expenditures and other financing uses.....	<u>302,664</u>	<u>293,568</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	<u>\$ -</u>	<u>\$ -</u>

**Uncompensated Care Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 202,090	\$ 142,404
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	45,529	41,606
Other receivables.....	45,529	41,606
Total assets.....	<u>\$ 293,148</u>	<u>\$ 225,616</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 179,784	\$ 91,005
Total liabilities.....	<u>179,784</u>	<u>91,005</u>
Fund balance:		
Designated for specific purpose.....	113,364	134,611
Total fund balance (deficit).....	113,364	134,611
Total liabilities and fund balance.....	<u>\$ 293,148</u>	<u>\$ 225,616</u>

**Uncompensated Care Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Assessments.....	\$ 313,030	\$ 282,397
Federal grants and reimbursements.....	445,792	356,605
Departmental.....	632,176	429,271
Miscellaneous.....	1,488	1,780
Total revenues.....	<u>1,392,486</u>	<u>1,070,053</u>
Other financing sources:		
Operating transfers in.....	157,759	117,666
Uncompensated care pool transfer.....	245,000	42,000
Total other financing sources.....	<u>402,759</u>	<u>159,666</u>
Total revenues and other financing sources.....	<u>1,795,245</u>	<u>1,229,719</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	1,470,078	1,081,915
Total expenditures.....	<u>1,470,078</u>	<u>1,081,915</u>
Other financing uses:		
Municipal medicaid transfer.....	160,000	-
Operating transfers out.....	186,414	117,666
Total other financing uses.....	<u>346,414</u>	<u>117,666</u>
Total expenditures and other financing uses.....	<u>1,816,492</u>	<u>1,199,581</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(21,247)	30,138
Fund balance (deficit) at beginning of year.....	134,611	104,473
Fund balance (deficit) at end of year.....	<u>\$ 113,364</u>	<u>\$ 134,611</u>

**Medical Security Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 14,491	\$ 9,624
Total assets.....	<u>\$ 14,491</u>	<u>\$ 9,624</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 366	\$ 1,597
Accrued payroll.....	<u>21</u>	<u>49</u>
Total liabilities.....	<u>387</u>	<u>1,646</u>
Fund balance:		
Designated for specific purpose.....	<u>14,104</u>	<u>7,978</u>
Total fund balance (deficit).....	<u>14,104</u>	<u>7,978</u>
Total liabilities and fund balance.....	<u>\$ 14,491</u>	<u>\$ 9,624</u>

**Medical Security Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 45,430	\$ 43,488
Miscellaneous.....	35	138
Total revenues.....	45,465	43,626
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	45,465	43,626
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	100	99
Consumer affairs.....	38,815	-
Labor.....	-	48,840
Total expenditures.....	38,915	48,939
Other financing uses:		
Fringe benefit cost assessment.....	342	262
Operating transfers out.....	82	689
Total other financing uses.....	424	951
Total expenditures and other financing uses.....	39,339	49,890
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	6,126	(6,264)
Fund balance (deficit) at beginning of year.....	7,978	14,242
Fund balance (deficit) at end of year.....	\$ 14,104	\$ 7,978

**Department of Telecommunication and Energy Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 384	\$ 542
Total assets.....	<u>\$ 384</u>	<u>\$ 542</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 74	\$ 248
Accrued payroll.....	<u>31</u>	<u>43</u>
Total liabilities.....	<u>105</u>	<u>291</u>
Fund balance:		
Designated for specific purpose.....	<u>279</u>	<u>251</u>
Total fund balance (deficit).....	<u>279</u>	<u>251</u>
Total liabilities and fund balance.....	<u>\$ 384</u>	<u>\$ 542</u>

**Department of Telecommunication and Energy Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Assessments.....	\$ 3,155	\$ 3,179
Departmental.....	356	105
Total revenues.....	<u>3,511</u>	<u>3,284</u>
Other financing sources:		
Operating transfers in.....	<u>7</u>	<u>-</u>
Total other financing sources.....	<u>7</u>	<u>-</u>
Total revenues and other financing sources.....	<u>3,518</u>	<u>3,284</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Consumer affairs.....	<u>3,067</u>	<u>2,888</u>
Total expenditures.....	<u>3,067</u>	<u>2,888</u>
Other financing uses:		
Fringe benefit cost assessment.....	409	270
Operating transfers out.....	<u>14</u>	<u>5</u>
Total other financing uses.....	<u>423</u>	<u>275</u>
Total expenditures and other financing uses.....	<u>3,490</u>	<u>3,163</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	28	121
Fund balance (deficit) at beginning of year.....	<u>251</u>	<u>130</u>
Fund balance (deficit) at end of year.....	<u>\$ 279</u>	<u>\$ 251</u>

**Liability Management and Reduction Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 2,258	\$ 1,957
Total assets.....	<u>\$ 2,258</u>	<u>\$ 1,957</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 57	\$ 517
Accrued payroll.....	<u>1</u>	<u>2</u>
Total liabilities.....	<u>58</u>	<u>519</u>
Fund balance:		
Designated for specific purpose.....	<u>2,200</u>	<u>1,438</u>
Total fund balance (deficit).....	<u>2,200</u>	<u>1,438</u>
Total liabilities and fund balance.....	<u>\$ 2,258</u>	<u>\$ 1,957</u>



**Liability Management and Reduction Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 2,654	\$ 2,497
Miscellaneous.....	12	30
Total revenues.....	<u>2,666</u>	<u>2,527</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>2,666</u>	<u>2,527</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Attorney General.....	83	60
Comptroller.....	1,807	2,674
Total expenditures.....	<u>1,890</u>	<u>2,734</u>
Other financing uses:		
Fringe benefit cost assessment.....	14	13
Total other financing uses.....	14	13
Total expenditures and other financing uses.....	<u>1,904</u>	<u>2,747</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	762	(220)
Fund balance (deficit) at beginning of year.....	1,438	1,658
Fund balance (deficit) at end of year.....	<u>\$ 2,200</u>	<u>\$ 1,438</u>

**Debt Defeasance Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 7,465	\$ 7,465
Total assets.....	<u>\$ 7,465</u>	<u>\$ 7,465</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	7,465	7,465
Total fund balance (deficit).....	<u>7,465</u>	<u>7,465</u>
Total liabilities and fund balance.....	<u>\$ 7,465</u>	<u>\$ 7,465</u>

**Debt Defeasance Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ -	\$ -
Total revenues.....	<u>-</u>	<u>-</u>
Other financing sources:		
Debt defeasance trust transfer.....	-	-
Total other financing sources.....	<u>-</u>	<u>-</u>
Total revenues and other financing sources.....	<u>-</u>	<u>-</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Treasurer and Receiver - General.....	-	-
Total expenditures.....	<u>-</u>	<u>-</u>
Other financing uses:		
Payments to refunded bond escrow agent.....	-	-
Total other financing uses.....	<u>-</u>	<u>-</u>
Total expenditures and other financing uses.....	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-
Fund balance (deficit) at beginning of year.....	<u>7,465</u>	<u>7,465</u>
Fund balance (deficit) at end of year.....	<u>\$ 7,465</u>	<u>\$ 7,465</u>

# Health Care Security Trust Fund

## Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 83,147	\$ 19,750
Investments.....	<u>374,568</u>	<u>476,789</u>
Total assets.....	<u><u>\$ 457,715</u></u>	<u><u>\$ 496,539</u></u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 37,749	\$ 18,766
Accrued payroll.....	<u>1</u>	<u>3</u>
Total liabilities.....	<u>37,750</u>	<u>18,769</u>
Fund balance:		
Designated for specific purpose.....	<u>419,965</u>	<u>477,770</u>
Total fund balance (deficit).....	<u>419,965</u>	<u>477,770</u>
Total liabilities and fund balance.....	<u><u>\$ 457,715</u></u>	<u><u>\$ 496,539</u></u>

**Health Care Security Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Assessments.....	\$ 142,642	\$ 69,312
Federal grants reimbursements.....	144,248	100,426
Departmental.....	139	-
Tobacco settlement revenue.....	253,621	300,039
Miscellaneous income (loss).....	4,861	24,270
Total revenues.....	<u>545,511</u>	<u>494,047</u>
Other financing sources:		
Tobacco settlement transfer.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>545,511</u>	<u>494,047</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance .....	6	7
Health and human services .....	420	1,999
Total expenditures.....	<u>426</u>	<u>2,006</u>
Other financing uses:		
Fringe benefit cost assessment.....	23	13
Tobacco settlement transfer.....	253,621	307,802
Health care quality improvement transfer.....	315,612	215,541
Economic stimulus trust transfer.....	33,634	-
Total other financing uses.....	<u>602,890</u>	<u>523,356</u>
Total expenditures and other financing uses.....	<u>603,316</u>	<u>525,362</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(57,805)	(31,315)
Fund balance (deficit) at beginning of year.....	477,770	509,085
Fund balance (deficit) at end of year.....	<u>\$ 419,965</u>	<u>\$ 477,770</u>

**Commonwealth of Massachusetts Civil Monetary Penalty (CMP) Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,466	\$ 1,537
Total assets.....	<u>\$ 1,466</u>	<u>\$ 1,537</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ 31
Total liabilities.....	<u>-</u>	<u>31</u>
Fund balance:		
Designated for specific purpose.....	1,466	1,506
Total fund balance (deficit).....	<u>1,466</u>	<u>1,506</u>
Total liabilities and fund balance.....	<u>\$ 1,466</u>	<u>\$ 1,537</u>

**Commonwealth of Massachusetts Civil Monetary Penalty (CMP) Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 260	\$ 409
Total revenues.....	260	409
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	260	409
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	300	144
Total expenditures.....	300	144
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	300	144
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(40)	265
Fund balance (deficit) at beginning of year.....	1,506	1,241
Fund balance (deficit) at end of year.....	\$ 1,466	\$ 1,506

**MBTA State and Local Contribution Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 64,534	\$ 66,122
Total assets.....	<u>\$ 64,534</u>	<u>\$ 66,122</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 64,534	\$ 66,122
Total liabilities.....	<u>64,534</u>	<u>66,122</u>
Fund balance:		
Designated for specific purpose.....	-	-
Total fund balance (deficit).....	-	-
Total liabilities and fund balance.....	<u>\$ 64,534</u>	<u>\$ 66,122</u>



**MBTA State and Local Contribution Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ 684,280	\$ 684,280
Assessments.....	139,438	141,143
Total revenues.....	<u>823,718</u>	<u>825,423</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>823,718</u>	<u>825,423</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Treasurer and Receiver-General.....	823,718	825,423
Total expenditures.....	<u>823,718</u>	<u>825,423</u>
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	<u>823,718</u>	<u>825,423</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	<u>\$ -</u>	<u>\$ -</u>

**Catastrophic Illness in Children Relief Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,683	\$ 4,639
Total assets.....	<u>\$ 1,683</u>	<u>\$ 4,639</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 195	\$ 28
Accrued payroll.....	1	-
Total liabilities.....	<u>196</u>	<u>28</u>
Fund balance:		
Designated for specific purpose.....	1,487	4,611
Total fund balance (deficit).....	<u>1,487</u>	<u>4,611</u>
Total liabilities and fund balance.....	<u>\$ 1,683</u>	<u>\$ 4,639</u>

**Catastrophic Illness in Children Relief Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 47	\$ 71
Total revenues.....	<u>47</u>	<u>71</u>
Other financing sources:		
Operating transfers in.....	-	650
Total other financing sources.....	-	650
Total revenues and other financing sources.....	<u>47</u>	<u>721</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	3,171	1,209
Total expenditures.....	<u>3,171</u>	<u>1,209</u>
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	<u>3,171</u>	<u>1,209</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(3,124)	(488)
Fund balance (deficit) at beginning of year.....	4,611	5,099
Fund balance (deficit) at end of year.....	<u>\$ 1,487</u>	<u>\$ 4,611</u>

**MBTA Infrastructure Renovation Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 31,818	\$ 45,436
Total assets.....	<u>\$ 31,818</u>	<u>\$ 45,436</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 2,251	\$ -
Total liabilities.....	<u>2,251</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	29,567	45,436
Total fund balance (deficit).....	<u>29,567</u>	<u>45,436</u>
Total liabilities and fund balance.....	<u>\$ 31,818</u>	<u>\$ 45,436</u>

**MBTA Infrastructure Renovation Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 280	\$ 663
Total revenues.....	<u>280</u>	<u>663</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>280</u>	<u>663</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Treasurer and Receiver-General.....	16,149	2,147
Total expenditures.....	<u>16,149</u>	<u>2,147</u>
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	<u>16,149</u>	<u>2,147</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(15,869)	(1,484)
Fund balance (deficit) at beginning of year.....	45,436	46,920
Fund balance (deficit) at end of year.....	<u>\$ 29,567</u>	<u>\$ 45,436</u>

**Community Preservation Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 118,069	\$ 94,051
Total assets.....	<u>\$ 118,069</u>	<u>\$ 94,051</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	118,069	94,051
Total fund balance (deficit).....	<u>118,069</u>	<u>94,051</u>
Total liabilities and fund balance.....	<u>\$ 118,069</u>	<u>\$ 94,051</u>

**Community Preservation Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ 50,520	\$ 53,503
Miscellaneous.....	928	625
Total revenues.....	<u>51,448</u>	<u>54,128</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>51,448</u>	<u>54,128</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	27,380	18,015
Total expenditures.....	<u>27,380</u>	<u>18,015</u>
Other financing uses:		
Fringe benefit cost assessment .....	50	35
Total other financing uses.....	50	35
Total expenditures and other financing uses.....	<u>27,430</u>	<u>18,050</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	24,018	36,078
Fund balance (deficit) at beginning of year.....	94,051	57,973
Fund balance (deficit) at end of year.....	<u>\$ 118,069</u>	<u>\$ 94,051</u>

**Health Insurance Portability and Accountability Act Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 12,423	\$ 16,479
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	3,088	1,726
Total assets.....	<u>\$ 15,511</u>	<u>\$ 18,205</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 2,558	\$ 3,748
Accrued payroll.....	21	25
Total liabilities.....	<u>2,579</u>	<u>3,773</u>
Fund balance:		
Designated for specific purpose.....	12,932	14,432
Total fund balance (deficit).....	<u>12,932</u>	<u>14,432</u>
Total liabilities and fund balance.....	<u>\$ 15,511</u>	<u>\$ 18,205</u>



**Health Insurance Portability and Accountability Act Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ 20,337	\$ 23,473
Total revenues.....	20,337	23,473
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	20,337	23,473
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	-	66
Health and human services.....	21,604	26,254
Total expenditures.....	21,604	26,320
Other financing uses:		
Fringe benefit cost assessment.....	230	112
Operating transfers out.....	3	-
Total other financing uses.....	233	112
Total expenditures and other financing uses.....	21,837	26,432
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,500)	(2,959)
Fund balance (deficit) at beginning of year.....	14,432	17,391
Fund balance (deficit) at end of year.....	\$ 12,932	\$ 14,432

**State Racing Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,042	\$ 3,001
Total assets.....	<u>1,042</u>	<u>\$ 3,001</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 88	\$ 60
Accrued payroll.....	28	8
Total liabilities.....	<u>116</u>	<u>68</u>
Fund balance:		
Designated for specific purpose.....	926	2,933
Total fund balance (deficit).....	<u>926</u>	<u>2,933</u>
Total liabilities and fund balance.....	<u>\$ 1,042</u>	<u>\$ 3,001</u>

**State Racing Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ 5,697	\$ 6,547
Assessments.....	761	762
Departmental.....	859	1,064
Miscellaneous.....	1,678	1,602
Total revenues.....	8,995	9,975
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	8,995	9,975
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Environmental affairs.....	295	262
Health and human services.....	213	62
Consumer affairs.....	6,408	4,425
Total expenditures.....	6,916	4,749
Other financing uses:		
Fringe benefit cost assessment.....	42	19
Operating transfers out.....	4,044	3,729
Total other financing uses.....	4,086	3,748
Total expenditures and other financing uses.....	11,002	8,497
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(2,007)	1,478
Fund balance (deficit) at beginning of year.....	2,933	1,455
Fund balance (deficit) at end of year.....	\$ 926	\$ 2,933

**Division of Professional Licensure Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,393	\$ 256
Total assets.....	<u>\$ 1,393</u>	<u>\$ 256</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 76	\$ 48
Accrued payroll.....	49	145
Total liabilities.....	<u>125</u>	<u>193</u>
Fund balance:		
Designated for specific purpose.....	1,268	63
Total fund balance (deficit).....	<u>1,268</u>	<u>63</u>
Total liabilities and fund balance.....	<u>\$ 1,393</u>	<u>\$ 256</u>

