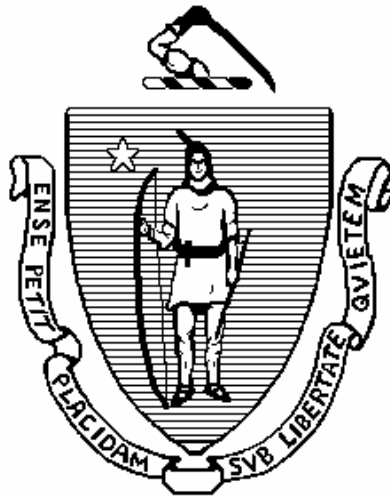


Commonwealth of Massachusetts



Statutory Basis Financial Report

For the Fiscal Year Ended June 30, 2006

Martin J. Benison, CGFM
State Comptroller

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

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For the Fiscal Year Ended June 30, 2006

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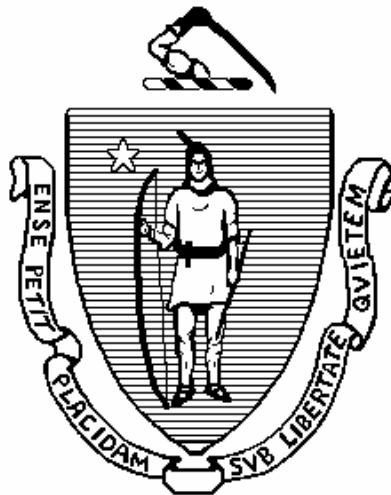
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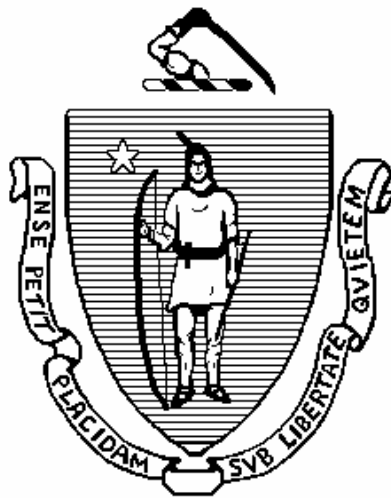
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*Martin J. Benison, Comptroller
One Ashburton Place
Boston, MA 02108*

October 28, 2006

***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, 2006 (FY06).

The Commonwealth completed the year ended June 30, 2006 with a budgetary gain (excess of revenues and sources over expenditures and uses) of approximately \$721 million increasing budgeted fund balances to over \$3.2 billion. Of this balance, \$2.2 billion is retained in the Stabilization Fund. This is the largest balance in the 20 year history of the Stabilization Fund, an amount which represents 31 days of the total budgeted expenditures and other uses of FY06. Tax revenues from most sources continued to rise this year. Of the major categories of taxation (greater than \$100 million in receipts), income, sales, financial institutions, cigarettes, insurance, utilities, room occupancy and corporate receipts rose, while estate and inheritance, motor fuels and deeds experienced declines. The changes in taxation are tied to federal tax legislation. The declines in motor fuels and deeds are directly related to a softening economy, led by higher fuel prices and lower housing sales.

In spite of the overall improvements in the economy, and in the financial condition of the Commonwealth, our financial picture will remain cautious for the near future. Unemployment rose to 5.0% in June, with the national rate at 4.6%. The Commonwealth started the year at a rate of 4.8%. This is the first time since 1995 that Massachusetts fell behind the nation as a whole. The forecast for the FY07 budget assumes almost half of the fund balance will be spent during FY07 despite projected growth in budgeted tax revenues of 1.8%.

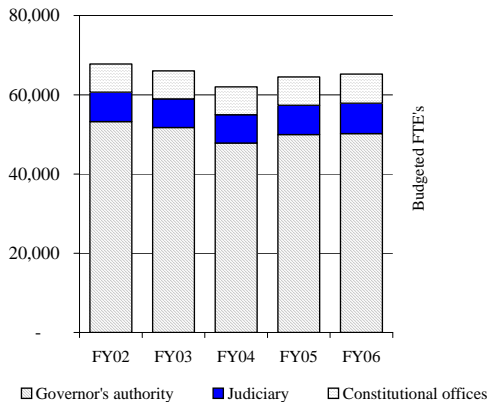
Financial Highlights

FY06 was a year of landmark health care reform legislation, record tax receipts and record budgetary spending.

The following represent significant events over the last fiscal year that impacted the financial condition of the Commonwealth:

- During the year, \$20 million was transferred from the Stabilization Fund to pay for current expenditures. However, at the close of the fiscal year, \$20 million was redeposited into the fund from tax revenues held aside during FY06. An additional \$4 million was deposited from tax revenues of certain lottery winners who sold their stream of

***Budgeted Full Time Equivalent
Workforce
Including Budgeted Higher Education
June 2002 – June 2006***



future winnings in exchange for current payments, and the year end Stabilization Fund calculation resulted in additional deposits of \$261 million into the Fund.

- Tobacco settlement proceeds for the year were approximately \$236.3 million. The entire amount was used in support of current operations. The Commonwealth has continued to refrain from issuing tobacco settlement bonds or pension obligation bonds.
- Between March and April 2005 the Commonwealth received interest-free loans from the federal government to fund a cash flow deficit in the Unemployment Compensation Fund due to higher payments to recipients than receipts. All of these borrowings were paid back in May 2005. During FY06 the balance of the fund has grown to nearly \$912 million, or 67.6% of FY06 benefits paid.
- The budgeted full time equivalent workforce including higher education, increased from 64,513 as of June 30, 2005, to 65,239 as of June 30, 2006. The graphic to the left details the changes over the last five years.

Health Care Legislation

On April 12, 2006, The Commonwealth enacted “An Act Providing Access to Affordable, Quality, Accountable Health Care.” This act was in response to a notification from the federal Centers for Medicare and Medicaid Services (CMS) that a federally approved plan for reducing the number of uninsured individuals in the Commonwealth needed to be in place by July 1, 2006 in order for federal funding to be made available to the Commonwealth for fiscal 2007 and beyond. This new law was approved by CMS in late July. The approval secures \$385 million of federal Medicaid revenue for fiscal 2006 through 2008. The health care reform legislation is projected to provide health insurance coverage for 95% of the Commonwealth’s uninsured by 2009, reducing reliance on the Commonwealth’s Uncompensated Care Pool.

Other Post-Employment Benefits – OPEB

New accounting standards will require the Commonwealth to begin disclosing its liability for other post employment benefits (commonly referred to as “OPEB”) and the status of its efforts to fund that liability in its FY08 financial reports. An initial valuation report by an independent actuarial firm of the Commonwealth's liability for these health care and life insurance benefits was released in June of this year. The report presented two separate calculations of the Commonwealth's OPEB liability, depending on whether the liability would be prefunded or remain on a pay-as-you-go basis.

According to the report, assuming no prefunding, the actuarial accrued liability of the Commonwealth for OPEB obligations earned through January 1, 2006 is \$13.287 billion. To fully amortize this liability over a 30-year period utilizing an amortization growth rate of 4.5% per year

would require annual required contributions commencing at \$1.062 billion for the initial year and projected to increase to \$2.758 billion in FY16. However, if prefunding is assumed, the actuarial accrued liability is reduced to \$7.562 billion and the annual required contribution is calculated to commence at \$702.9 million for the initial year, projected to increase to \$1.205 billion for FY16.

In making these calculations, the independent actuarial firm utilized employment and other data provided by the Commonwealth and assumed annual claims growth initially at 10.5% and declining to 5% after ten years and continuation of current benefit levels and current retiree contribution requirements. The Commonwealth has not yet made any decision on when or how it will fund the liability. The report covered only the Commonwealth's OPEB obligations for Commonwealth employees and their survivors. Municipalities and authorities of the Commonwealth, even if their health care coverage is administered by the Group Insurance Commission, will perform their own valuations, as the Commonwealth acts only as an agent for these entities with respect to OPEB and does not assume the risk or financial burden of their health care costs.

The difference between the value of prefunded and pay-as-you-go OPEB liabilities is due to the discount rate used in the calculation. In the absence of prefunding, the discount rate must approximate the Commonwealth's rate of return on non-pension (liquid) investments over the long term, estimated at 4.5% for the purpose of this study. In the event of prefunding, the discount rate would increase to a standard return on long-term investments, estimated at 8.25%. In order to qualify its OPEB liabilities as prefunded, the Commonwealth would have to enact legislation providing for the escrowing of annual contributions in an irrevocable trust, in the manner similar to the pension model.

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.

The SBFR is intended to satisfy the requirements of state finance law, and to present fairly the results of FY06 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 October 31st. The SBFR report for fiscal year ended June 30, 2006 herein is audited by Deloitte & Touche, Independent Certified Public Accountants, and represents the closing of the Commonwealth's books 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.

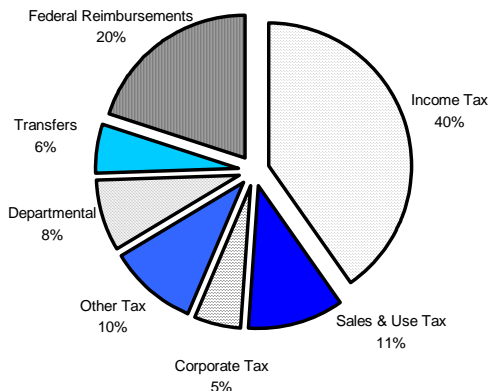
The Budgeted Funds

In FY06, revenues and other sources continued to outpace expenditures and other uses of budgeted funds, resulting in an operating surplus of over \$721 million. This surplus is primarily a result of a rise in budgeted revenues and other sources of over \$1.9 billion led by nearly \$1.3 billion in increased budgeted tax revenues and over \$513 million in increased federal reimbursements. Budgeted expenditures and other uses were up by nearly 3.6% for FY06 isolated to increased programs and services.

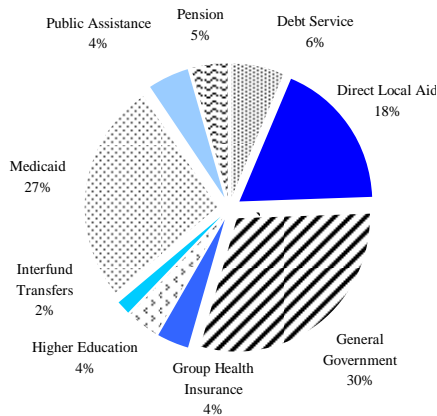
Any assessment of surplus or deficit should be viewed over a period of time. In that assessment, a structural balance is considered to be achieved when revenues exceed expenditures over a period of multiple years. After operating deficits in FY02 and FY03, reliance on the significant use of prior year surpluses slowed in FY04 and continued to slow in FY05. As a result of FY06 operations, the Commonwealth was able to deposit \$354 million which includes the required deposit of 0.5% of tax revenues (nearly \$93 million) to the Stabilization Fund.

In FY06, budgeted revenues and other sources increased 4.0% from FY05, primarily a result of tax revenue growth, departmental revenues and federal reimbursements. Overall, federal reimbursements rose approximately 10.9%. However, federal revenues in non-budgeted funds declined by 5.9%. From a multi-year perspective, the proportion of revenue sources demonstrate that tax and federal revenues increased slightly with offsetting proportional drops in transfers and assessments.

***Budgeted
Revenues and Other
Sources***



Budgeted Expenditures and Other Uses



The General Appropriation Act (GAA) authorized approximately \$24.5 billion in spending. In addition, supplemental budgets authorized \$996.7 million in appropriations and transfers including:

- \$100.0 million for expansion and improvement projects at the University of Massachusetts and the state and community colleges.
- An economic stimulus act including \$248.4 million in spending and transfers for transportation improvements, the City Square development project in the City of Worcester, a nano-manufacturing and bio-manufacturing facility at the University of Massachusetts Lowell Campus and transfers to various funds, programs and entities.
- Appropriations to fund the redevelopment of a site at the former Fort Devens military base to support the building of a new prescription drug manufacturing facility.
- Funding for new collective bargaining increases.
- Appropriations to restore the Central Artery surface and develop on it the Rose Kennedy Greenway, for private indigent counsel compensation, for subsidies to local housing authorities, and for other programs and services.

Budgeted expenditures and other uses, including transfers to non-budgeted funds, increased by nearly 3.6%. There was a \$85 million increase in debt service. Pension funding increased by \$58 million. Medicaid, which accounts for over a quarter of the Commonwealth's budget, grew at 14.65%. Almost half of this increase is attributable to a change in accounting treatment rather than true growth. The fiscal 2006 GAA moved on-budget \$265 million for the Medicare buy-in, which pays premiums and some deductibles for members eligible for both Medicare and MassHealth. In previous years, the buy-in was accounted for in budgeting as an offset to federal reimbursement. Adjusted for the transfer on-budget of the Medicare buy-in for fiscal 2006, growth in Medicaid spending from fiscal 2005 to fiscal 2006 is projected to be 8.8%. Group Health Insurance costs rose by a similar percentage 13.95%. The fiscal 2004 GAA increased contribution rates of Commonwealth employees for health care, but left the reimbursement rate for retirees unchanged. This tiered contribution ratio sunsetted on June 30, 2005, shifting this share of the premium back to the state. The chart below portrays year to year changes in budgeted spending for all major programs and services.

The Budgeted Funds – Operations table on page 6 displays the FY06 summary of budgeted funds, compared to FY05. The FY06 financial statements for each of the 12 individual budgeted funds are included in the financial section of this report. In FY07 and in future years, as revenue growth slows, the challenge will be to continue to match spending to available revenues.

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

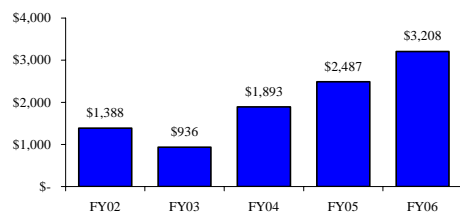
sources and uses to align forecasts prepared during the budget process to actual amounts in this report. Transfers among the Budgeted Funds decreased as a result of funds provided from Stabilization Fund to other funds to balance the budget for the year as well as year-end transfers back into the Stabilization Fund. A detailed list of these interfund transfers is included in Note 3 of the financial statements.

Budgeted Funds - Operations
(Amounts in thousands)

	2005	2006
Beginning fund balances:		
Reserved and designated.....	\$ 664,574	\$ 355,615
Reserved for Transitional Escrow.....	304,838	304,838
Reserved for Stabilization Fund.....	1,137,320	1,728,355
Undesignated.....	90,911	98,379
Total.....	<u>2,197,643</u>	<u>2,487,187</u>
Revenues and other sources:		
Taxes.....	15,987,399	17,286,156
Federal reimbursements.....	4,696,883	5,210,163
Departmental and other revenues.....	1,948,903	2,094,279
Interfund transfers from non-budgeted funds and other sources.....	1,740,248	1,714,868
Budgeted revenues and other sources.....	<u>24,373,433</u>	<u>26,305,466</u>
Intragovernmental Service Fund revenues.....	185,859	187,897
Interfund transfers among budgeted funds and other sources.....	2,045,364	1,170,225
Total revenues and other sources.....	<u>26,604,656</u>	<u>27,663,588</u>
Expenditures and other uses:		
Programs and services.....	20,486,991	22,253,148
Debt service.....	1,580,747	1,665,534
Pension.....	1,216,936	1,274,675
Interfund transfers to non-budgeted funds and other uses.....	494,377	391,246
Budgeted expenditures and other uses.....	<u>23,779,051</u>	<u>25,584,603</u>
Intragovernmental Service Fund expenditures.....	185,859	187,897
Interfund transfers among budgeted funds and other uses.....	2,045,364	1,170,225
Total expenditures and other uses.....	<u>26,010,274</u>	<u>26,942,725</u>
Excess of revenues and other sources over expenditures and other uses.....	<u>594,382</u>	<u>720,863</u>
Ending fund balances:		
Reserved and designated.....	355,615	947,182
Reserved for Transitional Escrow.....	304,838	-
Reserved for Stabilization Fund.....	1,728,355	2,154,664
Undesignated.....	98,379	106,204
Total.....	<u>\$ 2,487,187</u>	<u>\$ 3,208,050</u>

The graph of Budgeted Funds – Fund Balance, on page 7, 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.

Budgeted Funds – Fund Balance (Amounts in Millions)

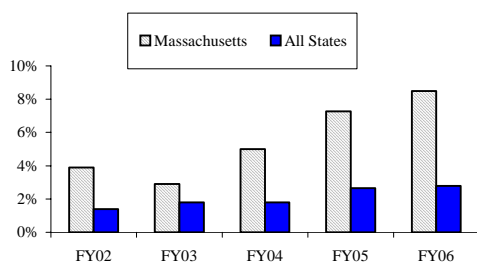


At June 30, 2006, the ending balance is comprised of the statutory fund balance of the General Fund, the Stabilization Fund, the Workforce Training Fund and the Massachusetts Tourism Fund offset by a \$1.1 billion deficit in the Highway Fund. The Children's and Seniors' Fund was closed in FY06 with its deficit absorbed by the General Fund. The Inland Fisheries and Game Fund is not part of the calculation of year end transfers to the Stabilization Fund. Due to designations within these fund balances, \$947 million of the total budgeted fund balance, exclusive of stabilization, is reserved for appropriation in FY07. The remainder is undesignated.

The Stabilization Fund

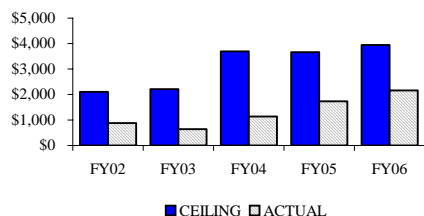
With the rapid depletion of the accumulated balances earlier in this decade, the importance of the balance in the Stabilization Fund and its direct correlation to the financial condition of the Commonwealth is clear. The National Governor's Association, along with the National Association of State Budget Officers in their annual "The Fiscal Survey of States" ranked the Commonwealth in FY05, second in the nation in terms of the balance of stabilization. Eight states had no stabilization balance at the end of FY05. Also, of states with over \$10 billion in General Fund expenditures in FY05, the Commonwealth's stabilization balance, as a percentage of expenditures, was second in the nation (behind Minnesota) with Maryland and Connecticut following. 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.

Stabilization Fund Balance as a Percentage of Budgeted Expenditures



State finance law, as amended during FY03, increased the maximum balance that may accumulate in the Stabilization Fund to a level equal to 15% of budgeted revenues and other sources. 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 three years, it will be several years before the "cap" will be reached. The details of these calculations can be found on pages 292 through 297 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. Starting in FY05, an additional 0.5% of current year tax revenues was deposited into the Stabilization Fund before the year-end surplus is determined.

Stabilization Fund Balance (Amounts in Thousands)



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 FY06, the Commonwealth maintained 55 of these funds, including certain funds that had previously been reported as budgeted. This is an increase of four from FY05. However, three new funds will be active in FY07 related to the new health care reform bill. The largest non-budgeted funds in terms of revenues include the Lottery, Federal Grants, Health Care Security Trust (designated to receive tobacco settlement funds before transfer to the General Fund), Grant Anticipation, MBTA State and Local Contribution Fund, the Medical Security Trust, the Health Care Quality

Improvement Fund, the School Modernization and Reconstruction Trust (SMART) 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 below, includes a summary of the FY06 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, 2006, the Federal Grants Fund had a positive fund balance, but reported 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 ensure 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)

	2005	2006
Beginning fund balance.....	\$ 1,592,311	\$ 1,686,128
Revenues and other sources:		
Taxes.....	1,204,447	1,307,249
Assessments.....	662,491	646,747
Federal grants and reimbursements.....	3,305,415	3,111,778
Tobacco Settlement revenue.....	257,417	236,305
Departmental and miscellaneous.....	5,758,109	5,438,997
Transfers and other sources.....	1,052,134	798,938
Total revenues and other sources.....	12,240,013	11,540,014
Expenditures and other uses:		
Programs and services.....	9,553,409	8,964,311
Debt service.....	118,018	249,586
Transfers and other uses.....	2,474,769	2,159,292
Total expenditures and other uses.....	12,146,196	11,373,189
Excess of revenues and other sources over expenditures and other uses.....	93,817	166,825
Ending fund balance.....	\$ 1,686,128	\$ 1,852,953

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 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 FY06, the Commonwealth received over \$236 million or 83.5% of the estimated amounts shown in the MSA. The law establishing the HST directs that 70.0% be retained in the fund as an endowment with the remainder available for current services. However, for FY06, the GAA again overrode this requirement and all HST proceeds received in FY06 were transferred to the General Fund. The Fund was also used as a cash flow mechanism for the Health Care Quality Improvement Fund. The HST also returned \$31.3 million in FY05 investment earnings to the General Fund during FY06 pursuant to Massachusetts General Laws.

As noted, this amount is less than had previously been projected as payments under the MSA for FY06. The decrease is due to the manufacturers withholding a portion of their expected payment for fiscal 2003, which was expected to be received by the Commonwealth in fiscal 2006. The Commonwealth is pursuing legal action to compel the payment of the additional funds for fiscal 2003. The tobacco manufacturers have given notice of their intention to seek a reduction in their payment for fiscal 2004, which would affect the Commonwealth in fiscal 2007.

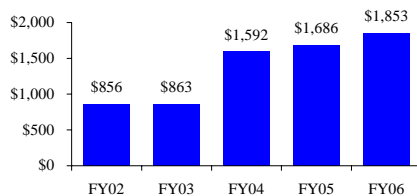
Beginning in FY06 a portion of the Commonwealth's federal transportation funds will be dedicated to paying off prior year expenditures of the Central Artery / Tunnel Project (CA/T) which were temporarily financed through GANs.

During FY98, the Legislature authorized the issuance of \$1.5 billion in Federal Grant Anticipation Notes, (GANS) to finance the current cash needs of the Project. All of the GANS have been issued. The GANS are not considered general obligation debt of the Commonwealth. The proceeds of the GANS were used to pay for federally eligible expenditures. Beginning this year, federal funds were drawn down to reimburse the Commonwealth for these prior year expenses. From this year through 2015, these eligible expenses will be reimbursed by the federal government and the reimbursement will be used to retire the GANS. 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 \$632 million surplus in the fund for FY06 represents \$621 million held for

payment of interest on the GANS inclusive of an escrow for payment of GANS involved with the aforementioned cross-over refunding. The fund also started to accumulate grant draws to pay principal amounts coming due in FY07 during FY06.

The Universal Health Care funds, including the Uncompensated Care and Medical Security Trust Funds revenues and other financing sources decreased by over \$925 million from FY05. This was due to the reporting of this activity in the General Fund in FY06 in anticipation of health care reform legislation and the pending expiration of federal waivers. This activity will ramp up again beginning in FY07 with the implementation of new activities surrounding this legislation.

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



The graph Non-Budgeted Funds - Fund Balance shows the combined fund balance in the Non-Budgeted funds for the past five years. The overall growth in fund balance in these funds this fiscal year was primarily 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 FY06 deficit balance of \$35 million remains an unbudgeted drain on 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 \$16 million deficit exists in the Motor Vehicle Inspection Fund. This deficit must be eliminated and 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 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, tax exempt bonds are not routinely sold in anticipation of expenditures.

The Commonwealth issued nearly \$2.5 billion in debt this year. Of this amount, \$1.8 billion, inclusive of premiums, was used to fund ongoing projects, including a final \$500 million to fund school construction as part of the restructuring of the school building assistance program and

Central Artery / Tunnel Project
(Amounts in Billions)

Sources of Funds:	<u>2006</u>
Federal Funds	\$ 7.049
GANS	1.500
Massport and Turnpike Authorities	2.057
Commonwealth debt and other sources	<u>4.019</u>
Total Sources	<u><u>\$ 14.625</u></u>
Costs of Construction:	
Cumulative costs previous to FY06	\$ 13.871
Current Fiscal Year Spending	<u>0.335</u>
Actual Costs through End of Fiscal Year	14.206
Estimated remaining costs:	<u>0.419</u>
Total Estimated Costs of Construction:	<u><u>\$ 14.625</u></u>

\$527 million was issued in refunding bonds related to the Convention Center, taking advantage of low interest rates.

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 cost of the project stood at \$14.625 billion as of June 30, 2006. Though the project is over 97% complete according to project officials, challenges have arisen. The most recent project finance plan was submitted on July 30, 2004, but has not yet received federal approval. Through the federal fiscal year, ended September 2006, according to federal records the CA/T project had received obligation authority with respect to all but \$97 million of the federal financial assistance available to the project (other than amounts allocable to principal of federal grant anticipation notes). The remaining \$97 million has not yet been made available pending federal approval of the 2004 Finance Plan. In addition, approximately \$36 million of federal reimbursements for amounts obligated prior to September 30, 2004, but subject to reallocation to different project contracts may not be reallocated until a finance plan is approved. Hence, according to federal records, the total amount of federal funds withheld pending federal approval of the 2004 Finance Plan is approximately \$133 million. In addition, in the absence of an approved finance plan, credits have accumulated by the close of state fiscal year 2006 to increase the amount of federal funds remaining by an amount of \$2.4 million. Until a finance plan is approved, when funds are returned or recaptured and the federal share of funds is credited back to the federal government, freed-up obligation authority cannot be shifted, as it normally would, to fund other expenses.

On July 10, 2006, panels in the ceiling of the eastbound I-90 Connector Tunnel (Connector Tunnel) that leads to the Ted Williams Tunnel fell, causing the death of an automobile passenger. State and federal law enforcement officials are investigating this incident. The investigations of the ceiling collapse initially focused on the apparent failure of epoxy anchor bolt assemblies attaching the panels to the roof of the tunnel. Similar epoxy anchor bolt assemblies are in locations in the remainder of the Connector Tunnel system as well as in various locations elsewhere in the CA/T Project. It also has been discovered that many of the ceiling hanger brackets not attached by epoxy anchor bolts will need to be replaced. These hanger brackets are located in the I-90 connector tunnels and certain ramps leading to and from them. In addition, engineering staff have discovered a need for additional seismic bracing against earthquakes in the Connector Tunnel system and the need to replace additional hanger brackets in areas where embedded steel supports sustained initial construction damage which impairs their ability to support bolts used to connect the existing brackets. Finally, to date, in the course of the I-90 Connector Tunnel inspections, some additional deficiencies involving concrete in two areas of the Connector Tunnel system have been found. These deficiencies may require repair.

At the request of the Governor, the Legislature passed and on July 14, 2006 the Governor signed into law Chapter 153 of the Acts of 2006 appropriating \$20 million for a "comprehensive critical infrastructure safety audit of all tunnels [that are] part of the metropolitan highway system," to be conducted under the auspices of the Executive Office of

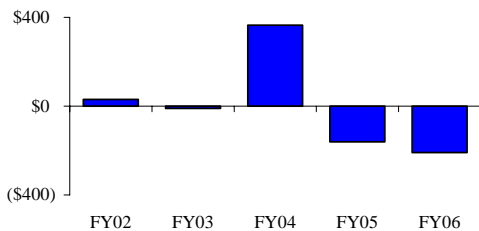
Transportation (EOT). That review is expected to produce its final report in November 2006.

In addition, EOT and Massachusetts Highway Department (MHD) engineering staff and their consultants are working with the Federal Highway Administration (FHWA) to analyze the Connector Tunnel ceiling and to make modifications as needed to meet current engineering criteria as agreed to by EOT, MHD, and FHWA. Chapter 153 provided that the I-90 Connector Tunnel not be reopened until approved by the Governor in consultation with EOT. Additional investigations of the accident and related matters are being carried out by the Attorney General, other law enforcement authorities and federal authorities. With the exception of three access ramps, all other elements of the Connector Tunnel are currently closed pending inspections and repair.

At present, it is not known what magnitude of additional safety issues will be identified, when the remainder of the I-90 Connector Tunnel will be reopened, what the total costs associated with these developments will be, how much of these costs may be recoverable from third parties or how these developments may affect the budget for total project cost currently set at \$14.625 billion.

In addition, the Massachusetts Port Authority had agreed to acquire certain portions of the CA/T Project consisting of roadways, viaducts and other structures located at Logan International Airport in East Boston, for \$50 million on or before December, 2004. Massport advised the Commonwealth that it is not satisfied with the condition of certain of these facilities and may withhold up to \$20 million of the \$50 million portion of the purchase price that has not already been paid.

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



The graph Capital Projects Funds – Fund Balance (Deficit) shows the combined fund balance in Capital Projects Funds for the past five years. 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 FY06 Capital Projects Funds, summarized and compared to FY05. Financial statements for each of the individual funds are included in the financial section of this report.

The Administration continues to oversee 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)

	2005	2006
Beginning fund balance (deficit).....	\$ 364,849	\$ (160,900)
Revenues and other sources:		
Federal grants and reimbursements.....	11,626	30,906
Departmental and miscellaneous.....	23,513	177,851
General and special obligation financing.....	1,354,228	1,838,491
Proceeds of refunding bonds.....	1,384,763	633,425
Transfer for Federal Reimbursements.....	331,436	327,459
Transfers and other sources.....	239,552	133,871
Total revenues and other sources.....	3,345,118	3,142,003
Expenditures and other uses:		
Acquisition of assets.....	2,534,947	2,390,063
Payments to refunded bond escrow.....	1,153,150	633,425
Transfers and other uses.....	182,770	166,435
Total expenditures and other uses.....	3,870,867	3,189,923
Deficiency of revenues and other sources over expenditures and uses.....	(525,749)	(47,920)
Ending fund balance (deficit).....	\$ (160,900)	\$ (208,820)

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 FY06 activity of the Fiduciary Funds. Nearly 93% of the Fiduciary Fund assets are related to the Commonwealth's Pension Funds detailed in fund statements found in this report.

The \$5.4 billion operating gain in this fund group is primarily the net of two significant events:

- The net change in value of pension assets increased by over \$4.9 billion.
- Payments to the unemployed in the Commonwealth were less than employer contributions to the Unemployment Compensation Trust Fund by nearly \$497 million.

Expenditures from the Fund reduced during the year, reflecting an improving economy.

The pension valuation is based on data as of January 1, 2006. Details of this valuation are outlined in Note 10 to the financial statements. The value of pension assets of the public retirement system decreased from FY05 to FY06 resulting in a decline in funding status from 72.3% to 71.5%. This was due to the continued phase in of realized and unrealized losses during the period from 2002 to 2004.

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

	2005	2006
Beginning fund balance.....	\$ 31,721,983	\$ 35,548,123
Revenues and other sources:		
Taxes.....	1,670,942	1,720,473
Federal reimbursements.....	262,973	51,516
Departmental and other revenues.....	2,419,738	3,328,492
Interfund transfers and other sources.....	179,008	10,923
Unrealized and realized investment earnings.....	4,021,248	5,564,877
Total revenues and sources.....	8,553,909	10,676,281
Expenditures and other uses:		
Expenditures.....	4,460,781	5,126,463
Interfund transfers.....	266,988	185,039
Total expenditures and uses.....	4,727,769	5,311,502
Excess of revenues and sources over expenditures and uses.....	3,826,140	5,364,779
Ending fund balance.....	\$ 35,548,123	\$ 40,912,902

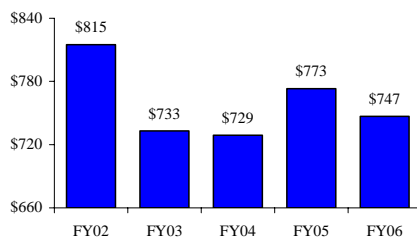
The Non-Appropriated Funds of Higher Education

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 the higher education segment of the financial report.

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

	2005	2006
Beginning fund balance.....	\$ 729,079	\$ 773,246
Revenues and other sources:		
Federal Grants and reimbursements.....	348,340	402,443
Departmental and miscellaneous.....	1,056,087	1,167,638
Transfers and other sources	999,404	794,387
Total revenues and other sources.....	2,403,831	2,364,468
Expenditures and other uses:		
Programs and services.....	2,359,664	2,390,326
Total expenditures and uses.....	2,359,664	2,390,326
Excess (deficiency) of revenues and other sources over expenditures and other uses.....	44,167	(25,858)
Ending fund balance.....	\$ 773,246	\$ 747,388

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



The Non-Appropriated Funds of Higher Education – Operations table includes the FY06 funds, summarized and compared to FY05. 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 \$472 million for the University of Massachusetts, \$170 million for the State College system and \$105 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 FY06 of which it can be proud.

In fiscal year 2005 the Office of the Comptroller was focused on stabilizing the new financial management system. This included stabilizing the application and technical platform, but also affirming statewide knowledge and implementation of new business processes to insure they were efficient but also maintained adequate accountability.

The Commonwealth could not have implemented the updated MMARS system as smoothly or with as much success from the start without the involvement and support of all departments. Six years ago the Chief Fiscal Officers (CFO) conference began to annually bring together CFO's from across the state to evaluate policies, share best practices and develop strategies to support fiscally the priorities to move Commonwealth forward. The CFO conference was built around the

concept of PARTNERS which stands for People, Accountability, Responsibility, Trust, Negotiation, Efficiency, Risk assessment and mitigation and Solutions. We have emphasized that systems 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, ensuring a balance of efficiency and integrity of the financial operations of the Commonwealth. We strike this balance between efficiency and integrity of operations through constant risk assessment and effective risk mitigation.

In FY2006 with a stable system in place, attention was focused on improving financial efficiency and accountability within the Commonwealth with a focus on maximizing use of the complete capability of the new system. The Comptroller launched a number of parallel initiatives to accomplish these goals:

- *Internal Audit*
Benefiting from efficiencies in the new application, we redeployed existing staff from processing and pre-audit functions to an internal control bureau. Using specialized data analysis tools, the Bureau supplements standard agency reviews with data mining techniques which filter out low risk transactions, thus allowing the Bureau to target certain risk profiles on a statewide basis.
- *Transaction Delegation*
We continue to assess transactions that this office pre-audits based on risk and delegate the approval of those low risk transactions to department CFO's. This reduces the transaction processing cost without significantly increasing the overall transaction risk profile. Of the 2.5 million transactions entered by departments, less than 10% are work-flowed to the Comptroller for pre-audit.
- *Paperless Transactions*
To the extent transaction profiles do not warrant delegation, using MMARS to capture supporting documentation electronically within the actual transaction reduces initial processing costs along with the long term costs of archiving and later retrieving those documents. In the initial pilot 7,000 transactions were converted to completely paperless.
- *Maximizing Prompt Pay discounts*
The Comptroller's office establishes system parameters to automatically schedule payments for issuance based on the cash flow needs of the Commonwealth along with maximizing discounts offered by vendors for prompt payment. In FY06 the Commonwealth realized \$1.2 million in prompt payment discounts. In FY07 we are on track to double that amount. However, discounts can only be taken where they are negotiated. Much work remains to be done. Of more than 22,000 active contracts, less than 5,000 offer prompt payment discount terms.

- *Benchmarking Against Best Practices*

The National Association of State Comptrollers has entered into a national contract to benchmark state operations for efficiency and effectiveness against public and private sector organizations. The contract allows assessments in four areas, finance, human resource and payroll, procurement, and information technology management. The Commonwealth began with the finance benchmark. Appearing in the third quartile, the Commonwealth finance operation performed well against private sector organizations of similar size and complexity and was the highest rated among governments measured. More importantly, the benchmarking identifies high cost areas and areas where we can further improve the efficiency and effectiveness of financial operations.

In FY07 we have outlined ongoing initiatives:

- *Web Applications*

In addition to the financial system, the Comptroller maintains seven interactive web sites serving commonwealth vendors, state employees, and processing internal transactions between this office and state departments. During FY07 we will undertake a major initiative to update and consolidate these applications and functionality to improve performance.

- *Paperless Remittance Advices*

The Commonwealth has gone to almost 100% electronic funds transfer for employee payments, however the accompanying pay stub is still distributed manually to most employees. The Comptroller provides a secure web site where employees through a pin and password can access their pay stub and prior period information, increasing employee access to information at a significantly reduced cost. In the coming month we will complete an upgrade of this application and roll it out to the entirety of State Government.

- *Payable Audits*

We have engaged an accounts payable audit firm. During FY07, the firm will review all payments from FY05 and FY06, identifying any erroneous payments as well as instances where contract terms such as volume rebates were not paid. The vendor will be compensated based on performance. In addition to the potential cost savings, this will serve as an additional test of controls.

- *E- Receipts*

Finally, the Comptroller's Office in conjunction with Administration and Finance and the Information Technology Division has engaged in a focused effort to increase the number of citizen and business transactions that can be completed over the internet.

The obstacle to increasing internet based transactions has been the cost of credit card fees that can escalate dramatically for large payments. As part of this project we are piloting lower cost payment alternatives including electronic checks.

Departments are being selected and functionality will be added this winter. Citizens and business have come to expect electronic transactions in their daily lives and the Commonwealth has a responsibility to deliver on that expectation.

In closing, I would like to express my thanks to the many dedicated employees within the Office of the Comptroller. Continuing to carry out our mission and meet the goals that are set meant another successful year in the Comptroller's Office. I am proud to have them all on my team as another year of initiatives is now underway.

Respectfully submitted,

Martin J. Benison
Comptroller of the Commonwealth

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Kerry Healey
Lieutenant Governor

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

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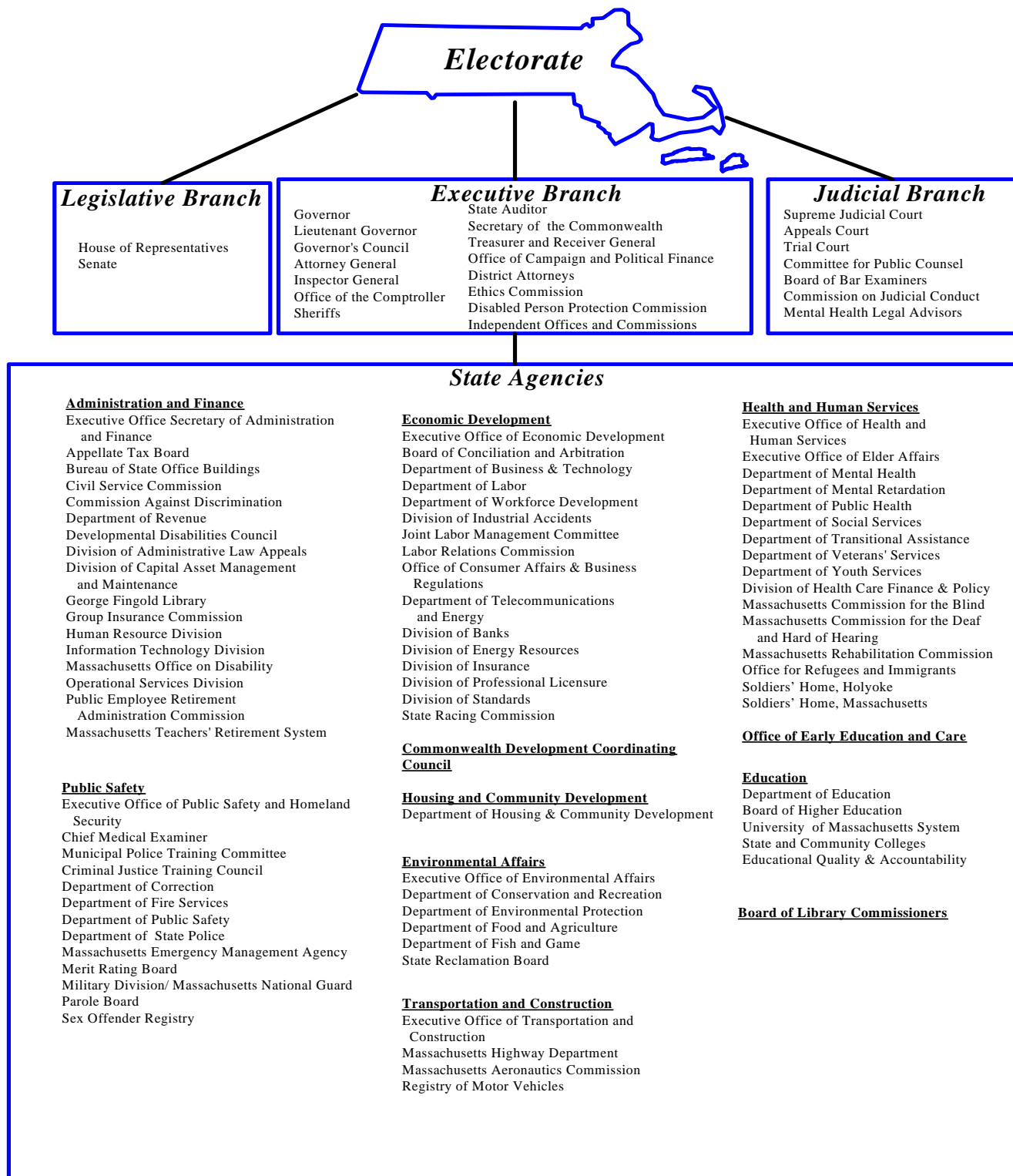
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Director Resource Management



**As of June 30, 2006*

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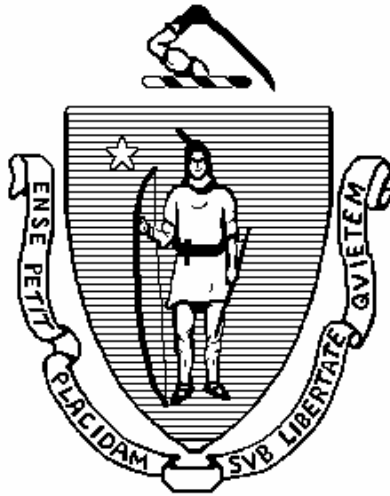
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Gubernatorial Appointee

Mel Alan Barkan
Gubernatorial Appointee

Financial Section



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



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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, 2006, 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 93.0 percent of the assets and 78.5 percent of the revenues of the Fiduciary Fund Type, or the Health Care Security Trust, the financial statements of which represent 22.2 percent of the assets and 5.4 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth of Massachusetts' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements – statutory basis, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statements – statutory basis presentation. We believe that our audit and the reports of other auditors 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, 2006, 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 27, 2006, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 27, 2006

Combined Financial Statements - Statutory Basis

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

June 30, 2006 and 2005
(Amounts in thousands)

	Governmental Fund Types		
	Budgeted	Non-Budgeted Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS			
Cash and short-term investments.....	\$ 4,566,201	\$ 842,809	\$ 162,246
Cash on deposit with U.S. Treasury.....	-	-	-
Cash with fiscal agent.....	10,687	674,517	258,955
Investments.....	-	515,758	-
Assets held in trust.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	289,488	358,420	11,901
Other receivables.....	54,291	26,878	-
Due from cities and towns.....	12,001	22,625	-
Due from other funds.....	-	-	64,910
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>\$ 4,932,668</u>	<u>\$ 2,441,007</u>	<u>\$ 498,012</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities:			
Deficiency in cash and short-term investments.....	\$ 1,066,511	\$ 49,397	\$ 459,388
Accounts payable.....	658,107	473,747	222,344
Agency liabilities.....	-	-	-
Due to cities and towns.....	-	-	-
Due to other funds.....	-	64,910	-
Capital leases.....	-	-	-
Bonds and notes payable.....	-	-	25,100
Total liabilities.....	<u>1,724,618</u>	<u>588,054</u>	<u>706,832</u>
Fund equity and other credits:			
Investment in general fixed assets.....	-	-	-
Fund balances (deficit):			
Reserved for:			
Continuing appropriations.....	936,495	-	-
Commonwealth stabilization.....	2,154,664	-	-
Transitional escrow.....	-	-	-
Debt service.....	10,687	674,517	258,955
Employees' pension benefits.....	-	-	-
Unemployment benefits.....	-	-	-
Capital projects.....	-	-	123,945
Unreserved:			
Designated for specific purpose.....	-	1,229,965	-
Undesignated.....	106,204	(51,529)	(591,720)
Total fund equity and other credits.....	<u>3,208,050</u>	<u>1,852,953</u>	<u>(208,820)</u>
Total liabilities fund equity and other credits.....	<u>\$ 4,932,668</u>	<u>\$ 2,441,007</u>	<u>\$ 498,012</u>

See notes to combined financial statements - statutory basis.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-term Obligations	2006	2005
\$ 1,895,349	\$ -	\$ -	\$ 7,466,605	\$ 6,952,050
911,951	-	-	911,951	414,998
-	-	-	944,159	967,712
39,471,450	-	-	39,987,208	35,661,099
1,359,400	-	-	1,359,400	1,879,723
-	-	-	659,809	896,778
408,920	-	-	490,089	628,319
-	-	-	34,626	29,884
-	-	-	64,910	110,563
-	1,244,524	-	1,244,524	1,205,618
-	6,444,067	-	6,444,067	6,351,749
-	1,617,298	-	1,617,298	1,630,636
-	463,901	-	463,901	513,907
-	-	944,159	944,159	967,712
-	-	17,680,857	17,680,857	17,062,417
3,283	-	-	3,283	19,788
<u>\$ 44,050,353</u>	<u>\$ 9,769,790</u>	<u>\$ 18,625,016</u>	<u>\$ 80,316,846</u>	<u>\$ 75,292,953</u>
\$ -	\$ -	\$ -	\$ 1,575,296	\$ 1,841,923
1,401,377	-	-	2,755,575	3,686,306
1,683,145	-	-	1,683,145	2,160,059
47,095	-	-	47,095	55,591
-	-	-	64,910	110,563
-	-	163,610	163,610	173,331
-	-	18,461,406	18,486,506	17,996,898
<u>3,131,617</u>	<u>-</u>	<u>18,625,016</u>	<u>24,776,137</u>	<u>26,024,671</u>
-	9,769,790	-	9,769,790	9,701,910
-	-	-	936,495	329,555
-	-	-	2,154,664	1,728,355
-	-	-	-	304,838
-	-	-	944,159	967,712
39,657,004	-	-	39,657,004	34,796,046
911,950	-	-	911,950	414,998
-	-	-	123,945	363,400
349,782	-	-	1,579,747	1,507,950
-	-	-	(537,045)	(846,482)
<u>40,918,736</u>	<u>9,769,790</u>	<u>-</u>	<u>55,540,709</u>	<u>49,268,282</u>
<u>\$ 44,050,353</u>	<u>\$ 9,769,790</u>	<u>\$ 18,625,016</u>	<u>\$ 80,316,846</u>	<u>\$ 75,292,953</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, 2006 and 2005
(Amounts in thousands)

	Governmental Fund Types		
	Budgeted	Non-Budgeted Special Revenue	Capital Projects
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes.....	\$ 17,286,156	\$ 1,307,249	\$ -
Assessments.....	146,116	646,747	-
Federal grants and reimbursements.....	5,210,163	3,111,778	30,906
Tobacco settlement revenue.....	-	236,305	-
Departmental.....	1,827,736	5,335,796	1,130
Miscellaneous.....	308,324	103,201	176,721
Total revenues.....	24,778,495	10,741,076	208,757
Other financing sources:			
Proceeds of general and special obligation bonds.....	-	-	1,838,491
Proceeds of refunding bonds.....	-	-	633,425
Fringe benefit cost recovery.....	238,043	-	-
Lottery reimbursements.....	89,730	-	-
Lottery distributions.....	941,601	-	-
Tobacco settlement transfer.....	236,305	-	-
Excess permissible tax revenue.....	104,206	-	-
Municipal medicaid transfer.....	-	-	-
Operating transfers in.....	272,611	337,988	40,074
Health care quality trust transfer.....	-	289,050	-
Uncompensated care pool transfer.....	-	171,900	-
Stabilization transfer.....	373,990	-	-
Transfer for transitional escrow.....	303,838	-	-
Fund consolidation transfer.....	324,769	-	-
Federal reimbursement transfer in.....	-	-	327,459
State share of federal highway construction.....	-	-	93,797
Federal medicaid assistance percentage escrow transfer.....	-	-	-
Other sources.....	-	-	-
Total other financing sources.....	2,885,093	798,938	2,933,246
Total revenues and other financing sources.....	27,663,588	11,540,014	3,142,003
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature.....	54,552	-	-
Judiciary.....	658,603	3,581	9,337
Inspector General.....	2,763	589	-
Governor and Lieutenant Governor.....	4,640	-	-
Secretary of the Commonwealth.....	37,474	6,090	1,305
Treasurer and Receiver-General.....	124,921	5,042,746	463,989
Auditor of the Commonwealth.....	17,317	-	1,403
Attorney General.....	37,070	9,604	2,281
Ethics Commission.....	1,446	-	-
District Attorney.....	85,692	2,162	-
Office of Campaign & Political Finance.....	1,067	-	-
Sheriff's Departments.....	243,628	3,595	3,284
Disabled Persons Protection Commission.....	1,805	-	212
Board of Library Commissioners.....	5,289	2,912	16,302
Comptroller.....	11,513	2,288	349
Administration and finance.....	1,735,465	100,483	290,688
Environmental affairs.....	199,782	50,520	139,970
Housing and community development.....	117,273	415,342	126,190
Early education and care.....	470,497	11,286	-
Health and human services.....	4,464,191	1,860,750	56,537
Transportation and construction.....	212,954	43,215	1,119,658
Education.....	338,958	818,262	854
Higher education.....	987,779	9,350	19,328
Public safety and homeland security.....	1,011,376	98,653	23,818

Fiduciary Fund Type	Totals (Memorandum Only)	
Expendable Trust	2006	2005
\$ 1,720,473	\$ 20,313,878	\$ 18,862,788
53,376	846,239	837,872
51,516	8,404,363	8,276,897
-	236,305	257,417
112,432	7,277,094	7,615,772
353,013	941,259	558,804
2,290,810	38,019,138	36,409,550
-	1,838,491	1,354,228
-	633,425	1,384,763
-	238,043	215,338
-	89,730	86,614
-	941,601	927,791
-	236,305	257,417
-	104,206	271,982
-	-	160,000
9,247	659,920	845,464
-	289,050	289,050
-	171,900	309,100
-	373,990	1,120,230
-	303,838	304,838
-	324,769	-
-	327,459	331,436
-	93,797	154,184
-	-	270,000
1,676	1,676	44,298
10,923	6,628,200	8,326,733
2,301,733	44,647,338	44,736,283
-	54,552	53,681
264	671,785	633,962
-	3,352	3,722
-	4,640	5,064
7	44,876	50,436
52,899	5,684,555	5,756,814
623	19,343	17,621
5,245	54,200	48,527
-	1,446	1,544
6,543	94,397	88,629
-	1,067	993
25	250,532	226,143
-	2,017	1,710
26	24,529	23,393
-	14,150	20,602
7,532	2,134,168	1,899,769
31,350	421,622	367,787
2,974	661,779	602,476
-	481,783	-
45,316	6,426,794	7,289,905
1,010	1,376,837	1,569,395
4,730	1,162,804	1,252,267
6,752	1,023,209	949,258
33,987	1,167,834	1,106,025

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, 2006 and 2005
(Amounts in thousands)

	Governmental Fund Types		
	Budgeted	Non-Budgeted Special Revenue	Capital Projects
Expenditures (continued):			
Economic development.....	143,694	177,805	1,237
Direct local aid.....	4,618,832	12,911	-
Medicaid.....	6,852,464	292,166	-
Pension.....	1,274,675	-	-
Debt service:			
Principal retirement.....	905,106	119,415	103,966
Interest and fiscal charges.....	760,428	130,171	9,355
Total expenditures.....	25,381,254	9,213,896	2,390,063
Other financing uses:			
Payments to refunded bond escrow agent.....	-	-	633,425
Fringe benefit cost assessment.....	59,200	55,119	32,041
Lottery operating reimbursements.....	-	89,730	-
Lottery distributions.....	-	941,601	-
Federal reimbursement transfer out.....	-	327,459	-
State share of federal highway construction.....	-	-	93,797
Tobacco settlement transfer.....	-	236,305	-
Health care quality trust transfer.....	-	289,050	-
Excess permissible tax revenue.....	104,206	-	-
Uncompensated care pool transfer.....	171,900	-	-
Municipal medicaid transfer.....	-	-	-
Operating transfers out.....	223,568	220,028	40,597
Stabilization transfer.....	373,990	-	-
Transfer for transitional escrow.....	303,838	-	-
Fund consolidation transfer.....	324,769	-	-
Federal medicaid assistance percentage escrow transfer.....	-	-	-
Total other financing uses.....	1,561,471	2,159,292	799,860
Total expenditures and other financing uses.....	26,942,725	11,373,188	3,189,923
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	720,863	166,826	(47,920)
Fund balances at beginning of year.....	2,487,187	1,686,127	(160,900)
Fund balances at end of year.....	\$ 3,208,050	\$ 1,852,953	\$ (208,820)

See notes to combined financial statements - statutory basis.

Fiduciary Fund Type	Totals (Memorandum Only)	
Expendable Trust	2006	2005
1,413,591	1,736,327	2,036,331
-	4,631,743	4,486,520
-	7,144,630	6,268,844
-	1,274,675	1,216,936
-	1,128,487	882,267
-	899,954	837,222
1,612,874	38,598,087	37,697,843
-	633,425	1,153,150
6,306	152,666	140,800
-	89,730	86,614
-	941,601	927,791
-	327,459	331,436
-	93,797	154,184
-	236,305	257,417
-	289,050	289,050
-	104,206	271,982
-	171,900	309,100
-	-	160,000
178,733	662,926	840,826
-	373,990	1,120,230
-	303,838	304,838
-	324,769	-
-	-	270,000
185,039	4,705,662	6,617,418
1,797,913	43,303,749	44,315,261
503,820	1,343,589	421,022
752,078	4,764,492	4,343,470
\$ 1,255,898	\$ 6,108,081	\$ 4,764,492

Budgeted Funds

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes.....	\$ 16,081,700	\$ 17,286,156	\$ 1,204,456
Assessments.....	-	146,116	146,116
Federal grants and reimbursements.....	5,263,000	5,210,163	(52,837)
Departmental.....	1,942,600	1,827,736	(114,864)
Miscellaneous.....	26,600	308,324	281,724
Total revenues.....	23,313,900	24,778,495	1,464,595
Other financing sources:			
Fringe benefit cost recovery.....	-	238,043	238,043
Lottery reimbursements.....	89,230	89,730	500
Lottery distributions.....	978,699	941,601	(37,098)
Tobacco settlement transfer.....	253,038	236,305	(16,733)
Excess permissible tax revenue.....	-	104,206	104,206
Operating transfers in.....	353,133	272,611	(80,522)
Stabilization transfer.....	-	373,990	373,990
Transfer for transitional escrow.....	-	303,838	303,838
Fund consolidation transfer.....	-	324,769	324,769
Total other financing sources.....	1,674,100	2,885,093	1,210,993
Total revenues and other financing sources.....	24,988,000	27,663,588	2,675,588
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature.....	84,898	54,552	30,346
Judiciary.....	699,324	658,603	40,721
Inspector General.....	3,094	2,763	331
Governor and Lieutenant Governor.....	5,691	4,640	1,051
Secretary of the Commonwealth.....	40,014	37,474	2,540
Treasurer and Receiver-General.....	145,262	124,921	20,341
Auditor of the Commonwealth.....	17,321	17,317	4
Attorney General.....	39,332	37,070	2,262
Ethics Commission.....	1,446	1,446	-
District Attorney.....	86,808	85,692	1,116
Office of Campaign & Political Finance.....	1,078	1,067	11
Sheriff's Departments.....	246,354	243,628	2,726
Disabled Persons Protection Commission.....	1,807	1,805	2
Board of Library Commissioners.....	5,289	5,289	-
Comptroller.....	11,724	11,513	211
Administration and finance.....	2,135,316	1,735,465	399,851
Environmental affairs.....	267,379	199,782	67,597
Housing and community development.....	192,078	117,273	74,805
Early education and care.....	481,473	470,497	10,976
Health and human services.....	4,606,570	4,464,191	142,379
Transportation and construction.....	333,245	212,954	120,291
Education.....	365,326	338,958	26,368
Higher education.....	1,013,601	987,779	25,822
Public safety and homeland security.....	1,046,023	1,011,376	34,647
Economic development.....	248,009	143,694	104,315
Direct local aid.....	4,631,778	4,618,832	12,946
Medicaid.....	6,967,363	6,852,464	114,899
Pension.....	1,274,675	1,274,675	-
Debt service:			
Principal retirement.....	922,331	905,106	17,225
Interest and fiscal charges.....	790,144	760,428	29,716
Total expenditures.....	26,664,753	25,381,254	1,283,499
Other financing uses:			
Fringe benefit cost assessment.....	55,400	59,200	(3,800)
Excess permissible tax revenue.....	-	104,206	(104,206)
Uncompensated care pool transfer.....	171,900	171,900	-
Operating transfers out.....	132,186	223,568	(91,382)
Stabilization transfer.....	-	373,990	(373,990)
Transfer for transitional escrow.....	-	303,838	(303,838)
Fund consolidation transfer.....	-	324,769	(324,769)
Total other financing uses.....	359,486	1,561,471	(1,201,985)
Total expenditures and other financing uses.....	27,024,239	26,942,725	81,514
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(2,036,239)	720,863	2,757,102
Fund balances at beginning of year.....	2,487,187	2,487,187	-
Fund balances (deficit) at end of year.....	\$ 450,948	\$ 3,208,050	\$ 2,757,102

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, 2006 and 2005
(Amounts in thousands)

	2006	2005
REVENUES		
Revenues:		
Investment earnings.....	\$ -	\$ -
Total revenues.....	-	-
EXPENSES		
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, 2006 and 2005
(Amounts in thousands)

	2006	2005
Additions:		
Contributions:		
Commonwealth contributions.....	\$ 1,148,096	\$ 1,112,195
Employees contributions.....	1,661,575	873,970
Total contributions.....	<u>2,809,671</u>	<u>1,986,165</u>
Net investment income:		
Net appreciation in fair value of investments.....	4,108,021	3,048,638
Interest.....	513,112	424,602
Dividends.....	418,370	397,976
Real estate operating income, net.....	209,068	188,063
Alternative investments.....	25,847	9,543
Other.....	446,867	51,165
Total investment income.....	<u>5,721,285</u>	<u>4,119,987</u>
Less: investment expense.....	<u>156,408</u>	<u>98,739</u>
Net investment income.....	<u>5,564,877</u>	<u>4,021,248</u>
Total additions.....	<u>8,374,548</u>	<u>6,007,413</u>
Deductions:		
Administration reimbursement.....	594,126	15,374
Retirement benefits and refunds.....	<u>2,919,464</u>	<u>2,424,471</u>
Total deductions.....	<u>3,513,590</u>	<u>2,439,845</u>
Net increase	4,860,958	3,567,568
Net assets available for pension benefits at beginning of year (fund balances reserved for employees' pension benefits).....	<u>34,796,046</u>	<u>31,228,478</u>
Net assets available for pension benefits at end of year (fund balances reserved for employees' pension benefits).....	<u>\$ 39,657,004</u>	<u>\$ 34,796,046</u>

See notes to combined financial statements - statutory basis.

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1. FINANCIAL STATEMENT PRESENTATION

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 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 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.

The Pension Trust Funds, which includes other governmental entities, with investments of approximately \$42,813,676,000 at fair value and the Health Care Security Trust Account investments of approximately \$515,758,000 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, 2006, the estimated fair values, determined by management with input from the investment managers, of these real estate and alternative investments were \$9,298,681 the Pension Trust Funds, representing 21.1% of the total assets of the Fiduciary Fund Type.

Other investments, mainly in escrows, the Pension Trust Funds and the Health Care Security Trust Fund (HST) are reported as 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).

C. *Securities Lending Program*

The Pension Trust Funds and the HST 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, 2006 and 2005. At June 30, 2006, the fair value of the securities on loan from PRIT was approximately \$1,066,000. The fair value of the collateral held by PRIT amounted to \$1,112,000 at June 30, 2006, of which \$450,000 was cash. The fair value of the securities on loan from HST was approximately \$7,044,000 and the fair value of the associated collateral amounted to \$8,008,000 of which zero 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.

On July 9, 2004, the Governor signed Chapter 169 of the Acts of 2004, related to the financial ability of the City of Springfield, (the City). Section 2 of the Act provides for \$52,000,000 in zero interest loans to be drawn from time to time by a finance control board established by the act. This activity is recorded in the Springfield Fiscal Recovery Trust Fund, a non-budgeted fund. The loans are to be paid back to the Commonwealth no later than June 30, 2012. At the end of FY2005, the City owed the Commonwealth \$21,000,000. During FY2006, \$44,125,000 in cash flow was issued to the City from the Trust Fund. Of this amount, \$42,500,000 was repaid to the Commonwealth before June 30, 2006 and the remaining \$22,625,000 is reflected as "Due from Cities and Towns." It is anticipated that this revolving activity will continue for the foreseeable future. The Act provides for no forgiveness of the loans and failure to repay the full value of loans disbursed from the fund to the city shall result in an equally commensurate reduction in local aid payments made by the Commonwealth to the City in FY2013.

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 FY06 was approximately \$712,000,000.

In FY06, the legislature began phasing in a second dedication of sales tax revenues. Approximately \$489,000,000 of dedicated sales tax revenue was pledged to fund school construction via a transfer to the Massachusetts School Building Authority. This amount rises to a minimum of approximately \$557,000,000 or 78% of dedicated 1% sales tax stream, whichever is larger in FY2007. In future years these amounts rise further per statute until a full 1% of applicable sales tax is pledged in FY2011.

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.

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 (GFAAG), 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 under the statutory basis of accounting, but rather are expenses as incurred. Interest incurred during construction 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 \$3,004,000 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.

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, but paid after, 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 and pensions 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 approximately \$238,043,000 in the budgeted funds result from costs assessments of approximately \$152,666,000 in the governmental fund types and the expendable trust funds. The remainder of approximately \$83,126,000 is assessed to the higher education non-appropriated activity, which is not included in the statutory basis financial report, and approximately \$2,251,000 to the Pension Fund.

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.

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

N. *Fund Balances*

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 transitional escrow" – are funds set aside by Section 16 of Chapter 106, Acts of 2005, as modified by Section 11 of Chapter 192, Acts of 2006, for expenditure subject to appropriation by June 30, 2007 with any unexpended balance returned to the General Fund.

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

“Reserved for employees’ pension benefits” – 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.

3. BUDGETARY CONTROL

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

Before signing the 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 Legislation may direct that certain revenues be retained and made available for spending within an appropriation. Fringe benefits, pension costs, and certain other costs which are mandated by state finance law are not itemized in the appropriation process and are not separately budgeted.

Because revenue budgets are not updated subsequent to the original appropriation act, the comparison of the initial revenue budget to the subsequent, and often modified, expenditure budget can be misleading. Also, these financial statements portray fund accounting with gross inflows and outflows, thus creating a difference to separately published budget documents. 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. An example of this is the lack of a budget for pension costs.

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

The following table summarizes budgetary activity for FY06 (amounts in thousands):

	Revenues	Expenditures
General Appropriation Act, Chapter 45 of the Acts of 2005:		
Direct appropriations.....	\$ 23,488,242	\$ 22,642,290
Estimated revenues, transfers, direct appropriations retained revenue appropriation carried forward from FY2005	1,499,758	1,831,063
Total original budget.....	24,988,000	24,473,353
Supplemental Acts of 2005:		
Chapter 106.....	-	1,350
Chapter 125.....	-	650
Chapter 140.....	-	20,000
Chapter 167.....	-	53,669
Supplemental Acts of 2006:		
Chapter 22.....	-	1,000
Chapter 48.....	-	1,500
Chapter 58.....	-	30,000
Chapter 64.....	-	132,141
Chapter 122.....	-	301,634
Chapter 123.....	-	143,481
Chapter 173.....	-	34,000
Total before June 30, 2006	24,988,000	25,192,778
Supplemental Acts of 2006, passed after June 30:		
Chapter 192	-	183,918
Chapter 205	-	4,750
Chapter 310	-	88,618
Total budgeted revenues and expenditures per Legislative action.....	24,988,000	25,470,064
Plus: Transfers of revenues and expenditures (including rounding).....	-	1,554,175
Budgeted revenues and expenditures as reported.....	\$ 24,988,000	\$ 27,024,239

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.....	\$ 27,663,588	\$ 26,942,725
Adjustments to revenues and expenditures		
Transfer of revenues to the Intragovernmental Service Fund	(187,897)	(187,897)
Adjustments to other financing sources and uses:		
Fringe benefit cost assessments.....	(59,200)	(59,200)
Year-end Stabilization Transfer.....	(353,990)	(353,990)
Transfer of expenditures from the Intragovernmental Service Fund to the General Fund.....	(870)	(870)
RMV license plates.....	(3,223)	(3,223)
Stabilization transfers to the General Fund.....	(20,000)	(20,000)
Excess Permissible Tax Revenue transfer from General Fund to Temporary Holding Fund.....	(52,103)	(52,103)
Year-End Excess Permissible Tax Revenue transfer from Temporary Holding Fund to Stabilization Fund and General Fund.....	(52,103)	(52,103)
Transfers from the Transitional Escrow Fund per Chapter 192 of the Acts of 2006.....	(303,838)	(303,838)
Fund consolidation transfer per Chapter 139 of the Acts of 2006	(324,769)	(324,769)
Other	(129)	(129)
Actual as presented on budgetary documents.....	\$ 26,305,466	\$ 25,584,603

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.

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 Treasury manages the Commonwealth's short-term investment pool, the Massachusetts Municipal Depository Trust (MMDT). The Massachusetts General Laws authorize investments in money market funds operated in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulations or in any other security that qualifies for inclusion in a fund operated in accordance with Section 270.2a-7 of Title 17 of the Code of Federal Regulations as amended from time to time. 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.....	\$ 7,466,605
Cash on deposit with U. S. Treasury.....	911,951
Cash with fiscal agent.....	944,159
Deficiency in cash and short-term investments.....	<u>(1,575,296)</u>
Total.....	<u>\$ 7,747,419</u>

Investments in the MMDT are classified as cash and short term investments above, include the Short Term Bond Fund authorized under General Laws Chapter 29, Section 38. Investments are made in investment grade securities as defined by national statistical rating agencies. The short term bond fund assesses risk by using duration. Duration is managed to within 0.5 years of the duration of the benchmark, the Lehman Brothers® 1 to 5 year Government / Credit Index. Duration is the weighted maturity of the security's cash flows, where the present values of the cash flows serve as the weights.