## Division of Professional Licensure Trust Fund

### Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 4,858	\$ 1,844
Miscellaneous.....	709	-
Total revenues.....	<u>5,567</u>	<u>1,844</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>5,567</u>	<u>1,844</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Consumer affairs.....	3,004	1,541
Total expenditures.....	<u>3,004</u>	<u>1,541</u>
Other financing uses:		
Fringe benefit cost assessment.....	476	232
Operating transfers out.....	882	709
Total other financing uses.....	<u>1,358</u>	<u>941</u>
Total expenditures and other financing uses.....	<u>4,362</u>	<u>2,482</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,205	(638)
Fund balance (deficit) at beginning of year.....	63	701
Fund balance (deficit) at end of year.....	<u>\$ 1,268</u>	<u>\$ 63</u>

**Victims of Drunk Driving Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 827	\$ 374
Total assets.....	<u>\$ 827</u>	<u>\$ 374</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 32	\$ -
Total liabilities.....	<u>32</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	795	374
Total fund balance (deficit).....	<u>795</u>	<u>374</u>
Total liabilities and fund balance.....	<u>\$ 827</u>	<u>\$ 374</u>

**Victims of Drunk Driving Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 506	\$ 357
Total revenues.....	506	357
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	506	357
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Attorney General.....	85	-
Total expenditures.....	85	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	85	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	421	357
Fund balance (deficit) at beginning of year.....	374	17
Fund balance (deficit) at end of year.....	\$ 795	\$ 374

# **Health Care Quality Improvement Fund** **Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 16,142	\$ 13,828
Total assets.....	<u>\$ 16,142</u>	<u>\$ 13,828</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 6,619	\$ 11,518
Accrued payroll.....	<u>7</u>	<u>-</u>
Total liabilities.....	<u>6,626</u>	<u>11,518</u>
Fund balance:		
Designated for specific purpose.....	<u>9,516</u>	<u>2,310</u>
Total fund balance (deficit).....	<u>9,516</u>	<u>2,310</u>
Total liabilities and fund balance.....	<u>\$ 16,142</u>	<u>\$ 13,828</u>



**Health Care Quality Improvement Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Health care security trust transfer.....	315,612	215,541
Total other financing sources.....	315,612	215,541
Total revenues and other financing sources.....	315,612	215,541
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	19,297	11,840
Consumer affairs.....	446	-
Medicaid.....	288,496	201,391
Total expenditures.....	308,239	213,231
Other financing uses:		
Fringe benefit cost assessment.....	167	-
Total other financing uses.....	167	-
Total expenditures and other financing uses.....	308,406	213,231
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	7,206	2,310
Fund balance (deficit) at beginning of year.....	2,310	-
Fund balance (deficit) at end of year.....	\$ 9,516	\$ 2,310

**Department of Fire Services Hazardous Material Emergency Mitigation  
Response Recovery Trust Fund  
Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 116	\$ 38
Total assets.....	<u>\$ 116</u>	<u>\$ 38</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 40	\$ -
Total liabilities.....	<u>40</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	76	38
Total fund balance (deficit).....	<u>76</u>	<u>38</u>
Total liabilities and fund balance.....	<u>\$ 116</u>	<u>\$ 38</u>

**Department of Fire Services Hazardous Material Emergency Mitigation  
Response Recovery Trust Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 153	\$ 40
Total revenues.....	153	40
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	153	40
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Public safety.....	115	2
Total expenditures.....	115	2
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	115	2
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	38	38
Fund balance (deficit) at beginning of year.....	38	-
Fund balance (deficit) at end of year.....	\$ 76	\$ 38

**Registers Technological Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,468	\$ 1,246
Total assets.....	<u>\$ 1,468</u>	<u>\$ 1,246</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	369	614
Accrued payroll.....	<u>7</u>	<u>75</u>
Total liabilities.....	<u>376</u>	<u>689</u>
Fund balance:		
Designated for specific purpose.....	<u>1,092</u>	<u>557</u>
Total fund balance (deficit).....	<u>1,092</u>	<u>557</u>
Total liabilities and fund balance.....	<u>\$ 1,468</u>	<u>\$ 1,246</u>

**Registers Technological Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 8,583	\$ 2,307
Total revenues.....	8,583	2,307
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	8,583	2,307
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Judiciary.....	27	15
Secretary of the Commonwealth.....	7,933	1,699
Total expenditures.....	7,960	1,714
Other financing uses:		
Fringe benefit cost assessment.....	87	28
Operating transfers out.....	1	8
Total other financing uses.....	88	36
Total expenditures and other financing uses.....	8,048	1,750
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	535	557
Fund balance (deficit) at beginning of year.....	557	-
Fund balance (deficit) at end of year.....	\$ 1,092	\$ 557

**County Registers Technological Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 2,803	\$ 846
Total assets.....	<u>\$ 2,803</u>	<u>\$ 846</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	2,803	846
Total fund balance (deficit).....	<u>2,803</u>	<u>846</u>
Total liabilities and fund balance.....	<u>\$ 2,803</u>	<u>\$ 846</u>

**County Registers Technological Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 4,599	\$ 846
Total revenues.....	4,599	846
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	4,599	846
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	2,642	-
Total expenditures.....	2,642	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	2,642	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,957	846
Fund balance (deficit) at beginning of year.....	846	-
Fund balance (deficit) at end of year.....	\$ 2,803	\$ 846

**State Election Campaign Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 909	\$ -
Total assets.....	<u>\$ 909</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	909	-
Total fund balance (deficit).....	<u>909</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 909</u>	<u>\$ -</u>



**State Election Campaign Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 89	\$ -
Miscellaneous.....	343	-
Total revenues.....	432	-
Other financing sources:		
Operating transfers in.....	477	-
Total other financing sources.....	477	-
Total revenues and other financing sources.....	909	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Office of Campaign and Political Finance.....	-	-
Total expenditures.....	-	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	909	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 909	\$ -

**Essential Community Provider Expendable Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,212	\$ -
Total assets.....	<u>\$ 1,212</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 150	\$ -
Total liabilities.....	<u>150</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	1,062	-
Total fund balance (deficit).....	<u>1,062</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 1,212</u>	<u>\$ -</u>

**Essential Community Provider Expendable Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	28,655	-
Total other financing sources.....	28,655	-
Total revenues and other financing sources.....	28,655	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human service.....	27,593	-
Total expenditures.....	27,593	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	27,593	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,062	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 1,062	\$ -

**Economic Stimulus Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	<u>-</u>	<u>-</u>
Total fund balance (deficit).....	<u>-</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Economic Stimulus Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 218	\$ -
Total revenues.....	218	-
Other financing sources:		
Economic stimulus trust transfer.....	100,900	-
Total other financing sources.....	100,900	-
Total revenues and other financing sources.....	101,118	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	68,000	-
Total expenditures.....	68,000	-
Other financing uses:		
Operating transfers out.....	33,118	-
Total other financing uses.....	33,118	-
Total expenditures and other financing uses.....	101,118	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ -	\$ -

**Springfield Fiscal Recovery Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 52,000	\$ -
Total assets.....	<u>\$ 52,000</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	52,000	-
Total fund balance (deficit).....	<u>52,000</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 52,000</u>	<u>\$ -</u>

**Springfield Fiscal Recovery Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	52,000	-
Total other financing sources.....	52,000	-
Total revenues and other financing sources.....	52,000	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	-	-
Total expenditures.....	-	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	52,000	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 52,000	\$ -

**School Modernization and Reconstruction Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 150,000	\$ -
Total assets.....	<u>\$ 150,000</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	150,000	-
Total fund balance (deficit).....	<u>150,000</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 150,000</u>	<u>\$ -</u>



**School Modernization and Reconstruction Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
School building assistance transfer .....	150,000	-
Total other financing sources.....	150,000	-
Total revenues and other financing sources.....	150,000	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	-	-
Total expenditures.....	-	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	150,000	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 150,000	\$ -

**Government Land Bank Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 35,097	\$ 35,097
Total liabilities.....	<u>35,097</u>	<u>35,097</u>
Fund balance:		
Undesignated.....	(35,097)	(35,097)
Total fund balance (deficit).....	<u>(35,097)</u>	<u>(35,097)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Government Land Bank Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 98	\$ 194
Total revenues.....	98	194
Other financing sources:		
Operating transfers in.....	2,655	2,184
Total other financing sources.....	2,655	2,184
Total revenues and other financing sources.....	2,753	2,378
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Debt service:		
Principal retirement.....	529	140
Interest and fiscal charges.....	2,224	2,238
Total expenditures.....	2,753	2,378
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	2,753	2,378
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-
Fund balance (deficit) at beginning of year.....	(35,097)	(35,097)
Fund balance (deficit) at end of year.....	\$ (35,097)	\$ (35,097)

**Natural Heritage And Endangered Species Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 167	\$ 301
Total assets.....	<u>\$ 167</u>	<u>\$ 301</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 11	\$ -
Accrued payroll.....	6	-
Total liabilities.....	<u>17</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	150	301
Total fund balance (deficit).....	<u>150</u>	<u>301</u>
Total liabilities and fund balance.....	<u>\$ 167</u>	<u>\$ 301</u>

**Natural Heritage And Endangered Species Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ 98	\$ 85
Departmental.....	79	14
Miscellaneous.....	323	265
Total revenues.....	500	364
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	500	364
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Environmental affairs.....	544	214
Total expenditures.....	544	214
Other financing uses:		
Fringe benefit cost assessment.....	106	35
Operating transfers out.....	1	-
Total other financing uses.....	107	35
Total expenditures and other financing uses.....	651	249
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(151)	115
Fund balance (deficit) at beginning of year.....	301	186
Fund balance (deficit) at end of year.....	\$ 150	\$ 301

**Massachusetts Mathematics, Science, Technology and  
Engineering Grant Fund**  
Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 2,355	\$ -
Total assets.....	<u>\$ 2,355</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	255	-
Total liabilities.....	<u>255</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	2,100	-
Total fund balance (deficit).....	<u>2,100</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 2,355</u>	<u>\$ -</u>

**Massachusetts Mathematics, Science, Technology and  
Engineering Grant Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	2,500	-
Total other financing sources.....	2,500	-
Total revenues and other financing sources.....	2,500	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Higher Education.....	399	-
Total expenditures.....	399	-
Other financing uses:		
Fringe benefit cost assessment.....	1	-
Total other financing uses.....	1	-
Total expenditures and other financing uses.....	400	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	2,100	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 2,100	\$ -

**Mosquito And Greenhead Fly Control Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 227	\$ 353
Total assets.....	<u>\$ 227</u>	<u>\$ 353</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	256	289
Accrued payroll.....	<u>52</u>	<u>180</u>
Total liabilities.....	<u>308</u>	<u>469</u>
Fund balance:		
Undesignated.....	<u>(81)</u>	<u>(116)</u>
Total fund balance (deficit).....	<u>(81)</u>	<u>(116)</u>
Total liabilities and fund balance.....	<u>\$ 227</u>	<u>\$ 353</u>



**Mosquito And Greenhead Fly Control Fund**  
**Statement of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Assessments.....	\$ 7,181	\$ 6,902
Departmental.....	613	611
Total revenues.....	<u>7,794</u>	<u>7,513</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>7,794</u>	<u>7,513</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Environmental affairs.....	6,997	6,515
Total expenditures.....	<u>6,997</u>	<u>6,515</u>
Other financing uses:		
Fringe benefit cost assessment.....	746	-
Operating transfers out.....	16	10
Total other financing uses.....	<u>762</u>	<u>10</u>
Total expenditures and other financing uses.....	<u>7,759</u>	<u>6,525</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	35	988
Fund balance (deficit) at beginning of year.....	(116)	(1,104)
Fund balance (deficit) at end of year.....	<u>\$ (81)</u>	<u>\$ (116)</u>

**Oil Overcharge Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 2,388	\$ 4,331
Total assets.....	<u>\$ 2,388</u>	<u>\$ 4,331</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 68	\$ 32
Accrued payroll.....	<u>13</u>	<u>45</u>
Total liabilities.....	<u>81</u>	<u>77</u>
Fund balance:		
Designated for specific purpose.....	<u>2,307</u>	<u>4,254</u>
Total fund balance (deficit).....	<u>2,307</u>	<u>4,254</u>
Total liabilities and fund balance.....	<u>\$ 2,388</u>	<u>\$ 4,331</u>

**Oil Overcharge Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ 1	\$ 2
Miscellaneous.....	32	75
Total revenues.....	33	77
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	33	77
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Governor and Lieutenant Governor.....	-	20
Communities and development.....	35	23
Consumer affairs.....	1,700	1,879
Total expenditures.....	1,735	1,922
Other financing uses:		
Fringe benefit cost assessment.....	237	231
Operating transfers out.....	8	15
Total other financing uses.....	245	246
Total expenditures and other financing uses.....	1,980	2,168
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,947)	(2,091)
Fund balance (deficit) at beginning of year.....	4,254	6,345
Fund balance (deficit) at end of year.....	\$ 2,307	\$ 4,254

**Environmental Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 5,391	\$ 6,169
Total assets.....	<u>\$ 5,391</u>	<u>\$ 6,169</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 182	\$ 497
Accrued payroll.....	<u>2</u>	<u>4</u>
Total liabilities.....	<u>184</u>	<u>501</u>
Fund balance:		
Designated for specific purpose.....	<u>5,207</u>	<u>5,668</u>
Total fund balance (deficit).....	<u>5,207</u>	<u>5,668</u>
Total liabilities and fund balance.....	<u>\$ 5,391</u>	<u>\$ 6,169</u>

## Environmental Trust Fund

### Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 1,184	\$ 1,403
Miscellaneous.....	55	83
Total revenues.....	1,239	1,486
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	1,239	1,486
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Environmental affairs.....	1,527	1,366
Public safety.....	77	103
Total expenditures.....	1,604	1,469
Other financing uses:		
Fringe benefit cost assessment.....	30	23
Operating transfers out.....	66	63
Total other financing uses.....	96	86
Total expenditures and other financing uses.....	1,700	1,555
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(461)	(69)
Fund balance (deficit) at beginning of year.....	5,668	5,737
Fund balance (deficit) at end of year.....	\$ 5,207	\$ 5,668

**Children's Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 266	\$ 272
Total assets.....	<u>\$ 266</u>	<u>\$ 272</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ 9
Total liabilities.....	<u>-</u>	<u>9</u>
Fund balance:		
Designated for specific purpose.....	266	263
Total fund balance (deficit).....	<u>266</u>	<u>263</u>
Total liabilities and fund balance.....	<u>\$ 266</u>	<u>\$ 272</u>

**Children's Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 3	\$ 3
Total revenues.....	3	3
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	3	3
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	-	20
Total expenditures.....	-	20
Other financing uses:		
Operating transfers out.....	-	12
Total other financing uses.....	-	12
Total expenditures and other financing uses.....	-	32
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	3	(29)
Fund balance (deficit) at beginning of year.....	263	292
Fund balance (deficit) at end of year.....	\$ 266	\$ 263

**Child Support Enforcement Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 4,616	\$ 3,841
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	3,096	1,907
Total assets.....	<u>\$ 7,712</u>	<u>\$ 5,748</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 4,905	\$ 1,520
Accrued payroll.....	68	201
Total liabilities.....	<u>4,973</u>	<u>1,721</u>
Fund balance:		
Designated for specific purpose.....	2,739	4,027
Total fund balance (deficit).....	<u>2,739</u>	<u>4,027</u>
Total liabilities and fund balance.....	<u>\$ 7,712</u>	<u>\$ 5,748</u>



**Child Support Enforcement Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ 19,365	\$ 15,543
Departmental.....	6	7
Miscellaneous.....	-	1
Total revenues.....	19,371	15,551
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	19,371	15,551
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Judiciary.....	2,767	2,659
District Attorney.....	173	149
Administration and finance.....	17,262	12,014
Health and human services.....	136	147
Public safety.....	5	5
Consumer affairs.....	57	-
Labor.....	-	57
Total expenditures.....	20,400	15,031
Other financing uses:		
Fringe benefit cost assessment.....	241	223
Operating transfers out.....	18	9
Total other financing uses.....	259	232
Total expenditures and other financing uses.....	20,659	15,263
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,288)	288
Fund balance (deficit) at beginning of year.....	4,027	3,739
Fund balance (deficit) at end of year.....	\$ 2,739	\$ 4,027

**Department of Industrial Accidents Special Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 10,091	\$ 14,809
Total assets.....	<u>\$ 10,091</u>	<u>\$ 14,809</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ 80
Total liabilities.....	<u>-</u>	<u>80</u>
Fund balance:		
Designated for specific purpose.....	10,091	14,729
Total fund balance (deficit).....	<u>10,091</u>	<u>14,729</u>
Total liabilities and fund balance.....	<u>\$ 10,091</u>	<u>\$ 14,809</u>

**Department of Industrial Accidents Special Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Assessments.....	\$ 12,806	\$ 23,193
Departmental.....	4,755	6,005
Miscellaneous.....	194	209
Total revenues.....	<u>17,755</u>	<u>29,407</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>17,755</u>	<u>29,407</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Consumer affairs.....	1,228	-
Labor.....	-	935
Total expenditures.....	<u>1,228</u>	<u>935</u>
Other financing uses:		
Fringe benefit cost assessment.....	2,989	2,970
Operating transfers out.....	18,176	18,411
Total other financing uses.....	<u>21,165</u>	<u>21,381</u>
Total expenditures and other financing uses.....	<u>22,393</u>	<u>22,316</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(4,638)	7,091
Fund balance (deficit) at beginning of year.....	14,729	7,638
Fund balance (deficit) at end of year.....	<u>\$ 10,091</u>	<u>\$ 14,729</u>