As of June 30, 2006, the MMDT Cash Fund is carried as a cash equivalent by the Commonwealth as its weighted average maturity is less than 90 days. For the Short Term Bond Fund, the weighted average maturity is 10.8 years. Investments in the MMDT Short Term Bond Fund are as follows: (amounts in thousands):

<u>Investment</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
Asset Backed Securities.....	\$ 26,008	\$ -	\$ 11,166	\$ 10,841	\$ 4,000
Collateralized Mortgage Obligations.....	18,232	-	-	524	17,708
Commercial Mortgage Securities.....	34,783	-	-	-	34,783
Foreign Government and Government Agency Obligations.....	2,216	-	2,216	-	-
Nonconvertible Bonds.....	55,658	1,528	52,110	1,034	987
Repurchase Agreements.....	5,454	5,454	-	-	-
US Government Agency Mortgage Securities.....	50,726	-	-	-	50,726
US Government Agency Obligations.....	107,658	-	107,658	-	-
US Treasury Obligations.....	<u>53,294</u>	<u>-</u>	<u>53,294</u>	<u>-</u>	<u>-</u>
Total Investments.....	354,029	6,982	226,444	12,399	108,204
Other Assets.....	2,702	2,702	-	-	-
Other Liabilities.....	<u>(5,456)</u>	<u>(5,456)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Investments.....	<u>\$ 351,275</u>	<u>\$ 4,228</u>	<u>\$ 226,444</u>	<u>\$ 12,399</u>	<u>\$ 108,204</u>

Custodial Credit Risk – HST

Custodial credit risk is the risk that in the event of a bank failure, deposits and investments may not be returned to the HST. HST manages exposure to custodial credit risk by requiring all of its investment managers to hold investments in separate accounts with HST's custodian. Cash balances represent amounts held in bank depository accounts that may be subject to custodial credit risk. As of June 30, 2006 approximately \$617,000 of the HST's approximately \$717,000 in cash was exposed to this risk.

Interest Rate Risk – Non Pension Trust Funds

Interest rate risk is the extent that changes in interest rates of debt investments will adversely affect the fair value of an investment. The table on the next page provides information about the interest rate risk associated with the Commonwealth's investments, exclusive of its Pension Trust Funds but inclusive of the HST, which is managed by PRIT. These investments include certain short – term cash equivalents, various long-term items and restricted assets by maturity in years. The Treasury minimizes the risk of the market value of securities falling due to changes in interest rates by maintaining an effective duration of less than 90 days and holding all of the portfolio's total market value in securities with a maturity of six months or less.

The HST manages exposure to fair value loss arising from movements in interest rates with its fixed income investment securities by having the PRIM Board establish duration guidelines. The guidelines with each individual manager require that the effective duration of the HST's domestic fixed investment portfolio be within a specified percentage or number of years of the effective duration band of the appropriate benchmark index.

Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes including callable options, prepayments and other factors. These factors are reflected in the effective duration numbers provided in the following table. HST compares the effective duration of a manager's portfolio to the Lehman Brothers Aggregate Index for domestic core fixed income securities and the Merrill Lynch High Yield Master II Index for domestic high yield fixed income securities. The following table shows the debt investments by investment type, fair value and effective weighted duration rate at June 30 for HST:

Investment	Fair value (Amounts in thousands)	Effective weighed duration rate (Amounts expressed in years)
Asset Backed Securities.....	\$ 7,137	1.21
Commercial Mortgage Backed Securities.....	4,449	3.89
Commercial Paper.....	10,907	0.02
Corporate Bonds and Other Credits.....	41,326	3.66
Municipal Bonds.....	415	8.03
Non-U.S. Government Backed C.M.O.s.....	3,308	2.07
Other Pooled Funds.....	30,911	NA
Pooled Money Market Fund.....	11,026	0.08
U.S. Government Agencies.....	4,201	0.52
U.S. Government Mortgage Backed Securities.....	49,628	4.5
U.S. Government Bonds.....	<u>16,977</u>	3.4
Total HST fixed income and short - term investment:	<u>\$ 180,285</u>	

Credit Risk – Non – Pension Trust Funds

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Commonwealth, exclusive of Pension Trust Funds, minimizes concentration of credit risk, the risk attributed to the magnitude of the investment in a single issuer. The Commonwealth's investment policy prohibits the Treasury from investing more than 10% of the total investment portfolio into any single financial institution or issuer, excluding various public entity securities and repurchase agreements. There are no restrictions in the amount that can be invested in public entity securities; however, the portfolio may be invested in U.S. Treasury obligations and repurchase agreements.

The Treasury requires investments in commercial paper and bankers' acceptances have the highest letter and numerical ranking as rated by nationally recognized statistical ratings organizations as defined by the investment act of 1940. The Treasury does not have any additional policies regard credit ratings of investments. The following table (in thousands of dollars) provides information on the credit ratings associated with the Commonwealth's investments in debt securities:

	Quality Ratings							
	Fair Value	A1 / P1	A2 / P2	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to Unrated
Cash Fund								
Certificates of Deposit.....	\$ 671,976	\$ 671,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial Paper.....	1,877,768	1,714,157	163,610	-	-	-	-	-
Medium Term Notes.....	1,089,598	878,934	-	-	-	-	-	210,664
Repurchase Agreements.....	74,797	-	-	-	-	-	-	74,797
US Treasury Obligations.....	15,799	-	-	-	-	-	-	15,799
Other Deposits, Assets and Liabilities, net.....	(83,510)	-	-	-	-	-	-	(83,510)
Subtotal - Cash Fund.....	3,646,428	3,265,067	163,610	-	-	-	-	217,750
Bond Fund								
Asset Backed Securities.....	26,008	-	-	15,116	-	7,128	3,764	-
Collateralized Mortgage Obligations.....	18,232	3,209	-	-	-	-	-	15,023
Collateralized Mortgage Securities.....	34,783	-	-	21,993	-	-	-	12,790
Foreign Government and Government Agency Obligations.....	2,216	-	-	-	-	-	2,216	-
Nonconvertible Bonds.....	55,658	-	-	-	9,189	28,016	18,545	-
Repurchase Agreements.....	5,456	-	-	-	-	-	-	5,456
US Government Agency Obligations.....	107,658	-	-	98,076	9,582	-	-	-
US Treasury Obligations.....	53,294	-	-	53,294	-	-	-	-
US Government Agency Mortgage Securities.....	50,726	49,545	-	-	-	-	-	1,180
Other Deposits, Assets and Liabilities, net.....	(2,756)	-	-	-	-	-	-	(2,756)
Subtotal - Bond Fund.....	351,275	52,754	-	188,479	18,771	35,144	24,525	31,693
Total MMDT Fixed Income Investments.....	\$ 3,997,703	\$ 3,317,821	\$ 163,610	\$ 188,479	\$ 18,771	\$ 35,144	\$ 24,525	\$ 249,443

Credit Risk - HST

For the HST, the weighted quality average rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was AA- at June 30, 2006. The following represents the accounts fixed income securities as of June 30, 2006 (amounts in thousands):

<u>Investment</u>	<u>Fair Value</u>	<u>Quality Ratings</u>					
		<u>AAA</u>	<u>AA+ to AA-</u>	<u>A+ to A-</u>	<u>BBB+ to BBB-</u>	<u>BB+ to Unrated</u>	
Asset backed securities.....	\$ 7,137	\$ 7,003	\$ -	\$ -	\$ -	\$ 134	
Commercial mortgage backed securities.....	4,449	4,449	-	-	-	-	
Non-U.S. government backed C.M.O.s.....	3,308	3,108	-	-	-	200	
Commercial paper and CD's.....	10,907	4,281	-	-	-	6,626	
Corporate bonds and other credits.....	41,326	3,948	4,669	6,775	9,659	16,275	
U.S. government agencies.....	4,201	4,201	-	-	-	-	
U.S. government backed securities.....	49,628	49,628	-	-	-	-	
Municipal bonds.....	415	-	102	-	314	-	
Pooled money market fund.....	11,026	-	-	-	-	11,026	
Other pooled funds.....	30,911	-	-	-	-	30,911	
Total credit risk, fixed income and short-term investments.....	163,308	\$ 76,617	\$ 4,771	\$ 6,775	\$ 9,973	\$ 65,172	
Fixed income investments explicitly backed by the U.S. Government.....	16,977						
Total fixed income and short-term investments.....	\$ 180,285						

Foreign Currency Risk – HST

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. HST manages exposure to foreign currencies by establishing investment guidelines with each of its international managers. These guidelines set maximum investment balances for any currency and / or country holdings must be within a certain percentage of predefined benchmarks. The following table represents HST's foreign currency exposure at June 30, 2006 (amounts in thousands):

	Cash and Short-Term Investments	Equity	Fixed Income	Alternative Investments	Total
Argentine Peso.....	\$ -	\$ -	\$ 160	\$ -	\$ 160
Australian Dollar.....	7	2,626	-	-	2,633
British Pound.....	316	15,947	-	-	16,263
Canadian Dollar.....	1	-	-	-	1
Columbian Peso.....	-	-	72	-	72
Danish Krone.....	3	1,203	-	-	1,206
Euro.....	165	21,350	-	-	21,516
Hong Kong Dollar.....	-	1,826	-	-	1,826
Japanese Yen.....	140	18,048	776	-	18,964
Mexican Peso.....	23	-	503	-	527
New Zealand Dollar.....	3	72	154	-	229
Norwegian Krone.....	-	124	-	-	124
Singapore Dollar.....	7	984	-	-	990
Swedish Krona.....	9	2,661	-	-	2,670
Swiss Franc.....	117	3,776	-	-	3,893
International fixed income pooled funds (various currencies).....	-	-	-	3,941	3,941
Total securities subject to foreign currency risk.....	790	68,618	1,666	3,941	75,015
International investments denominated in U.S. Dollars.....	-	8,207	11,695	-	19,902
Total international investments, deposits and cash.....	\$ 790	\$ 76,825	\$ 13,361	\$ 3,941	\$ 94,918

Interest Rate Risk – Pension Trust Funds

As pension trust funds have a different investment horizon, the PRIM Board manages PRIT's exposure to fair value loss arising from movements in interest rates by establishing duration guidelines with its debt securities investment managers. The guidelines with each individual manager require that the duration of the domestic debt investment portfolio be within a specified percentage or number of years of the duration band of the appropriate benchmark index. For emerging markets fixed income investments, the portfolio must have a duration with a band ranging from three to eight years.

Effective duration is a measure of a fixed income investment's exposure to fair value changes arising from changes in interest rates. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows. These assumptions take into consideration factors indicative of investments highly sensitive to interest rate changes, including callable options, prepayments and other factors. These factors are reflected in the effective durations numbers provided in the table on the following page.

The PRIM Board compares the effective duration of a manager's portfolio to the Lehman Brothers Aggregate Index for domestic core "fixed income" securities and the Merrill Lynch High Yield Master II Index for domestic high yield fixed income securities. At June 30, 2006, the following table shows the debt investments by investment type, fair value and effective weighted duration rate. (Amounts in thousands except for years):

<u>Investment</u>	<u>Fair Value</u>	<u>Effective Weighted Duration Rate</u> (Years)
Asset backed securities.....	\$ 427,296	0.69
Commercial mortgage backed securities.....	240,956	3.63
Non-U. S. Government backed C.M.O.s.....	192,230	2.81
Commercial paper and CD's.....	518,230	0.07
Repurchase agreements.....	117,400	-
Corporate bonds and other credits.....	2,171,982	3.79
U.S. Government bonds.....	1,823,088	1.98
U.S. Government agencies.....	487,325	1.46
U.S. Government TIPS.....	1,858,610	4.44
U.S. Government mortgage backed securities.....	1,571,315	5.60
Global inflation linked bonds.....	448,158	9.75
Municipal bonds.....	12,789	8.60
Pooled money market fund.....	987,933	0.08
Other pooled funds.....	<u>1,083,961</u>	NA
Total Pension Fund fixed income and short-term investments.....	<u>\$ 11,941,273</u>	

Credit Risk - Pension Trust Funds

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

Credit risk for derivative instruments held by PRIT results from counterparty risk. PRIT is exposed to credit risk resulting from counterparties being unable to meet their obligations under the terms of the derivative agreements. The weighted quality average rating of the debt securities portfolio, excluding pooled investments, investments explicitly backed by the United States Government and other nonrated investments was AA- at June 30, 2006.

The following presents the PRIT Fund's debt securities credit ratings at June 30, 2006 (amounts in thousands):

<u>Investment</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA+ to AA-</u>	<u>A+ to A-</u>	<u>BBB+ to BBB-</u>	<u>BB+ to Unrated</u>
Asset backed securities.....	\$ 427,296	\$ 424,193	\$ -	\$ -	\$ 308	\$ 2,795
Commercial mortgage backed securities.....	240,956	235,698	5,258	-	-	-
Non-U.S. government backed C.M.O.s.....	192,230	184,730	-	-	-	7,500
Commercial paper and CD's.....	518,230	246,507	-	-	-	271,723
Corporate bonds and other credits.....	2,171,982	143,184	142,541	231,214	441,256	1,213,787
U.S. government agencies.....	487,325	484,990	2,335	-	-	-
U.S. government backed securities.....	1,801,371	1,790,402	-	-	-	10,969
Global inflation linked bonds.....	448,158	423,111	7,165	17,882	-	-
Municipal bonds.....	12,789	-	2,904	425	9,460	-
Pooled money market fund.....	987,933	-	-	-	-	987,933
Other pooled funds.....	1,083,961	-	-	-	-	1,083,961
Total credit risk, fixed income and short-term investments.....	8,372,231	<u>\$ 3,932,815</u>	<u>\$ 160,203</u>	<u>\$ 249,521</u>	<u>\$ 451,024</u>	<u>\$ 3,578,668</u>
Fixed income investments explicitly backed by the U.S. Government.....	3,569,042					
Total Pension Fund fixed income and short-term investments.....	<u>\$ 11,941,273</u>					

Foreign Currency Risk – Pension Trust Funds

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of investments. The Treasury does not have a policy regarding foreign currency risk for the Pension Trust. The PRIM Board manages PRIT's exposure to foreign currencies by holding a percentage of PRIT's non-U.S. dollar denominated investments to U.S. dollars through forward foreign currency contracts. The following table on the next page represents PRIT's foreign currency exposure at June 30, 2006 (amounts in thousands):

	Cash and Short-Term Investments	Equity	Fixed Income	Alternative Investments	Total
Argentine Peso.....	\$ 59	\$ 578	\$ 3,397	\$ -	\$ 4,034
Australian Dollar.....	2,509	289,801	29,542	-	321,852
Brazilian Real.....	3,346	185,228	-	-	188,574
British Pound.....	40,790	1,659,968	168,505	-	1,869,263
Canadian Dollar.....	5,541	-	18,561	-	24,102
Chilean Peso.....	-	9,514	-	-	9,514
Columbian Peso.....	1	4,004	-	-	4,005
Czech Coruna.....	-	4,198	-	-	4,198
Danish Krone.....	1,888	91,802	-	-	93,690
Eqyptian Pound.....	62	8,213	-	-	8,275
Euro.....	42,515	2,158,422	209,152	-	2,410,089
Hong Kong Dollar.....	595	335,245	618	-	336,458
Hungarian Forint.....	1	3,608	-	-	3,609
Indian Rupee.....	543	16,664	-	-	17,207
Indonesian Rupian.....	-	19,730	-	-	19,730
Israeli Shekel.....	116	12,586	-	-	12,702
Japanese Yen.....	16,598	1,776,099	50,015	-	1,842,712
Malaysian Ringgit.....	276	65,594	-	-	65,870
Mexican Peso.....	446	54,519	8,218	-	63,183
Taiwan Dollar.....	6,441	207,832	-	-	214,273
Turkish Lira.....	-	30,147	-	-	30,147
New Zealand Dollar.....	756	10,159	5,923	-	16,838
Norwegian Krone.....	350	34,171	-	-	34,521
Pakistan Rupee.....	-	640	-	-	640
Peruvian Neuvo Sol.....	-	1,853	-	-	1,853
Philippines Peso.....	6	8,182	-	-	8,188
Polish Zloty.....	148	12,462	3,221	-	15,831
Russian Rubel.....	44	202,031	-	-	202,075
Singapore Dollar.....	1,072	78,008	-	-	79,080
South Korean Won.....	283	516,652	-	-	516,935
Swedish Krona.....	2,904	216,124	27,880	-	246,908
Swiss Franc.....	5,339	393,965	-	-	399,304
Thailand Baht.....	12	40,419	-	-	40,431
Alternative investment funds denominated in foreign currencies (various currencies).....	-	-	-	277,356	277,356
International equity pooled funds (various currencies).....	-	140,485	-	-	140,485
International fixed income pooled funds (various currencies).....	-	-	370,144	-	370,144
Total securities subject to foreign currency risk.....	132,641	8,588,903	895,176	277,356	9,894,076
International investments denominated in U.S. Dollars.....	-	1,180,970	924,224	-	2,105,194
Total Pension Fund international investments, deposits and cash.....	\$ 132,641	\$ 9,769,873	\$1,819,400	\$ 277,356	\$ 11,999,270

Concentration of Credit Risk –HST and Pension Trust Funds

The PRIM Board manages HST's and PRIT's exposure to concentration of credit risk by establishing guidelines with each investment manager, that limit the percent of investment in any single issue or issuer.

HST and PRIT have no investments at fair value, that exceed 5% of PRIT's net assets held in trust for pool participants as of June 30, 2006.

A. Derivative Instruments

HST and PRIT may invest in derivative transactions. These investments of the Commonwealth may involve a degree of risk not accounted for on the respective financial statements. Descriptions of such derivatives are as follows:

Forward Currency Contracts

The HST and 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.

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

When a 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.

As of June 30, 2006, HST had open foreign exchange contracts with combined net unrealized gains of approximately three thousand dollars with various delivery dates in July 2006. As of June 30, 2006, PRIT had open foreign exchange contracts with combined net unrealized losses of \$4,411,000 with various delivery dates to November, 2006.

Futures Contracts

The HST and 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 HST and 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 HST and 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 HST and 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, 2006 there were no material options outstanding.

5. SHORT-TERM FINANCING AND CREDIT AGREEMENTS

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 FY06, the Commonwealth issued RANs through its commercial paper program on a periodic basis to meet cash flow needs. A maximum of \$400,000,000 of RANs were outstanding at any time during the year. All RANs were retired before the end of June 2006.

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 FY02 and continuing through FY06, 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 \$493,100,000 of BANs were outstanding under the commercial paper program at any time during FY06. At June 30, 2006, BANs totaling \$25,100,000 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). The majority of the BANs were retired prior to FY2006. These BANs are a component of the BANs activity described above.

On December 31, 2003, Massport was expected to make an additional payment to the Commonwealth under the Transfer Agreement of \$50,000,000. This payment was received and applied in August of 2005, leaving a balance of BANs of \$25,100,000. A final payment of \$50,000,000 was due on December 31, 2004 under the Transfer Agreement only to the extent that Massport has received assets of commensurate value. Massport has informed the Commonwealth that such assets have not been received and that Massport therefore will withhold the final payment until such assets are transferred. Massport and the Commonwealth have not agreed on a scheduled date of payment.

C. Line-of-Credit Facilities

During FY06, 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 September 2006, through November 2015 at various times, with an optional termination at January 2010 or January 2015.

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, 2005	Issued / Drawn	Redeemed / Repaid	Ending Balance June 30, 2006	Credit Limit June 30, 2006
General Fund:					
Revenue anticipation notes.....	\$ -	\$ 400,000	\$ (400,000)	\$ -	\$ -
Line-of-credit agreements.....	-	-	-	-	1,000,000
Subtotal - General Fund activity.....	-	400,000	(400,000)	-	1,000,000
Capital Projects Funds:					
Bond anticipation notes.....	140,100	403,000	(518,000)	25,100	-
Subtotal - Capital Projects Funds activity.....	140,100	403,000	(518,000)	25,100	-
Total short-term financing and credit agreement activity.....	<u>\$ 140,100</u>	<u>\$ 803,000</u>	<u>\$ (918,000)</u>	<u>\$ 25,100</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, 2006, the Commonwealth had two types of long-term debt outstanding, general obligation bonds and special obligation bonds. The following is a summary of the Commonwealth's debt outstanding by type of debt (amounts in thousands):

	<u>Amount Outstanding</u>
<u>General Obligation Debt:</u>	
General Obligation Bonds:	
Fixed rate.....	\$ 12,455,736
Variable rate.....	2,546,550
Auction rate securities.....	401,500
College opportunity bonds.....	89,058
County debt assumed.....	525
Grant anticipation notes (inclusive of cross-over refunding notes).....	1,789,445
Discount / (Premium) and issuance cost, general obligations.....	<u>(100,482)</u>
Subtotal - General Obligation Debt.....	17,182,332
<u>Special Obligation Debt:</u>	
Special Obligation Bonds (inclusive of cross-over refunding bonds):	
Fixed rate.....	1,108,185
Variable rate.....	<u>183,080</u>
Subtotal - Special Obligation Debt.....	1,291,265
Discount / (Premium) and issuance cost, special obligations.....	<u>(12,191)</u>
Total Outstanding Debt.....	<u>\$ 18,461,406</u>

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 FY2006, the Commonwealth sold the remaining \$500,000,000 in General Obligation Bonds to finish the capitalization of the Massachusetts School Modernization and Reconstruction Trust (SMART). The proceeds of the debt (the final half of the total authorization of \$1 billion,) were used to fund school construction projects throughout the Commonwealth pursuant to changes in the funding of school building assistance initiated during FY2005.

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 FY06, during which approximately \$11,581,000, (including accretion), of such

bonds were issued. Outstanding COBs of approximately \$89,058,000 have maturity dates ranging from FY2007 through FY2026. 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 \$167,902,000, including accretion. In addition, COBs pay current interest in the amount of 0.5% per year of the initial amount still outstanding.

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, 2006, \$525,000 of these obligations remain outstanding.

iii. Variable Rate Demand Bonds

Included in the long-term debt is \$2,546,550,000 of general obligation variable rate demand bonds (VRDBs) maturing from 2008 through 2030 in varying amounts, of which \$1,920,960,000 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. 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. Included in the above is series 2006A and B, totaling \$350,000,000, sold during the fiscal year.

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 December of 2007 and December 2015. The Commonwealth is required to renew or replace these agreements as long as the VRDBs remain outstanding.

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, 2006, the Commonwealth had outstanding approximately \$1,291,265,000 of such special obligation bonds, inclusive of unamortized premium. These bonds are secured by a pledge of 6.86 cents of the 21 cent motor fuel excise tax imposed on gasoline.

The Commonwealth has three series' of crossover refunding bonds outstanding, two of which are special obligation bonds while the remaining series are grant anticipation notes. The escrows funded by crossover refunding bonds and related premiums are used only to secure the principal related to the crossover refunding portion. 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 (or in the case of the grant anticipation notes from either federal grants or appropriations.) Interest a portion of the newly issued refunding bonds is paid from the proceeds of the escrow until the aforementioned prior bonds are called for redemption. This crossover refunding results in economic savings to the Commonwealth similar to a traditional refunding, but does not meet the accounting definition of a legal defeasance of debt, in which case the defeased debt and the related escrow accounts would have been removed from the GLTDAG. Accordingly, both the refunded debt and the refunding debt are reported in the GLTDAG until such time as principal amounts are repaid. Similarly, the refunding escrows established with the proceeds from the refunding bonds are also recorded on the financial statements until such proceeds are expended for debt service. As of June 30, 2006, \$103,615,000 from in special obligation crossover refundings remained outstanding, exclusive of the crossover refunded grant anticipation notes.

The remainder of unrefunded special obligation debt is attributable to the aforementioned gasoline tax bonds and other bonds that permanently financed the Commonwealth's convention and exhibition centers in Boston, Springfield and Worcester, which are secured by certain taxes collected related to those facilities.

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. Prior to FY2005, all GANs authorized were issued. 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 crossover refunding notes, Series 2003A. As previously discussed, 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. Inclusive of the cross-over refunding notes, at June 30, 2006, the Commonwealth has \$1,789,445,000 of GANs outstanding, including accreted interest on capital appreciation bonds with maturity dates ranging from 2007 to 2015, of which \$418,340,000 is related to the crossover refunding transaction.

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, 2003 and 2005, the Commonwealth entered into interest rate swap agreements with certain counterparties. Additional swap agreements were initiated as part of the Convention centers permanent financing in FY2004. The purpose of these agreements is to effectively fix the interest rate payable on the corresponding variable rate refunding bonds, and to achieve 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 2006 to 2028. The swaps' total notional value of \$2,104,040,000 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 2.78% 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.

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%	Cost of Funds	\$ (6,681)	August 1, 2015	AA+/Aaa
Series 1997B	108,512	8/12/1997	4.659%	Cost of Funds	(4,439)	August 1, 2015	AAA/Aaa
Series 1998A & B	299,712	9/17/1998	4.174%	Cost of Funds	(7,242)	September 1, 2016	AAA/Aaa
Series 1998A & B	199,808	9/17/1998	4.174%	Cost of Funds	(2,933)	September 1, 2016	AAA/Aaa
Series 2001B & C	496,225	2/20/2001	4.150%	Cost of Funds	(16,966)	January 1, 2021	AAA/Aaa
Series 2003B	87,455	3/12/2003	4.500%	Cost of Funds/CPI	2,223	March 1, 2014	AA+/Aaa
Series 2003B	10,000	3/12/2003	4.500%	Cost of Funds/CPI	248	March 1, 2013	A/A2
Series 2005A	556,480	3/29/2005	2.782% - 4.00%	BMA	24,288	February 1, 2028	AA-/Aa2
Subtotal	1,920,960				(11,502)		
<i>Special Obligation Dedicated Tax Revenue Bonds (CPI Based Swaps):</i>							
Series 2004	28,863	6/29/2004	4.45% - 5.25%	Cost of Funds/CPI	(1,406)	January 1, 2018	A/A1
Series 2004	28,863	6/29/2004	4.45% - 5.25%	Cost of Funds/CPI	(1,135)	January 1, 2018	A+/Aa3
Series 2004	28,863	6/29/2004	4.45% - 5.25%	Cost of Funds/CPI	(1,324)	January 1, 2018	AA-/Aa2
Series 2005A	96,490	6/12/2005	4.771% - 5.06%	Cost of Funds/CPI	(1,326)	June 1, 2022	AA-/Aa3
Subtotal	183,080				(5,191)		
Total	\$ 2,104,040				\$ (16,693)		

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

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, 2006) 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 \$16,693,000 as of June 30, 2006. If all the Commonwealth's swap agreements had been terminated as of the end of fiscal year 2006 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.

E. Outstanding Debt

Debt service on the variable rate bonds is as follows (assuming a short term rate of 3.50% and a CPI rate of 3%) (amounts in thousands):

Fiscal Year Ending June 30	Variable-Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ 3,745	\$ 72,195	\$ 16,568	\$ 92,508
2008	6,190	72,001	16,582	94,773
2009	12,030	71,694	16,585	100,309
2010	34,545	70,622	16,454	121,621
2011	22,265	69,737	16,324	108,326
2012-2016	947,080	269,504	59,994	1,276,578
2017-2021	716,455	123,810	22,244	862,509
2022-2026	265,435	36,145	5,184	306,764
2027-2031	96,295	19,375	316	115,986
Total	<u>\$ 2,104,040</u>	<u>\$ 805,083</u>	<u>\$ 170,251</u>	<u>\$ 3,079,374</u>

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.

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 unamortized discount and issuance cost) and debt authorized and unissued at June 30, 2006 is as follows (amounts in thousands):

<u>Purpose</u>	<u>Bonds Outstanding</u>	<u>Fiscal Year Maturities</u>	<u>Authorized and Unissued</u>
GANs.....	\$ 1,789,445	2007-2015	\$ -
Capital Projects:			
General.....	5,953,511	2007-2031	4,063,349
Highway.....	8,087,687	2007-2034	3,479,189
Local Aid.....	1,935,416	2007-2031	37,208
Other.....	695,347	2007-2029	88,585
	<u>16,671,961</u>		<u>7,668,331</u>
Total.....	<u>\$ 18,461,406</u>		<u>\$ 7,668,331</u>

Interest rates on the Commonwealth's debt outstanding at the end of FY06 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, 2006 are as follows (amounts in thousands):

	<u>Bonds Outstanding</u>	<u>Authorized and Unissued</u>
Balance July 1, 2005.....	\$ 17,856,799	\$ 9,506,821
General and special obligation bonds:		
Principal, less discount and issuance costs.....	1,838,490	(1,838,490)
Net premium and issuance costs.....	(68,144)	-
General and Special obligation refunding bonds:		
Principal on Refunding Bonds.....	527,635	-
Principal on Refunded Bonds.....	(672,100)	-
Retired premium on Refunded Bonds.....	3,250	-
Bonds retired.....	(1,024,524)	-
Balance June 30, 2006.....	<u>\$ 18,461,406</u>	<u>\$ 7,668,331</u>

At June 30, 2006, debt service requirements to maturity for principal (including unamortized 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	
2007.....	\$ 1,180,458	\$ 909,764	\$ 2,090,222	
2008.....	1,145,660	852,110	1,997,770	
2009.....	1,181,030	794,109	1,975,139	
2010.....	1,130,032	734,258	1,864,290	
2011.....	1,201,126	672,706	1,873,832	
2012-2016.....	5,444,699	2,488,485	7,933,184	
2017-2021.....	3,778,241	1,359,598	5,137,839	
2022-2026.....	2,232,780	539,051	2,771,831	
2027-2031.....	1,024,545	186,540	1,211,085	
2032-2034.....	142,835	16,000	158,835	
Total	<u>\$ 18,461,406</u>	<u>\$ 8,552,621</u>	<u>\$ 27,014,027</u>	

The Commonwealth issued bonds and notes through both competitive and negotiated sales during FY06. The costs for legal counsel and underwriting fees for bond sales were \$363,000 and \$8,124,000 respectively. In addition, the Commonwealth paid \$146,000 for disclosure counsel services.

F. Bonds Defeased Through Refunding during FY06

As authorized by the Massachusetts General Laws, the Commonwealth advance refunded certain general and special obligation bonds through the issuance of \$527,635,000 of special obligation refunding bonds, during FY06. Net proceeds, including premiums, but after issuance costs totaled approximately \$626,120,000 which 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 GLTDAG. As a result of this refunding, 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 \$89,400,000 over the next 28 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 \$47,319,000. At June 30, 2006, approximately all of the bonds defeased and refunded during FY2006 remain outstanding.

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. With the exception of the crossover refunding activity discussed previously, the trust account assets and the liabilities for the defeased bonds are not included in the financial statements. At June 30, 2006, approximately \$7,966,326,000 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 FY06 was approximately \$14,136,712,000. Outstanding debt subject to the limit at June 30, 2006 was approximately \$12,599,293,000. The limit increases 5% per year.

For purposes of determining compliance with the limit, outstanding direct debt is defined by statute to include general obligation bonds at the amount of their original net proceeds. It excludes BANs, discount and issuance costs, if any, special obligation bonds, GANs, refunded bonds, certain refunding bonds, debt issued by counties, debt issued in conjunction with the MBTA Forward Funding, certain Central Artery / Tunnel debt and debt issued for the SMART program. The amounts excluded from the debt limit are as follows (amounts in thousands):

	<u>Debt Outstanding</u>
Balance June 30, 2006.....	\$ 18,461,406
Less amounts excluded:	
Premium and issuance cost.....	112,673
Special Obligation principal.....	(1,291,266)
GANs principal.....	(1,789,876)
County Debt Assumed.....	(525)
MBTA Forward Funding.....	(416,830)
SMART bonds.....	(1,000,002)
Central Artery / Tunnel.....	(1,476,287)
Outstanding direct debt.....	<u>\$ 12,599,293</u>

I. Subsequent Bond Issuances

In August of 2006, the Commonwealth sold \$486,170,000 of General Obligation Bonds, 2006 Series D. The proceeds were used to fund capital spending.

Also in August of 2006, the Commonwealth issued an additional series of College Opportunity Bonds totaling \$9,863,000. This includes an initial amount of \$5,763,000 plus an expected \$4,100,000 in interest to be accreted through maturity.

In October 2006 the Commonwealth sold \$520,850,000 of General Obligation Refunding Bonds, 2006 Series B. The proceeds were used to defease certain maturities in Series 2005A and C bonds maturing 2021 through 2026.

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, 2006, capital lease / purchase expenditures totaled approximately \$42,075,000.

At June 30, 2006, the Commonwealth's aggregate outstanding liability under capital leases, based on the present value of the net minimum lease payments, totaled approximately \$163,610,000. This liability is reported in the GLTDAG.

Equipment acquired under capital leases and included in the GFAAG totaled approximately \$89,727,000.

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, 2006 were approximately \$181,303,000.