**County Correction Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 5,018	\$ 2,777
Total assets.....	<u>\$ 5,018</u>	<u>\$ 2,777</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 170	\$ -
Total liabilities.....	<u>170</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	4,848	2,777
Total fund balance (deficit).....	<u>4,848</u>	<u>2,777</u>
Total liabilities and fund balance.....	<u>\$ 5,018</u>	<u>\$ 2,777</u>

**County Correction Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ 8,343	\$ 6,604
Total revenues.....	8,343	6,604
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	8,343	6,604
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Direct local aid.....	6,272	6,017
Total expenditures.....	6,272	6,017
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	6,272	6,017
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	2,071	587
Fund balance (deficit) at beginning of year.....	2,777	2,190
Fund balance (deficit) at end of year.....	\$ 4,848	\$ 2,777

**Massachusetts AIDS Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 296	\$ 242
Total assets.....	<u>\$ 296</u>	<u>\$ 242</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 2	\$ -
Total liabilities.....	<u>2</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	294	242
Total fund balance (deficit).....	<u>294</u>	<u>242</u>
Total liabilities and fund balance.....	<u>\$ 296</u>	<u>\$ 242</u>

**Massachusetts AIDS Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 186	\$ 188
Total revenues.....	186	188
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	186	188
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	134	-
Total expenditures.....	134	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	134	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	52	188
Fund balance (deficit) at beginning of year.....	242	54
Fund balance (deficit) at end of year.....	\$ 294	\$ 242

**Trust Fund for the Head Injury Treatment Service Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 9,350	\$ 9,551
Total assets.....	<u>\$ 9,350</u>	<u>\$ 9,551</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 1,124	\$ 1,373
Accrued payroll.....	<u>1</u>	<u>4</u>
Total liabilities.....	<u>1,125</u>	<u>1,377</u>
Fund balance:		
Designated for specific purpose.....	<u>8,225</u>	<u>8,174</u>
Total fund balance (deficit).....	<u>8,225</u>	<u>8,174</u>
Total liabilities and fund balance.....	<u>\$ 9,350</u>	<u>\$ 9,551</u>



**Trust Fund for the Head Injury Treatment Service Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 6,608	\$ 6,421
Miscellaneous.....	101	127
Total revenues.....	<u>6,709</u>	<u>6,548</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>6,709</u>	<u>6,548</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	6,636	6,447
Total expenditures.....	<u>6,636</u>	<u>6,447</u>
Other financing uses:		
Fringe benefit cost assessment.....	22	43
Operating transfers out.....	-	22
Total other financing uses.....	<u>22</u>	<u>65</u>
Total expenditures and other financing uses.....	<u>6,658</u>	<u>6,512</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	51	36
Fund balance (deficit) at beginning of year.....	8,174	8,138
Fund balance (deficit) at end of year.....	<u>\$ 8,225</u>	<u>\$ 8,174</u>

**Board Of Registration In Medicine Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004

(Amounts In Thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 297	\$ 625
Total assets.....	<u>\$ 297</u>	<u>\$ 625</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 259	\$ 472
Accrued payroll.....	38	153
Total liabilities.....	<u>297</u>	<u>625</u>
Fund balance:		
Designated for specific purpose.....	-	-
Total fund balance (deficit).....	<u>-</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 297</u>	<u>\$ 625</u>

**Board Of Registration In Medicine Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 4,211	\$ 4,550
Total revenues.....	4,211	4,550
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	4,211	4,550
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	2,677	41
Consumer affairs.....	-	3,357
Total expenditures.....	2,677	3,398
Other financing uses:		
Fringe benefit cost assessment.....	221	193
Operating transfers out.....	1,313	959
Total other financing uses.....	1,534	1,152
Total expenditures and other financing uses.....	4,211	4,550
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ -	\$ -

**Water Pollution Abatement Projects Administration Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,670	\$ 1,385
Total assets.....	<u>\$ 1,670</u>	<u>\$ 1,385</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 537	\$ 939
Accrued payroll.....	<u>32</u>	<u>177</u>
Total liabilities.....	<u>569</u>	<u>1,116</u>
Fund balance:		
Designated for specific purpose.....	<u>1,101</u>	<u>269</u>
Total fund balance (deficit).....	<u>1,101</u>	<u>269</u>
Total liabilities and fund balance.....	<u>\$ 1,670</u>	<u>\$ 1,385</u>

**Water Pollution Abatement Projects Administration Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 7,531	\$ 7,600
Total revenues.....	7,531	7,600
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	7,531	7,600
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Environmental affairs.....	5,009	6,452
Total expenditures.....	5,009	6,452
Other financing uses:		
Fringe benefit cost assessment.....	814	851
Operating transfers out.....	876	1,424
Total other financing uses.....	1,690	2,275
Total expenditures and other financing uses.....	6,699	8,727
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	832	(1,127)
Fund balance (deficit) at beginning of year.....	269	1,396
Fund balance (deficit) at end of year.....	\$ 1,101	\$ 269

**Commonwealth Sewer Rate Relief Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1	\$ 30
Total assets.....	<u>\$ 1</u>	<u>\$ 30</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	1	30
Total fund balance (deficit).....	<u>1</u>	<u>30</u>
Total liabilities and fund balance.....	<u>\$ 1</u>	<u>\$ 30</u>

**Commonwealth Sewer Rate Relief Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	5,000	-
Total other financing sources.....	5,000	-
Total revenues and other financing sources.....	5,000	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	5,029	-
Total expenditures.....	5,029	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	5,029	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(29)	-
Fund balance (deficit) at beginning of year.....	30	30
Fund balance (deficit) at end of year.....	\$ 1	\$ 30

**Motor Vehicle Safety Inspection Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 24,504	\$ 30,868
Accounts payable.....	1,122	755
Accrued payroll.....	<u>29</u>	<u>107</u>
Total liabilities.....	<u>25,655</u>	<u>31,730</u>
Fund balance:		
Designated for specific purpose.....	<u>(25,655)</u>	<u>(31,730)</u>
Total fund balance (deficit).....	<u>(25,655)</u>	<u>(31,730)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>



**Motor Vehicle Safety Inspection Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 40,242	\$ 39,018
Total revenues.....	40,242	39,018
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	40,242	39,018
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Environmental affairs.....	1,447	1,531
Public safety.....	32,107	34,960
Total expenditures.....	33,554	36,491
Other financing uses:		
Fringe benefit cost assessment.....	606	574
Operating transfers out.....	7	8,627
Total other financing uses.....	613	9,201
Total expenditures and other financing uses.....	34,167	45,692
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	6,075	(6,674)
Fund balance (deficit) at beginning of year.....	(31,730)	(25,056)
Fund balance (deficit) at end of year.....	\$ (25,655)	\$ (31,730)

**Child Care Quality Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 847	\$ 719
Total assets.....	<u>\$ 847</u>	<u>\$ 719</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 292	\$ 27
Total liabilities.....	<u>292</u>	<u>27</u>
Fund balance:		
Designated for specific purpose.....	555	692
Total fund balance (deficit).....	<u>555</u>	<u>692</u>
Total liabilities and fund balance.....	<u>\$ 847</u>	<u>\$ 719</u>

**Child Care Quality Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 316	\$ 328
Total revenues.....	316	328
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	316	328
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Health and human services.....	453	167
Total expenditures.....	453	167
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	453	167
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(137)	161
Fund balance (deficit) at beginning of year.....	692	531
Fund balance (deficit) at end of year.....	\$ 555	\$ 692

**Convention and Exhibition Center Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 146,339	\$ 174,810
Total assets.....	<u>\$ 146,339</u>	<u>\$ 174,810</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 16,188	\$ -
Total liabilities.....	<u>16,188</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	130,151	174,810
Total fund balance (deficit).....	<u>130,151</u>	<u>174,810</u>
Total liabilities and fund balance.....	<u>\$ 146,339</u>	<u>\$ 174,810</u>

**Convention and Exhibition Center Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ 35,103	\$ 54,031
Miscellaneous.....	1,882	2,616
Total revenues.....	<u>36,985</u>	<u>56,647</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>36,985</u>	<u>56,647</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Treasurer and Receiver-General.....	12,266	-
Administration and finance.....	69,378	22,815
Total expenditures.....	<u>81,644</u>	<u>22,815</u>
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	<u>81,644</u>	<u>22,815</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(44,659)	33,832
Fund balance (deficit) at beginning of year.....	174,810	140,978
Fund balance (deficit) at end of year.....	<u>\$ 130,151</u>	<u>\$ 174,810</u>

**Firearms Fingerprint Identity Verification Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 1,111	\$ -
Total assets.....	<u>\$ 1,111</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Designated for specific purpose.....	1,111	-
Total fund balance (deficit).....	<u>1,111</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 1,111</u>	<u>\$ -</u>

**Firearms Fingerprint Identity Verification Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ 1,111	\$ -
Total revenues.....	1,111	-
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	1,111	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Public safety.....	-	-
Total expenditures.....	-	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,111	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 1,111	\$ -

**Grant Anticipation Note Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 14,769	\$ 10,263
Cash with fiscal agent.....	521,040	79,748
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	<u>329,923</u>	<u>83,622</u>
Total assets.....	<u>\$ 865,732</u>	<u>\$ 173,633</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Due to other funds.....	<u>\$ 334,427</u>	<u>\$ 83,622</u>
Total liabilities.....	<u>334,427</u>	<u>83,622</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	521,040	79,748
Unreserved fund balance (deficit):		
Designated for specific purpose.....	10,265	10,263
Undesignated.....	<u>-</u>	<u>-</u>
Total fund balance (deficit).....	<u>531,305</u>	<u>90,011</u>
Total liabilities and fund balance.....	<u>\$ 865,732</u>	<u>\$ 173,633</u>



**Grant Anticipation Note Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ 599,040	\$ 507,716
Miscellaneous.....	<u>20,054</u>	<u>386</u>
Total revenues.....	<u>619,094</u>	<u>508,102</u>
Other financing sources:		
Proceeds of grant anticipation notes.....	469,106	-
Operating transfers in.....	<u>74,808</u>	<u>74,822</u>
Total other financing sources.....	<u>543,914</u>	<u>74,822</u>
Total revenues and other financing sources.....	<u>1,163,008</u>	<u>582,924</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Debt service:		
Treasurer and Receiver-General.....	2,100	-
Administration and finance.....	27,108	-
Interest and fiscal charges.....	<u>93,466</u>	<u>74,822</u>
Total expenditures.....	<u>122,674</u>	<u>74,822</u>
Other financing uses:		
Federal reimbursement transfers out.....	599,040	507,716
Operating transfers out.....	<u>-</u>	<u>23,546</u>
Total other financing uses.....	<u>599,040</u>	<u>531,262</u>
Total expenditures and other financing uses.....	<u>721,714</u>	<u>606,084</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	441,294	(23,160)
Fund balance (deficit) at beginning of year.....	<u>90,011</u>	<u>113,171</u>
Fund balance (deficit) at end of year.....	<u><u>\$ 531,305</u></u>	<u><u>\$ 90,011</u></u>

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# Capital Projects Funds

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

**General Capital Projects Fund** - to account for proceeds of bonds sold to fund the construction or acquisition of capital assets for general Commonwealth purposes, excluding highway construction and projects targeted for specific localities or purposes.

**Capital Investment Trust Fund** - to account for a transfer from the General Fund to finance appropriated items of a capital nature pursuant to sections 2E and 107 of Chapter 88 of the Acts of 1997.

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

**Capital Improvements and Investment Trust Fund** - to account for the Commonwealth's reimbursement to cities and towns for expenses incurred for projects for construction and reconstruction of town and county ways.

**Capital Expenditure Reserve Fund** - to account for amounts paid by the Massachusetts Turnpike Authority as payment toward the acquisition cost of the Third Harbor Tunnel and Federal financial participation money related to expenditure amounts paid by the Massachusetts Port Authority as determined by a feasibility study; used to pay principal and interest on certain bonds, related notes or direct capital expenditures.

**Highway Capital Projects Fund** - to account for the proceeds of bonds sold to finance construction of state highways and to fund the Commonwealth's share of Federally sponsored highway construction.

**Federal Highway Construction Program Capital Projects Fund** - to account for federal highway construction grants which, with the Commonwealth's required share of matching funds, finance interstate

highways and similar projects within Massachusetts to promote a nationwide highway system.

**Central Artery Statewide Road and Bridge Infrastructure Fund** - to account for bond proceeds, certain revenues from Registry of Motor Vehicle fees, (net of debt service expenditures) and payments from authorities. The purpose of expenditures of the fund is to meet the estimated additional costs associated with the Central Artery/Ted Williams Tunnel Project and for costs of the statewide road and bridge program. As promulgated in Chapters 87 and 125 (sections 7 through 10) of the Acts of 2000, this fund also receives and expends interest revenue and receives and expends savings from the defeasance of debt that occurred during FY01.

## OTHER FUNDS:

These funds account for the proceeds of bonds used to to finance land and transportation equipment for economic development.

**Government Land Bank Capital Projects Fund** - to account for proceeds of bonds used to finance the acquisition, holding, protection, maintenance, repair or use of lands and for personnel and the administrative costs of the Massachusetts Development Finance Agency.

**Intercity Bus Capital Assistance Capital Projects Fund** - to account for proceeds of bonds used for the acquisition and leasing of inter-city coaches and for planning and other relevant costs.

## LOCAL AID FUNDS:

**Local Capital Projects Fund** - to account for the proceeds of bonds sold to finance the construction of correctional facilities, water pollution abatement projects and other local projects in specific localities of the Commonwealth. The fund accounts for the proceeds of bonds to finance improvements to lockup facilities, state police lockup facilities and to finance improvements to County Correctional Facilities, and other monies received by the Department of Environmental Management pertaining to state parks, reservations and recreation areas outside the metropolitan parks district; used for purposes of state parks, reservations and recreation areas outside the metropolitan parks district.

**Capital Projects Funds**  
Combining Balance Sheet - Statutory Basis

June 30, 2004 and 2003  
(Amounts in thousands)

	General Capital Projects	Capital Investment Trust	Convention and Exhibition Center Capital	Capital Improvements and Investment Trust	Capital Expenditure Reserve	Highway Capital Projects
<b>ASSETS</b>						
Cash and short-term investments.....	\$ -	\$ -	\$ 100,882	\$ -	\$ -	\$ -
Cash with fiscal agent.....	-	-	-	-	-	134,182
Due from other funds.....	-	-	-	-	-	-
Total assets.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,182</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Deficiency in cash and short-term investments.....	\$ 175,113	\$ 613	\$ -	\$ 5,319	\$ 23,729	\$ 120,293
Accounts payable.....	106,687	142	20,509	1,904	-	55,295
Accrued payroll.....	406	-	-	1	-	977
Bonds and notes payable.....	-	-	-	-	75,100	-
Total liabilities.....	<u>282,206</u>	<u>755</u>	<u>20,509</u>	<u>7,224</u>	<u>\$ 98,829</u>	<u>176,565</u>
Fund balance:						
Reserved for:						
Debt service.....	-	-	-	-	-	134,182
Capital projects.....	-	-	80,373	-	-	-
Unreserved:						
Undesignated.....	(282,206)	(755)	-	(7,224)	(98,829)	(176,565)
Total fund balance (deficits).....	<u>(282,206)</u>	<u>(755)</u>	<u>80,373</u>	<u>(7,224)</u>	<u>(98,829)</u>	<u>(42,383)</u>
Total liabilities and fund balances.....	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,182</u>

Federal Highway Construction Program	Central Artery Statewide Road and Bridge Infrastructure	Government Land Bank Capital Projects	Intercity Bus Capital Assistance	Local Capital Projects	Totals (Memorandum only)	
					2004	2003
\$ -	\$ 691,992	\$ -	\$ -	\$ -	\$ 792,874	\$ 1,121,020
-	79,999	-	-	-	214,181	231,498
334,380	-	-	-	-	334,380	83,617
<u>\$ 334,380</u>	<u>\$ 771,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,341,435</u>	<u>\$ 1,436,135</u>
\$ 265,401	\$ -	\$ -	\$ -	\$ 8,993	\$ 599,461	\$ 265,583
67,190	39,410	5,000	-	4,502	300,639	319,090
2	-	-	-	-	1,386	4,356
-	-	-	-	-	75,100	857,100
<u>332,593</u>	<u>39,410</u>	<u>5,000</u>	<u>-</u>	<u>13,495</u>	<u>976,586</u>	<u>1,446,129</u>
-	79,999	-	-	-	214,181	231,498
1,787	652,582	-	-	-	734,742	945,440
-	-	(5,000)	-	(13,495)	(584,074)	(1,186,932)
<u>1,787</u>	<u>732,581</u>	<u>(5,000)</u>	<u>-</u>	<u>(13,495)</u>	<u>364,849</u>	<u>(9,994)</u>
<u>\$ 334,380</u>	<u>\$ 771,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,341,435</u>	<u>\$ 1,436,135</u>