The following is a schedule of future minimum payments under non-cancelable leases as of June 30, 2006 (amounts in thousands):

	<u>Capital Leases</u>		<u>Operating</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Leases</u>	
2007.....	\$ 33,818	\$ 7,412	\$ 141,638	\$ 182,868
2008.....	31,666	6,434	104,884	142,984
2009.....	18,849	3,784	75,089	97,722
2010.....	17,505	3,398	56,434	77,337
2011.....	30,632	3,089	38,628	72,349
2012-2016.....	12,208	3,023	144,939	160,170
2017-2021.....	10,360	2,715	60,121	73,196
2022-2026.....	8,572	2,207	46,929	57,708
2027-2031.....	-	-	46,733	46,733
2032-2035.....	-	-	18,693	18,693
Total.....	<u>\$ 163,610</u>	<u>\$ 32,062</u>	<u>\$ 734,088</u>	<u>\$ 929,760</u>

8. INDIVIDUAL FUND DEFICITS

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 of \$311,524,000 is offset by capital funds earmarked in the Central Artery Statewide Road and Bridge Infrastructure Fund of \$104,722,000 along with \$258,955,000 held in escrow for the two crossover refunding Special Obligation Bonds series', and \$16,219,000 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, 2006, as follows (amounts in thousands):

Budgeted Funds:	
Highway Fund.....	\$ (1,083,108)
Massachusetts Tourism Fund.....	(7,243)
Workforce Training Fund.....	(141)
Total Budgeted Funds.....	(1,090,492)
Non-Budgeted Special Revenue:	
Other:	
Government Land Bank Fund.....	(35,097)
Motor Vehicle Safety Inspection Trust Fund.....	(16,432)
Total Non - Budgeted Funds.....	(51,529)
Capital Projects:	
General Capital Projects Fund.....	(311,524)
Capital Improvements and Investment Trust Fund.....	(3,395)
Highway Capital Projects Fund.....	(247,376)
Government Land Bank Capital Project Fund.....	(15,000)
Local Capital Projects Fund.....	(14,425)
Total Capital Projects Funds.....	(591,720)
Total	\$ (1,733,741)

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 percent of that cost. For the fiscal year ended June 30, 2006, the General Fund, and Children's and Seniors' Health Fund include \$6,852,464,000 in expenditures for Medicaid claims. An additional \$292,166,000 of Medicaid expenditures were reported in the non-budgeted special revenue fund, the Health Care Quality Improvement Fund.

The combined financial statements – statutory basis include Medicaid claims processed but unpaid at June 30, 2006 of approximately \$5,100,000 as accounts payable. The Commonwealth estimates its total liability, as determined in accordance with GAAP, at \$660,200,000 including the amounts reported as accounts payable at June 30, 2006. This amount includes estimates of both the cost of care provided as of June 30, 2006, for which claims have not been processed and other costs. Of this amount, \$392,700,000 is expected to be reimbursed by the federal government and third party recoveries.

10. RETIREMENT AND OTHER POST EMPLOYMENT BENEFITS

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 performs this valuation on an annual basis.

A. 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, 2006, the Commonwealth's pension expenditure included payments totaling \$12,170,000 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, 2006, 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.....	50,593	44,452	3,314
Terminated employees entitled to			
benefits but not yet receiving them....	3,033	N/A	178
Subtotal.....	<u>53,626</u>	<u>44,452</u>	<u>3,492</u>
Current members.....	<u>83,178</u>	<u>88,788</u>	<u>5,810</u>
Total.....	<u>136,804</u>	<u>133,240</u>	<u>9,302</u>

B. 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 rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55.

C. Funding and Contributions Policy

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.

The Commonwealth was financially responsible for the COLA granted to participants in various retirement systems of cities, towns and counties in fiscal year 1981 to 1997. Chapter 17 of the Acts of 1997 effective for fiscal year 1998 transferred the responsibility for funding COLAs for separate (non-teacher) retirement systems of cities and towns to their respective systems. Any future COLA granted by the Legislature to employees of these plans will be the responsibility of the individual system, assuming approval by the local board. The individual employer governments are also responsible for the basic pension benefits. 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, 2006 was \$433,000,000.

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.

A table of Pension Funding Progress is presented as supplemental information on page 304 of this report.

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 - 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

Chapter 32 of the General Laws directs the Secretary of Administration and Finance to prepare a funding schedule to meet actuarially determined requirements, and to update this funding schedule every three years on the basis of new actuarial valuation reports prepared under the Secretary's direction. Any such schedule is subject to legislative approval. If a schedule is not so approved, payments are to be made in accordance with the most recently approved schedule. Under the current schedule adopted in 2004, the amortization payments are designed to eliminate the unfunded liability by fiscal year 2023 on a 4.50% increasing basis. The funding schedule as published follows an acceptable actuarial funding methodology to compute normal cost and the unfunded accrued actuarial liability.

Contributions by the Commonwealth of \$1,274,675,000 were made during the fiscal year ended June 30, 2006. Of this amount \$63,938,000 represents payments for COLA granted to participants in retirement systems of cities, towns and counties.

**D. *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 \$328,295,000 for the fiscal year ended June 30, 2006. There are approximately 53,029 participants eligible to receive benefits at June 30, 2006. In fiscal 2006, the contribution rates are 15% for all employees.

Commonwealth Post Employment Obligations Other Than Pensions –

New accounting standards will require the Commonwealth to begin disclosing its liability on a GAAP basis for other post employment benefits (commonly referred to as “OPEB”) in its FY08 financial reports. An initial valuation report by an independent actuarial firm of the Commonwealth's liability for these health care and life insurance benefits was released in June 2006. The report presented two separate calculations of the Commonwealth's OPEB liability, depending on whether the liability would be prefunded.

The Commonwealth has not yet made any decision on when or how it will fund this liability.

11. COMMITMENTS**A. MBTA and Other Authorities**

The Commonwealth continues to guarantee certain Massachusetts Bay Transportation Authority (MBTA) debt outstanding at June 30, 2006, totaling \$1,626,960,000.

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. Accordingly, all MBTA debt issued after this legislation 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, 2006, the aggregate outstanding debt for which the Commonwealth is obligated to provide contract assistance support totaled approximately \$1,494,155,000 long-term, of which \$680,450,000 is for the Route 3 North Transportation Improvements Association and \$665,700,000 is for the University of Massachusetts Building Authority. No short-term regional transit authority debt is guaranteed.

B. Saltonstall Building

The Massachusetts Development Finance Agency (MDFA) was authorized in legislation to undertake redevelopment of the Saltonstall State Office Building (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 leased 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. The Commonwealth is 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.

C. 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, 2006, the Commonwealth had commitments of approximately \$358,799,000 related to ongoing construction projects. The Central Artery/Tunnel Project continues to anticipate federal participation and payments from the Massachusetts Turnpike Authority (MTA) 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 \$30,000,000 to be paid during FY06. As a result that no expenditures have occurred, 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, 2006 is estimated to be \$316,600,000, of which approximately \$41,160,000 is expected to be paid during FY07. 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, 2006, 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 FY06 totaled approximately \$158,707,000. Since inception, approximately \$1,651,240,000 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 FY06, the Commonwealth received approximately \$236,305,000 or 84% of the estimated amounts shown in the MSA. All received amounts were transferred to the General Fund.

This amount is less than had previously been projected and is due to the manufacturers withholding a portion of their expected payment, which was expected to be received by the Commonwealth in fiscal 2006, due to an adjustment they claim they are entitled to for their fiscal 2003 payments. The Commonwealth is pursuing legal action to compel the payment of the additional funds for fiscal 2003, and to obtain a legal determination that the Commonwealth is immune from the claimed downward adjustment to its settlement payments. The tobacco manufacturers have given notice of their intention to seek a reduction in their payment for fiscal 2004, which would affect the Commonwealth in fiscal 2007.

In FY04, a Suffolk Superior Court jury rejected the claims of the Commonwealth's private tobacco attorneys that they should be paid a fee amounting to 25% of the Commonwealth's tobacco settlement money. The jury awarded the plaintiffs 10.5% of the amount the Commonwealth receives under the MSA through 2025. To date, however, the attorneys have received more than 10.5% of what the Commonwealth has received under the MSA. As of June 30, 2006, the Commonwealth owes nothing under the jury award. Whether the Commonwealth will in the future be required to pay any sum on private counsel's claim will depend on the actual payments received by the Commonwealth under the MSA through 2025, as well as on the amounts the attorneys receive through the arbitration payments.

13. NON-TAX REVENUE INITIATIVES

A. Debt Collection

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.

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 FY06 were (amounts in thousands):

<u>Department Collectors</u>	<u>Collections</u>	<u>Fees</u>
ACS State & Local Solutions	\$ 1,151	\$ 230
Allen Daniel Associates.....	518	96
Collecto Inc.....	1,448	324
Delta Management Associates, Inc.....	119	24
Glenn Associates, Inc.....	413	89
Gragil Associates, Inc.....	252	55
OSI Collection Services, Inc.....	580	119
Windham Professionals, Inc.....	1,237	260
Total.....	<u>\$ 5,718</u>	<u>\$ 1,198</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) (amounts in thousands).

Department Collectors	Collections	Fees
Allen Daniel Associates, Inc.....	\$ 392	\$ 73
Collecto Inc.....	753	168
Delta Management Associates, Inc....	119	24
Glenn Associates, Inc.....	413	89
OSI Collection Services, Inc.....	245	52
Windham Professionals.....	402	78
Total.....	<u>\$ 2,324</u>	<u>\$ 484</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 FY06, \$239,176,000 was generated through such efforts, of which \$115,526,000 was credited back to the federal government. After contractor payments of \$10,845,000, the Commonwealth received \$112,804,000.

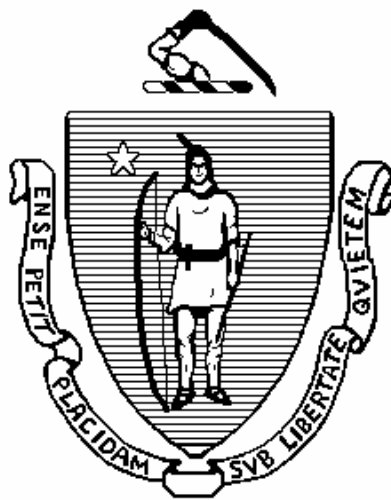
C. Cost Avoidance

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 FY06, \$1,867,844,000 of state expenditures were avoided, of which \$886,647,000 would have been funded by the federal government. After contractor payments of \$23,313,000, the Commonwealth had a net cost saving / avoidance of approximately \$957,883,000.

D. 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. In FY06, the Commonwealth intercepted \$5,447,000 of which \$3,227,000 was on behalf of institutions of higher education.

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. Per the FY2005 General Appropriation Act tax revenues from certain lottery winners selling their stream of future winnings in exchange for current payments will be recorded in this fund. 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 the Stabilization Fund.

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.

Transitional Escrow Fund - to account for the undesignated fund balances in budgetary funds from FY2005 before transfers pursuant to clause (b) of section 5c of Chapter 29 of the General Laws. This fund expired on June 30, 2006. The unexpended balance in the fund transferred to the General Fund.

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 and Wildlife.

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.

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. The fund expired on June 30, 2005, with all remaining balances transferred to the General Fund.

Division of Energy Resources Credit Trust Fund – to account for the receipt, retention, redemption sale or

transfer of energy conservation credits, renewable energy certificates or credits, emission credits and similar allowances. The Division of Energy Resources may expend these funds, subject to appropriation for the implementation of programs for energy reliability, renewable energy, public procurement of energy and energy efficiency and climatic change. Any unexpended balance in the fund at the close of a fiscal year is retained in the fund. The fund is not allowed to carry a deficit at the end of the fiscal year.

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. This fund was closed as of June 30, 2006. this fund was repealed effective June 30, 2006 according to Chapter 139, Acts of 2006, Section 36 and 130. All fund activity will be reported in the General Fund. The fund balance at the end of FY2006 has been transferred to the General Fund.

The following funds have 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.

Dam Safety Trust Fund - to account for all receipts and revenues generated through agreements executed between the department of environmental management and public or private entities for dam safety purposes, and all fines, costs, expenses, and interest imposed.

International Educational and Foreign Language Grant Program Fund – to account for appropriations, bond proceeds or other monies authorized to be used by the Commissioner of Education to increase the number of Massachusetts students, teachers, administrators and education policymakers to support programs and activities that advance cultural awareness through grants to local and

regional high schools to support international education programs and promote the study of foreign languages.



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Budgeted Funds
Combining Balance Sheet - Statutory Basis

June 30, 2006 and 2005
(Amounts in thousands)

	General	Highway	Commonwealth Stabilization
ASSETS			
Cash and short-term investments.....	\$ 2,351,007	\$ -	\$ 2,154,664
Cash with fiscal agent.....	-	10,687	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	289,488	-	-
Other receivables.....	54,291	-	-
Due from cities and towns.....	12,001	-	-
Total assets.....	<u>\$ 2,706,787</u>	<u>\$ 10,687</u>	<u>\$ 2,154,664</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deficiency in cash and short-term investments.....	\$ -	\$ 1,066,511	\$ -
Accounts payable.....	619,958	15,184	-
Total liabilities.....	<u>619,958</u>	<u>1,081,695</u>	<u>-</u>
Fund balances (deficit):			
Reserved for:			
Continuing appropriations.....	903,369	1,413	-
Commonwealth stabilization.....	-	-	2,154,664
Transitional escrow.....	-	-	-
Debt service.....	-	10,687	-
Unreserved:			
Undesignated.....	1,183,460	(1,083,108)	-
Total fund balances (deficit).....	<u>2,086,829</u>	<u>(1,071,008)</u>	<u>2,154,664</u>
Total liabilities and fund balances.....	<u>\$ 2,706,787</u>	<u>\$ 10,687</u>	<u>\$ 2,154,664</u>

Administrative Control	Environmental	Other	Totals (Memorandum only)	
			2006	2005
\$ 16,247	\$ 12,398	\$ 31,885	\$ 4,566,201	\$ 3,983,591
-	-	-	10,687	26,060
-	-	-	289,488	390,273
-	-	-	54,291	7,837
-	-	-	12,001	8,884
<u>\$ 16,247</u>	<u>\$ 12,398</u>	<u>\$ 31,885</u>	<u>\$ 4,932,668</u>	<u>\$ 4,416,645</u>
\$ -	\$ -	\$ -	\$ 1,066,511	\$ 1,077,153
15,278	668	7,019	658,107	852,305
<u>15,278</u>	<u>668</u>	<u>7,019</u>	<u>1,724,618</u>	<u>1,929,458</u>
969	50	30,694	936,495	329,555
-	-	-	2,154,664	1,728,355
-	-	-	-	304,838
-	-	-	10,687	26,060
-	11,680	(5,828)	106,204	98,379
<u>969</u>	<u>11,730</u>	<u>24,866</u>	<u>3,208,050</u>	<u>2,487,187</u>
<u>\$ 16,247</u>	<u>\$ 12,398</u>	<u>\$ 31,885</u>	<u>\$ 4,932,668</u>	<u>\$ 4,416,645</u>

Budgeted Funds

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

Fiscal Years Ended June 30, 2006 and 2005

(Amounts in thousands)

	General	Highway	Commonwealth Stabilization
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes.....	\$ 16,573,385	\$ 574,424	\$ 4,204
Assessments.....	133,033	13,083	-
Federal grants and reimbursements.....	4,891,412	1,452	-
Departmental.....	1,238,699	386,251	-
Miscellaneous.....	238,623	1,454	68,115
Total revenues.....	<u>23,075,152</u>	<u>976,664</u>	<u>72,319</u>
Other financing sources:			
Fringe benefit cost recovery.....	238,043	-	-
Lottery reimbursements.....	89,730	-	-
Lottery distributions.....	941,601	-	-
Tobacco settlement transfer.....	236,305	-	-
Excess permissible tax revenue.....	32,103	-	20,000
Operating transfers in.....	271,887	595	-
Stabilization transfer.....	20,000	-	353,990
Transfer for transitional escrow.....	303,838	-	-
Fund consolidation transfer.....	-	-	-
Federal medicaid assistance percentage escrow transfer.....	-	-	-
Total other financing sources.....	<u>2,133,507</u>	<u>595</u>	<u>373,990</u>
Total revenues and other financing sources.....	<u>25,208,659</u>	<u>977,259</u>	<u>446,309</u>
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Legislature.....	54,552	-	-
Judiciary.....	658,603	-	-
Inspector General.....	2,763	-	-
Governor and Lieutenant Governor.....	4,640	-	-
Secretary of the Commonwealth.....	37,361	-	-
Treasurer and Receiver-General.....	124,017	904	-
Auditor of the Commonwealth.....	17,317	-	-
Attorney General.....	36,637	431	-
Ethics Commission.....	1,446	-	-
District Attorney.....	82,048	3,644	-
Office of Campaign & Political Finance.....	1,067	-	-
Sheriff's Departments.....	243,178	450	-
Disabled Persons Protection Commission.....	1,805	-	-
Board of Library Commissioners.....	5,289	-	-
Comptroller.....	8,709	-	-
Administration and finance.....	1,595,333	6,031	-
Environmental affairs.....	188,879	-	-
Housing and community development.....	117,028	-	-
Early education and care.....	470,497	-	-
Health and human services.....	4,416,216	-	-
Transportation and construction.....	111,705	100,427	-
Education.....	338,958	-	-
Higher education.....	987,779	-	-
Public safety and homeland security.....	794,879	206,352	-
Economic development.....	87,778	50	-
Direct local aid.....	4,618,832	-	-
Medicaid.....	6,389,156	-	-
Pension.....	1,274,675	-	-
Debt service:			
Principal retirement.....	491,372	413,734	-
Interest and fiscal charges.....	367,060	393,368	-
Total expenditures.....	<u>23,529,579</u>	<u>1,125,391</u>	<u>-</u>
Other financing uses:			
Fringe benefit cost assessment.....	-	55,343	-
Excess permissible tax revenue.....	52,103	-	-
Uncompensated care pool transfer.....	171,900	-	-
Operating transfers out.....	179,350	43,297	-
Stabilization transfer.....	353,990	-	20,000
Transfer for transitional escrow.....	-	-	-
Fund consolidation transfer.....	324,769	-	-
Federal medicaid assistance percentage escrow transfer.....	-	-	-
Total other financing uses.....	<u>1,082,112</u>	<u>98,640</u>	<u>20,000</u>
Total expenditures and other financing uses.....	<u>24,611,691</u>	<u>1,224,031</u>	<u>20,000</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	596,968	(246,772)	426,309
Fund balances (deficit) at beginning of year.....	1,489,861	(824,236)	1,728,355
Fund balances (deficit) at end of year.....	<u>\$ 2,086,829</u>	<u>\$ (1,071,008)</u>	<u>\$ 2,154,664</u>

Administrative Control	Environmental	Other	Totals (Memorandum only)	
			2006	2005
\$ -	\$ 886	\$ 133,257	\$ 17,286,156	\$ 15,987,399
-	-	-	146,116	122,303
-	3,617	313,682	5,210,163	4,696,883
192,425	6,659	3,702	1,827,736	1,840,320
-	38	94	308,324	172,139
192,425	11,200	450,735	24,778,495	22,819,044
-	-	-	238,043	215,338
-	-	-	89,730	86,614
-	-	-	941,601	927,791
-	-	-	236,305	257,417
52,103	-	-	104,206	271,982
-	129	-	272,611	331,402
-	-	-	373,990	1,120,230
-	-	-	303,838	304,838
-	-	324,769	324,769	-
-	-	-	-	270,000
52,103	129	324,769	2,885,093	3,785,612
244,528	11,329	775,504	27,663,588	26,604,656
-	-	-	54,552	53,681
-	-	-	658,603	607,170
-	-	-	2,763	2,258
-	-	-	4,640	4,805
113	-	-	37,474	41,290
-	-	-	124,921	112,773
-	-	-	17,317	16,989
-	-	2	37,070	34,988
-	-	-	1,446	1,265
-	-	-	85,692	79,594
-	-	-	1,067	993
-	-	-	243,628	221,543
-	-	-	1,805	1,704
-	-	-	5,289	3,578
2,804	-	-	11,513	10,653
134,093	-	8	1,735,465	1,507,874
336	10,517	50	199,782	179,926
-	-	245	117,273	94,674
-	-	-	470,497	-
43,384	-	4,591	4,464,191	4,598,966
822	-	-	212,954	244,165
-	-	-	338,958	417,732
-	-	-	987,779	914,960
10,145	-	-	1,011,376	940,975
1,000	-	54,866	143,694	126,403
-	-	-	4,618,832	4,476,670
-	-	463,308	6,852,464	5,977,221
-	-	-	1,274,675	1,216,936
-	-	-	905,106	880,128
-	-	-	760,428	700,619
192,697	10,517	523,070	25,381,254	23,470,533
-	1,502	2,355	59,200	52,019
52,103	-	-	104,206	271,982
-	-	-	171,900	309,100
921	-	-	223,568	211,572
-	-	-	373,990	1,120,230
303,838	-	-	303,838	304,838
-	-	-	324,769	-
-	-	-	-	270,000
356,862	1,502	2,355	1,561,471	2,539,741
549,559	12,019	525,425	26,942,725	26,010,274
(305,031)	(690)	250,079	720,863	594,382
306,000	12,420	(225,213)	2,487,187	1,892,805
\$ 969	\$ 11,730	\$ 24,866	\$ 3,208,050	\$ 2,487,187

Budgeted Funds

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

Fiscal Year Ended June 30, 2006

(Amounts in thousands)

	General			Highway		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes.....	\$ 15,347,900	\$ 16,573,385	\$ 1,225,485	\$ 605,800	\$ 574,424	\$ (31,376)
Assessments.....	-	133,033	133,033	-	13,083	13,083
Federal grants and reimbursements.....	4,933,400	4,891,412	(41,988)	3,600	1,452	(2,148)
Departmental.....	1,489,400	1,238,699	(250,701)	444,200	386,251	(57,949)
Miscellaneous.....	-	238,623	238,623	-	1,454	1,454
Total revenues.....	21,770,700	23,075,152	1,304,452	1,053,600	976,664	(76,936)
Other financing sources:						
Fringe benefit cost recovery.....	-	238,043	238,043	-	-	-
Lottery reimbursements.....	89,230	89,730	500	-	-	-
Lottery distributions.....	978,699	941,601	(37,098)	-	-	-
Tobacco settlement transfer.....	253,038	236,305	(16,733)	-	-	-
Excess permissible tax revenue.....	-	32,103	32,103	-	-	-
Operating transfers in.....	351,233	271,887	(79,346)	1,800	595	(1,205)
Stabilization transfer.....	-	20,000	20,000	-	-	-
Transfer for transitional escrow.....	-	303,838	303,838	-	-	-
Fund consolidation transfer.....	-	-	-	-	-	-
Total other financing sources.....	1,672,200	2,133,507	461,307	1,800	595	(1,205)
Total revenues and other financing sources.....	23,442,900	25,208,659	1,765,759	1,055,400	977,259	(78,141)
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature.....	84,898	54,552	30,346	-	-	-
Judiciary.....	699,324	658,603	40,721	-	-	-
Inspector General.....	3,094	2,763	331	-	-	-
Governor and Lieutenant Governor.....	5,691	4,640	1,051	-	-	-
Secretary of the Commonwealth.....	39,898	37,361	2,537	-	-	-
Treasurer and Receiver-General.....	144,192	124,017	20,175	1,070	904	166
Auditor of the Commonwealth.....	17,321	17,317	4	-	-	-
Attorney General.....	38,894	36,637	2,257	432	431	1
Ethics Commission.....	1,446	1,446	-	-	-	-
District Attorney.....	82,986	82,048	938	3,822	3,644	178
Office of Campaign and Political Finance.....	1,078	1,067	11	-	-	-
Sheriff's Departments.....	245,856	243,178	2,678	498	450	48
Disabled Persons Protection Commission.....	1,807	1,805	2	-	-	-
Board of Library Commissioners.....	5,289	5,289	-	-	-	-
Comptroller.....	8,710	8,709	1	-	-	-
Administration and finance.....	1,962,734	1,595,333	367,401	6,063	6,031	32
Environmental affairs.....	255,540	188,879	66,661	-	-	-
Housing and community development.....	191,578	117,028	74,550	-	-	-
Early education and care.....	481,473	470,497	10,976	-	-	-
Health and human services.....	4,555,838	4,416,216	139,622	-	-	-
Transportation and construction.....	222,831	111,705	111,126	109,414	100,427	8,987
Education.....	365,326	338,958	26,368	-	-	-
Higher education.....	1,013,601	987,779	25,822	-	-	-
Public safety and homeland security.....	821,287	794,879	26,408	211,372	206,352	5,020
Economic development.....	153,402	87,778	65,624	62	50	12
Direct local aid.....	4,631,778	4,618,832	12,946	-	-	-
Medicaid.....	6,486,102	6,389,156	96,946	-	-	-
Pension.....	1,274,675	1,274,675	-	-	-	-
Debt service:						
Principal retirement.....	501,258	491,372	9,886	421,073	413,734	7,339
Interest and fiscal charges.....	383,350	367,060	16,290	406,794	393,368	13,426
Total expenditures.....	24,681,257	23,529,579	1,151,678	1,160,600	1,125,391	35,209
Other financing uses:						
Fringe benefit cost assessment.....	-	-	-	52,000	55,343	(3,343)
Excess permissible tax revenue.....	-	52,103	(52,103)	-	-	-
Uncompensated care pool transfer.....	171,900	171,900	-	-	-	-
Operating transfers out.....	79,986	179,350	(99,364)	52,200	43,297	8,903
Stabilization transfer.....	-	353,990	(353,990)	-	-	-
Transfer for transitional escrow.....	-	-	-	-	-	-
Fund consolidation transfer.....	-	324,769	(324,769)	-	-	-
Total other financing uses.....	251,886	1,082,112	(830,226)	104,200	98,640	5,560
Total expenditures and other financing uses.....	24,933,143	24,611,691	321,452	1,264,800	1,224,031	40,769
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,490,243)	596,968	2,087,211	(209,400)	(246,772)	(37,372)
Fund balances (deficit) at beginning of year.....	1,489,861	1,489,861	-	(824,236)	(824,236)	-
Fund balances (deficit) at end of year.....	\$ (382)	\$ 2,086,829	\$ 2,087,211	\$ (1,033,636)	\$ (1,071,008)	\$ (37,372)

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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, 2006

(Amounts in thousands)

	Other			Totals (Memorandum only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES AND OTHER FINANCING SOURCES						
Revenues:						
Taxes.....	\$ 127,100	\$ 133,257	\$ 6,157	\$ 16,081,700	\$ 17,286,156	\$ 1,204,456
Assessments.....	-	-	-	-	146,116	146,116
Federal grants and reimbursements.....	323,000	313,682	(9,318)	5,263,000	5,210,163	(52,837)
Departmental.....	2,800	3,702	902	1,942,600	1,827,736	(114,864)
Miscellaneous.....	-	94	94	26,600	308,324	281,724
Total revenues.....	452,900	450,735	(2,165)	23,313,900	24,778,495	1,464,595
Other financing sources:						
Fringe benefit cost recovery.....	-	-	-	-	238,043	238,043
Lottery reimbursements.....	-	-	-	89,230	89,730	500
Lottery distributions.....	-	-	-	978,699	941,601	(37,098)
Tobacco settlement transfer.....	-	-	-	253,038	236,305	(16,733)
Excess permissible tax revenue	-	-	-	-	104,206	104,206
Operating transfers in.....	-	-	-	353,133	272,611	(80,522)
Stabilization transfer.....	-	-	-	-	373,990	373,990
Transfer for transitional escrow.....	-	-	-	-	303,838	303,838
Fund consolidation transfer.....	-	324,769	324,769	-	324,769	324,769
Total other financing sources.....	-	324,769	324,769	1,674,100	2,885,093	1,210,993
Total revenues and other financing sources.....	452,900	775,504	322,604	24,988,000	27,663,588	2,675,588
EXPENDITURES AND OTHER FINANCING USES						
Expenditures:						
Legislature.....	-	-	-	84,898	54,552	30,346
Judiciary.....	-	-	-	699,324	658,603	40,721
Inspector General.....	-	-	-	3,094	2,763	331
Governor and Lieutenant Governor.....	-	-	-	5,691	4,640	1,051
Secretary of the Commonwealth.....	-	-	-	40,014	37,474	2,540
Treasurer and Receiver-General.....	-	-	-	145,262	124,921	20,341
Auditor of the Commonwealth.....	-	-	-	17,321	17,317	4
Attorney General.....	6	2	4	39,332	37,070	2,262
Ethics Commission.....	-	-	-	1,446	1,446	-
District Attorney.....	-	-	-	86,808	85,692	1,116
Office of Campaign and Political Finance.....	-	-	-	1,078	1,067	11
Sheriff's Departments.....	-	-	-	246,354	243,628	2,726
Disabled Persons Protection Commission.....	-	-	-	1,807	1,805	2
Board of Library Commissioners.....	-	-	-	5,289	5,289	-
Comptroller.....	-	-	-	11,724	11,513	211
Administration and finance.....	8	8	-	2,135,316	1,735,465	399,851
Environmental affairs.....	50	50	-	267,379	199,782	67,597
Housing and community development.....	500	245	255	192,078	117,273	74,805
Early education and care.....	-	-	-	481,473	470,497	10,976
Health and human services.....	5,914	4,591	1,323	4,606,570	4,464,191	142,379
Transportation and construction.....	-	-	-	333,245	212,954	120,291
Education.....	-	-	-	365,326	338,958	26,368
Higher education.....	-	-	-	1,013,601	987,779	25,822
Public safety and homeland security	-	-	-	1,046,023	1,011,376	34,647
Economic development.....	93,545	54,866	38,679	248,009	143,694	104,315
Direct local aid.....	-	-	-	4,631,778	4,618,832	12,946
Medicaid.....	481,261	463,308	17,953	6,967,363	6,852,464	114,899
Pension.....	-	-	-	1,274,675	1,274,675	-
Debt service:						
Principal retirement.....	-	-	-	922,331	905,106	17,225
Interest and fiscal charges.....	-	-	-	790,144	760,428	29,716
Total expenditures.....	581,284	523,070	58,214	26,664,753	25,381,254	1,283,499
Other financing uses:						
Fringe benefit cost assessment.....	2,100	2,355	(255)	55,400	59,200	(3,800)
Excess permissible tax revenue	-	-	-	-	104,206	(104,206)
Uncompensated care pool transfer	-	-	-	171,900	171,900	-
Operating transfers out.....	-	-	-	132,186	223,568	(91,382)
Stabilization transfer.....	-	-	-	-	373,990	(373,990)
Transfer for transitional escrow.....	-	-	-	-	303,838	(303,838)
Fund Consolidation Transfer.....	-	-	-	-	324,769	(324,769)
Total other financing uses.....	2,100	2,355	(255)	359,486	1,561,471	(1,201,985)
Total expenditures and other financing uses.....	583,384	525,425	57,959	27,024,239	26,942,725	81,514
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(130,484)	250,079	380,563	(2,036,239)	720,863	2,757,102
Fund balances (deficit) at beginning of year.....	(225,213)	(225,213)	-	2,487,187	2,487,187	-
Fund balances (deficit) at end of year.....	\$ (355,697)	\$ 24,866	\$ 380,563	\$ 450,948	\$ 3,208,050	\$ 2,757,102



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General Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 2,351,007	\$ 1,918,271
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	289,488	373,218
Other receivables.....	54,291	7,837
Due from cities and towns.....	<u>12,001</u>	<u>8,884</u>
Total assets.....	<u>\$ 2,706,787</u>	<u>\$ 2,308,210</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	<u>\$ 619,958</u>	<u>\$ 818,349</u>
Total liabilities.....	<u>619,958</u>	<u>818,349</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	903,369	302,484
Unreserved fund balance (deficit):		
Undesignated.....	<u>1,183,460</u>	<u>1,187,377</u>
Total fund balance (deficit).....	<u>2,086,829</u>	<u>1,489,861</u>
Total liabilities and fund balance.....	<u>\$ 2,706,787</u>	<u>\$ 2,308,210</u>

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

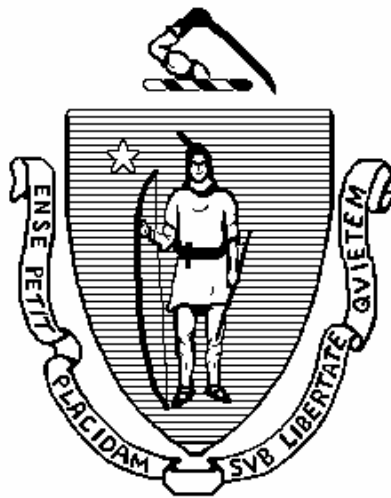
Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 15,347,900	\$ 16,573,385	\$1,225,485	\$15,267,938
Assessments.....	-	133,033	133,033	110,583
Federal grants and reimbursements.....	4,933,400	4,891,412	(41,988)	4,389,553
Departmental.....	1,489,400	1,238,699	(250,701)	1,223,310
Miscellaneous.....	-	238,623	238,623	153,127
Total revenues.....	21,770,700	23,075,152	1,304,452	21,144,511
Other financing sources:				
Fringe benefit cost recovery.....	-	238,043	238,043	215,338
Lottery reimbursements.....	89,230	89,730	500	86,614
Lottery distributions.....	978,699	941,601	(37,098)	927,791
Operating transfers in.....	351,233	271,887	(79,346)	308,541
Stabilization transfers.....	-	20,000	20,000	343,271
Tobacco settlement transfer.....	253,038	236,305	(16,733)	257,417
Excess permissible tax revenue.....	-	32,103	32,103	-
Transfer for transitional escrow.....	-	303,838	303,838	-
Federal medicaid assistance percentage escrow transfer....	-	-	-	270,000
Total other financing sources.....	1,672,200	2,133,507	461,307	2,408,972
Total revenues and other financing sources.....	23,442,900	25,208,659	1,765,759	23,553,483
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Legislature.....	84,898	54,552	30,346	53,681
Judiciary.....	699,324	658,603	40,721	607,170
Inspector General.....	3,094	2,763	331	2,258
Governor and Lieutenant Governor.....	5,691	4,640	1,051	4,805
Secretary of the Commonwealth.....	39,898	37,361	2,537	41,175
Treasurer and Receiver-General.....	144,192	124,017	20,175	111,793
Auditor of the Commonwealth.....	17,321	17,317	4	16,989
Attorney General.....	38,894	36,637	2,257	34,554
Ethics Commission.....	1,446	1,446	-	1,265
District Attorney.....	82,986	82,048	938	76,377
Office of Campaign and Political Finance.....	1,078	1,067	11	993
Sheriff's Departments.....	245,856	243,178	2,678	221,167
Disabled Persons Protection Commission.....	1,807	1,805	2	1,704
Board of Library Commissioners.....	5,289	5,289	-	3,578
Comptroller.....	8,710	8,709	1	8,453