**Capital Projects Funds**  
Combining Statements Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

	General Capital Projects	Capital Investment Trust	Convention and Exhibition Center Capital	Capital Improvements and Investment Trust	Capital Expenditure Reserve
<b>REVENUES AND OTHER FINANCING SOURCES</b>					
Revenues:					
Federal grants and reimbursements.....	\$ -	\$ -	\$ -	\$ -	\$ -
Departmental.....	-	-	-	-	-
Payments from authorities.....	-	-	-	-	-
Miscellaneous.....	-	-	2,482	-	-
Total revenues.....	-	-	2,482	-	-
Other financing sources:					
Proceeds of general and special obligation bonds.....	606,864	868	693,400	60,887	-
Proceeds of refunding bonds.....	1,124,215	-	-	-	-
Transfer in due to debt defeasance.....	-	-	-	-	-
Operating transfers in.....	-	-	-	-	-
Federal reimbursement transfer in.....	-	-	-	-	-
State share of federal highway construction.....	-	-	-	-	-
Total other financing sources.....	1,731,079	868	693,400	60,887	-
Total revenues and other financing sources.....	1,731,079	868	695,882	60,887	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>					
Expenditures:					
Judiciary.....	22,306	-	-	-	-
Inspector General.....	3	-	-	-	-
Governor and Lieutenant Governor.....	-	-	-	-	-
Secretary of the Commonwealth.....	1,259	-	-	712	-
Treasurer and Receiver-General.....	2,500	-	-	-	-
Auditor of the Commonwealth.....	-	-	-	-	-
Attorney General.....	140	-	-	-	-
District Attorney.....	-	-	-	-	-
Sheriff's Departments.....	271	-	-	2	-
Disabled Persons Protection Commision.....	-	-	-	-	-
Board of Library Commissioners.....	11,890	-	-	7,610	-
Comptroller.....	25,186	-	-	-	-
Administration and finance.....	236,548	23	112,941	2,259	-
Environmental affairs.....	93,779	202	-	1,607	-
Communities and development.....	119,839	-	-	374	-
Health and human services.....	16,427	-	-	-	-
Transportation and construction.....	44,635	-	-	-	-
Education.....	-	-	-	2	-
Higher education.....	14,015	-	-	12	-
Public safety.....	24,541	26	-	566	-
Economic development.....	-	-	-	-	-
Consumer affairs.....	4,763	-	-	-	-
Labor.....	-	-	-	-	-
Interest and fiscal charges.....	-	-	-	-	-
Total expenditures.....	618,102	251	112,941	13,144	-
Other financing uses:					
Payments to refunded bond escrow agent.....	1,124,215	-	-	-	-
Fringe benefit cost assessment.....	5,508	1	-	30	-
State share of federal highway construction.....	-	-	-	-	-
Operating transfers out.....	1,762	-	-	1	-
Fund consolidation transfer.....	-	-	-	-	-
Total other financing uses.....	1,131,485	1	-	31	-
Total expenditures and other financing uses.....	1,749,587	252	112,941	13,175	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(18,508)	616	582,941	47,712	-
Fund balances (deficits) at beginning of year.....	(263,698)	(1,371)	(502,568)	(54,936)	(98,829)
Fund balances (deficits) at end of year.....	\$ (282,206)	\$ (755)	\$ 80,373	\$ (7,224)	\$ (98,829)

Highway Capital Projects	Federal Highway Construction Program	Central Artery Statewide Road and Bridge Infrastructure	Government Land Bank Capital Projects	Intercity Bus Capital Assistance	Local Capital Projects	Totals (Memorandum only)	
						2004	2003
\$ -	\$ 3,408	\$ -	\$ -	\$ -	\$ -	\$ 3,408	\$ 519
-	5,504	-	-	-	-	5,504	402
-	-	-	-	-	-	-	104,914
3,585	-	11,414	-	-	-	17,481	39,623
3,585	8,912	11,414	-	-	-	26,393	145,458
546,901	-	80,004	838	-	3,318	1,993,080	1,911,200
1,635,615	-	-	9,739	-	63,297	2,832,866	3,398,240
-	-	-	-	-	-	-	-
6,172	-	73,808	-	-	-	79,980	118,272
-	598,955	-	-	-	-	598,955	507,343
-	74,448	-	-	-	-	74,448	166,478
2,188,688	673,403	153,812	10,577	-	66,615	5,579,329	6,101,533
2,192,273	682,315	165,226	10,577	-	66,615	5,605,722	6,246,991
-	-	-	-	-	57	22,363	18,887
76	-	-	-	-	-	79	1
-	-	-	-	-	-	-	20
-	62	-	-	-	-	2,033	10,239
-	-	-	-	-	9,200	11,700	11,700
-	-	-	-	-	-	-	696
440	216	-	-	-	-	796	1,970
-	-	-	-	-	-	-	193
-	-	-	-	-	-	273	938
-	-	-	-	-	-	-	172
-	-	-	-	-	-	19,500	16,947
-	-	-	-	-	-	25,186	9,859
35,667	3,287	-	5,000	-	1,238	396,963	517,080
17,283	3,697	65	-	-	5,144	121,777	134,202
-	-	-	-	-	-	120,213	109,093
-	-	-	-	-	29	16,456	15,822
339,867	678,502	368,709	-	-	-	1,431,713	1,679,789
-	-	-	-	-	-	2	2,191
-	-	-	-	-	-	14,027	24,865
-	100	-	-	-	-	25,233	52,702
-	-	-	-	-	-	-	3,673
136	-	-	-	-	-	4,899	2,064
-	-	-	-	-	-	-	6,077
16,398	-	-	-	-	-	16,398	16,398
409,867	685,864	368,774	5,000	-	15,668	2,229,611	2,635,578
1,635,615	-	-	9,739	-	63,297	2,832,866	3,398,240
13,641	3,886	15	-	-	8	23,089	21,550
74,448	-	-	-	-	-	74,448	166,478
69,028	-	74	-	-	-	70,865	58,583
-	-	-	-	-	-	-	6,854
1,792,732	3,886	89	9,739	-	63,305	3,001,268	3,651,705
2,202,599	689,750	368,863	14,739	-	78,973	5,230,879	6,287,283
(10,326)	(7,435)	(203,637)	(4,162)	-	(12,358)	374,843	(40,292)
(32,057)	9,222	936,218	(838)	-	(1,137)	(9,994)	30,298
\$ (42,383)	\$ 1,787	\$ 732,581	\$ (5,000)	\$ -	\$ (13,495)	\$ 364,849	\$ (9,994)

**General Capital Projects Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ 139,158
Total assets.....	<u>\$ -</u>	<u>\$ 139,158</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 175,113	\$ -
Accounts payable.....	106,687	101,781
Accrued payroll.....	406	1,075
Bonds and notes payable.....	-	300,000
Total liabilities.....	<u>282,206</u>	<u>402,856</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	(282,206)	(263,698)
Total fund balance (deficit) .....	<u>(282,206)</u>	<u>(263,698)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ 139,158</u>

**General Capital Projects Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of general obligation bonds.....	606,864	624,722
Proceeds of refunding bonds.....	1,124,215	1,849,114
Total other financing sources.....	1,731,079	2,473,836
Total revenues and other financing sources.....	1,731,079	2,473,836
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Judiciary.....	22,306	18,865
Inspector General.....	3	1
Secretary of the Commonwealth.....	1,259	2,904
Treasurer and Receiver-General.....	2,500	2,500
Auditor of the Commonwealth.....	-	696
Attorney General.....	140	331
District Attorney.....	-	40
Sheriff's Departments.....	271	938
Disabled Persons Protection Commision.....	-	172
Board of Libray Commissioner.....	11,890	6,100
Comptroller.....	25,186	9,857
Administration and finance.....	236,548	268,189
Environmental affairs.....	93,779	103,856
Communities and development.....	119,839	108,289
Health and human services.....	16,427	14,115
Transportation and construction.....	44,635	22,822
Education.....	-	465
Higher education.....	14,015	24,865
Public safety.....	24,541	51,003
Economic development.....	-	3,605
Consumer affairs.....	4,763	1,949
Labor.....	-	6,000
Total expenditures.....	618,102	647,562
Other financing uses:		
Payments to refunded bond escrow agent.....	1,124,215	1,849,114
Fringe benefit cost assessment.....	5,508	5,067
Operating transfers out.....	1,762	39,745
Total other financing uses.....	1,131,485	1,893,926
Total expenditures and other financing uses.....	1,749,587	2,541,488
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	(18,508)	(67,652)
Fund balance (deficit) at beginning of year.....	(263,698)	(196,046)
Fund balance (deficit) at end of year.....	\$ (282,206)	\$ (263,698)



**Capital Investment Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 613	\$ 1,187
Accounts payable.....	142	184
Total liabilities.....	<u>755</u>	<u>1,371</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(755)</u>	<u>(1,371)</u>
Total fund balance (deficit) .....	<u>(755)</u>	<u>(1,371)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Capital Investment Trust Fund**  
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of general obligation bonds.....	868	-
Total other financing sources.....	868	-
Total revenues and other financing sources.....	868	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	23	175
Environmental affairs.....	202	238
Public safety.....	26	-
Total expenditures.....	251	413
Other financing uses:		
Fringe benefit cost assessment.....	1	1
Total other financing uses.....	1	1
Total expenditures and other financing uses.....	252	414
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	616	(414)
Fund balance (deficit) at beginning of year.....	(1,371)	(957)
Fund balance at end of year.....	\$ (755)	\$ (1,371)

**Convention and Exhibition Center Capital Fund**  
Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 100,882	\$ -
Total assets.....	<u>\$ 100,882</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ -	\$ 1,067
Accounts payable.....	20,509	19,501
Bonds and notes payable.....	-	482,000
Total liabilities.....	<u>20,509</u>	<u>502,568</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	80,373	-
Unreserved fund balance (deficit):		
Undesignated.....	-	(502,568)
Total fund balance (deficit).....	<u>80,373</u>	<u>(502,568)</u>
Total liabilities and fund balance.....	<u>\$ 100,882</u>	<u>\$ -</u>

**Convention and Exhibition Center Capital Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 2,482	\$ -
Total revenues.....	2,482	-
Other financing sources:		
Proceeds of general obligation bonds.....	693,400	-
Total other financing sources.....	693,400	-
Total revenues and other financing sources.....	695,882	-
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Attorney General.....	-	142
Administration and finance.....	112,941	225,231
Total expenditures.....	112,941	225,373
Other financing uses:		
Fringe benefit cost assessment.....	-	3
Total other financing uses.....	-	3
Total expenditures and other financing uses.....	112,941	225,376
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	582,941	(225,376)
Fund balance (deficit) at beginning of year.....	(502,568)	(277,192)
Fund balance (deficit) at end of year.....	\$ 80,373	\$ (502,568)

**Capital Improvements and Investment Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 5,319	\$ 47,228
Accounts payable.....	1,904	7,700
Accrued payroll.....	1	8
Total liabilities.....	<u>7,224</u>	<u>54,936</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(7,224)</u>	<u>(54,936)</u>
Total fund balance (deficit) .....	<u>(7,224)</u>	<u>(54,936)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Capital Improvements and Investment Trust Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	<u>-</u>	<u>-</u>
Other financing sources:		
Proceeds of general obligation bonds.....	60,887	-
Total other financing sources.....	<u>60,887</u>	<u>-</u>
Total revenues and other financing sources.....	<u>60,887</u>	<u>-</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Secretary of Commonwealth.....	712	7,297
District Attorney.....	-	153
Sheriff's Departments.....	2	-
Board of Library Commissioners.....	7,610	10,847
Comptroller.....	-	2
Administration and finance.....	2,259	1,686
Environmental affairs.....	1,607	2,844
Communities and development.....	374	804
Health and human services.....	-	15
Education.....	2	8
Higher education.....	12	-
Public safety.....	566	1,157
Total expenditures.....	<u>13,144</u>	<u>24,813</u>
Other financing uses:		
Fringe benefit cost assessment.....	30	40
Operating transfers out.....	1	225
Total other financing uses.....	<u>31</u>	<u>265</u>
Total expenditures and other financing uses.....	<u>13,175</u>	<u>25,078</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	47,712	(25,078)
Fund balance (deficit) at beginning of year.....	<u>(54,936)</u>	<u>(29,858)</u>
Fund balance (deficit) at end of year.....	<u>\$ (7,224)</u>	<u>\$ (54,936)</u>

**Capital Expenditure Reserve Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 23,729	\$ 23,729
Bonds and notes payable.....	75,100	75,100
Total liabilities.....	<u>98,829</u>	<u>98,829</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	(98,829)	(98,829)
Total fund balance (deficit) .....	<u>(98,829)</u>	<u>(98,829)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Capital Expenditure Reserve Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Payments from authorities.....	\$ -	\$ 104,914
Miscellaneous.....	-	17
Total revenues.....	-	104,931
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	-	104,931
<b>EX EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Transportation and construction.....	-	10,886
Total expenditures.....	-	10,886
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	-	10,886
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	-	94,045
Fund balance (deficit) at beginning of year.....	(98,829)	(192,874)
Fund balance (deficit) at end of year.....	\$ (98,829)	\$ (98,829)



# **Highway Capital Projects Fund** **Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash with fiscal agent.....	\$ 134,182	\$ 231,498
Total assets.....	<u>\$ 134,182</u>	<u>\$ 231,498</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 120,293	\$ 190,154
Accounts payable.....	55,295	70,806
Accrued payroll.....	977	2,595
Total liabilities.....	<u>176,565</u>	<u>263,555</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	134,182	231,498
Unreserved fund balance (deficit):		
Undesignated.....	<u>(176,565)</u>	<u>(263,555)</u>
Total fund balance (deficit).....	<u>(42,383)</u>	<u>(32,057)</u>
Total liabilities and fund balance.....	<u>\$ 134,182</u>	<u>\$ 231,498</u>

# Highway Capital Projects Fund

## Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 3,585	\$ 10,392
Total revenues.....	3,585	10,392
Other financing sources:		
Proceeds of general and special obligation bonds.....	546,901	838,762
Proceeds of refunding bonds.....	1,635,615	1,279,171
Operating transfers in.....	6,172	30,552
Total other financing sources.....	2,188,688	2,148,485
Total revenues and other financing sources.....	2,192,273	2,158,877
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Inspector General.....	76	-
Governor and Lieutenant Governor.....	-	20
Attorney General.....	440	729
Administration and finance.....	35,667	15,895
Environmental affairs.....	17,283	19,391
Transportation and construction.....	339,867	374,916
Public safety.....	-	478
Consumer affairs.....	136	115
Interest and fiscal charges.....	16,398	16,398
Total expenditures.....	409,867	427,942
Other financing uses:		
Payments to refunded bond escrow agent.....	1,635,615	1,279,171
Fringe benefit cost assessment.....	13,641	13,175
State share of federal highway .....	74,448	166,478
Operating transfers out.....	69,028	6,108
Total other financing uses.....	1,792,732	1,464,932
Total expenditures and other financing uses.....	2,202,599	1,892,874
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	(10,326)	266,003
Fund balance (deficit) at beginning of year.....	(32,057)	(298,060)
Fund balance (deficit) at end of year.....	\$ (42,383)	\$ (32,057)

**Federal Highway Construction Program Capital Projects Fund**  
Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Due from other funds.....	\$ 334,380	\$ 83,617
Total assets.....	<u>\$ 334,380</u>	<u>\$ 83,617</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investment.....	\$ 265,401	\$ 1,380
Accounts payable.....	67,190	72,339
Accrued payroll.....	<u>2</u>	<u>676</u>
Total liabilities.....	<u>332,593</u>	<u>74,395</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	<u>1,787</u>	<u>9,222</u>
Total fund balance (deficit).....	<u>1,787</u>	<u>9,222</u>
Total liabilities and fund balance.....	<u>\$ 334,380</u>	<u>\$ 83,617</u>

**Federal Highway Construction Program Capital Projects Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ 3,408	\$ 519
Departmental.....	5,504	402
Miscellaneous.....	-	1,034
Total revenues.....	8,912	1,955
Other financing sources:		
State share of federal highway construction.....	74,448	166,478
Federal reimbursement transfers in.....	598,955	507,343
Total other financing sources.....	673,403	673,821
Total revenues and other financing sources.....	682,315	675,776
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Secretary of the Commonwealth.....	62	38
Attorney General.....	216	493
Administration and finance.....	3,287	
Environmental affairs.....	3,697	2,248
Transportation and construction.....	678,502	669,852
Public safety.....	100	-
Economic development.....	-	68
Labor.....	-	77
Total expenditures.....	685,864	672,776
Other financing uses:		
Fringe benefit cost assessment.....	3,886	2,999
Operating transfers out.....	-	1
Total other financing uses.....	3,886	3,000
Total expenditures and other financing uses.....	689,750	675,776
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	(7,435)	-
Fund balance (deficit) at beginning of year.....	9,222	9,222
Fund balance (deficit) at end of year.....	\$ 1,787	\$ 9,222