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
Expenditures (continued):				
Administration and finance.....	1,962,734	1,595,333	367,401	1,363,566
Environmental affairs.....	255,540	188,879	66,661	170,512
Housing and community development.....	191,578	117,028	74,550	94,174
Early education and care.....	481,473	470,497	10,976	-
Health and human services.....	4,555,838	4,416,216	139,622	4,560,168
Transportation and construction.....	222,831	111,705	111,126	152,496
Education.....	365,326	338,958	26,368	417,732
Higher education.....	1,013,601	987,779	25,822	914,960
Public safety and homeland security.....	821,287	794,879	26,408	741,257
Economic development.....	153,402	87,778	65,624	81,636
Direct local aid.....	4,631,778	4,618,832	12,946	4,476,670
Medicaid.....	6,486,102	6,389,156	96,946	5,519,235
Pension.....	1,274,675	1,274,675	-	1,216,936
Debt service:				
Principal retirement.....	501,258	491,372	9,886	514,707
Interest and fiscal charges.....	383,350	367,060	16,290	340,876
Total expenditures.....	24,681,257	23,529,579	1,151,678	21,750,887
Other financing uses:				
Excess permissible tax revenue.....	-	52,103	(52,103)	135,991
Uncompensated care pool transfer	171,900	171,900	-	309,100
Operating transfers out.....	79,986	179,350	(99,364)	100,014
Transfer for transitional escrow.....	-	-	-	304,838
Fund Consolidation Transfer.....	-	324,769	(324,769)	-
Stabilization transfer.....	-	353,990	(353,990)	766,504
Total other financing uses.....	251,886	1,082,112	(830,226)	1,616,447
Total expenditures and other financing uses.....	24,933,143	24,611,691	321,452	23,367,334
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,490,243)	596,968	2,087,211	186,149
Fund balance (deficit) at beginning of year.....	1,489,861	1,489,861	-	1,303,712
Fund balance (deficit) at end of year.....	\$ (382)	\$ 2,086,829	\$2,087,211	\$ 1,489,861



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Highway Fund

Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash with fiscal agent.....	\$ 10,687	\$ 26,060
Total assets.....	<u>\$ 10,687</u>	<u>\$ 26,060</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 1,066,511	\$ 840,040
Accounts payable.....	<u>15,184</u>	<u>10,256</u>
Total liabilities.....	<u>1,081,695</u>	<u>850,296</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	1,413	272
Reserved for debt service.....	10,687	26,060
Unreserved fund balance (deficit):		
Undesignated.....	<u>(1,083,108)</u>	<u>(850,568)</u>
Total fund balance (deficit).....	<u>(1,071,008)</u>	<u>(824,236)</u>
Total liabilities and fund balance.....	<u>\$ 10,687</u>	<u>\$ 26,060</u>

Highway Fund

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 605,800	\$ 574,424	\$ (31,376)	\$ 586,488
Assessments.....	-	13,083	13,083	11,720
Federal grants and reimbursements.....	3,600	1,452	(2,148)	1,526
Departmental.....	444,200	386,251	(57,949)	420,443
Miscellaneous.....	-	1,454	1,454	1,470
Total revenues.....	<u>1,053,600</u>	<u>976,664</u>	<u>(76,936)</u>	<u>1,021,647</u>
Other financing sources:				
Operating transfers in.....	<u>1,800</u>	<u>595</u>	<u>(1,205)</u>	<u>20,751</u>
Total other financing sources.....	<u>1,800</u>	<u>595</u>	<u>(1,205)</u>	<u>20,751</u>
Total revenues and other financing sources.....	<u>1,055,400</u>	<u>977,259</u>	<u>(78,141)</u>	<u>1,042,398</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Treasurer and Receiver-General.....	1,070	904	166	980
Attorney General.....	432	431	1	431
District Attorney.....	3,822	3,644	178	3,217
Sheriff's Departments.....	498	450	48	376
Administration and finance.....	6,063	6,031	32	5,553
Transportation and construction.....	109,414	100,427	8,987	91,099
Public safety and homeland security.....	211,372	206,352	5,020	191,624
Economic development.....	62	50	12	60
Debt service:				
Principal retirement.....	421,073	413,734	7,339	365,421
Interest and fiscal charges.....	406,794	393,368	13,426	359,743
Total expenditures.....	<u>1,160,600</u>	<u>1,125,391</u>	<u>35,209</u>	<u>1,018,504</u>
Other financing uses:				
Fringe benefit cost assessment.....	52,000	55,343	(3,343)	48,454
Operating transfers out.....	<u>52,200</u>	<u>43,297</u>	<u>8,903</u>	<u>109,631</u>
Total other financing uses.....	<u>104,200</u>	<u>98,640</u>	<u>5,560</u>	<u>158,085</u>
Total expenditures and other financing uses.....	<u>1,264,800</u>	<u>1,224,031</u>	<u>40,769</u>	<u>1,176,589</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(209,400)	(246,772)	(37,372)	(134,191)
Fund balance (deficit) at beginning of year.....	<u>(824,236)</u>	<u>(824,236)</u>	-	<u>(690,045)</u>
Fund balance (deficit) at end of year.....	<u>\$ (1,033,636)</u>	<u>\$ (1,071,008)</u>	<u>\$ (37,372)</u>	<u>\$ (824,236)</u>

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

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 1,761,462	\$ 1,568,571
Cash with fiscal agent.....	10,687	26,060
Total assets.....	<u>\$ 1,772,149</u>	<u>\$ 1,594,631</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	10,687	26,060
Unreserved fund balance (deficit):		
Undesignated.....	<u>1,761,462</u>	<u>1,568,571</u>
Total fund balance (deficit).....	<u>1,772,149</u>	<u>1,594,631</u>
Total liabilities and fund balance.....	<u>\$ 1,772,149</u>	<u>\$ 1,594,631</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, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 239,469	\$ 239,469	\$ -	\$ 196,210
Miscellaneous.....	-	912	912	576
Total revenues.....	239,469	240,381	912	196,786
Other financing sources:				
Operating transfers in.....	-	595	595	20,751
Total other financing sources.....	-	595	595	20,751
Total revenues and other financing sources.....	239,469	240,976	1,507	217,537
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Debt service:				
Principal retirement.....	28,542	28,565	23	27,370
Interest and fiscal charges.....	29,140	27,980	(1,160)	21,008
Total expenditures.....	57,682	56,545	(1,137)	48,378
Other financing uses:				
Operating transfers out.....	-	6,913	(6,913)	10,052
Total other financing uses.....	-	6,913	(6,913)	10,052
Total expenditures and other financing uses.....	57,682	63,458	(8,050)	58,430
Excess (deficiency) of revenues and other financing over expenditures and other financing uses.....	181,787	177,518	(6,543)	159,107
Fund balance (deficit) at beginning of year.....	1,594,631	1,594,631	-	1,435,524
Fund balance (deficit) at end of year.....	<u>\$ 1,776,418</u>	<u>\$ 1,772,149</u>	<u>\$ (6,543)</u>	<u>\$ 1,594,631</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.

Commonwealth Stabilization Fund
Balance Sheet- Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 2,154,664	\$ 1,728,355
Total assets.....	<u>\$ 2,154,664</u>	<u>\$ 1,728,355</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for stabilization.....	<u>2,154,664</u>	<u>1,728,355</u>
Total fund balance (deficit).....	<u>2,154,664</u>	<u>1,728,355</u>
Total liabilities and fund balance.....	<u>\$ 2,154,664</u>	<u>\$ 1,728,355</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ -	\$ 4,204	\$ 4,204	\$ 3,996
Departmental.....	-	-	-	90
Miscellaneous.....	26,600	68,115	41,515	17,270
Total revenues.....	26,600	72,319	45,719	21,356
Other financing sources:				
Excess permissible tax revenue.....	-	20,000	20,000	135,991
Stabilization transfer.....	-	353,990	353,990	776,959
Total other financing sources.....	-	373,990	373,990	912,950
Total revenues and other financing sources.....	26,600	446,309	419,709	934,306
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and finance.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Stabilization transfer.....	-	20,000	(20,000)	343,271
Total other financing uses.....	-	20,000	(20,000)	343,271
Total expenditures and other financing uses.....	-	20,000	(20,000)	343,271
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	26,600	426,309	399,709	591,035
Fund balance (deficit) at beginning of year.....	1,728,355	1,728,355	-	1,137,320
Fund balance (deficit) at end of year.....	\$ 1,754,955	\$ 2,154,664	\$ 399,709	\$ 1,728,355

Administrative Control Funds
Combining Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

ASSETS	Temporary Holding Fund	Intra- Governmental Service	Transitional Escrow Fund	2006	2005
Cash and short-term investments.....	\$ -	\$ 16,247	\$ -	\$ 16,247	\$ 323,938
Total assets.....	<u>\$ -</u>	<u>\$ 16,247</u>	<u>\$ -</u>	<u>\$ 16,247</u>	<u>\$ 323,938</u>
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable.....	\$ -	\$ 15,278	\$ -	\$ 15,278	\$ 17,938
Total liabilities.....	<u>-</u>	<u>15,278</u>	<u>-</u>	<u>15,278</u>	<u>17,938</u>
Fund balances (deficits):					
Reserved for:					
Continuing appropriations.....	-	969	-	969	1,162
Transitional escrow.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,838</u>
Total fund balances (deficits).....	<u>-</u>	<u>969</u>	<u>-</u>	<u>969</u>	<u>306,000</u>
Total liabilities and fund balances.....	<u>\$ -</u>	<u>\$ 16,247</u>	<u>\$ -</u>	<u>\$ 16,247</u>	<u>\$ 323,938</u>

Administrative Control Funds

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

Fiscal Year Ended June 30, 2006

(Amounts in thousands)

	Temporary Holding Fund	Intra- Governmental Service	Transitional Escrow Fund	2006	2005
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Departmental.....	\$ -	\$ 192,425	\$ -	\$ 192,425	\$ 186,981
Total revenues.....	-	192,425	-	192,425	186,981
Other financing sources:					
Excess permissible tax revenue.....	52,103	-	-	52,103	135,991
Operating transfers in.....	-	-	-	-	2,013
Transfer for transitional escrow.....	-	-	-	-	304,838
Total other financing sources.....	52,103	-	-	52,103	442,842
Total revenues and other financing sources.....	52,103	192,425	-	244,528	629,823
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Secretary of the Commonwealth.....	-	113	-	113	115
Comptroller.....	-	2,804	-	2,804	2,200
Administration and finance.....	-	134,093	-	134,093	138,754
Environmental affairs.....	-	336	-	336	340
Health and human services.....	-	43,384	-	43,384	36,249
Transportation and construction.....	-	822	-	822	570
Public safety and homeland security.....	-	10,145	-	10,145	8,094
Economic development.....	-	-	1,000	1,000	-
Total expenditures.....	-	191,697	1,000	192,697	186,322
Other financing uses:					
Operating transfers out.....	-	921	-	921	1,927
Transfer for transitional escrow.....	-	-	303,838	303,838	-
Excess permissible tax revenue.....	52,103	-	-	52,103	135,991
Total other financing uses.....	52,103	921	303,838	356,862	137,918
Total expenditures and other financing uses.....	52,103	192,618	304,838	549,559	324,240
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	(193)	(304,838)	(305,031)	305,583
Fund balances (deficit) at beginning of year.....	-	1,162	304,838	306,000	417
Fund balances (deficit) at end of year.....	\$ -	\$ 969	\$ -	\$ 969	\$ 306,000

Temporary Holding Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
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, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous.....	\$ -	\$ -	\$ -	\$ -
Total revenues.....	-	-	-	-
Other financing sources:				
Excess permissible tax revenue.....	-	52,103	52,103	135,991
Total other financing sources.....	-	52,103	52,103	135,991
Total revenues and other financing sources.....	-	52,103	52,103	135,991
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and finance.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Excess permissible tax revenue.....	-	52,103	(52,103)	135,991
Total other financing uses.....	-	52,103	(52,103)	135,991
Total expenditures and other financing uses.....	-	52,103	(52,103)	135,991
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.....	\$ -	\$ -	\$ -	\$ -

Intragovernmental Service Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 16,247	\$ 19,100
Total assets.....	<u>\$ 16,247</u>	<u>\$ 19,100</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 15,278	\$ 17,938
Total liabilities.....	<u>15,278</u>	<u>17,938</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	<u>969</u>	<u>1,162</u>
Total fund balance (deficit)	<u>969</u>	<u>1,162</u>
Total liabilities and fund balance.....	<u>\$ 16,247</u>	<u>\$ 19,100</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ -	\$ 192,425	\$ 192,425	\$ 186,981
Total revenues.....	-	192,425	192,425	186,981
Other financing sources:				
Operating transfers in.....	-	-	-	2,013
Total other financing sources.....	-	-	-	2,013
Total revenues and other financing sources.....	-	192,425	192,425	188,994
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Secretary of the Commonwealth.....	116	113	3	115
Comptroller.....	3,014	2,804	210	2,200
Administration and finance.....	166,511	134,093	32,418	138,754
Environmental affairs.....	510	336	174	340
Health and human services.....	44,818	43,384	1,434	36,249
Transportation and construction.....	1,000	822	178	570
Public safety and homeland security.....	13,364	10,145	3,219	8,094
Total expenditures.....	229,333	191,697	37,636	186,322
Other financing uses:				
Operating transfers out.....	-	921	(921)	1,927
Total other financing uses.....	-	921	(921)	1,927
Total expenditures and other financing uses.....	229,333	192,618	36,715	188,249
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(229,333)	(193)	229,140	745
Fund balance (deficit) at beginning of year.....	1,162	1,162	-	417
Fund balance (deficit) at end of year.....	\$ (228,171)	\$ 969	\$ 229,140	\$ 1,162

Transitional Escrow Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ 304,838
Total assets.....	<u>\$ -</u>	<u>\$ 304,838</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for transitional escrow.....	-	304,838
Total fund balance (deficit)	<u>-</u>	<u>304,838</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ 304,838</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Miscellaneous.....	\$ -	\$ -	\$ -	\$ -
Total revenues.....	-	-	-	-
Other financing sources:				
Transfer for transitional escrow.....	-	-	-	304,838
Total other financing sources.....	-	-	-	304,838
Total revenues and other financing sources.....	-	-	-	304,838
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Economic development.....	1,000	1,000	-	-
Total expenditures.....	1,000	1,000	-	-
Other financing uses:				
Transfer for transitional escrow.....	-	303,838	(303,838)	-
Total other financing uses.....	-	303,838	(303,838)	-
Total expenditures and other financing uses.....	1,000	304,838	(303,838)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,000)	(304,838)	(305,838)	304,838
Fund balance (deficit) at beginning of year.....	304,838	304,838	-	-
Fund balance (deficit) at end of year.....	\$ 303,838	\$ -	\$ (305,838)	\$ 304,838

Inland Fisheries And Game Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 12,398	\$ 13,027
Total assets.....	<u>\$ 12,398</u>	<u>\$ 13,027</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 668	\$ 607
Total liabilities.....	<u>668</u>	<u>607</u>
Fund balance:		
Reserved for continuing appropriations.....	50	-
Unreserved fund balance (deficit):		
Undesignated.....	<u>11,680</u>	<u>12,420</u>
Total fund balance (deficit).....	<u>11,730</u>	<u>12,420</u>
Total liabilities and fund balance.....	<u>\$ 12,398</u>	<u>\$ 13,027</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 900	\$ 886	\$ (14)	\$ 901
Federal grants and reimbursements.....	3,000	3,617	617	3,365
Departmental.....	6,200	6,659	459	7,306
Miscellaneous.....	-	38	38	32
Total revenues.....	<u>10,100</u>	<u>11,200</u>	<u>1,100</u>	<u>11,604</u>
Other financing sources:				
Operating transfers in.....	100	129	29	97
Total other financing sources.....	<u>100</u>	<u>129</u>	<u>29</u>	<u>97</u>
Total revenues and other financing sources.....	<u>10,200</u>	<u>11,329</u>	<u>1,129</u>	<u>11,701</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Environmental affairs.....	11,279	10,517	762	9,044
Total expenditures.....	<u>11,279</u>	<u>10,517</u>	<u>762</u>	<u>9,044</u>
Other financing uses				
Fringe benefit cost assessment.....	1,300	1,502	(202)	1,374
Total other financing uses.....	<u>1,300</u>	<u>1,502</u>	<u>(202)</u>	<u>1,374</u>
Total expenditures and other financing uses.....	<u>12,579</u>	<u>12,019</u>	<u>560</u>	<u>10,418</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(2,379)	(690)	1,689	1,283
Fund balance (deficit) at beginning of year.....	12,420	12,420	-	11,137
Fund balance (deficit) at end of year.....	<u>\$ 10,041</u>	<u>\$ 11,730</u>	<u>\$ 1,689</u>	<u>\$ 12,420</u>

Workforce Training Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 17,503	\$ 23,304
Total assets.....	<u>\$ 17,503</u>	<u>\$ 23,304</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 2,456	\$ 2,857
Total liabilities.....	<u>2,456</u>	<u>2,857</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	22,290	25,383
Unreserved fund balance (deficit):		
Undesignated.....	<u>(7,243)</u>	<u>(4,936)</u>
Total fund balance (deficit).....	<u>15,047</u>	<u>20,447</u>
Total liabilities and fund balance.....	<u>\$ 17,503</u>	<u>\$ 23,304</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 21,500	\$ 21,400	\$ (100)	\$ 21,135
Total revenues.....	21,500	21,400	(100)	21,135
Other financing sources:				
Operating transfers in.....	-	-	-	-
Total other financing sources.....	-	-	-	-
Total revenues and other financing sources.....	21,500	21,400	(100)	21,135
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Housing and community development.....	500	245	255	500
Economic development.....	56,132	26,128	30,004	20,619
Total expenditures.....	56,632	26,373	30,259	21,119
Other financing uses:				
Fringe benefit cost assessment.....	200	427	(227)	337
Total other financing uses.....	200	427	(227)	337
Total expenditures and other financing uses.....	56,832	26,800	30,032	21,456
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses....	(35,332)	(5,400)	29,932	(321)
Fund balance (deficit) at beginning of year.....	20,447	20,447	-	20,768
Fund balance (deficit) at end of year.....	<u>\$ (14,885)</u>	<u>\$ 15,047</u>	<u>\$ 29,932</u>	<u>\$ 20,447</u>

Federal Medicaid Assistance Percentage Escrow Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
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>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Federal grants and reimbursements.....	\$ -	\$ -	\$ -	\$ -
Total revenues.....	-	-	-	-
Other financing sources:				
Operating transfers in.....	-	-	-	-
Total other financing sources.....	-	-	-	-
Total revenues and other financing sources.....	-	-	-	-
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Health and human services.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Federal medicaid assistance percentage escrow transfer...	-	-	-	270,000
Total other financing uses.....	-	-	-	270,000
Total expenditures and other financing uses.....	-	-	-	270,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	-	-	(270,000)
Fund balance (deficit) at beginning of year.....	-	-	-	270,000
Fund balance (deficit) at end of year.....	\$ -	\$ -	\$ -	\$ -

Division of Energy Resources Credit Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 1,556	\$ -
Total assets.....	<u>\$ 1,556</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>1,556</u>	<u>-</u>
Total fund balance (deficit).....	<u>1,556</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 1,556</u>	<u>\$ -</u>

Division of Energy Resources Credit Trust Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Departmental.....	\$ -	\$ 1,556	\$ 1,556	\$ -
Total revenues.....	-	1,556	1,556	-
Other financing sources:				
Operating transfers in.....	-	-	-	-
Total other financing sources.....	-	-	-	-
Total revenues and other financing sources.....	-	1,556	1,556	-
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Environmental affairs.....	-	-	-	-
Total expenditures.....	-	-	-	-
Other financing uses:				
Stabilization transfer.....	-	-	-	-
Total other financing uses.....	-	-	-	-
Total expenditures and other financing uses.....	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	1,556	1,556	-
Fund balance (deficit) at beginning of year.....	-	-	-	-
Fund balance (deficit) at end of year.....	\$ -	\$ 1,556	\$ 1,556	\$ -

Massachusetts Tourism Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 12,826	\$ 2,463
Total assets.....	<u>\$ 12,826</u>	<u>\$ 2,463</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 4,563	\$ 2,209
Total liabilities.....	<u>4,563</u>	<u>2,209</u>
Fund balance:		
Reserved fund balance:		
Reserved for continuing appropriations.....	8,404	254
Unreserved fund balance (deficit):		
Undesignated.....	<u>(141)</u>	<u>-</u>
Total fund balance (deficit).....	<u>8,263</u>	<u>254</u>
Total liabilities and fund balance.....	<u>\$ 12,826</u>	<u>\$ 2,463</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 36,900	\$ 37,033	\$ 133	\$ 34,245
Total revenues.....	36,900	37,033	133	34,245
Other financing sources:				
Operating transfers in.....	-	-	-	-
Total other financing sources.....	-	-	-	-
Total revenues and other financing sources.....	36,900	37,033	133	34,245
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Administration and finance.....	-	-	-	1
Environmental affairs.....	50	50	-	30
Economic development.....	37,413	28,738	8,675	24,088
Total expenditures.....	37,463	28,788	8,675	24,119
Other financing uses:				
Fringe benefit cost assessment.....	300	236	64	307
Stabilization transfer.....	-	-	-	10,455
Total other financing uses.....	300	236	64	10,762
Total expenditures and other financing uses.....	37,763	29,024	8,739	34,881
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(863)	8,009	8,872	(636)
Fund balance (deficit) at beginning of year.....	254	254	-	890
Fund balance (deficit) at end of year.....	\$ (609)	\$ 8,263	\$ 8,872	\$ 254

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

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	\$ -	\$ 17,055
Total assets.....	<u>\$ -</u>	<u>\$ 17,055</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ -	\$ 262,880
Accounts payable.....	-	89
Total liabilities.....	<u>-</u>	<u>262,969</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	-	(245,914)
Total fund balance (deficit).....	-	(245,914)
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ 17,055</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, 2006
(Amounts in thousands)

	2006 Budget	2006 Actual	Variance Favorable (Unfavorable)	2005 Actual
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ 68,700	\$ 74,824	\$ 6,124	\$ 72,696
Federal grants and reimbursements.....	323,000	313,682	(9,318)	302,439
Departmental.....	2,800	2,146	(654)	2,190
Miscellaneous.....	-	94	94	240
Total revenues.....	<u>394,500</u>	<u>390,746</u>	<u>(3,754)</u>	<u>377,565</u>
Other financing sources:				
Fund consolidation transfer	-	324,769	324,769	-
Total other financing sources.....	<u>-</u>	<u>324,769</u>	<u>324,769</u>	<u>-</u>
Total revenues and other financing sources.....	<u>394,500</u>	<u>715,515</u>	<u>321,015</u>	<u>377,565</u>
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Attorney General.....	6	2	4	3
Administration and finance.....	8	8	-	-
Health and human services.....	5,914	4,591	1,323	2,549
Medicaid.....	481,261	463,308	17,953	457,986
Total expenditures.....	<u>487,189</u>	<u>467,909</u>	<u>19,280</u>	<u>460,538</u>
Other financing uses:				
Fringe benefit cost assessment.....	1,600	1,692	(92)	1,547
Total other financing uses.....	<u>1,600</u>	<u>1,692</u>	<u>(92)</u>	<u>1,547</u>
Total expenditures and other financing uses.....	<u>488,789</u>	<u>469,601</u>	<u>19,188</u>	<u>462,085</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.	(94,289)	245,914	340,203	(84,520)
Fund balance (deficit) at beginning of year.....	<u>(245,914)</u>	<u>(245,914)</u>	<u>-</u>	<u>(161,394)</u>
Fund balance (deficit) at end of year.....	<u>\$ (340,203)</u>	<u>\$ -</u>	<u>\$ 340,203</u>	<u>\$ (245,914)</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 two 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.

Medical Assistance Trust Fund – to account for any funds directed to the Commonwealth from public entities and federal revenues related to medical assistance; to be used for medical assistance payments to entities authorized by the general court.

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 chargebacks 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 was repealed as of June 30, 2005. Any remaining balances were transferred to the General Fund during FY2005.

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 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 reverts 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.

Distressed 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. Chapter 241 of the Acts of 2004 renamed this fund from the Essential Community Provider Expendable Trust Fund. This fund will close on September 30, 2006 and any remaining balance will be transferred to the Essential Community Provider Trust Fund.

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 expired on June 30, 2005.

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.

Counsel for Indigent Salary Enhancement Trust Fund – to account for fees collected for private applications for criminal complaints for misdemeanors in Commonwealth courts and investment revenues. Expenditures are for rate enhancements for advocates for the indigent.

Smart Growth Housing Trust Fund – This fund is controlled by the Department of Housing and Community Development for the purpose of making payments to communities under Smart Growth and Housing Production program. Revenues are from sale of surplus property for the total amount of sales between \$25 million to \$50 million, or appropriations from the General Fund and monetary sanctions imposed by the department.

Special Projects Permitting and Oversight Fund - to account for environmental permitting fees. Expenditures are for permitting, technical assistance, compliance and other activities related to environmental oversight.

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

Civil Process Technology Improvement Fund – to account for 20% of civil process fees received by the Commonwealth gifts, grants and investment earnings to be used to improve the efficiency, accessibility and accountability of the service of civil process in the Commonwealth.

Roche Community Rink Fund – to account for revenues generated from fees, fines, leases, gifts, grants, interest or any other revenue sources at the Roche Community Rink, formerly the Bryant Rink, in the West Roxbury section of the city of Boston. Expenditures are for operational costs, capital improvements, equipment and maintenance of said rink, including the costs of personnel, but no expenditures shall be made from the fund that shall cause the fund to be in deficit at the close of a fiscal year.

Workforce Competitiveness Trust Fund – to account for funds to support the development and implementation of employer and work responsive programs to enhance worker skills, income, productivity and retention and to increase the quality and competitiveness of Massachusetts firms. The fund is administered by the Department of Workforce Development.

Massachusetts Board of Higher Education Scholar-Internship Match Fund – to provide a match for industry scholarships given to Massachusetts students going on to study for a post-secondary degree at Massachusetts public higher education institutions. The amount to be matched through the Scholar-Internship Match Fund shall not exceed \$5,000 per student, contingent upon receiving a corresponding industry scholarship or internship of up to the same amount.

District Local Technical Assistance Fund – to account for grants to regional planning agencies for technical assistance to municipalities and to develop a state-wide zoning, land use planning, conservation, public safety planning, information technology and statistical trend modeling under the supervision of the Department of Housing and Community Development. The annual expenditures cannot exceed \$2.8 million in any fiscal year.

Educational Rewards Grant Program Fund – to account for grants to students in accredited post-secondary certificate or vocational technology programs or associate degree in targeted high-demand occupations.

Government Land Bank Fund – to account for proceeds from disposition, conversion and redevelopment of land used for industrial and low income housing developments. 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; 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, Buzzards 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.

Massachusetts Military Family Relief Fund – to account for revenues received by the Commonwealth under the provisions of section 6K of Chapter 62, from public and private sources as gifts, grants, and donations to further the purposes of the fund, which is to help members of the Massachusetts National Guard and Massachusetts residents who are members of the Armed Forces of the United States and who were called to active duty after September 11, 2001.

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 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.

Natural Resources Damages Trust Fund – to account for gifts, grants and other contributions received to fund natural resources restoration projects.

Spinal Cord Injury Trust Fund – to account for surcharges for license reinstatement after 3 speeding convictions. Funds are expended for the purpose of medical cure research services for spinal cord injured persons.

Commonwealth Care Trust Fund – to account for all employers' contribution for the costs of health care provided to uninsured residents of the Commonwealth. Amounts credited shall be used to increase health coverage to low-income residents of the Commonwealth, as defined in Chapter 58, Acts of 2006, Section 8.

Essential Community Provider Trust Fund – to account for transfers and interests; used for payments to acute care hospitals and community health centers, as defined in Chapter 58, Acts of 2006, Section 8.

Department of Mental Retardation Trust Fund – to account for any receipts from assessments transfers by Department of Mental Retardation for public facilities and any other federal financial participation. Expenditures are for operating the intermediate care facilities and community residences serving individuals with mental retardation.