**Central Artery Statewide Road and Bridge Infrastructure Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 691,992	\$ 981,862
Cash with fiscal agent.....	79,999	-
Total assets.....	<u>\$ 771,991</u>	<u>\$ 981,862</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	<u>\$ 39,410</u>	<u>\$ 45,644</u>
Total liabilities.....	<u>39,410</u>	<u>45,644</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	652,582	936,218
Reserved for debt service.....	<u>79,999</u>	<u>231,498</u>
Total fund balance (deficit) .....	<u>732,581</u>	<u>936,218</u>
Total liabilities and fund balance.....	<u>\$ 771,991</u>	<u>\$ 981,862</u>

**Central Artery Statewide Road and Bridge Infrastructure Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 11,414	\$ 28,180
Total revenues.....	11,414	28,180
Other financing sources:		
Proceeds of general obligation bonds.....	80,004	419,996
Operating transfers in.....	73,808	72,220
Total other financing sources.....	153,812	492,216
Total revenues and other financing sources.....	165,226	520,396
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Environmental affairs.....	65	575
Transportation and construction.....	368,709	601,313
Total expenditures.....	368,774	601,888
Other financing uses:		
Fringe benefit cost assessmentt.....	15	20
Operating transfers out.....	74	-
Total other financing uses.....	89	20
Total expenditures and other financing uses.....	368,863	601,908
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	(203,637)	(81,512)
Fund balance (deficit) at beginning of year.....	936,218	1,017,730
Fund balance (deficit) at end of year.....	\$ 732,581	\$ 936,218

**Government Land Bank Capital Projects Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ -	\$ 838
Accounts payable.....	<u>5,000</u>	<u>-</u>
Total liabilities.....	<u>5,000</u>	<u>838</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(5,000)</u>	<u>(838)</u>
Total fund balance (deficit).....	<u>(5,000)</u>	<u>(838)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Government Land Bank Capital Projects Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	<u>-</u>	<u>-</u>
Other financing sources:		
Proceeds of general obligation bonds.....	838	2,168
Proceeds of refunding bonds.....	9,739	946
Total other financing sources.....	<u>10,577</u>	<u>3,114</u>
Total revenues and other financing sources.....	<u>10,577</u>	<u>3,114</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Administration and finance.....	5,000	3,005
Total expenditures.....	<u>5,000</u>	<u>3,005</u>
Other financing uses:		
Payments to refunded bonds escrow.....	9,739	946
Fringe benefit cost assessment.....	-	1
Total other financing uses.....	<u>9,739</u>	<u>947</u>
Total expenditures and other financing uses.....	<u>14,739</u>	<u>3,952</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	(4,162)	(838)
Fund balance (deficit) at beginning of year.....	<u>(838)</u>	<u>-</u>
Fund balance (deficit) at end of year.....	<u>\$ (5,000)</u>	<u>\$ (838)</u>



**Intercity Bus Capital Assistance Capital Projects Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	-	-
Total fund balance (deficit).....	-	-
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

**Intercity Bus Capital Assistance Capital Projects Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	<u>-</u>	<u>-</u>
Other financing sources:		
Proceeds of refunding bonds.....	<u>-</u>	<u>3,783</u>
Total other financing sources.....	<u>-</u>	<u>3,783</u>
Total revenues and other financing sources.....	<u>-</u>	<u>3,783</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Transportation and construction.....	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>-</u>
Other financing uses:		
Payments to refunded bond escrow.....	<u>-</u>	<u>3,783</u>
Total other financing uses.....	<u>-</u>	<u>3,783</u>
Total expenditures and other financing uses.....	<u>-</u>	<u>3,783</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	-	-
Fund balance (deficit) at beginning of year.....	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year.....	<u>\$ -</u>	<u>\$ -</u>

**Local Capital Projects Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 8,993	\$ -
Accounts payable.....	4,502	1,135
Accrued payroll.....	<u>-</u>	<u>2</u>
Total liabilities.....	<u>13,495</u>	<u>1,137</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(13,495)</u>	<u>(1,137)</u>
Total fund balance (deficit) .....	<u>(13,495)</u>	<u>(1,137)</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

## Local Capital Projects Fund

### Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Federal grants and reimbursements.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of general obligation bonds.....	3,318	25,552
Proceeds of refunding bonds.....	63,297	265,226
Total other financing sources.....	66,615	290,778
Total revenues and other financing sources.....	66,615	290,778
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Judiciary.....	57	22
Treasurer and Receiver-General.....	9,200	9,200
Administration and finance.....	1,238	844
Environmental affairs.....	5,144	5,050
Health and human services.....	29	75
Public safety.....	-	63
Total expenditures.....	15,668	15,254
Other financing uses:		
Payments to refunded bond escrow agent.....	63,297	265,226
Fringe benefit cost assessment.....	8	238
Operating transfers out.....	-	3
Total other financing uses.....	63,305	265,467
Total expenditures and other financing uses.....	78,973	280,721
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses .....	(12,358)	10,057
Fund balance (deficit) at beginning of year.....	(1,137)	(11,194)
Fund balance (deficit) at end of year.....	\$ (13,495)	\$ (1,137)

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# *Fiduciary Fund Types*

The Fiduciary Funds are used to account for assets held by the Commonwealth in a trustee capacity or as an agent for individuals, private organizations or other governments. The funds include Expendable and Non – Expendable Trust Funds, Pension Funds, as well as Agency Funds.

## **EXPENDABLE TRUST FUNDS:**

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

*Revolving Loan Fund* – to account for Federal grants, investment and interest income to be expended for loans to non-profit private entities to establish housing for individuals recovering from alcohol or drug abuse and for loans to local housing authorities.

*Teacher, Principal, Superintendent Quality Endowment Fund* – to account for funds to be paid to an incoming school employee signing bonus program to be administered by the Department of Education for the purpose of encouraging the best and brightest candidates to serve in public schools. This fund was repealed pursuant to Chapter 44 of the Acts of 2003, after outstanding obligations were paid. Any remaining balances were transferred to the General Fund during FY2004.

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

## **NONEXPENDABLE TRUST FUNDS:**

*Nonexpendable Trust Fund* – to account for various gifts and bequests held by the Commonwealth, of which only

the income may be expended for purposes specified by the donor.

**Fiduciary Fund Types**  
Combining Balance Sheet - Statutory Basis

June 30, 2004 and 2003  
(Amounts in thousands)

	Expendable Trust Funds	Nonexpendable Trust Funds	Pension Trust Funds
<b>ASSETS</b>			
Cash and short-term investments.....	\$ 434,446	\$ 5,834	\$ 1,896,724
Cash on deposit with U.S. Treasury.....	122,449	-	-
Investments.....	-	-	29,797,126
Assets held in trust.....	-	-	-
Other receivables, net of allowance for uncollectibles.....	-	-	846,574
Other assets.....	-	-	2,155
Total assets.....	<u>\$ 556,895</u>	<u>\$ 5,834</u>	<u>\$ 32,542,579</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable.....	\$ 63,050	\$ -	\$ 1,314,101
Accrued payroll.....	340	-	-
Agency liabilities.....	-	-	-
Due to federal government.....	-	-	-
Due to cities and towns.....	-	-	-
Total liabilities.....	<u>63,390</u>	<u>-</u>	<u>1,314,101</u>
Fund balances:			
Reserved for:			
Employees' pension benefits.....	-	-	31,228,478
Unemployment benefits.....	122,449	-	-
Unreserved:			
Designated for specific purpose.....	<u>371,056</u>	<u>5,834</u>	<u>-</u>
Total fund balances.....	<u>493,505</u>	<u>5,834</u>	<u>31,228,478</u>
Total liabilities and fund balances.....	<u>\$ 556,895</u>	<u>\$ 5,834</u>	<u>\$ 32,542,579</u>

Agency Funds	Totals (Memorandum only)	
	2004	2003
\$ 302,539	\$ 2,639,543	\$ 1,372,182
-	122,449	490,652
-	29,797,126	26,994,602
2,981,982	2,981,982	2,486,834
-	846,574	502,071
-	2,155	2,707
<u>\$ 3,284,521</u>	<u>\$ 36,389,829</u>	<u>\$ 31,849,048</u>

\$ 25,482	\$ 1,402,633	\$ 1,433,361
-	340	646
3,223,206	3,223,206	2,708,619
5	5	4
35,828	35,828	27,103
<u>3,284,521</u>	<u>4,662,012</u>	<u>4,169,733</u>

-	31,228,478	26,888,096
-	122,449	490,652
-	376,890	300,567
-	31,727,817	27,679,315
<u>\$ 3,284,521</u>	<u>\$ 36,389,829</u>	<u>\$ 31,849,048</u>

**Expendable Trust Funds**  
Combining Balance Sheet - Statutory Basis

June 30, 2004 and 2003  
(Amounts in thousands)

(Amounts in thousands)			Totals	
			(Memorandum only)	
	Expendable Trusts	Unemployment Compensation Trust	2004	2003
ASSETS				
Cash and short-term investments.....	\$ 434,446	\$ -	\$ 434,446	\$ 324,753
Cash on deposit with U.S. Treasury.....	-	122,449	122,449	490,652
Total assets.....	<u>\$ 434,446</u>	<u>\$ 122,449</u>	<u>\$ 556,895</u>	<u>\$ 815,405</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	\$ 63,050	\$ -	\$ 63,050	\$ 22,467
Accrued payroll.....	340	-	340	646
Agency liabilities.....	-	-	-	6,907
Total liabilities.....	<u>63,390</u>	<u>-</u>	<u>63,390</u>	<u>30,020</u>
Fund balances:				
Reserved for:				
Unemployment benefits.....	-	122,449	122,449	490,652
Unreserved:				
Designated for specific purpose.....	371,056	-	371,056	294,733
Total fund balances.....	<u>371,056</u>	<u>122,449</u>	<u>493,505</u>	<u>785,385</u>
Total liabilities and fund balances.....	<u>\$ 434,446</u>	<u>\$ 122,449</u>	<u>\$ 556,895</u>	<u>\$ 815,405</u>



## Expendable Trust Funds

### Combining Statements Of Revenues, Expenses And Changes In Fund Balances - Statutory Basis

Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

(Amounts in thousands)			Totals	
	Expendable	Unemployment	(Memorandum only)	
	Trusts	Trust	2004	2003
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ -	\$ 1,264,364	\$ 1,264,364	\$ 905,821
Assessments.....	27,942	-	27,942	86
Federal grants and reimbursements.....	20,449	811,278	831,727	744,385
Departmental.....	37,871	40,281	78,152	48,265
Miscellaneous.....	267,318	10,084	277,402	341,002
Total revenues.....	353,580	2,126,007	2,479,587	2,039,559
Other financing sources:				
Municipal medicaid transfer.....	160,000	-	160,000	-
Operating transfers in.....	18,036	-	18,036	25,911
Other sources.....	517	-	517	334
Total other financing sources.....	178,553	-	178,553	26,245
Total revenues and other financing sources.....	532,133	2,126,007	2,658,140	2,065,804
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary.....	251	-	251	218
Secretary of the Commonwealth.....	40	-	40	15
Treasurer and Receiver-General .....	-	-	-	815
Auditor of the Commonwealth.....	275	-	275	85
Attorney General.....	1,772	-	1,772	1,332
District Attorney.....	5,662	-	5,662	5,658
Sheriff's Departments.....	67	-	67	9
Administration and finance.....	3,727	-	3,727	12,796
Environmental affairs.....	11,255	-	11,255	13,155
Communities and development.....	2,910	-	2,910	15,571
Health and human services.....	88,942	-	88,942	26,809
Transportation and construction.....	501	-	501	452
Education.....	1,817	-	1,817	5,460
Higher education.....	6,195	-	6,195	9,172
Public safety.....	28,881	-	28,881	7,690
Economic development.....	-	-	-	879
Elder affairs.....	-	-	-	52
Consumer affairs.....	60,521	2,494,210	2,554,731	2,001
Labor.....	-	-	-	2,694,997
Total expenditures.....	212,816	2,494,210	2,707,026	2,797,166
Other financing uses:				
Fringe benefit cost assessment.....	5,126	-	5,126	4,218
Operating transfers out.....	237,868	-	237,868	185,001
Total other financing uses.....	242,994	-	242,994	189,219
Total expenditures and other financing uses.....	455,810	2,494,210	2,950,020	2,986,385
Excess and other financing sources				
over expenditures and other financing uses.....	76,323	(368,203)	(291,880)	(920,581)
Fund balances at beginning of year.....	294,733	490,652	785,385	1,705,966
Fund balances at end of year.....	\$ 371,056	\$ 122,449	\$ 493,505	\$ 785,385

**Expendable Trust Fund - External**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 416,960	\$ 237,984
Total assets.....	<u>\$ 416,960</u>	<u>\$ 237,984</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable.....	\$ 61,881	\$ 16,748
Accrued payroll.....	328	617
Agency liabilities.....	<u>-</u>	<u>6,907</u>
Total liabilities.....	<u>62,209</u>	<u>24,272</u>
Fund balance:		
Unreserved.:		
Designated for specific purpose.....	<u>354,751</u>	<u>213,712</u>
Total fund balances (deficit).....	<u>354,751</u>	<u>213,712</u>
Total liabilities and fund balances.....	<u>\$ 416,960</u>	<u>\$ 237,984</u>

**Expendable Trust Fund - External**  
**Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ -	\$ 8
Assessments.....	27,884	86
Federal grants and reimbursements.....	20,449	28,559
Departmental.....	33,735	17,738
Miscellaneous.....	260,939	284,568
Total revenues.....	343,007	330,959
Other financing sources:		
Municipal medicaid transfer.....	160,000	-
Operating transfers in.....	18,036	19,602
Total other financing sources.....	178,036	19,602
Total revenues and other financing sources.....	521,043	350,561
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Judiciary.....	249	216
Secretary of the Commonwealth.....	40	15
Treasurer and Receiver-General .....	-	815
Auditor of the Commonwealth.....	275	85
Attorney General.....	1,772	1,332
District Attorney.....	5,527	5,628
Sheriff's Departments.....	63	9
Administration and finance.....	2,724	8,215
Environmental affairs.....	10,701	13,147
Communities and development.....	2,886	15,161
Health and human services.....	87,362	26,710
Transportation and construction.....	501	452
Education.....	1,817	1,328
Higher education.....	6,195	9,172
Public safety.....	28,881	7,690
Economic development.....	-	879
Elder affairs.....	-	52
Consumer affairs.....	60,521	2,001
Labor.....	-	52,975
Total expenditures.....	209,514	145,882
Other financing uses:		
Fringe benefit cost assessment.....	4,959	4,131
Operating transfers out.....	165,531	185,000
Total other financing uses.....	170,490	189,131
Total expenditures and other financing uses.....	380,004	335,013
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	141,039	15,548
Fund balances (deficit) at beginning of year.....	213,712	198,164
Fund balances (deficit) at end of year.....	\$ 354,751	\$ 213,712

**Revolving Loan Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 4,892	\$ 8,346
Total assets.....	<u>\$ 4,892</u>	<u>\$ 8,346</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved:		
Designated for specific purpose.....	4,892	8,346
Total fund balances (deficit).....	<u>4,892</u>	<u>8,346</u>
Total liabilities and fund balances.....	<u>\$ 4,892</u>	<u>\$ 8,346</u>

**Revolving Loan Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ 7	\$ (287)
Total revenues.....	7	(287)
Other financing sources:		
Other sources.....	517	334
Total other financing sources.....	517	334
Total revenues and other financing sources.....	524	47
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Communities and development.....	24	410
Health and human services.....	7	7
Total expenditures.....	31	417
Other financing uses:		
Operating transfers out.....	3,947	-
Total other financing uses.....	3,947	-
Total expenditures and other financing uses.....	3,978	417
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(3,454)	(370)
Fund balances (deficit) at beginning of year.....	8,346	8,716
Fund balances (deficit) at end of year.....	\$ 4,892	\$ 8,346

**Teacher, Principal, Superintendent Quality Endowment Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ 68,656
Total assets.....	<u>\$ -</u>	<u>\$ 68,656</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ 259
Accrued payroll.....	-	17
Total liabilities.....	<u>-</u>	<u>276</u>
Fund balance:		
Reserved for:		
Designated for specific purpose.....	-	68,380
Total fund balances (deficit).....	-	68,380
Total liabilities and fund balances.....	<u>\$ -</u>	<u>\$ 68,656</u>

**Teacher, Principal, Superintendent Quality Endowment Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Miscellaneous.....	\$ -	\$ 1,091
Total revenues.....	-	1,091
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	-	1,091
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Education.....	-	4,132
Total expenditures.....	-	4,132
Other financing uses:		
Fringe benefit cost assessment.....	-	82
Operating transfers out.....	68,380	1
Total other financing uses.....	68,380	83
Total expenditures and other financing uses.....	68,380	4,215
Excess (deficiency)of revenues and other financing sources over expenditures and other financing uses.....	(68,380)	(3,124)
Fund balances (deficit) at beginning of year.....	68,380	71,504
Fund balances (deficit) at end of year.....	\$ -	\$ 68,380

**Expendable Trust Fund - Internal**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 12,594	\$ 7,112
Total assets.....	<u>\$ 12,594</u>	<u>\$ 7,112</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable.....	\$ 1,169	\$ 2,805
Accrued payroll.....	<u>12</u>	<u>12</u>
Total liabilities.....	<u>1,181</u>	<u>2,817</u>
Fund balance:		
Unreserved.:		
Designated for specific purpose.....	<u>11,413</u>	<u>4,295</u>
Total fund balances (deficit).....	<u>11,413</u>	<u>4,295</u>
Total liabilities and fund balances.....	<u>\$ 12,594</u>	<u>\$ 7,112</u>



**Expendable Trust Fund - Internal**  
**Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Assessments.....	\$ 58	\$ -
Departmental.....	4,136	2,081
Miscellaneous.....	6,372	623
Total revenues.....	10,566	2,704
Other financing sources:		
Operating transfers in.....	-	6,309
Total other financing sources.....	-	6,309
Total revenues and other financing sources.....	10,566	9,013
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Judiciary.....	2	2
District Attorney.....	135	30
Sheriff's Departments.....	4	-
Administration and finance.....	1,003	4,581
Environmental affairs.....	554	8
Health and human services.....	1,573	92
Total expenditures.....	3,271	4,713
Other financing uses:		
Fringe benefit cost assessment.....	167	5
Operating transfers out.....	10	-
Total other financing uses.....	177	5
Total expenditures and other financing uses.....	3,448	4,718
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	7,118	4,295
Fund balances (deficit) at beginning of year.....	4,295	-
Fund balances (deficit) at end of year.....	\$ 11,413	\$ 4,295

**Unemployment Compensation Fund**  
Balance Sheet - Statutory Basis

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ -	\$ 2,655
Cash on deposit with U.S. Treasury.....	<u>122,449</u>	<u>490,652</u>
Total assets.....	<u><u>\$ 122,449</u></u>	<u><u>\$ 493,307</u></u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ 2,655
Total liabilities.....	<u>-</u>	<u>2,655</u>
Fund balance:		
Reserved for:		
Unemployment benefits.....	<u>122,449</u>	<u>490,652</u>
Total fund balances (deficit).....	<u>122,449</u>	<u>490,652</u>
Total liabilities and fund balances.....	<u><u>\$ 122,449</u></u>	<u><u>\$ 493,307</u></u>

**Unemployment Compensation Fund**  
**Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	2004	2003
<b>REVENUES AND OTHER FINANCING SOURCES</b>		
Revenues:		
Taxes.....	\$ 1,264,364	\$ 905,813
Federal grants and reimbursements.....	811,278	715,826
Departmental.....	40,281	28,446
Miscellaneous.....	10,084	55,007
Total revenues.....	<u>2,126,007</u>	<u>1,705,092</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>2,126,007</u>	<u>1,705,092</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>		
Expenditures:		
Consumer affairs.....	2,494,210	-
Labor.....	-	2,642,022
Total expenditures.....	<u>2,494,210</u>	<u>2,642,022</u>
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	<u>2,494,210</u>	<u>2,642,022</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(368,203)	(936,930)
Fund balances (deficit) at beginning of year.....	490,652	1,427,582
Fund balances (deficit) at end of year.....	<u>\$ 122,449</u>	<u>\$ 490,652</u>

**Nonexpendable Trust Fund**  
**Balance Sheet - Statutory Basis**

June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>ASSETS</b>		
Cash and short-term investments.....	\$ 5,834	\$ 5,834
Total assets.....	<u>\$ 5,834</u>	<u>\$ 5,834</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balances:		
Designated for specific purpose.....	<u>5,834</u>	<u>5,834</u>
Total fund balances (deficit).....	<u>5,834</u>	<u>5,834</u>
Total liabilities and fund balances.....	<u>\$ 5,834</u>	<u>\$ 5,834</u>

**Nonexpendable Trust Fund**  
**Statement Of Revenues, Expenses And Changes In Fund Balances - Statutory Basis**

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>REVENUES</b>		
Revenues:		
Investment earnings.....	\$ -	\$ -
Total revenues.....	<u>-</u>	<u>-</u>
<b>EXPENSES</b>		
Expenses:		
Treasurer and Receiver-General.....	<u>-</u>	<u>-</u>
Total expenses.....	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenses.....	-	-
Fund balances (deficit) at beginning of year.....	<u>5,834</u>	<u>5,834</u>
Fund balances (deficit) at end of year.....	<u>\$ 5,834</u>	<u>\$ 5,834</u>

**Pension Trust Funds**  
Combining Statements of Net Assets Available for Pension Benefits - Statutory Basis

June 30, 2004 and 2003  
(Amounts in thousands)

			Totals	
			(Memorandum only)	
	State Employees' PERS	Teachers' PERS	2004	2003
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 911,961	\$ 984,763	\$ 1,896,724	\$ 776,518
Investments at fair value.....	13,915,413	15,881,713	29,797,126	26,994,602
Other receivables, net of allowance for uncollectibles.....	374,929	471,645	846,574	502,071
Other assets.....	1,033	1,122	2,155	2,707
Total assets.....	<u>\$ 15,203,336</u>	<u>\$ 17,339,243</u>	<u>\$ 32,542,579</u>	<u>\$ 28,275,898</u>
<b>LIABILITIES</b>				
Accounts payable.....	<u>\$ 631,061</u>	<u>\$ 683,040</u>	<u>\$ 1,314,101</u>	<u>\$ 1,387,802</u>
Total liabilities.....	<u>631,061</u>	<u>683,040</u>	<u>1,314,101</u>	<u>1,387,802</u>
Net assets available for pension benefits (fund balances reserved for employees' pension benefits).....	<u>\$ 14,572,275</u>	<u>\$ 16,656,203</u>	<u>\$ 31,228,478</u>	<u>\$ 26,888,096</u>

## Pension Trust Funds

### Combined Statements of Changes in Net Assets Available for Pension Benefits - Statutory Basis

Fiscal Years Ended June 30, 2004 and 2003  
(Amounts in thousands)

	State Employees' PERS	Teachers' PERS	Totals (Memorandum only)	
			2004	2003
Additions:				
Contribution:				
Commonwealth contributions.....	\$ 282,535	\$ 404,800	\$ 687,335	\$ 762,685
Employees contributions.....	362,309	520,432	882,741	853,344
Total contributions.....	644,844	925,232	1,570,076	1,616,029
Net investment (loss) income:				
Net appreciation (depreciation) in fair value of investments.....	2,065,809	2,211,182	4,276,991	159,876
Interest.....	172,114	184,225	356,339	377,591
Dividends.....	168,256	180,096	348,352	286,894
Real estate operating income, net.....	80,235	85,881	166,116	129,312
Alternative investments.....	6,793	7,271	14,064	5,855
Other.....	4,463	4,777	9,240	11,807
Total investment (loss) income.....	2,497,670	2,673,432	5,171,102	971,335
Less: investment expense .....	36,917	39,515	76,432	59,258
Net investment (loss) income .....	2,460,753	2,633,917	5,094,670	912,077
Total additions.....	3,105,597	3,559,149	6,664,746	2,528,106
Deductions:				
Administration reimbursement.....	5,535	9,044	14,579	13,520
Retirement benefits and refunds.....	1,195,508	1,114,277	2,309,785	2,004,044
Total deductions.....	1,201,043	1,123,321	2,324,364	2,017,564
Net increase (decrease).....	1,904,554	2,435,828	4,340,382	510,542
Net (decrease) assets available for pension benefits at beginning of year (fund balances reserved for employees' pension benefits).....	12,667,721	14,220,375	26,888,096	26,377,554
Net assets available for pension benefits at end of year (fund balances reserved for employees' pension benefits).....	\$ 14,572,275	\$ 16,656,203	\$ 31,228,478	\$ 26,888,096

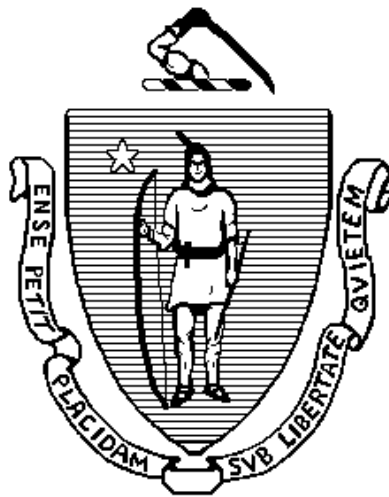
**Agency Funds**  
**Statement Of Changes In Assets And Liabilities - Statutory Basis**

Fiscal Years Ended June 30, 2003 and 2004  
(Amounts in thousands)

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<b>ASSETS</b>				
Cash and short-term investments.....	\$ 265,077	\$ 5,758,785	\$ 5,721,323	\$ 302,539
Assets held in trust.....	2,486,834	495,148	-	2,981,982
Total assets.....	<u>\$ 2,751,911</u>	<u>\$ 6,253,933</u>	<u>\$ 5,721,323</u>	<u>\$ 3,284,521</u>
<b>LIABILITIES</b>				
Accounts payable.....	\$ 23,092	\$ 2,072,482	\$ 2,070,092	\$ 25,482
Due to cities and towns.....	27,103	337,292	328,567	35,828
Due to federal government.....	4	43	42	5
Agency liabilities.....	<u>2,701,712</u>	<u>3,847,024</u>	<u>3,325,530</u>	<u>3,223,206</u>
Total liabilities.....	<u>\$ 2,751,911</u>	<u>\$ 6,256,841</u>	<u>\$ 5,724,231</u>	<u>\$ 3,284,521</u>



# *Supplemental Information*



Calculation of Transfers – Stabilization and Tax Reduction Funds

## Calculation of Transfers: Stabilization Fund

June 30, 2004  
(Amounts in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 29, Section 5c, as amended most recently by Chapter 140 of the Acts of 2003, Sections 111 and 136. It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report.

**Part 1:** Undesignated fund balance / (deficit) in the Operating Funds, unless specifically exempted by General Laws:

General Fund .....	\$ 1,497,397
Highway Fund .....	(716,533)
Workforce Training Fund .....	10,511
Federal Medicaid Assistance Percentage Escrow Fund .....	99,120
Division of Energy Resources Credit Trust Fund .....	-
Massachusetts Tourism Fund .....	14,900
Children's and Seniors' Health Care Assistance Fund .....	(161,665)
<b>Consolidated undesignated fund balance / (deficit) in the Operating Funds.....</b>	<b>\$ 743,730</b>
Less: Amount available to carry forward to fiscal year 2005 equivalent to 0.5% of Total Tax Revenue per Schedule B .....	80,273
<b>Net Consolidated Net Surplus / (deficit) to be deposited into the Stabilization Fund per Chapter 26 of the Acts of 2003, Section 164 .....</b>	<b>\$ 663,457</b>

**Part 2:** Calculation of Transfers to the Stabilization Fund, except for funds specifically exempted by General Laws:

From the General Fund .....	\$ 538,926
From the Highway Fund .....	-
From the Workforce Training Fund .....	10,511
From the Federal Medicaid Assistance Percentage Escrow Fund .....	99,120
From the Division of Energy Resources Credit Trust Fund .....	-
From the Massachusetts Tourism Fund .....	14,900
From the Children's and Seniors' Health Care Assistance Fund .....	-
<b>Total transfers to the Stabilization Fund .....</b>	<b>663,457</b>

**Part 3:** Status of Consolidated Net Surplus after Stabilization Fund transfers - Undesignated Fund Balance / (deficit):

General Fund .....	\$ 958,471
Highway Fund .....	(716,533)
Workforce Training Fund .....	-
Federal Medicaid Assistance Percentage Escrow Fund .....	-
Division of Energy Resources Credit Trust Fund .....	-
Massachusetts Tourism Fund .....	-
Children's and Seniors' Health Care Assistance Fund .....	(161,665)
<b>Consolidated Net Surplus after the annual transfer.....</b>	<b>\$ 80,273</b>

**Part 4:** Fiscal 2004 Stabilization Fund Activity:

Reserved for Stabilization - Balance as of June 30, 2003 .....	\$ 641,325
Consolidated Net Surplus pursuant to part 2, above.....	663,457
Plus: Recoveries of Central Artery Project Costs pursuant to Chapter 4, Section 83 of the Acts of 2003.....	695
Plus: Interest income .....	5,259
<b>Subtotal .....</b>	<b>1,310,736</b>
Less: Transfers and Appropriations from the Stabilization Fund during FY 2004:	
Chapter 140 of the Acts of 2003, Section 123 .....	\$ (99,815)
Chapter 141 of the Acts of 2003, Section 68 .....	(33,633)
Chapter 141 of the Acts of 2003, Section 69 .....	(16,000)
Chapter 352 of the Acts of 2004 Appropriations .....	(381,433)
<b>Subtotal, Transfers and Appropriations from the Stabilization Fund.....</b>	<b>(530,881)</b>
Add: Transfer of Temporary Holding Fund balance per General Laws Chapter 62F, Section 6A, the lesser of its balance or the subtotal above .....	357,465
<b>Net Transfers and Appropriations from the Stabilization Fund during FY 2004.....</b>	<b>(173,416)</b>
<b>Reserved for Stabilization - Balance as of June 30, 2004 .....</b>	<b>\$ 1,137,320</b>

## Calculation Of Transfers: Tax Reduction Fund

June 30, 2004  
(Amounts in thousands)

This statement is prepared pursuant to Chapters 29 of the Massachusetts General Laws, as amended. It is prepared on the statutory basis of accounting and presents information contained in the official books and accounting records of the Commonwealth. Supporting information is presented in individual schedules, as indicated, and in the Financial Section of this report.

The computation is as follows:

Part 1: Comparison of Stabilization Fund, after current fiscal year transfers,  
to 15% of Budgeted Revenues and Other Financial Resources:

Undesignated Fund Balance in the Stabilization Fund.....	\$ 1,137,320
Allowable Stabilization Balance (per Schedule B).....	<u>3,697,771</u>
Stabilization Fund Excess, if any, transferable to Tax Reduction Fund.....	<u>\$ -</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund Balance.....	\$ 1,137,320
Transfer to Tax Reduction Fund.....	<u>-</u>
Stabilization Fund Balance after transfer to Tax Reduction Fund.....	<u>\$ 1,137,320</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>

**Schedule A**  
**FY2004 Tax Revenues By Revenue Class and**  
**Calculation of Allowable Net Surplus**

June 30, 2004  
(Amounts in thousands)

Alcoholic Beverages.....	\$ 67,902
Banks: Commercial and Savings.....	238,740
Cigarette.....	425,421
Corporations.....	997,602
Deeds.....	195,386
Estate and Inheritance.....	194,706
Income.....	8,830,334
Insurance.....	373,721
Motor and Special Fuels.....	684,242
Public Utilities.....	64,733
Room Occupancy.....	120,178
Sales and Use.....	3,743,211
Club Alcoholic Beverages.....	621
Motor Vehicle Excise.....	51
Convention Center Surcharges.....	9,804
Community Preservation.....	50,520
State Racing.....	5,697
Beano .....	4,248
Raffles and Bazaars.....	965
DOI Excess and Surplus Lines.....	26,042
Boxing.....	42
UI Surcharge.....	20,451
	<hr/>
FY 2004 State Tax Revenue.....	16,054,614
0.5% of Total Tax Revenue.....	80,273
Allowable Consolidated Net Surplus .....	<hr/> <hr/>
	\$ 80,273

This schedule is prepared on the statutory basis of accounting. It presents tax revenues as reported in the governmental funds of the Commonwealth. It differs from the schedule of tax collections prepared by the Comptroller, Commissioner of Revenue and State Auditor for calculations in accordance with Chapter 62F, of the General Laws as amended.

## Schedule B Calculation of Cap on Stabilization Fund

June 30, 2004  
(Amounts in thousands)

Total Budgeted Revenues and Other Financial Resources pertaining to the Budgeted funds.....	\$ 26,046,983
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C).....	<u>(1,395,178)</u>
Budgeted Revenues and Other Financial Resources pertaining to the Budgeted funds.....	24,651,805
Allowable Stabilization Fund - Balance, 15% of Budgeted Revenue.....	<u><u>\$ 3,697,771</u></u>

Calculation of Stabilization Fund Transfers as defined by Mass General Laws Chapter 29 section 5c as most recently amended by Chapter 26 of the Acts of 2003.