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

June 30, 2006 and 2005
(Amounts in thousands)

	Federal Grants	Lotteries	Universal Health Care
ASSETS			
Cash and short-term investments.....	\$ -	\$ 34,771	\$ 304,443
Cash with fiscal agent.....	-	-	-
Investments.....	-	-	-
Receivables, net of allowance for uncollectibles:			
Due from federal government.....	288,281	-	-
Other receivables.....	-	3,662	-
Due from cities and towns.....	-	-	-
Total assets.....	<u>\$ 288,281</u>	<u>\$ 38,433</u>	<u>\$ 304,443</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deficiency in cash and short-term investments.....	\$ 49,397	\$ -	\$ -
Accounts payable.....	235,504	38,433	13,153
Due to other funds.....	-	-	-
Total liabilities.....	<u>284,901</u>	<u>38,433</u>	<u>13,153</u>
Fund balances:			
Reserved for:			
Debt service.....	-	-	-
Unreserved:			
Designated for specific purpose.....	3,380	-	291,290
Undesignated.....	-	-	-
Total fund balances.....	<u>3,380</u>	<u>-</u>	<u>291,290</u>
Total liabilities and fund balances.....	<u>\$ 288,281</u>	<u>\$ 38,433</u>	<u>\$ 304,443</u>

Totals (Memorandum only)		
Other	2006	2005
\$ 503,595	\$ 842,809	\$ 774,793
674,517	674,517	577,499
515,758	515,758	507,833
70,139	358,420	500,294
23,216	26,878	22,340
22,625	22,625	21,000
<u>\$ 1,809,850</u>	<u>\$ 2,441,007</u>	<u>\$ 2,403,759</u>
\$ -	\$ 49,397	\$ 148,734
186,657	473,747	458,335
64,910	64,910	110,563
<u>251,567</u>	<u>588,054</u>	<u>717,632</u>
674,517	674,517	577,499
935,295	1,229,965	1,165,036
(51,529)	(51,529)	(56,408)
<u>1,558,283</u>	<u>1,852,953</u>	<u>1,686,127</u>
<u>\$ 1,809,850</u>	<u>\$ 2,441,007</u>	<u>\$ 2,403,759</u>

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

Fiscal Year Ended June 30, 2006 and 2005
(Amounts in thousands)

	Federal Grants	Lotteries	Universal Health Care
REVENUES AND OTHER FINANCING SOURCES			
Revenues:			
Taxes.....	\$ -	\$ 1,229	\$ -
Assessments.....	-	-	330,825
Federal grants and reimbursements.....	2,045,961	-	433,578
Tobacco settlement revenue.....	-	-	-
Departmental.....	-	4,726,569	524,528
Miscellaneous.....	126	12,047	8,083
Total revenues.....	2,046,087	4,739,845	1,297,014
Other financing sources:			
Operating transfers in.....	744	68,074	80,004
Health care security trust transfer	-	-	-
Uncompensated care pool transfer	-	-	171,900
Other sources	-	-	-
Total other financing sources.....	744	68,074	251,904
Total revenues and other financing sources.....	2,046,831	4,807,919	1,548,918
EXPENDITURES AND OTHER FINANCING USES			
Expenditures:			
Judiciary.....	795	-	-
Inspector General.....	-	-	589
Secretary of the Commonwealth.....	425	-	-
Treasurer and Receiver-General.....	1,396	3,705,280	15
Attorney General.....	9,234	-	-
District Attorney.....	2,010	-	-
Sheriff's Departments.....	3,420	-	-
Disabled Persons Protection Commission.....	-	-	-
Board of Library Commissioners.....	2,912	-	-
Comptroller.....	-	-	-
Administration and finance.....	8,003	-	47
Environmental affairs.....	33,369	-	-
Housing and community development.....	415,342	-	-
Early education and care.....	11,150	-	-
Health and human services.....	383,643	-	1,394,332
Transportation and construction.....	10,617	-	-
Education.....	818,262	-	-
Higher education.....	8,860	-	-
Public safety and homeland security.....	97,316	-	-
Economic development.....	149,225	-	18,490
Direct local aid.....	-	-	-
Medicaid.....	-	-	-
Debt service:			
Principal retirement.....	-	-	-
Interest and fiscal charges.....	-	-	-
Total expenditures.....	1,955,979	3,705,280	1,413,473
Other financing uses:			
Fringe benefit cost assessment.....	42,708	3,234	506
Lottery operating reimbursements.....	-	89,730	-
Lottery distributions.....	-	941,601	-
Federal reimbursement transfer out.....	-	-	-
Tobacco settlement transfer.....	-	-	-
Health care quality improvement transfer.....	-	-	-
Municipal medicaid transfer.....	-	-	-
Operating transfers out.....	44,965	68,074	46,136
Total other financing uses.....	87,673	1,102,639	46,642
Total expenditures and other financing uses.....	2,043,652	4,807,919	1,460,115
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	3,179	-	88,803
Fund balances at beginning of year.....	201	-	202,487
Fund balances (deficit) at end of year.....	\$ 3,380	\$ -	\$ 291,290

Other	Totals (Memorandum only)	
	2006	2005
\$ 1,306,020	\$ 1,307,249	\$ 1,204,447
315,922	646,747	662,491
632,239	3,111,778	3,305,415
236,305	236,305	257,417
84,699	5,335,796	5,686,903
82,945	103,201	71,206
2,658,130	10,741,076	11,187,879
189,166	337,988	410,066
289,050	289,050	289,050
-	171,900	309,100
-	-	43,918
478,216	798,938	1,052,134
3,136,346	11,540,014	12,240,013
2,786	3,581	4,019
-	589	1,049
5,665	6,090	6,608
1,336,055	5,042,746	5,067,052
370	9,604	9,439
152	2,162	2,792
175	3,595	3,062
-	-	6
-	2,912	2,906
2,288	2,288	2,415
92,433	100,483	87,361
17,151	50,520	46,870
-	415,342	383,025
136	11,286	-
82,775	1,860,750	2,473,110
32,598	43,215	51,194
-	818,262	830,660
490	9,350	10,477
1,337	98,653	97,797
10,090	177,805	172,094
12,911	12,911	9,850
292,166	292,166	291,623
119,415	119,415	2,139
130,171	130,171	115,880
2,139,164	9,213,896	9,671,428
8,671	55,119	52,518
-	89,730	86,614
-	941,601	927,791
327,459	327,459	331,436
236,305	236,305	257,417
289,050	289,050	289,050
-	-	160,000
60,853	220,028	369,943
922,338	2,159,292	2,474,769
3,061,502	11,373,188	12,146,197
74,844	166,826	93,816
1,483,439	1,686,127	1,592,311
\$ 1,558,283	\$ 1,852,953	\$ 1,686,127

Federal Grants Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	\$ 288,281	\$ 381,467
Total assets.....	<u>\$ 288,281</u>	<u>\$ 381,467</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 49,397	\$ 148,734
Accounts payable.....	<u>235,504</u>	<u>232,532</u>
Total liabilities.....	<u>284,901</u>	<u>381,266</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>3,380</u>	<u>201</u>
Total fund balance (deficit).....	<u>3,380</u>	<u>201</u>
Total liabilities and fund balance.....	<u>\$ 288,281</u>	<u>\$ 381,467</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 2,045,961	\$ 1,996,375
Miscellaneous.....	126	88
Total revenues.....	2,046,087	1,996,463
Other financing sources:		
Operating transfers in.....	744	864
Total other financing sources.....	744	864
Total revenues and other financing sources.....	2,046,831	1,997,327
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary.....	795	1,207
Secretary of the Commonwealth.....	425	707
Treasurer and Receiver-General.....	1,396	1,170
Attorney General.....	9,234	9,104
District Attorney.....	2,010	2,631
Sheriff's Departments.....	3,420	2,866
Disabled Persons Protection Commission.....	-	6
Board of Library Commissioners.....	2,912	2,906
Administration and finance.....	8,003	9,805
Environmental affairs.....	33,369	30,922
Housing and community development.....	415,342	383,025
Early education and care.....	11,150	-
Health and human services.....	383,643	380,991
Transportation and construction.....	10,617	17,714
Education.....	818,262	830,660
Higher education.....	8,860	8,848
Public safety and homeland security.....	97,316	97,625
Economic development.....	149,225	143,591
Total expenditures.....	1,955,979	1,923,778
Other financing uses:		
Fringe benefit cost assessment.....	42,708	40,296
Operating transfers out.....	44,965	44,400
Total other financing uses.....	87,673	84,696
Total expenditures and other financing uses.....	2,043,652	2,008,474
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	3,179	(11,147)
Fund balance (deficit) at beginning of year.....	201	11,348
Fund balance (deficit) at end of year.....	\$ 3,380	\$ 201

State Lottery Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 31,160	\$ 22,608
Receivables, net of allowance for uncollectibles:		
Other receivables.....	<u>1,862</u>	<u>1,391</u>
Total assets.....	<u>\$ 33,022</u>	<u>\$ 23,999</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	<u>\$ 33,022</u>	<u>\$ 23,999</u>
Total liabilities.....	<u>33,022</u>	<u>23,999</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>-</u>	<u>-</u>
Total fund balance (deficit).....	<u>-</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 33,022</u>	<u>\$ 23,999</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 1,229	\$ 1,392
Departmental.....	4,557,107	4,501,663
Miscellaneous.....	11,477	5,783
Total revenues.....	4,569,813	4,508,838
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	4,569,813	4,508,838
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Treasurer and Receiver-General.....	3,553,930	3,516,163
Total expenditures.....	3,553,930	3,516,163
Other financing uses:		
Fringe benefit cost assessment.....	3,234	3,232
Lottery operating reimbursements	81,588	79,267
Lottery distributions.....	862,987	849,177
Operating transfers out.....	68,074	60,999
Total other financing uses.....	1,015,883	992,675
Total expenditures and other financing uses.....	4,569,813	4,508,838
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, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 3,611	\$ 1,826
Receivables, net of allowance for uncollectibles:		
Other receivables.....	1,800	3,011
Total assets.....	<u>\$ 5,411</u>	<u>\$ 4,837</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 5,411	\$ 4,837
Total liabilities.....	<u>5,411</u>	<u>4,837</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	-	-
Total fund balance (deficit).....	-	-
Total liabilities and fund balance.....	<u>\$ 5,411</u>	<u>\$ 4,837</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 169,462	\$ 197,159
Miscellaneous.....	570	697
Total revenues.....	170,032	197,856
Other financing sources:		
Operating transfers in.....	68,074	60,999
Total other financing sources.....	68,074	60,999
Total revenues and other financing sources.....	238,106	258,855
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Treasurer and Receiver-General.....	151,350	172,894
Total expenditures.....	151,350	172,894
Other financing uses:		
Lottery operating reimbursements	8,142	7,347
Lottery distributions.....	78,614	78,614
Total other financing uses.....	86,756	85,961
Total expenditures and other financing uses.....	238,106	258,855
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.....	\$ -	\$ -

Medical Assistance Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 70,000	\$ -
Total assets.....	<u>\$ 70,000</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>70,000</u>	<u>-</u>
Total fund balance (deficit).....	<u>70,000</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 70,000</u>	<u>\$ -</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	-	-
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	70,000	-
Total other financing sources.....	70,000	-
Total revenues and other financing sources.....	70,000	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human services.....	-	-
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.....	70,000	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	<u>\$ 70,000</u>	<u>\$ -</u>

Uncompensated Care Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 170,180	\$ 175,826
Total assets.....	<u>\$ 170,180</u>	<u>\$ 175,826</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 12,695	\$ 10,979
Total liabilities.....	<u>12,695</u>	<u>10,979</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>157,485</u>	<u>164,847</u>
Total fund balance (deficit).....	<u>157,485</u>	<u>164,847</u>
Total liabilities and fund balance.....	<u>\$ 170,180</u>	<u>\$ 175,826</u>

Uncompensated Care Fund

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

Fiscal Year Ended June 30, 2006

(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Assessments.....	\$ 330,825	\$ 350,141
Federal grants and reimbursements.....	433,578	673,167
Departmental.....	476,936	862,412
Miscellaneous.....	7,754	3,830
Total revenues.....	<u>1,249,093</u>	<u>1,889,550</u>
Other financing sources:		
Operating transfers in.....	10,004	230,637
Uncompensated care pool transfer.....	171,900	309,100
Total other financing sources.....	<u>181,904</u>	<u>539,737</u>
Total revenues and other financing sources.....	<u>1,430,997</u>	<u>2,429,287</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Inspector General.....	589	1,049
Health and human services.....	1,394,332	2,034,852
Total expenditures.....	<u>1,394,921</u>	<u>2,035,901</u>
Other financing uses:		
Fringe benefit cost assessment.....	43	65
Municipal medicaid transfer.....	-	160,000
Operating transfers out.....	43,395	181,838
Total other financing uses.....	<u>43,438</u>	<u>341,903</u>
Total expenditures and other financing uses.....	<u>1,438,359</u>	<u>2,377,804</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(7,362)	51,483
Fund balance (deficit) at beginning of year.....	164,847	113,364
Fund balance (deficit) at end of year.....	<u>\$ 157,485</u>	<u>\$ 164,847</u>

Medical Security Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 64,263	\$ 37,951
Total assets.....	<u>\$ 64,263</u>	<u>\$ 37,951</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 458	\$ 311
Total liabilities.....	<u>458</u>	<u>311</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	63,805	37,640
Total fund balance (deficit).....	<u>63,805</u>	<u>37,640</u>
Total liabilities and fund balance.....	<u>\$ 64,263</u>	<u>\$ 37,951</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 47,592	\$ 44,596
Miscellaneous.....	329	195
Total revenues.....	47,921	44,791
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	47,921	44,791
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Treasurer and Receiver-General.....	15	185
Administration and finance.....	47	106
Economic development.....	18,490	18,021
Total expenditures.....	18,552	18,312
Other financing uses:		
Fringe benefit cost assessment.....	463	392
Operating transfers out.....	2,741	2,551
Total other financing uses.....	3,204	2,943
Total expenditures and other financing uses.....	21,756	21,255
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	26,165	23,536
Fund balance (deficit) at beginning of year.....	37,640	14,104
Fund balance (deficit) at end of year.....	\$ 63,805	\$ 37,640

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

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 775	\$ 593
Total assets.....	<u>775</u>	<u>593</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 451	\$ 255
Total liabilities.....	<u>451</u>	<u>255</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	324	338
Total fund balance (deficit).....	<u>324</u>	<u>338</u>
Total liabilities and fund balance.....	<u>\$ 775</u>	<u>\$ 593</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Assessments.....	\$ 3,170	\$ 3,184
Departmental.....	170	161
Total revenues.....	3,340	3,345
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	3,340	3,345
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Economic development.....	2,781	2,663
Total expenditures.....	2,781	2,663
Other financing uses:		
Fringe benefit cost assessment.....	374	415
Operating transfers out.....	199	208
Total other financing uses.....	573	623
Total expenditures and other financing uses.....	3,354	3,286
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(14)	59
Fund balance (deficit) at beginning of year.....	338	279
Fund balance (deficit) at end of year.....	\$ 324	\$ 338

Liability Management and Reduction Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 2,641	\$ 2,385
Total assets.....	<u>\$ 2,641</u>	<u>\$ 2,385</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 437	\$ 219
Total liabilities.....	<u>437</u>	<u>219</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>2,204</u>	<u>2,166</u>
Total fund balance (deficit).....	<u>2,204</u>	<u>2,166</u>
Total liabilities and fund balance.....	<u>\$ 2,641</u>	<u>\$ 2,385</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 2,376	\$ 2,440
Miscellaneous.....	44	22
Total revenues.....	<u>2,420</u>	<u>2,462</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	<u>-</u>	<u>-</u>
Total revenues and other financing sources.....	<u>2,420</u>	<u>2,462</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Attorney General.....	69	58
Comptroller.....	<u>2,288</u>	<u>2,415</u>
Total expenditures.....	<u>2,357</u>	<u>2,473</u>
Other financing uses:		
Fringe benefit cost assessment.....	18	17
Operating transfers out.....	<u>7</u>	<u>6</u>
Total other financing uses.....	<u>25</u>	<u>23</u>
Total expenditures and other financing uses.....	<u>2,382</u>	<u>2,496</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	38	(34)
Fund balance (deficit) at beginning of year.....	<u>2,166</u>	<u>2,200</u>
Fund balance (deficit) at end of year.....	<u>\$ 2,204</u>	<u>\$ 2,166</u>

Debt Defeasance Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	-	-
Total fund balance (deficit).....	<u>-</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ -</u>	<u>\$ -</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	-	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Treasurer and Receiver - General.....	-	-
Total expenditures.....	-	-
Other financing uses:		
Operating transfers out.....	-	7,465
Total other financing uses.....	-	7,465
Total expenditures and other financing uses.....	-	7,465
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	-	(7,465)
Fund balance (deficit) at beginning of year.....	-	7,465
Fund balance (deficit) at end of year.....	\$ -	\$ -

Health Care Security Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 3,105	\$ -
Investments.....	515,758	507,833
Receivables, net of allowance for uncollectibles:		
Other receivables.....	23,216	17,938
Total assets.....	<u>\$ 542,079</u>	<u>\$ 525,771</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ -	\$ 2,506
Accounts payable.....	70,337	79,675
Total liabilities.....	<u>70,337</u>	<u>82,181</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	471,742	443,590
Total fund balance (deficit).....	471,742	443,590
Total liabilities and fund balance.....	<u>\$ 542,079</u>	<u>\$ 525,771</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Assessments.....	\$ 150,319	\$ 147,021
Federal grants reimbursements.....	144,767	144,372
Departmental.....	218	158
Tobacco settlement revenue.....	236,305	257,417
Miscellaneous income.....	53,576	21,520
Total revenues.....	<u>585,185</u>	<u>570,488</u>
Other financing sources:		
Other sources.....	-	43,918
Total other financing sources.....	-	43,918
Total revenues and other financing sources.....	<u>585,185</u>	<u>614,406</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance	7	6
Health and human services	376	330
Total expenditures.....	<u>383</u>	<u>336</u>
Other financing uses:		
Fringe benefit cost assessment.....	34	29
Tobacco settlement transfer.....	236,305	257,417
Health care quality improvement transfer.....	289,050	289,050
Operating transfers out.....	31,261	43,949
Total other financing uses.....	<u>556,650</u>	<u>590,445</u>
Total expenditures and other financing uses.....	<u>557,033</u>	<u>590,781</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	28,152	23,625
Fund balance (deficit) at beginning of year.....	443,590	419,965
Fund balance (deficit) at end of year.....	<u>\$ 471,742</u>	<u>\$ 443,590</u>

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

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 1,052	\$ 1,449
Total assets.....	<u>\$ 1,052</u>	<u>\$ 1,449</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ 185
Total liabilities.....	<u>-</u>	<u>185</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	1,052	1,264
Total fund balance (deficit).....	<u>1,052</u>	<u>1,264</u>
Total liabilities and fund balance.....	<u>\$ 1,052</u>	<u>\$ 1,449</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 332	\$ 497
Total revenues.....	332	497
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	332	497
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human services.....	544	699
Total expenditures.....	544	699
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	544	699
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(212)	(202)
Fund balance (deficit) at beginning of year.....	1,264	1,466
Fund balance (deficit) at end of year.....	\$ 1,052	\$ 1,264

MBTA State and Local Contribution Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 65,514	\$ 63,785
Total assets.....	<u>\$ 65,514</u>	<u>\$ 63,785</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 65,514	\$ 63,785
Total liabilities.....	<u>65,514</u>	<u>63,785</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>-</u>	<u>-</u>
Total fund balance (deficit).....	<u>-</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 65,514</u>	<u>\$ 63,785</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 712,586	\$ 704,809
Assessments.....	136,027	137,732
Total revenues.....	848,613	842,541
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	848,613	842,541
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Treasurer and Receiver-General.....	848,613	842,541
Total expenditures.....	848,613	842,541
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	848,613	842,541
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.....	\$ -	\$ -

Catastrophic Illness in Children Relief Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 4,296	\$ 3,108
Total assets.....	<u>\$ 4,296</u>	<u>\$ 3,108</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 135	\$ 258
Total liabilities.....	<u>135</u>	<u>258</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>4,161</u>	<u>2,850</u>
Total fund balance (deficit).....	<u>4,161</u>	<u>2,850</u>
Total liabilities and fund balance.....	<u>\$ 4,296</u>	<u>\$ 3,108</u>

Catastrophic Illness in Children Relief Fund

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

Fiscal Year Ended June 30, 2006

(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 136	\$ 120
Total revenues.....	136	120
Other financing sources:		
Operating transfers in.....	2,664	2,486
Total other financing sources.....	2,664	2,486
Total revenues and other financing sources.....	2,800	2,606
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human services.....	1,487	1,243
Total expenditures.....	1,487	1,243
Other financing uses:		
Fringe benefit cost assessment.....	1	-
Operating transfers out.....	1	-
Total other financing uses.....	2	-
Total expenditures and other financing uses.....	1,489	1,243
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,311	1,363
Fund balance (deficit) at beginning of year.....	2,850	1,487
Fund balance (deficit) at end of year.....	\$ 4,161	\$ 2,850

MBTA Infrastructure Renovation Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 40,000	\$ 11,400
Total assets.....	<u>\$ 40,000</u>	<u>\$ 11,400</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 5,297	\$ 3,836
Total liabilities.....	<u>5,297</u>	<u>3,836</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>34,703</u>	<u>7,564</u>
Total fund balance (deficit).....	<u>34,703</u>	<u>7,564</u>
Total liabilities and fund balance.....	<u>\$ 40,000</u>	<u>\$ 11,400</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ -	\$ 474
Total revenues.....	-	474
Other financing sources:		
Operating transfers in.....	40,000	-
Total other financing sources.....	40,000	-
Total revenues and other financing sources.....	40,000	474
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Treasurer and Receiver-General.....	12,861	22,477
Total expenditures.....	12,861	22,477
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	12,861	22,477
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	27,139	(22,003)
Fund balance (deficit) at beginning of year.....	7,564	29,567
Fund balance (deficit) at end of year.....	\$ 34,703	\$ 7,564

Community Preservation Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 119,639	\$ 126,473
Total assets.....	<u>\$ 119,639</u>	<u>\$ 126,473</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>119,639</u>	<u>126,473</u>
Total fund balance (deficit).....	<u>119,639</u>	<u>126,473</u>
Total liabilities and fund balance.....	<u>\$ 119,639</u>	<u>\$ 126,473</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 36,088	\$ 37,406
Miscellaneous.....	3,890	1,820
Total revenues.....	39,978	39,226
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	39,978	39,226
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance.....	46,692	30,822
Total expenditures.....	46,692	30,822
Other financing uses:		
Fringe benefit cost assessment	89	-
Operating transfers out.....	31	-
Total other financing uses.....	120	-
Total expenditures and other financing uses.....	46,812	30,822
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(6,834)	8,404
Fund balance (deficit) at beginning of year.....	126,473	118,069
Fund balance (deficit) at end of year.....	\$ 119,639	\$ 126,473

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

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 8,826	\$ 15,023
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	<u>1,737</u>	<u>2,541</u>
Total assets.....	<u>\$ 10,563</u>	<u>\$ 17,564</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	<u>\$ 2,218</u>	<u>\$ 1,657</u>
Total liabilities.....	<u>2,218</u>	<u>1,657</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>8,345</u>	<u>15,907</u>
Total fund balance (deficit).....	<u>8,345</u>	<u>15,907</u>
Total liabilities and fund balance.....	<u>\$ 10,563</u>	<u>\$ 17,564</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 13,377	\$ 21,567
Total revenues.....	13,377	21,567
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	13,377	21,567
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human services.....	18,537	17,305
Total expenditures.....	18,537	17,305
Other financing uses:		
Fringe benefit cost assessment.....	590	556
Operating transfers out.....	1,812	731
Total other financing uses.....	2,402	1,287
Total expenditures and other financing uses.....	20,939	18,592
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(7,562)	2,975
Fund balance (deficit) at beginning of year.....	15,907	12,932
Fund balance (deficit) at end of year.....	\$ 8,345	\$ 15,907

State Racing Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 402	\$ 927
Total assets.....	<u>402</u>	<u>\$ 927</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 99	\$ 233
Total liabilities.....	<u>99</u>	<u>233</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>303</u>	<u>694</u>
Total fund balance (deficit).....	<u>303</u>	<u>694</u>
Total liabilities and fund balance.....	<u>\$ 402</u>	<u>\$ 927</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 4,181	\$ 4,677
Assessments.....	740	743
Departmental.....	711	791
Miscellaneous.....	1,436	1,549
Total revenues.....	<u>7,068</u>	<u>7,760</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	<u>-</u>	<u>-</u>
Total revenues and other financing sources.....	<u>7,068</u>	<u>7,760</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	183	107
Health and human services.....	228	162
Economic development.....	3,016	3,327
Total expenditures.....	<u>3,427</u>	<u>3,596</u>
Other financing uses:		
Fringe benefit cost assessment.....	-	28
Operating transfers out.....	4,032	4,368
Total other financing uses.....	<u>4,032</u>	<u>4,396</u>
Total expenditures and other financing uses.....	<u>7,459</u>	<u>7,992</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(391)	(232)
Fund balance (deficit) at beginning of year.....	694	926
Fund balance (deficit) at end of year.....	<u>\$ 303</u>	<u>\$ 694</u>

Division of Professional Licensure Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 2,015	\$ 1,770
Total assets.....	<u>\$ 2,015</u>	<u>\$ 1,770</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 441	\$ 254
Total liabilities.....	<u>441</u>	<u>254</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>1,574</u>	<u>1,516</u>
Total fund balance (deficit).....	<u>1,574</u>	<u>1,516</u>
Total liabilities and fund balance.....	<u>\$ 2,015</u>	<u>\$ 1,770</u>

Division of Professional Licensure Trust Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 5,583	\$ 4,365
Total revenues.....	5,583	4,365
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	5,583	4,365
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Economic development.....	3,536	3,597
Total expenditures.....	3,536	3,597
Other financing uses:		
Fringe benefit cost assessment.....	398	443
Operating transfers out.....	1,591	77
Total other financing uses.....	1,989	520
Total expenditures and other financing uses.....	5,525	4,117
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	58	248
Fund balance (deficit) at beginning of year.....	1,516	1,268
Fund balance (deficit) at end of year.....	\$ 1,574	\$ 1,516

Victims of Drunk Driving Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 1,338	\$ 1,093
Total assets.....	<u>\$ 1,338</u>	<u>\$ 1,093</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 89	\$ 64
Total liabilities.....	<u>89</u>	<u>64</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	1,249	1,029
Total fund balance (deficit).....	<u>1,249</u>	<u>1,029</u>
Total liabilities and fund balance.....	<u>\$ 1,338</u>	<u>\$ 1,093</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 483	\$ 504
Miscellaneous.....	39	8
Total revenues.....	522	512
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	522	512
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Attorney General.....	301	277
Total expenditures.....	301	277
Other financing uses:		
Operating transfers out.....	1	1
Total other financing uses.....	1	1
Total expenditures and other financing uses.....	302	278
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	220	234
Fund balance (deficit) at beginning of year.....	1,029	795
Fund balance (deficit) at end of year.....	\$ 1,249	\$ 1,029

Health Care Quality Improvement Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 4,097	\$ 7,937
Total assets.....	<u>\$ 4,097</u>	<u>\$ 7,937</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 367	\$ 1,050
Total liabilities.....	<u>367</u>	<u>1,050</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>3,730</u>	<u>6,887</u>
Total fund balance (deficit).....	<u>3,730</u>	<u>6,887</u>
Total liabilities and fund balance.....	<u>\$ 4,097</u>	<u>\$ 7,937</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Health care security trust transfer.....	289,050	289,050
Total other financing sources.....	289,050	289,050
Total revenues and other financing sources.....	289,050	289,050
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Medicaid.....	292,166	291,623
Total expenditures.....	292,166	291,623
Other financing uses:		
Fringe benefit cost assessment.....	27	37
Operating transfers out.....	14	19
Total other financing uses.....	41	56
Total expenditures and other financing uses.....	292,207	291,679
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(3,157)	(2,629)
Fund balance (deficit) at beginning of year.....	6,887	9,516
Fund balance (deficit) at end of year.....	\$ 3,730	\$ 6,887

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

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 140	\$ 176
Total assets.....	<u>\$ 140</u>	<u>\$ 176</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 65	\$ 35
Total liabilities.....	<u>65</u>	<u>35</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>75</u>	<u>141</u>
Total fund balance (deficit).....	<u>75</u>	<u>141</u>
Total liabilities and fund balance.....	<u>\$ 140</u>	<u>\$ 176</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 120	\$ 128
Miscellaneous.....	-	3
Total revenues.....	<u>120</u>	<u>131</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>120</u>	<u>131</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Public safety and homeland security.....	184	66
Total expenditures.....	<u>184</u>	<u>66</u>
Other financing uses:		
Operating transfers out.....	2	-
Total other financing uses.....	2	-
Total expenditures and other financing uses.....	<u>186</u>	<u>66</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(66)	65
Fund balance (deficit) at beginning of year.....	141	76
Fund balance (deficit) at end of year.....	<u>\$ 75</u>	<u>\$ 141</u>

Registers Technological Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 2,357	\$ 1,727
Total assets.....	<u>\$ 2,357</u>	<u>\$ 1,727</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 638	\$ 327
Total liabilities.....	<u>638</u>	<u>327</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>1,719</u>	<u>1,400</u>
Total fund balance (deficit).....	<u>1,719</u>	<u>1,400</u>
Total liabilities and fund balance.....	<u>\$ 2,357</u>	<u>\$ 1,727</u>

Registers Technological Fund

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

Fiscal Year Ended June 30, 2006

(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 6,456	\$ 6,728
Total revenues.....	6,456	6,728
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	6,456	6,728
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary.....	-	76
Secretary of the Commonwealth.....	5,665	5,901
Total expenditures.....	5,665	5,977
Other financing uses:		
Fringe benefit cost assessment.....	81	94
Operating transfers out.....	391	349
Total other financing uses.....	472	443
Total expenditures and other financing uses.....	6,137	6,420
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	319	308
Fund balance (deficit) at beginning of year.....	1,400	1,092
Fund balance (deficit) at end of year.....	\$ 1,719	\$ 1,400

County Registers Technological Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 3,652	\$ 3,464
Total assets.....	<u>\$ 3,652</u>	<u>\$ 3,464</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ 249
Total liabilities.....	<u>-</u>	<u>249</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>3,652</u>	<u>3,215</u>
Total fund balance (deficit).....	<u>3,652</u>	<u>3,215</u>
Total liabilities and fund balance.....	<u>\$ 3,652</u>	<u>\$ 3,464</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 3,386	\$ 3,622
Total revenues.....	3,386	3,622
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	3,386	3,622
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance.....	2,949	3,210
Total expenditures.....	2,949	3,210
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	2,949	3,210
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	437	412
Fund balance (deficit) at beginning of year.....	3,215	2,803
Fund balance (deficit) at end of year.....	\$ 3,652	\$ 3,215

State Election Campaign Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 1,614	\$ 1,247
Total assets.....	<u>\$ 1,614</u>	<u>\$ 1,247</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	1,614	1,247
Total fund balance (deficit).....	<u>1,614</u>	<u>1,247</u>
Total liabilities and fund balance.....	<u>\$ 1,614</u>	<u>\$ 1,247</u>

State Election Campaign Fund

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

Fiscal Year Ended June 30, 2006

(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 367	\$ 338
Total revenues.....	367	338
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	367	338
EXPENDITURES AND OTHER FINANCING USES		
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.....	367	338
Fund balance (deficit) at beginning of year.....	1,247	909
Fund balance (deficit) at end of year.....	\$ 1,614	\$ 1,247

Distressed Provider Expendable Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 25,909	\$ 12,495
Total assets.....	<u>\$ 25,909</u>	<u>\$ 12,495</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 25,649	\$ 12,495
Total liabilities.....	<u>25,649</u>	<u>12,495</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>260</u>	<u>-</u>
Total fund balance (deficit).....	<u>260</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 25,909</u>	<u>\$ 12,495</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 7,350	\$ -
Total revenues.....	7,350	-
Other financing sources:		
Operating transfers in.....	43,355	26,150
Total other financing sources.....	43,355	26,150
Total revenues and other financing sources.....	50,705	26,150
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human service.....	50,445	27,212
Total expenditures.....	50,445	27,212
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	50,445	27,212
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	260	(1,062)
Fund balance (deficit) at beginning of year.....	-	1,062
Fund balance (deficit) at end of year.....	\$ 260	\$ -

Economic Stimulus Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
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, 2006

(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ -	\$ 37
Total revenues.....	-	37
Other financing sources:		
Economic stimulus trust transfer.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	-	37
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance.....	-	-
Total expenditures.....	-	-
Other financing uses:		
Operating transfers out.....	-	37
Total other financing uses.....	-	37
Total expenditures and other financing uses.....	-	37
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, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 26,422	\$ 30,107
Due from cities and towns.....	22,625	21,000
Total assets.....	<u>\$ 49,047</u>	<u>\$ 51,107</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 224	\$ 295
Total liabilities.....	<u>224</u>	<u>295</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	48,823	50,812
Total fund balance (deficit).....	48,823	50,812
Total liabilities and fund balance.....	<u>\$ 49,047</u>	<u>\$ 51,107</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	-	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance.....	1,769	1,064
Total expenditures.....	1,769	1,064
Other financing uses:		
Fringe benefit cost assessment.....	68	44
Operating transfers out.....	152	80
Total other financing uses.....	220	124
Total expenditures and other financing uses.....	1,989	1,188
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(1,989)	(1,188)
Fund balance (deficit) at beginning of year.....	50,812	52,000
Fund balance (deficit) at end of year.....	\$ 48,823	\$ 50,812

Counsel for Indigent Salary Enhancement Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 301	\$ 147
Total assets.....	<u>\$ 301</u>	<u>\$ 147</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>301</u>	<u>147</u>
Total fund balance (deficit).....	<u>301</u>	<u>147</u>
Total liabilities and fund balance.....	<u>\$ 301</u>	<u>\$ 147</u>

Counsel for Indigent Salary Enhancement Trust Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 154	\$ 147
Total revenues.....	154	147
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	154	147
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary.....	-	-
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.....	154	147
Fund balance (deficit) at beginning of year.....	147	-
Fund balance (deficit) at end of year.....	\$ 301	\$ 147

Smart Growth Housing Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 3,349	\$ -
Total assets.....	<u>\$ 3,349</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	3,349	-
Total fund balance (deficit).....	<u>3,349</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 3,349</u>	<u>\$ -</u>

Smart Growth Housing Trust Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 200	\$ -
Miscellaneous.....	3,149	-
Total revenues.....	3,349	-
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	3,349	-
EXPENDITURES AND OTHER FINANCING USES		
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.....	3,349	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 3,349	\$ -

Special Projects Permitting and Oversight Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 121	\$ 139
Total assets.....	<u>\$ 121</u>	<u>\$ 139</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	121	139
Total fund balance (deficit).....	<u>121</u>	<u>139</u>
Total liabilities and fund balance.....	<u>\$ 121</u>	<u>\$ 139</u>

Special Projects Permitting and Oversight Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 220	\$ 336
Total revenues.....	220	336
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	220	336
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	181	140
Total expenditures.....	181	140
Other financing uses:		
Fringe benefit cost assessment.....	36	36
Operating transfers out.....	21	21
Total other financing uses.....	57	57
Total expenditures and other financing uses.....	238	197
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(18)	139
Fund balance (deficit) at beginning of year.....	139	-
Fund balance (deficit) at end of year.....	\$ 121	\$ 139

School Modernization and Reconstruction Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 51,117	\$ 36,417
Total assets.....	<u>\$ 51,117</u>	<u>\$ 36,417</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 362	\$ -
Total liabilities.....	<u>362</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>50,755</u>	<u>36,417</u>
Total fund balance (deficit).....	<u>50,755</u>	<u>36,417</u>
Total liabilities and fund balance.....	<u>\$ 51,117</u>	<u>\$ 36,417</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 488,700	\$ 395,700
Miscellaneous.....	219	2,326
Total revenues.....	488,919	398,026
Other financing sources:		
Operating transfer out	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	488,919	398,026
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Treasurer and Receiver-General.....	474,581	511,609
Total expenditures.....	474,581	511,609
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	474,581	511,609
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	14,338	(113,583)
Fund balance (deficit) at beginning of year.....	36,417	150,000
Fund balance (deficit) at end of year.....	\$ 50,755	\$ 36,417

Civil Process Technology Improvement Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 26	\$ 196
Total assets.....	<u>\$ 26</u>	<u>\$ 196</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 26	\$ 21
Total liabilities.....	<u>26</u>	<u>21</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	-	175
Total fund balance (deficit).....	<u>-</u>	<u>175</u>
Total liabilities and fund balance.....	<u>\$ 26</u>	<u>\$ 196</u>

Civil Process Technology Improvement Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ 389
Total revenues.....	-	389
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	-	389
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Sheriff's Departments.....	175	196
Total expenditures.....	175	196
Other financing uses:		
Operating transfers out.....	-	18
Total other financing uses.....	-	18
Total expenditures and other financing uses.....	175	214
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(175)	175
Fund balance (deficit) at beginning of year.....	175	-
Fund balance (deficit) at end of year.....	\$ -	\$ 175

Roche Community Rink Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 74	\$ 59
Total assets.....	<u>\$ 74</u>	<u>\$ 59</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	74	59
Total fund balance (deficit).....	<u>74</u>	<u>59</u>
Total liabilities and fund balance.....	<u>\$ 74</u>	<u>\$ 59</u>

Roche Community Rink Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 15	\$ 162
Total revenues.....	<u>15</u>	<u>162</u>
Other financing sources:		
Operating transfers in.....	<u>-</u>	<u>-</u>
Total other financing sources.....	<u>-</u>	<u>-</u>
Total revenues and other financing sources.....	<u>15</u>	<u>162</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	<u>-</u>	<u>103</u>
Total expenditures.....	<u>-</u>	<u>103</u>
Other financing uses:		
Operating transfers out.....	<u>-</u>	<u>-</u>
Total other financing uses.....	<u>-</u>	<u>-</u>
Total expenditures and other financing uses.....	<u>-</u>	<u>103</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	15	59
Fund balance (deficit) at beginning of year.....	<u>59</u>	<u>-</u>
Fund balance (deficit) at end of year.....	<u>\$ 74</u>	<u>\$ 59</u>

Workforce Competitiveness Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 11,000	\$ -
Total assets.....	<u>\$ 11,000</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	11,000	-
Total fund balance (deficit).....	<u>11,000</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 11,000</u>	<u>\$ -</u>

Workforce Competitiveness Trust Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	11,000	-
Total other financing sources.....	11,000	-
Total revenues and other financing sources.....	11,000	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Economic development.....	-	-
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.....	11,000	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 11,000	\$ -

Massachusetts Board of Higher Education Scholar-Internship Match Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 2,500	\$ -
Total assets.....	<u>\$ 2,500</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	2,500	-
Total fund balance (deficit).....	<u>2,500</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 2,500</u>	<u>\$ -</u>

Massachusetts Board of Higher Education Scholar-Internship Match Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	<u>-</u>	<u>-</u>
Other financing sources:		
Operating transfers in.....	<u>2,500</u>	<u>-</u>
Total other financing sources.....	<u>2,500</u>	<u>-</u>
Total revenues and other financing sources.....	<u>2,500</u>	<u>-</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Higher education.....	<u>-</u>	<u>-</u>
Total expenditures.....	<u>-</u>	<u>-</u>
Other financing uses:		
Operating transfers out.....	<u>-</u>	<u>-</u>
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.....	2,500	-
Fund balance (deficit) at beginning of year.....	<u>-</u>	<u>-</u>
Fund balance (deficit) at end of year.....	<u>\$ 2,500</u>	<u>\$ -</u>

District Local Technical Assistance Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 1,850	\$ -
Total assets.....	<u>\$ 1,850</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	1,850	-
Total fund balance (deficit).....	<u>1,850</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 1,850</u>	<u>\$ -</u>

District Local Technical Assistance Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	1,850	-
Total other financing sources.....	1,850	-
Total revenues and other financing sources.....	1,850	-
EXPENDITURES AND OTHER FINANCING USES		
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.....	1,850	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 1,850	\$ -

Educational Rewards Grant Program Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 1,500	\$ -
Total assets.....	<u>\$ 1,500</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	1,500	-
Total fund balance (deficit).....	<u>1,500</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 1,500</u>	<u>\$ -</u>

Educational Rewards Grant Program Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	1,500	-
Total other financing sources.....	1,500	-
Total revenues and other financing sources.....	1,500	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Economic development.....	-	-
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.....	1,500	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 1,500	\$ -

Government Land Bank Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 35,097	\$ 35,097
Total liabilities.....	<u>35,097</u>	<u>35,097</u>
Fund balance:		
Unreserved fund balance (deficit):		
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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 1,599	\$ 66
Total revenues.....	1,599	66
Other financing sources:		
Operating transfers in.....	2,311	4,380
Total other financing sources.....	2,311	4,380
Total revenues and other financing sources.....	3,910	4,446
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Debt service:		
Principal retirement.....	1,520	2,139
Interest and fiscal charges.....	2,390	2,307
Total expenditures.....	3,910	4,446
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	3,910	4,446
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, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 790	\$ 224
Total assets.....	<u>790</u>	<u>224</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 20	\$ 72
Total liabilities.....	<u>20</u>	<u>72</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	770	152
Total fund balance (deficit).....	<u>770</u>	<u>152</u>
Total liabilities and fund balance.....	<u>\$ 790</u>	<u>\$ 224</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 867	\$ 502
Departmental.....	302	44
Miscellaneous.....	254	226
Total revenues.....	1,423	772
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	1,423	772
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	683	648
Total expenditures.....	683	648
Other financing uses:		
Fringe benefit cost assessment.....	122	122
Total other financing uses.....	122	122
Total expenditures and other financing uses.....	805	770
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	618	2
Fund balance (deficit) at beginning of year.....	152	150
Fund balance (deficit) at end of year.....	\$ 770	\$ 152

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

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 4,061	\$ 484
Total assets.....	<u>\$ 4,061</u>	<u>\$ 484</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 55	\$ -
Total liabilities.....	<u>55</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	4,006	484
Total fund balance (deficit).....	<u>4,006</u>	<u>484</u>
Total liabilities and fund balance.....	<u>\$ 4,061</u>	<u>\$ 484</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, 2006

(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	4,000	-
Total other financing sources.....	4,000	-
Total revenues and other financing sources.....	4,000	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Higher education.....	463	1,597
Total expenditures.....	463	1,597
Other financing uses:		
Fringe benefit cost assessment.....	7	6
Operating transfers out.....	8	13
Total other financing uses.....	15	19
Total expenditures and other financing uses.....	478	1,616
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	3,522	(1,616)
Fund balance (deficit) at beginning of year.....	484	2,100
Fund balance (deficit) at end of year.....	\$ 4,006	\$ 484

Mosquito And Greenhead Fly Control Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 378	\$ 306
Total assets.....	<u>\$ 378</u>	<u>\$ 306</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 231	\$ 170
Total liabilities.....	<u>231</u>	<u>170</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	147	136
Undesignated.....	<u>-</u>	<u>-</u>
Total fund balance (deficit).....	<u>147</u>	<u>136</u>
Total liabilities and fund balance.....	<u>\$ 378</u>	<u>\$ 306</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Assessments.....	\$ 7,671	\$ 7,311
Departmental.....	711	628
Miscellaneous.....	4	-
Total revenues.....	<u>8,386</u>	<u>7,939</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>8,386</u>	<u>7,939</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	<u>7,532</u>	<u>6,937</u>
Total expenditures.....	<u>7,532</u>	<u>6,937</u>
Other financing uses:		
Fringe benefit cost assessment.....	<u>843</u>	<u>785</u>
Total other financing uses.....	<u>843</u>	<u>785</u>
Total expenditures and other financing uses.....	<u>8,375</u>	<u>7,722</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	11	217
Fund balance (deficit) at beginning of year.....	<u>136</u>	<u>(81)</u>
Fund balance (deficit) at end of year.....	<u>\$ 147</u>	<u>\$ 136</u>

Oil Overcharge Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 1,239	\$ 1,196
Total assets.....	<u>\$ 1,239</u>	<u>\$ 1,196</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 35	\$ 19
Total liabilities.....	<u>35</u>	<u>19</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>1,204</u>	<u>1,177</u>
Total fund balance (deficit).....	<u>1,204</u>	<u>1,177</u>
Total liabilities and fund balance.....	<u>\$ 1,239</u>	<u>\$ 1,196</u>

Oil Overcharge Fund

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ -	\$ 3
Miscellaneous.....	378	48
Total revenues.....	378	51
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	378	51
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Economic development.....	318	842
Total expenditures.....	318	842
Other financing uses:		
Fringe benefit cost assessment.....	18	167
Operating transfers out.....	15	172
Total other financing uses.....	33	339
Total expenditures and other financing uses.....	351	1,181
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	27	(1,130)
Fund balance (deficit) at beginning of year.....	1,177	2,307
Fund balance (deficit) at end of year.....	\$ 1,204	\$ 1,177

Environmental Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 4,200	\$ 4,666
Total assets.....	<u>\$ 4,200</u>	<u>\$ 4,666</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 189	\$ 123
Total liabilities.....	<u>189</u>	<u>123</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	4,011	4,543
Total fund balance (deficit).....	<u>4,011</u>	<u>4,543</u>
Total liabilities and fund balance.....	<u>\$ 4,200</u>	<u>\$ 4,666</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 1,181	\$ 1,180
Miscellaneous.....	220	108
Total revenues.....	<u>1,401</u>	<u>1,288</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>1,401</u>	<u>1,288</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	1,775	1,748
Transportation and construction.....	40	83
Total expenditures.....	<u>1,815</u>	<u>1,831</u>
Other financing uses:		
Fringe benefit cost assessment.....	46	40
Operating transfers out.....	72	81
Total other financing uses.....	<u>118</u>	<u>121</u>
Total expenditures and other financing uses.....	<u>1,933</u>	<u>1,952</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(532)	(664)
Fund balance (deficit) at beginning of year.....	4,543	5,207
Fund balance (deficit) at end of year.....	<u>\$ 4,011</u>	<u>\$ 4,543</u>

Children's Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 279	\$ 272
Total assets.....	<u>\$ 279</u>	<u>\$ 272</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ 1
Total liabilities.....	<u>-</u>	<u>1</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	279	271
Total fund balance (deficit).....	<u>279</u>	<u>271</u>
Total liabilities and fund balance.....	<u>\$ 279</u>	<u>\$ 272</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 10	\$ 11
Total revenues.....	10	11
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	10	11
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Early education and care.....	2	-
Health and human services.....	-	6
Total expenditures.....	2	6
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	2	6
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	8	5
Fund balance (deficit) at beginning of year.....	271	266
Fund balance (deficit) at end of year.....	\$ 279	\$ 271

Child Support Enforcement Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 8,526	\$ 4,710
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	<u>3,492</u>	<u>5,723</u>
Total assets.....	<u>\$ 12,018</u>	<u>\$ 10,433</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	<u>\$ 4,115</u>	<u>\$ 3,011</u>
Total liabilities.....	<u>4,115</u>	<u>3,011</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>7,903</u>	<u>7,422</u>
Total fund balance (deficit).....	<u>7,903</u>	<u>7,422</u>
Total liabilities and fund balance.....	<u>\$ 12,018</u>	<u>\$ 10,433</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 14,594	\$ 20,098
Departmental.....	2,349	730
Total revenues.....	16,943	20,828
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	16,943	20,828
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary.....	2,786	2,736
Treasurer and Receiver - General.....	-	13
District Attorney.....	152	161
Administration and finance.....	11,911	12,527
Health and human services.....	1,076	205
Economic development.....	-	53
Total expenditures.....	15,925	15,695
Other financing uses:		
Fringe benefit cost assessment.....	313	364
Operating transfers out.....	224	86
Total other financing uses.....	537	450
Total expenditures and other financing uses.....	16,462	16,145
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	481	4,683
Fund balance (deficit) at beginning of year.....	7,422	2,739
Fund balance (deficit) at end of year.....	\$ 7,903	\$ 7,422

Massachusetts Military Family Relief Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 162	\$ -
Total assets.....	<u>\$ 162</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	162	-
Total fund balance (deficit).....	<u>162</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 162</u>	<u>\$ -</u>

Massachusetts Military Family Relief Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 182	\$ -
Total revenues.....	182	-
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	182	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Public safety and homeland security.....	20	-
Total expenditures.....	20	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	20	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	162	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 162	\$ -

Department of Industrial Accidents Special Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 9,379	\$ 9,149
Total assets.....	<u>\$ 9,379</u>	<u>\$ 9,149</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 178	\$ -
Total liabilities.....	<u>178</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	9,201	9,149
Total fund balance (deficit).....	<u>9,201</u>	<u>9,149</u>
Total liabilities and fund balance.....	<u>\$ 9,379</u>	<u>\$ 9,149</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Assessments.....	\$ 17,995	\$ 16,359
Departmental.....	4,637	4,964
Miscellaneous.....	671	350
Total revenues.....	<u>23,303</u>	<u>21,673</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>23,303</u>	<u>21,673</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Economic development.....	439	-
Total expenditures.....	<u>439</u>	<u>-</u>
Other financing uses:		
Fringe benefit cost assessment.....	3,615	3,606
Operating transfers out.....	19,197	19,009
Total other financing uses.....	<u>22,812</u>	<u>22,615</u>
Total expenditures and other financing uses.....	<u>23,251</u>	<u>22,615</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	52	(942)
Fund balance (deficit) at beginning of year.....	9,149	10,091
Fund balance (deficit) at end of year.....	<u>\$ 9,201</u>	<u>\$ 9,149</u>

County Correction Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 2,059	\$ 4,900
Total assets.....	<u>\$ 2,059</u>	<u>\$ 4,900</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 657	\$ -
Total liabilities.....	<u>657</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	1,402	4,900
Total fund balance (deficit).....	<u>1,402</u>	<u>4,900</u>
Total liabilities and fund balance.....	<u>\$ 2,059</u>	<u>\$ 4,900</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 9,413	\$ 9,902
Total revenues.....	9,413	9,902
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	9,413	9,902
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Direct local aid.....	12,911	9,850
Total expenditures.....	12,911	9,850
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	12,911	9,850
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(3,498)	52
Fund balance (deficit) at beginning of year.....	4,900	4,848
Fund balance (deficit) at end of year.....	\$ 1,402	\$ 4,900

Massachusetts AIDS Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 320	\$ 323
Total assets.....	<u>\$ 320</u>	<u>\$ 323</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 12	\$ 23
Total liabilities.....	<u>12</u>	<u>23</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>308</u>	<u>300</u>
Total fund balance (deficit).....	<u>308</u>	<u>300</u>
Total liabilities and fund balance.....	<u>\$ 320</u>	<u>\$ 323</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 173	\$ 171
Total revenues.....	173	171
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	173	171
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human services.....	165	165
Total expenditures.....	165	165
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	165	165
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	8	6
Fund balance (deficit) at beginning of year.....	300	294
Fund balance (deficit) at end of year.....	\$ 308	\$ 300

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

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 10,457	\$ 8,775
Total assets.....	<u>\$ 10,457</u>	<u>\$ 8,775</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 1,188	\$ 831
Total liabilities.....	<u>1,188</u>	<u>831</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>9,269</u>	<u>7,944</u>
Total fund balance (deficit).....	<u>9,269</u>	<u>7,944</u>
Total liabilities and fund balance.....	<u>\$ 10,457</u>	<u>\$ 8,775</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 7,637	\$ 6,148
Miscellaneous.....	439	215
Total revenues.....	<u>8,076</u>	<u>6,363</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>8,076</u>	<u>6,363</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human services.....	6,684	6,609
Total expenditures.....	<u>6,684</u>	<u>6,609</u>
Other financing uses:		
Fringe benefit cost assessment.....	57	30
Operating transfers out.....	10	5
Total other financing uses.....	<u>67</u>	<u>35</u>
Total expenditures and other financing uses.....	<u>6,751</u>	<u>6,644</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,325	(281)
Fund balance (deficit) at beginning of year.....	7,944	8,225
Fund balance (deficit) at end of year.....	<u>\$ 9,269</u>	<u>\$ 7,944</u>

Board Of Registration In Medicine Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts In Thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 895	\$ 511
Total assets.....	<u>\$ 895</u>	<u>\$ 511</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 369	\$ 511
Total liabilities.....	<u>369</u>	<u>511</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>526</u>	<u>-</u>
Total fund balance (deficit).....	<u>526</u>	<u>-</u>
Total liabilities and fund balance.....	<u>\$ 895</u>	<u>\$ 511</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 4,239	\$ 5,040
Total revenues.....	4,239	5,040
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	4,239	5,040
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Health and human services.....	3,233	2,936
Higher education.....	27	32
Total expenditures.....	3,260	2,968
Other financing uses:		
Fringe benefit cost assessment.....	268	194
Operating transfers out.....	185	1,878
Total other financing uses.....	453	2,072
Total expenditures and other financing uses.....	3,713	5,040
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	526	-
Fund balance (deficit) at beginning of year.....	-	-
Fund balance (deficit) at end of year.....	\$ 526	\$ -

Water Pollution Abatement Projects Administration Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 691	\$ 509
Total assets.....	<u>\$ 691</u>	<u>\$ 509</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 515	\$ 356
Total liabilities.....	<u>515</u>	<u>356</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>176</u>	<u>153</u>
Total fund balance (deficit).....	<u>176</u>	<u>153</u>
Total liabilities and fund balance.....	<u>\$ 691</u>	<u>\$ 509</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 7,413	\$ 5,653
Total revenues.....	7,413	5,653
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	7,413	5,653
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	4,913	4,418
Public safety and homeland security.....	28	-
Total expenditures.....	4,941	4,418
Other financing uses:		
Fringe benefit cost assessment.....	957	855
Operating transfers out.....	1,492	1,328
Total other financing uses.....	2,449	2,183
Total expenditures and other financing uses.....	7,390	6,601
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	23	(948)
Fund balance (deficit) at beginning of year.....	153	1,101
Fund balance (deficit) at end of year.....	\$ 176	\$ 153

Commonwealth Sewer Rate Relief Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 31	\$ 23
Total assets.....	<u>\$ 31</u>	<u>\$ 23</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	31	23
Total fund balance (deficit).....	<u>31</u>	<u>23</u>
Total liabilities and fund balance.....	<u>\$ 31</u>	<u>\$ 23</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Operating transfers in.....	12,500	10,000
Total other financing sources.....	12,500	10,000
Total revenues and other financing sources.....	12,500	10,000
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance.....	12,492	9,978
Total expenditures.....	12,492	9,978
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	12,492	9,978
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	8	22
Fund balance (deficit) at beginning of year.....	23	1
Fund balance (deficit) at end of year.....	\$ 31	\$ 23

Motor Vehicle Safety Inspection Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 14,811	\$ 19,599
Accounts payable.....	<u>1,621</u>	<u>1,712</u>
Total liabilities.....	<u>16,432</u>	<u>21,311</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(16,432)</u>	<u>(21,311)</u>
Total fund balance (deficit).....	<u>(16,432)</u>	<u>(21,311)</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 40,165	\$ 40,486
Total revenues.....	40,165	40,486
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	40,165	40,486
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	1,884	1,847
Transportation and construction.....	32,558	33,397
Total expenditures.....	34,442	35,244
Other financing uses:		
Fringe benefit cost assessment.....	709	659
Operating transfers out.....	135	239
Total other financing uses.....	844	898
Total expenditures and other financing uses.....	35,286	36,142
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	4,879	4,344
Fund balance (deficit) at beginning of year.....	(21,311)	(25,655)
Fund balance (deficit) at end of year.....	\$ (16,432)	\$ (21,311)

Child Care Quality Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 726	\$ 620
Total assets.....	<u>\$ 726</u>	<u>\$ 620</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 46	\$ 127
Total liabilities.....	<u>46</u>	<u>127</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>680</u>	<u>493</u>
Total fund balance (deficit).....	<u>680</u>	<u>493</u>
Total liabilities and fund balance.....	<u>\$ 726</u>	<u>\$ 620</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 321	\$ 333
Total revenues.....	321	333
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	321	333
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Early education and care.....	134	-
Health and human services.....	-	395
Total expenditures.....	134	395
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	134	395
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	187	(62)
Fund balance (deficit) at beginning of year.....	493	555
Fund balance (deficit) at end of year.....	\$ 680	\$ 493

Convention and Exhibition Center Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 109,853	\$ 125,740
Cash with fiscal agent.....	<u>53,766</u>	<u>35,169</u>
Total assets.....	<u><u>\$ 163,619</u></u>	<u><u>\$ 160,909</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 4,873	\$ 13,798
Total liabilities.....	<u>4,873</u>	<u>13,798</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	53,766	35,169
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>104,980</u>	<u>111,942</u>
Total fund balance (deficit).....	<u>158,746</u>	<u>147,111</u>
Total liabilities and fund balance.....	<u><u>\$ 163,619</u></u>	<u><u>\$ 160,909</u></u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 55,052	\$ 50,561
Miscellaneous.....	7,160	4,592
Total revenues.....	62,212	55,153
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	62,212	55,153
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance.....	16,613	19,843
Debt service:		
Interest and fiscal charges.....	33,964	18,350
Total expenditures.....	50,577	38,193
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	50,577	38,193
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	11,635	16,960
Fund balance (deficit) at beginning of year.....	147,111	130,151
Fund balance (deficit) at end of year.....	\$ 158,746	\$ 147,111

Firearms Fingerprint Identity Verification Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 2,243	\$ 2,040
Total assets.....	<u>\$ 2,243</u>	<u>\$ 2,040</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 204	\$ 30
Total liabilities.....	<u>204</u>	<u>30</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	<u>2,039</u>	<u>2,010</u>
Total fund balance (deficit).....	<u>2,039</u>	<u>2,010</u>
Total liabilities and fund balance.....	<u>\$ 2,243</u>	<u>\$ 2,040</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ 1,134	\$ 1,026
Total revenues.....	1,134	1,026
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	1,134	1,026
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Public safety and homeland security	1,105	106
Total expenditures.....	1,105	106
Other financing uses:		
Fringe benefit cost assessment.....	-	6
Operating transfers out.....	-	15
Total other financing uses.....	-	21
Total expenditures and other financing uses.....	1,105	127
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	29	899
Fund balance (deficit) at beginning of year.....	2,010	1,111
Fund balance (deficit) at end of year.....	\$ 2,039	\$ 2,010

Grant Anticipation Note Trust Fund
Balance Sheet - Statutory Basis

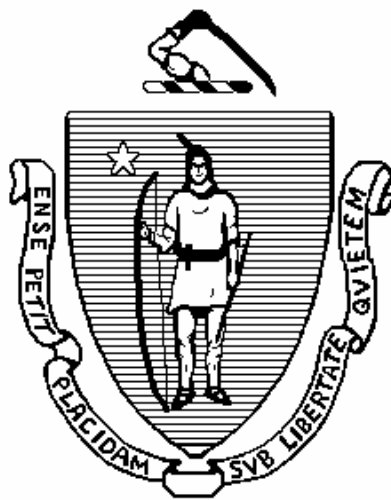
June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 11,582	\$ 107,219
Cash with fiscal agent.....	620,751	542,330
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	64,910	110,563
Total assets.....	<u>\$ 697,243</u>	<u>\$ 760,112</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Due to other funds.....	\$ 64,910	\$ 110,563
Total liabilities.....	<u>64,910</u>	<u>110,563</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	620,751	542,330
Unreserved fund balance (deficit):		
Designated for specific purpose.....	11,582	107,219
Total fund balance (deficit).....	<u>632,333</u>	<u>649,549</u>
Total liabilities and fund balance.....	<u>\$ 697,243</u>	<u>\$ 760,112</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 451,284	\$ 449,331
Miscellaneous.....	3,185	21,022
Total revenues.....	454,469	470,353
Other financing sources:		
Operating transfers in.....	67,486	74,550
Total other financing sources.....	67,486	74,550
Total revenues and other financing sources.....	521,955	544,903
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Debt service:		
Principal retirement.....	117,895	-
Interest and fiscal charges.....	93,817	95,223
Total expenditures.....	211,712	95,223
Other financing uses:		
Federal reimbursement transfers out.....	327,459	331,436
Total other financing uses.....	327,459	331,436
Total expenditures and other financing uses.....	539,171	426,659
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(17,216)	118,244
Fund balance (deficit) at beginning of year.....	649,549	531,305
Fund balance (deficit) at end of year.....	\$ 632,333	\$ 649,549



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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.

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.

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 Conservation and Recreation 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, 2006 and 2005
(Amounts in thousands)

	General Capital Projects	Capital Investment Trust	Convention and Exhibition Center Capital	Capital Improvements and Investment Trust	Capital Expenditure Reserve
ASSETS					
Cash and short-term investments.....	\$ -	\$ -	\$ 14,094	\$ -	\$ 36,192
Cash with fiscal agent.....	-	-	-	-	-
Receivables, net of allowance for uncollectibles:					
Due from federal government.....	11,901	-	-	-	-
Due from other funds.....	-	-	-	-	-
Total assets.....	<u>\$ 11,901</u>	<u>\$ -</u>	<u>\$ 14,094</u>	<u>\$ -</u>	<u>\$ 36,192</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deficiency in cash and short-term investments.....	\$ 206,202	\$ -	\$ -	\$ 2,255	\$ -
Accounts payable.....	117,223	-	-	1,140	8,967
Bonds and notes payable.....	-	-	-	-	25,100
Total liabilities.....	<u>323,425</u>	<u>-</u>	<u>-</u>	<u>3,395</u>	<u>\$ 34,067</u>
Fund balance:					
Reserved for:					
Debt service.....	-	-	-	-	-
Capital projects.....	-	-	14,094	-	2,125
Unreserved:					
Undesignated.....	<u>(311,524)</u>	<u>-</u>	<u>-</u>	<u>(3,395)</u>	<u>-</u>
Total fund balance (deficits).....	<u>(311,524)</u>	<u>-</u>	<u>14,094</u>	<u>(3,395)</u>	<u>2,125</u>
Total liabilities and fund balances.....	<u>\$ 11,901</u>	<u>\$ -</u>	<u>\$ 14,094</u>	<u>\$ -</u>	<u>\$ 36,192</u>

Highway Capital Projects	Federal Highway Construction Program	Central Artery Statewide Road and Bridge Infrastructure	Government Land Bank Capital Projects	Local Capital Projects	Totals (Memorandum only)	
					2006	2005
\$ -	\$ -	\$ 111,960	\$ -	\$ -	\$ 162,246	\$ 405,332
258,955	-	-	-	-	258,955	364,153
-	-	-	-	-	11,901	6,211
-	64,910	-	-	-	64,910	110,563
<u>\$ 258,955</u>	<u>\$ 64,910</u>	<u>\$ 111,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,012</u>	<u>\$ 886,259</u>
\$ 207,598	\$ 19,359	\$ -	\$ 10,000	\$ 13,974	\$ 459,388	\$ 616,036
39,778	42,547	7,238	5,000	451	222,344	291,023
-	-	-	-	-	25,100	140,100
<u>247,376</u>	<u>61,906</u>	<u>7,238</u>	<u>15,000</u>	<u>14,425</u>	<u>706,832</u>	<u>1,047,159</u>
258,955	-	-	-	-	258,955	364,153
-	3,004	104,722	-	-	123,945	363,400
(247,376)	-	-	(15,000)	(14,425)	(591,720)	(888,453)
<u>11,579</u>	<u>3,004</u>	<u>104,722</u>	<u>(15,000)</u>	<u>(14,425)</u>	<u>(208,820)</u>	<u>(160,900)</u>
<u>\$ 258,955</u>	<u>\$ 64,910</u>	<u>\$ 111,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,012</u>	<u>\$ 886,259</u>

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

Fiscal Years Ended June 30, 2006 and 2005
(Amounts in thousands)

	General Capital Projects	Capital Investment Trust	Convention and Exhibition Center Capital	Capital Improvements and Investment Trust	Capital Expenditure Reserve
REVENUES AND OTHER FINANCING SOURCES					
Revenues:					
Federal grants and reimbursements.....	\$ 30,409	\$ -	\$ -	\$ -	\$ -
Departmental.....	-	-	-	-	-
Miscellaneous.....	-	-	-	-	145,000
Total revenues.....	30,409	-	-	-	145,000
Other financing sources:					
Proceeds of general and special obligation bonds.....	1,339,705	757	-	13,670	-
Proceeds of refunding bonds.....	-	-	633,425	-	-
Operating transfers in.....	-	-	-	-	-
Federal reimbursement transfer in.....	-	-	-	-	-
State share of federal highway construction.....	-	-	-	-	-
Total other financing sources.....	1,339,705	757	633,425	13,670	-
Total revenues and other financing sources.....	1,370,114	757	633,425	13,670	145,000
EXPENDITURES AND OTHER FINANCING USES					
Expenditures:					
Judiciary.....	8,982	-	-	-	-
Inspector General.....	-	-	-	-	-
Governor and Lieutenant Governor.....	-	-	-	-	-
Secretary of the Commonwealth.....	1,209	-	-	-	-
Treasurer and Receiver-General.....	438,310	-	-	-	-
Auditor of the Commonwealth.....	1,403	-	-	-	-
Attorney General.....	1,504	-	8	-	-
Ethics Commission.....	-	-	-	-	-
Sheriff's Departments.....	3,284	-	-	-	-
Disabled Persons Protection Commission.....	212	-	-	-	-
Board of Library Commissioners.....	16,302	-	-	-	-
Comptroller.....	349	-	-	-	-
Administration and finance.....	273,240	-	12,116	128	-
Environmental affairs.....	118,215	-	-	3,037	-
Housing and community development.....	125,193	-	-	952	-
Health and human services.....	56,537	-	-	-	-
Transportation and construction.....	53,537	-	-	-	44,046
Education.....	854	-	-	-	-
Higher education.....	19,328	-	-	-	-
Public safety and homeland security.....	23,301	-	-	418	-
Economic development.....	983	-	-	-	-
Debt service:					
Principal Retirement.....	-	-	-	-	-
Interest and fiscal charges.....	-	-	-	-	-
Total expenditures.....	1,142,743	-	12,124	4,535	44,046
Other financing uses:					
Payments to refunded bond escrow agent.....	-	-	633,425	-	-
Fringe benefit cost assessment.....	7,604	-	-	6	-
State share of federal highway construction.....	-	-	-	-	-
Operating transfers out.....	-	-	-	-	-
Total other financing uses.....	7,604	-	633,425	6	-
Total expenditures and other financing uses.....	1,150,347	-	645,549	4,541	44,046
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	219,767	757	(12,124)	9,129	100,954
Fund balances (deficits) at beginning of year.....	(531,291)	(757)	26,218	(12,524)	(98,829)
Fund balances (deficits) at end of year.....	\$ (311,524)	\$ -	\$ 14,094	\$ (3,395)	\$ 2,125

Highway Capital Projects	Federal Highway Construction Program	Central Artery Statewide Road and Bridge Infrastructure	Government Land Bank Capital Projects	Local Capital Projects	Totals (Memorandum only)	
					2006	2005
\$ -	\$ 497	\$ -	\$ -	\$ -	\$ 30,906	\$ 11,626
-	1,130	-	-	-	1,130	403
20,168	-	11,553	-	-	176,721	23,110
20,168	1,627	11,553	-	-	208,757	35,139
474,124	-	-	-	10,235	1,838,491	1,354,228
-	-	-	-	-	633,425	1,384,763
6,913	-	33,161	-	-	40,074	85,368
-	327,459	-	-	-	327,459	331,436
-	93,797	-	-	-	93,797	154,184
481,037	421,256	33,161	-	10,235	2,933,246	3,309,979
501,205	422,883	44,714	-	10,235	3,142,003	3,345,118
-	-	-	-	355	9,337	22,553
-	-	-	-	-	-	415
-	-	-	-	-	-	259
-	96	-	-	-	1,305	2,528
18,362	-	-	-	7,317	463,989	576,700
-	-	-	-	-	1,403	571
322	447	-	-	-	2,281	868
-	-	-	-	-	-	279
-	-	-	-	-	3,284	1,530
-	-	-	-	-	212	-
-	-	-	-	-	16,302	16,698
-	-	-	-	-	349	7,534
118	-	-	5,000	86	290,688	297,151
15,571	1,438	1,152	-	557	139,970	119,532
45	-	-	-	-	126,190	119,652
-	-	-	-	-	56,537	29,441
373,979	414,852	233,244	-	-	1,119,658	1,273,462
-	-	-	-	-	854	-
-	-	-	-	-	19,328	17,554
-	99	-	-	-	23,818	26,734
-	254	-	-	-	1,237	763
103,966	-	-	-	-	103,966	-
9,355	-	-	-	-	9,355	20,723
521,718	417,186	234,396	5,000	8,315	2,390,063	2,534,947
-	-	-	-	-	633,425	1,153,150
18,961	5,427	43	-	-	32,041	28,563
93,797	-	-	-	-	93,797	154,184
596	-	40,001	-	-	40,597	23
113,354	5,427	40,044	-	-	799,860	1,335,920
635,072	422,613	274,440	5,000	8,315	3,189,923	3,870,867
(133,867)	270	(229,726)	(5,000)	1,920	(47,920)	(525,749)
145,446	2,734	334,448	(10,000)	(16,345)	(160,900)	364,849
\$ 11,579	\$ 3,004	\$ 104,722	\$ (15,000)	\$ (14,425)	\$ (208,820)	\$ (160,900)

General Capital Projects Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Receivables, net of allowance for uncollectibles:		
Due from federal government.....	\$ 11,901	\$ 6,211
Total assets.....	<u>\$ 11,901</u>	<u>\$ 6,211</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 206,202	\$ 337,601
Accounts payable.....	117,223	134,901
Bonds and notes payable.....	<u>-</u>	<u>65,000</u>
Total liabilities.....	<u>323,425</u>	<u>537,502</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(311,524)</u>	<u>(531,291)</u>
Total fund balance (deficit)	<u>(311,524)</u>	<u>(531,291)</u>
Total liabilities and fund balance.....	<u>\$ 11,901</u>	<u>\$ 6,211</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 30,409	\$ 10,788
Total revenues.....	30,409	10,788
Other financing sources:		
Proceeds of general obligation bonds.....	1,339,705	973,472
Proceeds of refunding bonds.....	-	471,811
Total other financing sources.....	1,339,705	1,445,283
Total revenues and other financing sources.....	1,370,114	1,456,071
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary.....	8,982	22,418
Inspector General.....	-	251
Governor and Lieutenant Governor.....	-	259
Secretary of the Commonwealth.....	1,209	1,239
Treasurer and Receiver-General.....	438,310	567,500
Auditor of the Commonwealth.....	1,403	571
Attorney General.....	1,504	267
Ethics Commission.....	-	279
Sheriff's Departments.....	3,284	1,530
Disabled Persons Protection Commision.....	212	-
Board of Library Commissioner.....	16,302	16,698
Comptroller.....	349	7,534
Administration and finance.....	273,240	233,520
Environmental affairs.....	118,215	93,642
Housing and community development.....	125,193	117,582
Health and human services.....	56,537	29,441
Transportation and construction.....	53,537	90,509
Education.....	854	-
Higher education.....	19,328	17,554
Public safety and homeland security.....	23,301	25,838
Economic development.....	983	567
Total expenditures.....	1,142,743	1,227,199
Other financing uses:		
Payments to refunded bond escrow agent.....	-	471,811
Fringe benefit cost assessment.....	7,604	6,126
Operating transfers out.....	-	20
Total other financing uses.....	7,604	477,957
Total expenditures and other financing uses.....	1,150,347	1,705,156
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	219,767	(249,085)
Fund balance (deficit) at beginning of year.....	(531,291)	(282,206)
Fund balance (deficit) at end of year.....	\$ (311,524)	\$ (531,291)