# **Schedule C** **Detail of Elimination of Budgetary Inter Fund Activity**

June 30, 2004  
(Amounts in thousands)

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Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund Revenues.....	\$ (133,707)
Adjustments to other financing sources and uses:	
Fringe benefit cost assessments.....	(46,260)
Transfer from the Intragovernmental Service Fund to the General Fund.....	(550)
RMV License Plates.....	(2,374)
Transfer from the Stabilization Fund to the General Fund .....	(115,815)
Transfer from the General Fund to the Temporary Holding Fund -Permissible Tax .....	(357,403)
Transfer from the Temporary Holding Fund to the Stabilization Fund.....	(357,465)
Transfer from the Stabilization Fund per Chapter 352 of FY 2004 .....	(381,433)
Other .....	(171)
	<hr/>
Elimination of Budgetary Interfund Activity	<u><u>\$ (1,395,178)</u></u>

## Schedule D

### Calculation of Transfers: Temporary Holding Fund

June 30, 2004  
(Amounts in thousands)

This statement is prepared on the statutory basis of accounting pursuant to General Laws Chapter 62F, Section 6A, as amended most recently by Chapter 26 of the Acts of 2003, Sections 203 and 715. 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.

<b>Quarter Ending:</b>	<u>September 30, 2003</u>	<u>December 31, 2003</u>	<u>March 31, 2004</u>	<u>June 30, 2004</u>
Cumulative Net State Tax Revenues, 2004 .....	\$ 3,827,761	\$ 7,436,091	\$ 11,241,207	\$ 16,052,917
Cumulative Net State Tax Revenues, 2003.....	3,645,653	7,001,044	10,735,180	15,030,503
Permissible Growth Rate defined as inflation plus 2%, but not less than 0%.....	4.34%	4.83%	4.32%	4.42%
Permissible State Tax Revenues defined as Cumulative Net State Tax Revenues, 2003 multiplied by 1 plus the Permissible Growth Rate.....	<u>3,803,874</u>	<u>7,339,194</u>	<u>11,198,940</u>	<u>15,695,453</u>
<b>Cumulative Net State Tax Revenues 2004 in excess of Permissible State Tax Revenues.....</b>	<b><u>\$ 23,886</u></b>	<b><u>\$ 96,897</u></b>	<b><u>\$ 42,267</u></b>	<b><u>\$ 357,465</u></b>

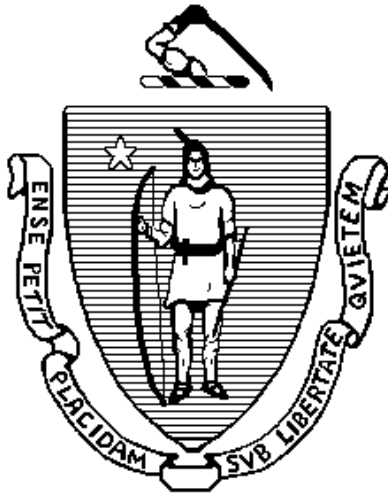
# *Introductory Section*



Comptroller's Letter of Transmittal  
Constitutional, Legislative and Judicial Officers  
Acknowledgements  
Organization Chart of State Government  
Advisory Board to the Comptroller



# *Financial Section*



Independent Auditor's Report  
Combined Financial Statements – Statutory Basis  
Combining and Individual Fund Financial Statements – Statutory Basis

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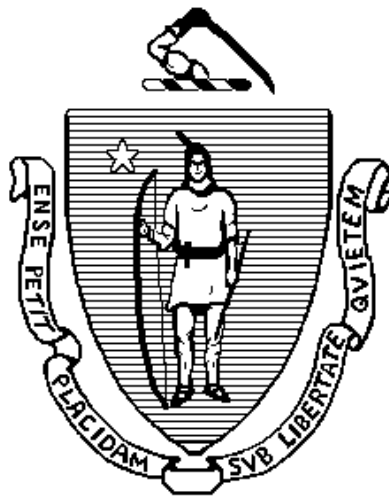
# *Combined Financial Statements - Statutory Basis*

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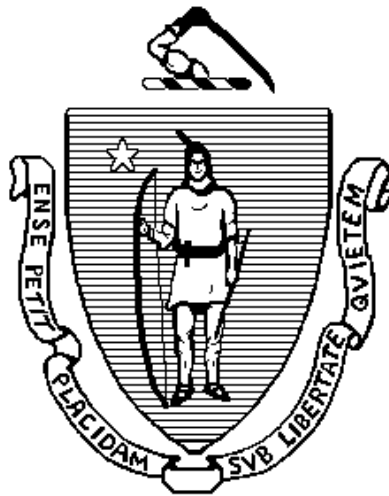
# *Combining and Individual Fund Financial Statements - Statutory Basis*

# *Supplemental Information*



Calculation of Transfers – Stabilization and Tax Reduction Funds

# *Statistical Section*



Ten-Year Schedules – Statutory Basis  
Higher Education Non-appropriated Funds – Statutory Basis

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

June 30, 2004  
(Amounts in millions)

	2004	% Total	2003	% Total	2002	% Total	2001	% Total
Taxes.....	\$ 16,055	36.8	\$ 15,032	36.2	\$ 14,341	39.6	\$ 16,753	43.5
Federal reimbursements.....	6,331	14.5	5,528	13.3	5,237	14.5	4,668	12.1
Federal grants.....	2,024	4.6	1,852	4.5	1,595	4.4	1,450	3.8
Lotteries.....	4,605	10.6	4,425	10.7	4,425	12.2	4,138	10.7
Assessments.....	746	1.7	634	1.5	582	1.6	585	1.5
Motor vehicle licenses and registrations.....	376	0.9	383	0.9	326	0.9	311	0.8
Fees, investment earnings, etc.....	2,556	5.9	2,140	5.2	2,122	5.9	2,212	5.7
Proceeds of general and special obligation bonds.....	1,993	4.6	1,911	4.6	1,358	3.7	1,912	5.0
Proceeds of refunding bonds.....	3,302	7.6	3,398	8.2	1,501	4.1	999	2.6
Other interfund transfers.....	5,629	12.9	6,173	14.9	4,749	13.1	5,487	14.3
Other financing sources.....	-	-	-	-	-	-	-	-
Total revenues and other financing sources.....	<u>\$ 43,617</u>	<u>100.0</u>	<u>\$ 41,476</u>	<u>100.0</u>	<u>\$ 36,236</u>	<u>100.0</u>	<u>\$ 38,515</u>	<u>100.0</u>

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2000	% Total	1999	% Total	1998	% Total	1997	% Total	1996	% Total	1995	% Total
\$ 15,702	41.0	\$ 14,304	42.1	\$ 14,038	43.7	\$ 12,874	46.8	\$ 12,058	46.8	\$ 11,172	45.4
4,364	11.4	4,230	12.5	4,409	13.7	4,084	14.9	3,957	15.4	3,955	16.1
1,360	3.6	1,236	3.6	1,220	3.8	1,185	4.3	1,188	4.6	1,195	4.9
3,913	10.2	3,572	10.5	3,430	10.7	3,377	12.3	3,195	12.4	2,957	12.0
487	1.3	534	1.6	517	1.6	557	2.0	557	2.2	566	2.3
285	0.7	281	0.8	295	0.9	295	1.1	263	1.0	307	1.2
2,014	5.3	2,638	7.8	1,647	5.1	1,085	3.9	1,291	5.0	1,388	5.6
1,762	4.6	1,334	3.9	1,447	4.5	899	3.3	1,087	4.2	810	3.3
-	0.0	499	1.5	862	2.7	723	2.6	-	0.0	514	2.1
8,403	21.9	5,317	15.7	4,240	13.2	2,416	8.8	2,150	8.4	1,708	6.9
-	-	-	-	-	-	-	-	-	-	49	0.2
<u>\$ 38,290</u>	<u>100.0</u>	<u>\$ 33,945</u>	<u>100.0</u>	<u>\$ 32,105</u>	<u>100.0</u>	<u>\$ 27,495</u>	<u>100.0</u>	<u>\$ 25,746</u>	<u>100.0</u>	<u>\$ 24,621</u>	<u>100.0</u>

**Ten-Year Schedule Of Tax Revenues By Source**  
All Governmental Fund Types - Statutory Basis

June 30, 2004  
(Amounts in millions)

	2004	% Total	2003	% Total	2002	% Total	2001	% Total
Income.....	\$ 8,830	55.0	\$ 8,026	53.4	\$ 7,913	55.2	\$ 9,903	59.1
Sales and use.....	3,743	23.3	3,708	24.7	3,696	25.8	3,756	22.4
Corporations.....	998	6.2	875	5.8	587	4.2	945	5.7
Motor fuels.....	684	4.3	676	4.5	667	4.7	660	3.9
Cigarette.....	425	2.6	451	3.0	275	1.9	271	1.6
Insurance.....	374	2.3	345	2.3	348	2.4	323	1.9
Estate and inheritance.....	195	1.2	181	1.2	200	1.4	203	1.2
Banks.....	239	1.5	269	1.8	137	1.0	180	1.1
Alcoholic beverages.....	69	0.4	67	0.5	66	0.5	65	0.4
Other.....	498	3.2	434	2.9	452	3.2	447	2.7
Total taxes.....	<u>\$ 16,055</u>	<u>100.0</u>	<u>\$ 15,032</u>	<u>100.0</u>	<u>\$ 14,341</u>	<u>100.0</u>	<u>\$ 16,753</u>	<u>100.0</u>



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2000	% Total	1999	% Total	1998	% Total	1997	% Total	1996	% Total	1995	% Total
\$ 9,042	57.6	\$ 8,037	56.2	\$ 8,032	57.2	\$ 7,182	55.8	\$ 6,707	55.6	\$ 5,974	53.5
3,565	22.7	3,270	22.9	2,963	21.1	2,876	22.3	2,610	21.6	2,481	22.2
1,131	7.2	1,009	7.1	1,067	7.6	964	7.5	876	7.3	911	8.2
653	4.2	637	4.5	621	4.4	603	4.7	599	5.0	578	5.2
280	1.8	284	2.0	301	2.1	282	2.2	233	1.9	234	2.1
306	1.9	317	2.2	303	2.2	289	2.2	285	2.4	284	2.5
167	1.1	174	1.2	191	1.4	203	1.6	188	1.6	209	1.9
93	0.6	109	0.8	156	1.1	140	1.1	219	1.8	206	1.8
64	0.4	61	0.4	61	0.4	60	0.5	60	0.5	61	0.5
401	2.6	406	2.8	343	2.4	275	2.1	281	2.3	234	2.1
<u>\$ 15,702</u>	<u>100.0</u>	<u>\$ 14,304</u>	<u>100.0</u>	<u>\$ 14,038</u>	<u>100.0</u>	<u>\$ 12,874</u>	<u>100.0</u>	<u>\$ 12,058</u>	<u>100.0</u>	<u>\$ 11,172</u>	<u>100.0</u>

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

June 30, 2004  
(Amounts in millions)

	2004	% Total	2003	% Total	2002	% Total	2001	% Total
Legislature.....	\$ 51	0.1	\$ 55	0.1	\$ 59	0.2	\$ 58	0.2
Judiciary.....	599	1.4	589	1.4	589	1.5	604	1.6
Inspector General.....	2	-	2	-	2	-	3	-
Governor and Lieutenant Governor.....	5	-	5	-	6	-	6	-
Secretary of the Commonwealth.....	45	0.1	49	0.1	41	0.1	50	0.1
Treasurer and Receiver-General.....	4,600	11.1	4,416	10.5	4,398	11.4	4,155	11.3
Auditor of the Commonwealth.....	16	-	17	-	16	-	16	-
Attorney General.....	44	0.1	45	0.1	47	0.1	43	0.1
Ethics Commission.....	1	-	1	-	2	-	2	-
District Attorney.....	81	0.2	79	0.2	88	0.2	85	0.2
Office of Campaign and Political Finance....	1	-	1	-	2	-	2	-
Sheriff's Departments.....	218	0.5	216	0.5	217	0.6	203	0.6
Disabled Persons Protection Commission....	2	-	2	-	2	-	2	-
Board of Library Commissioners.....	48	0.1	46	0.1	58	0.2	57	0.2
Comptroller.....	35	0.1	21	-	11	-	11	-
Administration and finance.....	6,184	15.0	6,241	14.9	6,315	16.4	5,937	16.1
Environmental affairs.....	336	0.8	357	0.9	440	1.1	426	1.2
Communities and development.....	589	1.4	568	1.4	533	1.4	527	1.4
Health and human services.....	12,504	30.1	11,338	27.0	11,124	28.9	10,058	27.3
Transportation and construction.....	1,586	3.8	1,844	4.4	2,052	5.3	2,212	6.0
Education.....	1,627	3.9	1,587	3.8	1,563	4.1	1,422	3.9
Educational affairs.....	-	-	-	-	-	-	-	-
Higher education.....	854	2.1	1,002	2.4	1,085	2.8	1,142	3.1
Public safety.....	1,160	2.8	1,156	2.8	1,138	3.0	1,104	3.0
Economic development.....	-	-	31	0.1	36	0.1	53	0.1
Elder affairs.....	-	-	315	0.8	304	0.8	241	0.7
Consumer affairs.....	326	0.8	55	0.1	58	0.2	59	0.2
Labor.....	-	-	282	0.7	237	0.6	195	0.5
Pension.....	702	1.7	813	1.9	796	2.1	1,040	2.8
Debt service.....	1,605	3.9	1,467	3.5	1,382	3.6	739	2.0
Payments to refunded bond escrow agent.....	2,833	6.8	3,398	8.1	1,277	3.3	1,649	4.5
Fund deficit support.....	-	-	-	-	-	-	-	-
Other interfund transfers.....	5,503	13.2	5,963	14.2	4,626	12.0	4,761	12.9
Total expenditures and other financing uses.	<u>\$ 41,556</u>	<u>100.0</u>	<u>\$ 41,961</u>	<u>100.0</u>	<u>\$ 38,504</u>	<u>100.0</u>	<u>\$ 36,862</u>	<u>100.0</u>

2000	% Total	1999	% Total	1998	% Total	1997	% Total	1996	% Total	1995	% Total
\$ 53	0.2	\$ 51	0.2	\$ 51	0.2	\$ 52	0.2	\$ 49	0.2	\$ 48	0.2
570	1.5	532	1.6	476	1.5	438	1.6	405	1.6	356	1.5
3	-	3	-	2	-	2	-	2	-	2	-
6	-	5	-	5	-	5	-	5	-	5	-
50	0.1	48	0.1	29	0.1	18	0.1	17	0.1	17	0.1
3,841	10.0	3,982	12.0	3,780	12.1	3,694	13.6	3,518	14.0	3,245	13.2
15	-	14	-	15	0.1	13	0.1	12	-	12	-
37	0.1	35	0.1	35	0.1	28	0.1	26	0.1	24	0.1
1	-	1	-	1	-	1	-	1	-	1	-
78	0.2	74	0.2	69	0.2	61	0.2	56	0.2	56	0.2
1	-	1	-	1	-	1	-	1	-	1	-
176	0.5	132	0.4	41	0.1	-	-	-	-	-	-
2	0.0	2	-	2	-	1	-	1	-	1	-
61	0.2	51	0.2	45	0.1	42	0.2	35	0.2	30	0.1
9	-	9	-	10	-	8	-	9	-	11	-
5,616	14.6	1,522	4.6	1,487	4.8	1,328	4.9	1,173	4.7	1,165	4.8
395	1.0	375	1.1	367	1.2	309	1.1	327	1.3	296	1.2
497	1.3	448	1.4	437	1.4	419	1.5	418	1.7	399	1.6
9,394	24.3	8,785	26.5	8,478	27.2	7,730	28.4	7,743	30.9	7,892	32.2
3,402	8.8	3,010	9.1	2,835	9.1	2,507	9.2	2,274	9.1	2,205	9.0
1,287	3.3	3,706	11.2	3,314	10.6	2,963	10.9	2,656	10.6	2,403	9.8
-	-	-	-	-	-	-	-	14	0.1	7	-
1,032	2.7	964	2.9	893	2.9	818	3.0	764	3.0	727	3.0
1,009	2.6	1,020	3.1	966	3.1	979	3.6	956	3.8	851	3.5
43	0.1	60	0.2	38	0.1	42	0.2	113	0.5	206	0.8
217	0.6	197	0.6	188	0.6	167	0.6	162	0.6	162	0.7
55	0.1	52	0.2	40	0.1	37	0.1	35	0.2	34	0.1
211	0.5	193	0.6	214	0.7	193	0.7	118	0.5	25	0.1
986	2.6	990	3.0	1,070	3.4	1,069	3.9	1,005	4.0	969	4.0
1,237	3.2	1,212	3.7	1,215	3.9	1,278	4.7	1,192	4.8	1,234	5.0
-	-	499	1.5	862	2.8	723	2.7	-	-	514	2.1
2,980	7.7	-	-	-	-	-	-	-	-	-	-
5,319	13.8	5,149	15.6	4,199	13.5	2,284	8.4	1,970	7.9	1,626	6.7
<u>\$ 38,583</u>	<u>100.0</u>	<u>\$ 33,124</u>	<u>100.0</u>	<u>\$ 31,163</u>	<u>100.0</u>	<u>\$ 27,210</u>	<u>100.0</u>	<u>\$ 25,057</u>	<u>100.0</u>	<u>\$ 24,524</u>	<u>100.0</u>

**Ten-Year Schedule Of Budgeted Funds Expenditures and Other Uses By  
Major Program Category**  
June 30, 2004  
(Amounts in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Direct local aid.....	\$ 4,784	\$ 5,069	\$ 5,189	\$ 4,969	\$ 4,674	\$ 4,310	\$ 3,949	\$ 3,558	\$ 3,246	\$ 2,976
Medicaid.*.....	5,742	5,485	5,259	4,642	4,270	3,856	3,666	3,456	3,416	3,398
Public assistance.....	1,019	1,019	1,030	991	959	988	1,023	1,090	1,089	1,095
Higher education.....	831	969	1,030	1,102	996	930	862	806	744	703
MBTA and regional transit authorities....	53	42	49	69	592	538	530	520	518	516
Pension.....	702	813	796	1,040	986	990	1,070	1,069	1,005	969
Group health insurance.....	788	739	717	641	589	566	550	522	519	510
Debt service.....	1,420	1,374	1,305	676	1,193	1,174	1,213	1,276	1,184	1,231
					-					
Major programs.....	15,339	15,510	15,375	14,130	14,259	13,352	12,863	12,297	11,721	11,398
Other program expenditures.....	6,819	6,700	7,254	7,163	7,251	6,411	5,900	5,502	5,357	5,043
Interfund transfers and other uses.....	2,749	3,540	2,046	1,772	4,538	1,884	1,844	1,201	847	352
Total expenditures and other uses.....	\$ 24,907	\$ 25,750	\$ 24,675	\$ 23,065	\$ 26,048	\$ 21,647	\$ 20,607	\$ 19,000	\$ 17,925	\$ 16,793

\* Exclusive of Non-Budgeted Medicaid spending beginning in FY03 within the Health Care Quality Improvement Fund totalling \$201 million and 288 million in FY03 and FY04 respectively.

## Ten-Year Schedule Of Long-Term Bonds And Notes Outstanding

Fiscal Year Ended June 30, 2004  
(Amounts in millions)

	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
General obligation bonds.....	\$ 14,143	\$ 13,651	\$ 12,618	\$ 11,961	\$ 10,897	\$ 10,301	\$ 9,873	\$ 9,620	\$ 9,148	\$ 8,615
Grant anticipation notes*.....	1,907	1,499	1,499	1,499	922	922	600	-	-	-
Dedicated income tax bonds.....	-	-	-	-	-	-	-	130	383	619
Special obligation bonds.....	1,332	813	838	539	564	586	606	521	535	395
Commonwealth long-term bonds.....	\$ 17,382	\$ 15,963	\$ 14,955	\$ 13,999	\$ 12,383	\$ 11,809	\$ 11,079	\$ 10,271	\$ 10,066	\$ 9,629

\*Inclusive of cross-over refunding notes.

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# ***HIGHER EDUCATION NON- APPROPRIATED ACTIVITY***

The Commonwealth's Public Institutions of Higher Education are allowed, by their enabling statutes, to collect, retain, and expend certain fees, rents, donations and other types of revenue. These financial resources are important elements to the overall financial operations of the respective institutions, and are in addition to amounts made available from appropriations. The Public Institutions of Higher Education include:

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

***State College System*** – The State College System includes the nine state colleges, which provide four-year post-secondary education programs. These colleges include:

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

***Community College System*** - The Community College System includes the fifteen community colleges, which provide two-year post secondary education programs.

Berkshire Community College  
Bunker Hill Community College  
Bristol Community College  
Cape Cod Community College  
Greenfield Community College  
Holyoke Community College  
Massasoit Community College  
Massachusetts Bay Community College  
Middlesex Community College  
Mount Wachusett Community College  
Northern Essex Community College  
North Shore Community College  
Quinsigamond Community College  
Roxbury Community College  
Springfield Technical Community College

**Higher Education System**  
Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	University of Massachusetts	State Colleges	Community Colleges	TOTALS	
				2004	2003
<b>Revenues and other financing sources</b>					
Federal grants and reimbursements.....	\$ 253,610	\$ 22,429	\$ 63,121	\$ 339,160	\$ 299,199
Departmental revenues.....	397,544	240,336	223,737	861,617	719,485
Miscellaneous revenues.....	621,934	110,002	107,785	839,721	701,170
Total revenues and other financing sources.....	1,273,088	372,767	394,643	2,040,498	1,719,854
<b>Expenditures and other financing uses</b> (by MMARS subsidiary):					
AA Regular employee compensation.....	382,613	44,254	62,502	489,369	359,435
BB Regular employee related expenses.....	15,936	2,893	3,141	21,970	15,136
CC Special employees and contracted services.....	157,724	48,246	81,382	287,352	259,815
DD Pension and insurance.....	117,365	12,250	14,770	144,385	100,639
EE Administrative expenditures.....	70,844	33,241	49,226	153,311	140,465
FF Facility operational supplies.....	110,366	9,829	19,406	139,601	136,130
GG Energy costs and space rental.....	86,032	16,873	15,543	118,448	83,316
HH Consultant services.....	120,342	10,811	14,144	145,297	157,735
JJ Operational services.....	50,063	21,116	12,150	83,329	68,711
KK Equipment purchase.....	44,504	8,100	7,316	59,920	68,009
LL Equipment leases, maintenance and repair.....	24,276	9,915	11,534	45,725	42,162
MM Purchased client services and programs.....	10,059	1,726	2,314	14,099	6,282
NN Construction and improvements.....	33,266	12,425	3,939	49,630	55,707
PP Aid to local governments.....	8	-	207	215	944
RR Benefit programs.....	41,034	31,639	75,345	148,018	160,753
SS Debt payment.....	-	4,254	1,453	5,707	5,370
TT Loans and special payments.....	59,794	73,423	5,100	138,317	141,272
Total expenditures and other uses.....	1,324,226	340,995	379,472	2,044,693	1,801,881
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	(51,138)	31,772	15,171	(4,195)	(82,027)
Fund balance (deficit) at beginning of year.....	515,108	122,471	95,965	733,274	815,301
Fund balance (deficit) at end of year.....	\$ 463,970	\$ 154,243	\$ 110,866	\$ 729,079	\$ 733,274

**University Of Massachusetts**  
Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	<u>2004</u>	<u>2003</u>
<b>Revenues and other financing sources</b>		
Federal grants and reimbursements.....	\$ 253,610	\$ 223,626
Departmental revenues.....	397,544	327,979
Miscellaneous revenues.....	<u>621,934</u>	<u>535,174</u>
Total revenues and other financing sources.....	<u>1,273,088</u>	<u>1,086,779</u>
<b>Expenditures and other financing uses</b> (by MMARS subsidiary):		
AA Regular employee compensation.....	382,613	294,574
BB Regular employee related expenses.....	15,936	9,400
CC Special employees and contracted services.....	157,725	133,844
DD Pension and insurance.....	117,365	86,402
EE Administrative expenditures.....	70,844	67,025
FF Facility operational supplies.....	110,366	108,655
GG Energy costs and space rental.....	86,032	64,920
HH Consultant services.....	120,342	135,229
JJ Operational services.....	50,063	36,545
KK Equipment purchase.....	44,504	51,143
LL Equipment leases, maintenance and repair.....	24,276	22,591
MM Purchased client services and programs.....	10,059	2,871
NN Construction and improvements.....	33,266	40,064
PP Aid to local governments.....	8	-
RR Benefit programs.....	41,033	62,320
TT Loans and special payments.....	<u>59,794</u>	<u>97,529</u>
Total expenditures and other financing uses.....	<u>1,324,226</u>	<u>1,213,112</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(51,138)	(126,333)
Fund balance (deficit) at beginning of year.....	515,108	641,441
Fund balance (deficit) at end of year.....	<u>\$ 463,970</u>	<u>\$ 515,108</u>



**State College System**  
Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2004  
(Amounts in thousands)

	Bridgewater State College	Framingham State College	Fitchburg State College	Massachusetts College of Art
<b>Revenues and other financing sources</b>				
Federal grants and reimbursements.....	\$ 4,169	\$ 1,540	\$ 3,187	\$ 1,280
Departmental revenues.....	48,741	19,960	20,588	14,768
Miscellaneous revenues.....	20,536	19,080	11,627	6,356
Total revenues and other financing sources.....	73,446	40,580	35,402	22,404
<b>Expenditures and other financing uses</b> (by MMARS subsidiary):				
AA Regular employee compensation.....	17,675	2,228	4,444	4,629
BB Regular employee related expenses.....	709	155	311	230
CC Special employees and contracted services.....	9,117	5,546	5,492	2,791
DD Pension and insurance.....	4,439	1,002	1,234	581
EE Administrative expenditures.....	6,362	13,706	1,064	1,474
FF Facility operational supplies.....	2,066	925	802	913
GG Energy costs and space rental.....	2,994	1,815	1,730	1,409
HH Consultant services.....	1,939	1,318	1,772	675
JJ Operational services.....	5,180	3,223	1,471	2,131
KK Equipment purchase.....	1,410	1,004	1,825	469
LL Equipment leases, maintenance and repair.....	1,717	481	976	1,066
MM Purchased client services and programs.....	468	271	367	-
NN Construction and improvements.....	1,486	1,417	230	660
PP Aid to local governments.....	-	-	-	-
RR Benefit programs.....	6,480	1,738	2,909	1,775
SS Debt payment.....	-	365	-	-
TT Loans and special payments.....	5,048	3,839	9,321	2,774
Total expenditures and other financing uses.....	67,090	39,033	33,948	21,577
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	6,356	1,547	1,454	827
Fund balance (deficit) at beginning of year.....	12,643	24,430	19,322	5,025
Fund balance (deficit) at end of year.....	\$ 18,999	\$ 25,977	\$ 20,776	\$ 5,852

Massachusetts Maritime Academy	Massachusetts College of Liberal Arts	Salem State College	Worcester State College	Westfield State College	TOTALS	
					2004	2003
\$ 548	\$ 1,551	\$ 4,339	\$ 2,703	\$ 3,112	\$ 22,429	\$ 19,981
12,065	7,336	46,091	21,854	48,933	240,336	205,111
3,631	6,696	27,658	7,095	7,323	110,002	80,274
16,244	15,583	78,088	31,652	59,368	372,767	305,366
922	2,355	6,850	925	4,226	44,254	26,349
297	192	305	425	269	2,893	3,013
2,560	1,826	10,183	4,859	5,872	48,246	48,396
495	511	2,308	190	1,490	12,250	6,628
1,430	1,688	3,815	1,897	1,805	33,241	31,571
1,533	508	1,202	948	932	9,829	10,002
872	1,101	1,264	3,400	2,288	16,873	10,780
1,340	557	1,590	858	762	10,811	9,478
2,490	2,856	1,671	1,027	1,067	21,116	22,050
444	225	1,672	637	414	8,100	9,942
809	827	2,651	630	758	9,915	10,572
-	-	368	-	252	1,726	1,543
105	4	1,355	2,431	4,737	12,425	12,772
-	-	-	-	-	-	185
335	3,170	7,449	4,418	3,365	31,639	31,890
-	-	-	1,288	2,601	4,254	4,121
660	1,232	23,844	173	26,532	73,423	36,719
14,292	17,052	66,527	24,106	57,370	340,995	276,011
1,952	(1,469)	11,561	7,546	1,998	31,772	29,355
2,910	5,139	27,615	14,744	10,643	122,471	93,116
\$ 4,862	\$ 3,670	\$ 39,176	\$ 22,290	\$ 12,641	\$ 154,243	\$ 122,471

**Community College System**  
Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2004

(Amounts in thousands)

	Berkshire Community College	Bunker Hill Community College	Bristol Community College	Cape Cod Community College	Greenfield Community College	Holyoke Community College	Massasoit Community College
<b>Revenues and other financing sources</b>							
Federal grants and reimbursements.....	\$ 2,154	\$ 5,616	\$ 6,801	\$ 2,137	\$ 1,945	\$ 5,038	\$ 5,302
Departmental revenues.....	13,704	20,764	14,344	7,291	7,073	11,535	16,226
Miscellaneous revenues.....	1,011	8,661	10,363	9,429	8,111	8,531	4,494
Total revenues and other financing sources.....	16,869	35,041	31,508	18,857	17,129	25,104	26,022
<b>Expenditures and other financing uses</b> (by MMARS subsidiary):							
AA Regular employee compensation.....	951	9,438	6,126	2,013	5,068	1,971	3,787
BB Regular employee related expenses.....	89	261	198	163	197	267	131
CC Special employees and contracted services.....	1,744	6,026	5,908	4,218	3,899	5,501	5,514
DD Pension and insurance.....	530	608	2,081	831	1,534	694	1,033
EE Administrative expenditures.....	912	2,457	1,673	1,322	951	2,068	3,237
FF Facility operational supplies.....	1,249	644	893	511	865	3,950	788
GG Energy costs and space rental.....	377	991	877	408	671	814	1,354
HH Consultant services.....	485	737	1,166	1,066	173	886	961
JJ Operational services.....	901	2,707	1,117	255	371	797	522
KK Equipment purchase.....	442	997	506	333	362	848	1,000
LL Equipment leases, maintenance and repair.....	239	789	312	653	455	252	1,475
MM Purchased client services and programs.....	8	209	832	-	16	32	28
NN Construction and improvements.....	52	286	593	-	1	1,141	168
PP Aid to local governments.....	25	-	-	-	-	-	-
RR Benefit programs.....	2,177	5,829	7,798	3,051	2,887	6,853	5,305
SS Debt payment.....	-	-	-	-	-	201	-
TT Loans and special payments.....	45	-	149	1,980	258	8	1,474
Total expenditures and other financing uses.....	10,226	31,979	30,229	16,804	17,708	26,283	26,777
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses....	6,643	3,062	1,279	2,053	(579)	(1,179)	(755)
Fund balance (deficit) at beginning of year.....	(2,983)	11,924	12,860	5,973	2,843	11,220	6,232
Fund balance (deficit) at end of year.....	\$ 3,660	\$ 14,986	\$ 14,139	\$ 8,026	\$ 2,264	\$ 10,041	\$ 5,477

Massachusetts Bay Community College	Middlesex Community College	Mount Wachusett Community College	Northern Essex Community College	North Shore Community College	Quinsigamond Community College	Roxbury Community College	Springfield Technical Community College	TOTALS	
								2004	2003
\$ 4,262	\$ 5,713	\$ 4,505	\$ 30	\$ 6,448	\$ 3,946	\$ 4,180	\$ 5,044	\$ 63,121	\$ 55,592
31,761	19,813	13,232	34,865	17,773	14,582	774	-	223,737	186,395
2,528	8,635	4,039	3,772	7,370	3,446	18,647	8,748	107,785	85,722
38,551	34,161	21,776	38,667	31,591	21,974	23,601	13,792	394,643	327,709
873	9,959	5,872	1,766	8,771	3,361	413	2,133	62,502	38,512
515	374	319	-	118	156	121	232	3,141	2,723
7,354	8,871	3,831	47	5,634	1,270	16,392	5,173	81,382	77,575
323	3,189	858	448	662	1,049	172	758	14,770	7,609
2,108	1,711	1,724	24,223	1,812	2,121	648	2,259	49,226	41,869
818	936	652	80	2,627	2,605	540	2,248	19,406	17,473
3,269	1,631	1,181	53	1,332	621	526	1,438	15,543	7,616
2,755	1,178	1,138	-	847	1,174	515	1,063	14,144	13,028
2,524	870	312	10	254	587	415	508	12,150	10,116
583	234	484	174	297	393	202	461	7,316	6,924
1,029	678	709	-	852	2,111	213	1,767	11,534	8,999
-	-	140	-	27	-	1	1,021	2,314	1,868
1,033	-	132	-	-	155	15	363	3,939	2,871
-	-	182	-	-	-	-	-	207	759
4,334	4,134	3,922	9,874	5,817	5,437	2,787	5,140	75,345	66,543
8	-	79	-	1,165	-	-	-	1,453	1,249
-	112	98	315	147	394	120	-	5,100	7,024
27,526	33,877	21,633	36,990	30,362	21,434	23,080	24,564	379,472	312,758
11,025	284	143	1,677	1,229	540	521	(10,772)	15,171	14,951
5,502	2,152	3,629	5,369	6,087	2,330	376	22,181	95,695	80,744
\$ 16,527	\$ 2,436	\$ 3,772	\$ 7,046	\$ 7,316	\$ 2,870	\$ 897	\$ 11,409	\$ 110,866	\$ 95,695