Capital Investment Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ -	\$ 757
Total liabilities.....	<u>-</u>	<u>757</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	-	(757)
Total fund balance (deficit)	<u>-</u>	<u>(757)</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of general obligation bonds.....	757	-
Total other financing sources.....	757	-
Total revenues and other financing sources.....	757	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	-	2
Total expenditures.....	-	2
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	-	2
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	757	(2)
Fund balance (deficit) at beginning of year.....	(757)	(755)
Fund balance at end of year.....	\$ -	\$ (757)

Convention and Exhibition Center Capital Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 14,094	\$ 27,849
Total assets.....	<u>\$ 14,094</u>	<u>\$ 27,849</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ -	\$ 1,631
Total liabilities.....	<u>-</u>	<u>1,631</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	14,094	26,218
Total fund balance (deficit).....	<u>14,094</u>	<u>26,218</u>
Total liabilities and fund balance.....	<u>\$ 14,094</u>	<u>\$ 27,849</u>

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of refunding bonds.....	633,425	-
Total other financing sources.....	633,425	-
Total revenues and other financing sources.....	633,425	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Attorney General.....	8	-
Administration and finance.....	12,116	54,155
Total expenditures.....	12,124	54,155
Other financing uses:		
Payments to refunded bond escrow agent.....	633,425	-
Total other financing uses.....	633,425	-
Total expenditures and other financing uses.....	645,549	54,155
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(12,124)	(54,155)
Fund balance (deficit) at beginning of year.....	26,218	80,373
Fund balance (deficit) at end of year.....	\$ 14,094	\$ 26,218

Capital Improvements and Investment Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 2,255	\$ 8,908
Accounts payable.....	<u>1,140</u>	<u>3,616</u>
Total liabilities.....	<u>3,395</u>	<u>12,524</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(3,395)</u>	<u>(12,524)</u>
Total fund balance (deficit)	<u>(3,395)</u>	<u>(12,524)</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of general obligation bonds.....	13,670	5,107
Total other financing sources.....	13,670	5,107
Total revenues and other financing sources.....	13,670	5,107
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Secretary of Commonwealth.....	-	1,256
Administration and finance.....	128	1,426
Environmental affairs.....	3,037	5,337
Housing and community development.....	952	2,070
Public safety and homeland security.....	418	304
Total expenditures.....	4,535	10,393
Other financing uses:		
Fringe benefit cost assessment.....	6	14
Total other financing uses.....	6	14
Total expenditures and other financing uses.....	4,541	10,407
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	9,129	(5,300)
Fund balance (deficit) at beginning of year.....	(12,524)	(7,224)
Fund balance (deficit) at end of year.....	\$ (3,395)	\$ (12,524)

Capital Expenditure Reserve Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	2006	2005
ASSETS		
Cash and short-term investments.....	\$ 36,192	\$ -
Total assets.....	<u>\$ 36,192</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ -	\$ 23,729
Accounts payable.....	8,967	-
Bonds and notes payable.....	25,100	75,100
Total liabilities.....	<u>34,067</u>	<u>98,829</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	2,125	-
Unreserved fund balance (deficit):		
Undesignated.....	-	(98,829)
Total fund balance (deficit)	<u>2,125</u>	<u>(98,829)</u>
Total liabilities and fund balance.....	<u>\$ 36,192</u>	<u>\$ -</u>

Capital Expenditure Reserve Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Payments from authorities.....	\$ 145,000	\$ -
Total revenues.....	145,000	-
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	145,000	-
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Transportation and construction.....	44,046	-
Total expenditures.....	44,046	-
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	44,046	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	100,954	-
Fund balance (deficit) at beginning of year.....	(98,829)	(98,829)
Fund balance (deficit) at end of year.....	\$ 2,125	\$ (98,829)

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

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash with fiscal agent.....	\$ 258,955	\$ 364,153
Total assets.....	<u>\$ 258,955</u>	<u>\$ 364,153</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 207,598	\$ 178,751
Accounts payable.....	<u>39,778</u>	<u>39,956</u>
Total liabilities.....	<u>247,376</u>	<u>218,707</u>
Fund balance:		
Reserved fund balance:		
Reserved for debt service.....	258,955	364,153
Unreserved fund balance (deficit):		
Undesignated.....	<u>(247,376)</u>	<u>(218,707)</u>
Total fund balance (deficit).....	<u>11,579</u>	<u>145,446</u>
Total liabilities and fund balance.....	<u>\$ 258,955</u>	<u>\$ 364,153</u>

Highway Capital Projects Fund

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

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 20,168	\$ 9,031
Total revenues.....	20,168	9,031
Other financing sources:		
Proceeds of general and special obligation bonds.....	474,124	367,921
Proceeds of refunding bonds.....	-	873,919
Operating transfers in.....	6,913	10,052
Total other financing sources.....	481,037	1,251,892
Total revenues and other financing sources.....	501,205	1,260,923
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Inspector General.....	-	164
Treasurer and Receiver - General.....	18,362	-
Attorney General.....	322	430
Administration and finance.....	118	1,984
Environmental affairs.....	15,571	18,949
Housing and community development.....	45	-
Transportation and construction.....	373,979	213,676
Debt service:		
Principal Retirement.....	103,966	-
Interest and fiscal charges.....	9,355	20,723
Total expenditures.....	521,718	255,926
Other financing uses:		
Payments to refunded bond escrow agent.....	-	642,306
Fringe benefit cost assessment.....	18,961	20,678
State share of federal highway	93,797	154,184
Operating transfers out.....	596	-
Total other financing uses.....	113,354	817,168
Total expenditures and other financing uses.....	635,072	1,073,094
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(133,867)	187,829
Fund balance (deficit) at beginning of year.....	145,446	(42,383)
Fund balance (deficit) at end of year.....	\$ 11,579	\$ 145,446

Federal Highway Construction Program Capital Projects Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Due from other funds.....	\$ 64,910	\$ 110,563
Total assets.....	<u>\$ 64,910</u>	<u>\$ 110,563</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investment.....	\$ 19,359	\$ 45,067
Accounts payable.....	<u>42,547</u>	<u>62,762</u>
Total liabilities.....	<u>61,906</u>	<u>107,829</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	<u>3,004</u>	<u>2,734</u>
Total fund balance (deficit).....	<u>3,004</u>	<u>2,734</u>
Total liabilities and fund balance.....	<u>\$ 64,910</u>	<u>\$ 110,563</u>

Federal Highway Construction Program Capital Projects Fund
Statement Of Revenues, Expenditures And Changes In Fund Balance - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ 497	\$ 838
Departmental.....	1,130	403
Total revenues.....	1,627	1,241
Other financing sources:		
Federal reimbursement transfers in.....	327,459	331,436
State share of federal highway construction.....	93,797	154,184
Total other financing sources.....	421,256	485,620
Total revenues and other financing sources.....	422,883	486,861
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Secretary of the Commonwealth.....	96	33
Attorney General.....	447	171
Environmental affairs.....	1,438	1,041
Transportation and construction.....	414,852	482,212
Public safety and homeland security.....	99	592
Economic development.....	254	196
Total expenditures.....	417,186	484,245
Other financing uses:		
Fringe benefit cost assessment.....	5,427	1,669
Total other financing uses.....	5,427	1,669
Total expenditures and other financing uses.....	422,613	485,914
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	270	947
Fund balance (deficit) at beginning of year.....	2,734	1,787
Fund balance (deficit) at end of year.....	\$ 3,004	\$ 2,734

Central Artery Statewide Road and Bridge Infrastructure Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 111,960	\$ 377,483
Total assets.....	<u>\$ 111,960</u>	<u>\$ 377,483</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable.....	\$ 7,238	\$ 43,035
Total liabilities.....	<u>7,238</u>	<u>43,035</u>
Fund balance:		
Reserved fund balance:		
Reserved for capital projects.....	104,722	334,448
Total fund balance (deficit)	<u>104,722</u>	<u>334,448</u>
Total liabilities and fund balance.....	<u>\$ 111,960</u>	<u>\$ 377,483</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 11,553	\$ 14,079
Total revenues.....	11,553	14,079
Other financing sources:		
Operating transfers in.....	33,161	75,316
Total other financing sources.....	33,161	75,316
Total revenues and other financing sources.....	44,714	89,395
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Environmental affairs.....	1,152	384
Transportation and construction.....	233,244	487,065
Total expenditures.....	234,396	487,449
Other financing uses:		
Fringe benefit cost assessmentt.....	43	76
Operating transfers out.....	40,001	3
Total other financing uses.....	40,044	79
Total expenditures and other financing uses.....	274,440	487,528
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(229,726)	(398,133)
Fund balance (deficit) at beginning of year.....	334,448	732,581
Fund balance (deficit) at end of year.....	\$ 104,722	\$ 334,448

Government Land Bank Capital Projects Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 10,000	\$ 5,000
Accounts payable.....	<u>5,000</u>	<u>5,000</u>
Total liabilities.....	<u>15,000</u>	<u>10,000</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(15,000)</u>	<u>(10,000)</u>
Total fund balance (deficit).....	<u>(15,000)</u>	<u>(10,000)</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Departmental.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of refunding bonds.....	-	3,162
Total other financing sources.....	-	3,162
Total revenues and other financing sources.....	-	3,162
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Administration and finance.....	5,000	5,000
Total expenditures.....	5,000	5,000
Other financing uses:		
Payments to refunded bonds escrow.....	-	3,162
Total other financing uses.....	-	3,162
Total expenditures and other financing uses.....	5,000	8,162
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(5,000)	(5,000)
Fund balance (deficit) at beginning of year.....	(10,000)	(5,000)
Fund balance (deficit) at end of year.....	\$ (15,000)	\$ (10,000)

Local Capital Projects Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ -	\$ -
Total assets.....	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Deficiency in cash and short-term investments.....	\$ 13,974	\$ 16,223
Accounts payable.....	<u>451</u>	<u>122</u>
Total liabilities.....	<u>14,425</u>	<u>16,345</u>
Fund balance:		
Unreserved fund balance (deficit):		
Undesignated.....	<u>(14,425)</u>	<u>(16,345)</u>
Total fund balance (deficit)	<u>(14,425)</u>	<u>(16,345)</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, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Federal grants and reimbursements.....	\$ -	\$ -
Total revenues.....	-	-
Other financing sources:		
Proceeds of general obligation bonds.....	10,235	7,728
Proceeds of refunding bonds.....	-	35,871
Total other financing sources.....	10,235	43,599
Total revenues and other financing sources.....	10,235	43,599
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary.....	355	135
Treasurer and Receiver-General.....	7,317	9,200
Administration and finance.....	86	1,066
Environmental affairs.....	557	177
Total expenditures.....	8,315	10,578
Other financing uses:		
Payments to refunded bond escrow agent.....	-	35,871
Total other financing uses.....	-	35,871
Total expenditures and other financing uses.....	8,315	46,449
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	1,920	(2,850)
Fund balance (deficit) at beginning of year.....	(16,345)	(13,495)
Fund balance (deficit) at end of year.....	\$ (14,425)	\$ (16,345)



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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.

Expendable Trust Fund - Internal – to account for various gifts, bequests or contributions held by the Commonwealth, solely for the benefit of Commonwealth entities, of which both principal and interest may be expended for purposes designated by the donor.

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.

PENSION TRUST FUNDS:

Pension Trust Funds – to account for the assets, liabilities and fund balances held in trust by the State Employees', State Teachers' Retirement Systems and the State – Boston Retirement System for the payment of retirement, disability and death benefits to members of these retirement systems.

AGENCY FUNDS:

Agency Funds – to account for cash, investments held or managed by the Commonwealth on behalf of others. These include the investments made by cities, towns and local authorities in the Municipal Depository Trust, employees' contributions to the deferred compensation plan, annuity contracts held for lottery prize winners, local option taxes collected but not yet remitted, assets held in escrow accounts by the Commonwealth's court system and human service departments, child support payments collected or receivable and not yet remitted to custodial parents, and deposits required from insurance companies and similar organizations.

Fiduciary Fund Types
Combining Balance Sheet - Statutory Basis

June 30, 2006 and 2005
(Amounts in thousands)

	Expendable Trust Funds	Nonexpendable Trust Funds	Pension Trust Funds
ASSETS			
Cash and short-term investments.....	\$ 377,987	\$ 5,834	\$ 1,081,099
Cash on deposit with U.S. Treasury.....	911,951	-	-
Investments.....	-	-	39,471,450
Assets held in trust.....	-	-	-
Other receivables, net of allowance for uncollectibles.....	-	-	408,920
Other assets.....	-	-	3,283
Total assets.....	<u>\$ 1,289,938</u>	<u>\$ 5,834</u>	<u>\$ 40,964,752</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable.....	\$ 34,040	\$ -	\$ 1,307,748
Agency liabilities.....	-	-	-
Due to cities and towns.....	-	-	-
Total liabilities.....	<u>34,040</u>	<u>-</u>	<u>1,307,748</u>
Fund balances:			
Reserved for:			
Employees' pension benefits.....	-	-	39,657,004
Unemployment benefits.....	911,950	-	-
Unreserved:			
Designated for specific purpose.....	343,948	5,834	-
Total fund balances.....	<u>1,255,898</u>	<u>5,834</u>	<u>39,657,004</u>
Total liabilities and fund balances.....	<u>\$ 1,289,938</u>	<u>\$ 5,834</u>	<u>\$ 40,964,752</u>

Agency Funds	Totals (Memorandum only)	
	2006	2005
\$ 430,429	\$ 1,895,349	\$ 1,788,334
-	911,951	414,998
-	39,471,450	35,153,266
1,359,400	1,359,400	1,879,723
-	408,920	598,142
-	3,283	19,788
<u>\$ 1,789,829</u>	<u>\$ 44,050,353</u>	<u>\$ 39,854,251</u>

\$ 59,589	\$ 1,401,377	\$ 2,084,643
1,683,145	1,683,145	2,160,059
47,095	47,095	55,591
<u>1,789,829</u>	<u>3,131,617</u>	<u>4,300,293</u>

-	39,657,004	34,796,046
-	911,950	414,998
-	349,782	342,914
-	40,918,736	35,553,958
<u>\$ 1,789,829</u>	<u>\$ 44,050,353</u>	<u>\$ 39,854,251</u>

Expendable Trust Funds
Combining Balance Sheet - Statutory Basis

June 30, 2006 and 2005
(Amounts in thousands)

			Totals (Memorandum only)	
	Expendable Trusts	Unemployment Compensation Trust	2006	2005
ASSETS				
Cash and short-term investments.....	\$ 377,987	\$ -	\$ 377,987	\$ 410,901
Cash on deposit with U.S. Treasury.....	-	911,951	911,951	414,998
Total assets.....	<u>\$ 377,987</u>	<u>\$ 911,951</u>	<u>\$ 1,289,938</u>	<u>\$ 825,899</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable.....	<u>\$ 34,039</u>	<u>\$ 1</u>	<u>\$ 34,040</u>	<u>\$ 73,821</u>
Total liabilities.....	<u>34,039</u>	<u>1</u>	<u>34,040</u>	<u>73,821</u>
Fund balances:				
Reserved for:				
Unemployment benefits.....	-	911,950	911,950	414,998
Unreserved:				
Designated for specific purpose.....	<u>343,948</u>	<u>-</u>	<u>343,948</u>	<u>337,080</u>
Total fund balances.....	<u>343,948</u>	<u>911,950</u>	<u>1,255,898</u>	<u>752,078</u>
Total liabilities and fund balances.....	<u>\$ 377,987</u>	<u>\$ 911,951</u>	<u>\$ 1,289,938</u>	<u>\$ 825,899</u>

Expendable Trust Funds
Combining Statements Of Revenues, Expenses And Changes In Fund Balances - Statutory Basis

Fiscal Years Ended June 30, 2006 and 2005
(Amounts in thousands)

			Totals (Memorandum only)	
	Expendable Trusts	Unemployment Compensation Trust	2006	2005
REVENUES AND OTHER FINANCING SOURCES				
Revenues:				
Taxes.....	\$ -	\$ 1,720,473	\$ 1,720,473	\$ 1,670,942
Assessments.....	53,376	-	53,376	53,078
Federal grants and reimbursements.....	16,272	35,244	51,516	262,973
Departmental.....	48,810	63,622	112,432	88,146
Miscellaneous.....	325,893	27,120	353,013	292,349
Total revenues.....	444,351	1,846,459	2,290,810	2,367,488
Other financing sources:				
Municipal medicaid transfer.....	-	-	-	160,000
Operating transfers in.....	9,247	-	9,247	18,628
Other sources.....	1,676	-	1,676	380
Total other financing sources.....	10,923	-	10,923	179,008
Total revenues and other financing sources.....	455,274	1,846,459	2,301,733	2,546,496
EXPENDITURES AND OTHER FINANCING USES				
Expenditures:				
Judiciary.....	264	-	264	220
Secretary of the Commonwealth.....	7	-	7	10
Treasurer and Receiver-General	52,899	-	52,899	289
Auditor of the Commonwealth.....	623	-	623	61
Attorney General.....	5,245	-	5,245	3,232
District Attorney.....	6,543	-	6,543	6,243
Sheriff's Departments.....	25	-	25	8
Board of library commissioners.....	26	-	26	211
Administration and finance.....	7,532	-	7,532	7,383
Environmental affairs.....	31,350	-	31,350	21,459
Housing and community development.....	2,974	-	2,974	5,125
Health and human services.....	45,316	-	45,316	188,388
Transportation and construction.....	1,010	-	1,010	574
Education.....	4,730	-	4,730	3,875
Higher education.....	6,752	-	6,752	6,267
Public safety and homeland security.....	33,987	-	33,987	40,519
Economic development.....	64,084	1,349,507	1,413,591	1,737,071
Total expenditures.....	263,367	1,349,507	1,612,874	2,020,935
Other financing uses:				
Fringe benefit cost assessment.....	6,306	-	6,306	7,700
Operating transfers out.....	178,733	-	178,733	259,288
Total other financing uses.....	185,039	-	185,039	266,988
Total expenditures and other financing uses.....	448,406	1,349,507	1,797,913	2,287,923
Excess and other financing sources over expenditures and other financing uses.....	6,868	496,952	503,820	258,573
Fund balances at beginning of year.....	337,080	414,998	752,078	493,505
Fund balances at end of year.....	\$ 343,948	\$ 911,950	\$ 1,255,898	\$ 752,078

Expendable Trust Fund - External
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 350,402	\$ 385,876
Total assets.....	<u>\$ 350,402</u>	<u>\$ 385,876</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable.....	\$ 33,399	\$ 73,319
Total liabilities.....	<u>33,399</u>	<u>73,319</u>
Fund balance:		
Unreserved fund balance (deficit):		
Designated for specific purpose.....	317,003	312,557
Total fund balances (deficit).....	<u>317,003</u>	<u>312,557</u>
Total liabilities and fund balances.....	<u>\$ 350,402</u>	<u>\$ 385,876</u>

Expendable Trust Fund - External
Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Assessments.....	\$ 53,066	\$ 52,558
Federal grants and reimbursements.....	16,272	20,204
Departmental.....	44,050	35,120
Miscellaneous.....	322,067	272,771
Total revenues.....	435,455	380,653
Other financing sources:		
Municipal medicaid transfer.....	-	160,000
Operating transfers in.....	9,247	18,628
Total other financing sources.....	9,247	178,628
Total revenues and other financing sources.....	444,702	559,281
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Judiciary.....	264	220
Secretary of the Commonwealth.....	7	10
Treasurer and Receiver-General	52,899	289
Auditor of the Commonwealth.....	623	61
Attorney General.....	2,651	1,829
District Attorney.....	6,264	6,034
Sheriff's Departments.....	15	1
Board of library commissioners.....	26	211
Administration and finance.....	6,919	7,376
Environmental affairs.....	31,012	21,154
Housing and community development.....	2,974	5,005
Health and human services.....	42,893	186,123
Transportation and construction.....	1,010	574
Education.....	4,730	3,875
Higher education.....	6,752	6,267
Public safety and homeland security.....	33,987	40,510
Economic development.....	63,818	56,496
Total expenditures.....	256,844	336,035
Other financing uses:		
Fringe benefit cost assessment.....	5,777	7,259
Operating transfers out.....	177,635	258,181
Total other financing uses.....	183,412	265,440
Total expenditures and other financing uses.....	440,256	601,475
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	4,446	(42,194)
Fund balances (deficit) at beginning of year.....	312,557	354,751
Fund balances (deficit) at end of year.....	\$ 317,003	\$ 312,557

Revolving Loan Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 5,761	\$ 4,461
Total assets.....	<u>\$ 5,761</u>	<u>\$ 4,461</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balance:		
Unreserved:		
Designated for specific purpose.....	<u>5,761</u>	<u>4,461</u>
Total fund balances (deficit).....	<u>5,761</u>	<u>4,461</u>
Total liabilities and fund balances.....	<u>\$ 5,761</u>	<u>\$ 4,461</u>

Revolving Loan Fund
Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Miscellaneous.....	\$ 368	\$ 180
Total revenues.....	368	180
Other financing sources:		
Other sources.....	1,676	380
Total other financing sources.....	1,676	380
Total revenues and other financing sources.....	2,044	560
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Housing and community development.....	-	120
Health and human services.....	-	7
Total expenditures.....	-	127
Other financing uses:		
Operating transfers out.....	744	864
Total other financing uses.....	744	864
Total expenditures and other financing uses.....	744	991
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	1,300	(431)
Fund balances (deficit) at beginning of year.....	4,461	4,892
Fund balances (deficit) at end of year.....	\$ 5,761	\$ 4,461

Expendable Trust Fund - Internal
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 21,824	\$ 20,564
Total assets.....	<u>\$ 21,824</u>	<u>\$ 20,564</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable.....	\$ 640	\$ 502
Total liabilities.....	<u>640</u>	<u>502</u>
Fund balance:		
Unreserved.:		
Designated for specific purpose.....	21,184	20,062
Total fund balances (deficit).....	<u>21,184</u>	<u>20,062</u>
Total liabilities and fund balances.....	<u>\$ 21,824</u>	<u>\$ 20,564</u>

Expendable Trust Fund - Internal
Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Assessments.....	\$ 310	\$ 520
Departmental.....	4,760	3,449
Miscellaneous.....	3,458	10,008
Total revenues.....	8,528	13,977
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	8,528	13,977
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Attorney General	2,594	1,403
District Attorney.....	279	209
Sheriff's Departments.....	10	7
Administration and finance.....	613	7
Environmental affairs.....	338	305
Health and human services.....	2,423	2,258
Public safety and homeland security.....	-	9
Economic development.....	266	446
Total expenditures.....	6,523	4,644
Other financing uses:		
Fringe benefit cost assessment.....	529	441
Operating transfers out.....	354	243
Total other financing uses.....	883	684
Total expenditures and other financing uses.....	7,406	5,328
Excess (deficiency)of revenues and other financing sources over expenditures and other financing uses.....	1,122	8,649
Fund balances (deficit) at beginning of year.....	20,062	11,413
Fund balances (deficit) at end of year.....	\$ 21,184	\$ 20,062

Unemployment Compensation Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash on deposit with U.S. Treasury.....	\$ 911,951	\$ 414,998
Total assets.....	<u>\$ 911,951</u>	<u>\$ 414,998</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable.....	\$ 1	\$ -
Total liabilities.....	<u>1</u>	<u>-</u>
Fund balance:		
Reserved for:		
Unemployment benefits.....	911,950	414,998
Total fund balances (deficit).....	<u>911,950</u>	<u>414,998</u>
Total liabilities and fund balances.....	<u>\$ 911,951</u>	<u>\$ 414,998</u>

Unemployment Compensation Fund
Statement Of Revenues, Expenditures And Changes In Fund Balances - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	2006	2005
REVENUES AND OTHER FINANCING SOURCES		
Revenues:		
Taxes.....	\$ 1,720,473	\$ 1,670,942
Federal grants and reimbursements.....	35,244	242,769
Departmental.....	63,622	49,577
Miscellaneous.....	27,120	9,390
Total revenues.....	<u>1,846,459</u>	<u>1,972,678</u>
Other financing sources:		
Operating transfers in.....	-	-
Total other financing sources.....	-	-
Total revenues and other financing sources.....	<u>1,846,459</u>	<u>1,972,678</u>
EXPENDITURES AND OTHER FINANCING USES		
Expenditures:		
Economic development.....	<u>1,349,507</u>	<u>1,680,129</u>
Total expenditures.....	<u>1,349,507</u>	<u>1,680,129</u>
Other financing uses:		
Operating transfers out.....	-	-
Total other financing uses.....	-	-
Total expenditures and other financing uses.....	<u>1,349,507</u>	<u>1,680,129</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	496,952	292,549
Fund balances (deficit) at beginning of year.....	414,998	122,449
Fund balances (deficit) at end of year.....	<u>\$ 911,950</u>	<u>\$ 414,998</u>

Nonexpendable Trust Fund
Balance Sheet - Statutory Basis

June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and short-term investments.....	\$ 5,834	\$ 5,834
Total assets.....	<u>\$ 5,834</u>	<u>\$ 5,834</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable.....	\$ -	\$ -
Total liabilities.....	<u>-</u>	<u>-</u>
Fund balances:		
Reserved for:		
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, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
REVENUES		
Revenues:		
Investment earnings.....	\$ -	\$ -
Total revenues.....	<u>-</u>	<u>-</u>
EXPENSES		
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, 2006 and 2005
(Amounts in thousands)

	(Amounts in thousands)		Totals	
	State Employees' PERS	Teachers' PERS	(Memorandum only)	
			2006	2005
ASSETS				
Cash and short-term investments.....	\$ 302,819	\$ 778,280	\$ 1,081,099	\$ 979,718
Investments at fair value.....	18,300,050	21,171,400	39,471,450	35,153,266
Other receivables, net of allowance for uncollectibles.....	158,808	250,112	408,920	598,142
Other assets.....	1,553	1,730	3,283	19,788
Total assets.....	<u>\$ 18,763,230</u>	<u>\$ 22,201,522</u>	<u>\$ 40,964,752</u>	<u>\$ 36,750,914</u>
LIABILITIES				
Accounts payable.....	<u>\$ 620,000</u>	<u>\$ 687,748</u>	<u>\$ 1,307,748</u>	<u>\$ 1,954,868</u>
Total liabilities.....	<u>620,000</u>	<u>687,748</u>	<u>1,307,748</u>	<u>1,954,868</u>
Net assets available for pension benefits (fund balances reserved for employees' pension benefits).....	\$ 18,143,230	\$ 21,513,774	\$ 39,657,004	\$ 34,796,046

Pension Trust Funds

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

Fiscal Years Ended June 30, 2006 and 2005
(Amounts in thousands)

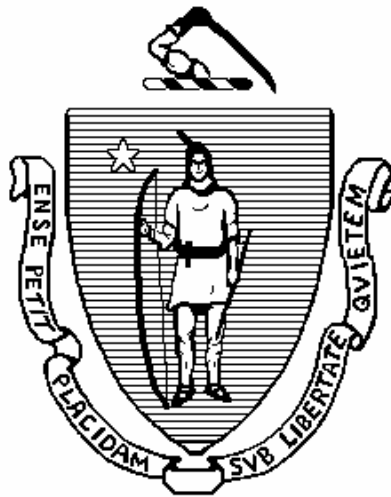
	State Employees' PERS	Teachers' PERS	Totals (Memorandum only)	
			2006	2005
Additions:				
Contribution:				
Commonwealth contributions.....	\$ 331,304	\$ 816,792	\$ 1,148,096	\$ 1,112,195
Employees contributions.....	748,196	913,379	1,661,575	873,970
Total contributions.....	1,079,500	1,730,171	2,809,671	1,986,165
Net investment (loss) income:				
Net appreciation (depreciation) in fair value of investments.....	1,942,192	2,165,829	4,108,021	3,048,638
Interest.....	242,589	270,523	513,112	424,602
Dividends.....	197,797	220,573	418,370	397,976
Real estate operating income, net.....	98,843	110,225	209,068	188,063
Alternative investments.....	12,220	13,627	25,847	9,543
Other.....	425,388	21,479	446,867	51,165
Total investment (loss) income.....	2,919,029	2,802,256	5,721,285	4,119,987
Less: investment expense	73,947	82,461	156,408	98,739
Net investment (loss) income	2,845,082	2,719,795	5,564,877	4,021,248
Total additions.....	3,924,582	4,449,966	8,374,548	6,007,413
Deductions:				
Administration reimbursement.....	130,264	463,862	594,126	15,374
Retirement benefits and refunds.....	1,784,713	1,134,751	2,919,464	2,424,471
Total deductions.....	1,914,977	1,598,613	3,513,590	2,439,845
Net increase (decrease).....	2,009,605	2,851,353	4,860,958	3,567,568
Net (decrease) assets available for pension benefits at beginning of year (fund balances reserved for employees' pension benefits).....	16,133,625	18,662,421	34,796,046	31,228,478
Net assets available for pension benefits at end of year (fund balances reserved for employees' pension benefits).....	\$ 18,143,230	\$ 21,513,774	\$ 39,657,004	\$ 34,796,046

Agency Funds
Statement Of Changes In Assets And Liabilities - Statutory Basis

Fiscal Years Ended June 30, 2005 and 2006
(Amounts in thousands)

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
ASSETS				
Cash and short-term investments.....	\$ 391,881	\$ 7,909,889	\$ 7,871,341	\$ 430,429
Assets held in trust.....	1,879,723	2,034	522,357	1,359,400
Total assets.....	<u>\$ 2,271,604</u>	<u>\$ 7,911,923</u>	<u>\$ 8,393,698</u>	<u>\$ 1,789,829</u>
LIABILITIES				
Accounts payable.....	\$ 55,954	\$ 3,784,200	\$ 3,780,565	\$ 59,589
Due to cities and towns.....	55,591	379,610	388,106	47,095
Due to federal government.....	-	72	72	-
Agency liabilities.....	<u>2,160,059</u>	<u>3,691,462</u>	<u>4,168,376</u>	<u>1,683,145</u>
Total liabilities.....	<u>\$ 2,271,604</u>	<u>\$ 7,855,344</u>	<u>\$ 8,337,119</u>	<u>\$ 1,789,829</u>

Supplemental Information



Calculation of Transfers – Stabilization and Tax Reduction Funds
Schedule of Pension Funding Progress – Last Three Fiscal Years

Calculation of Transfers: Stabilization Fund

June 30, 2006
(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 106 of the Acts of 2005 which superceded certain parts of the Section 5c . It presents information contained in the official books and accounting records of the Commonwealth. Financial statements supporting this calculation are presented in the Financial Section of this report

Part 1: Undesignated fund balance / (deficit) in the operating Funds, unless specifically exempted by General Laws

General Fund	\$ 1,537,449
Highway Fund	(1,083,108)
Workforce Training Fund	(7,243)
Massachusetts Tourism Fund	(141)
Children's and Seniors' Health Care Assistance Fund	-
Consolidated undesignated fund balance / (deficit) in the operating Funds.....	\$ 446,957
Less: Amount carried forward to fiscal year 2006 - 0.5% of FY2005 total tax revenue per Schedule A.....	92,967
Less: Amount to be deposited in the Stabilization Fund -0.5% of FY2006 total tax revenue per Schedule A...	92,967
Net consolidated net surplus / (deficit) to be deposited into the Stabilization Fund	
per Chapter 26 of the Acts of 2003, Section 164	\$ 261,023

Part 2: Transfers to the Stabilization Fund:

From the General Fund	\$ 261,023
From the Highway Fund	-
From the Workforce Training Fund	-
From the Federal Medicaid Assistance Percentage Escrow Fund	-
From the Massachusetts Tourism Fund	-
From the Children's and Seniors' Health Care Assistance Fund	-
Total transfers to the Stabilization Fund	\$ 261,023

Part 3: Status of consolidated net surplus after Stabilization Fund transfers - Undesignated Fund Balance / (deficit):

General Fund	\$ 1,183,459
Highway Fund	(1,083,108)
Workforce Training Fund	(7,243)
Federal Medicaid Assistance Percentage Escrow Fund	-
Massachusetts Tourism Fund	(141)
Children's and Seniors' Health Care Assistance Fund	-
Consolidated net surplus after the annual transfer.....	\$ 92,967

Part 4: Transfer to Transitional Escrow Fund:

Excess to be transferred from the remaining consolidated net surplus.....	\$ -
---	------

Part 5: Fiscal 2006 Stabilization Fund activity:

Reserved for Stabilization - Balance as of June 30, 2006	\$ 1,728,355
Consolidated net surplus pursuant to Part 2, above.....	261,023
Plus: Interest income, certain tax revenues and recoveries	72,319
Plus: 0.5% of FY2006 total tax revenue per Part 1, above	92,967
Subtotal	2,154,664
Add: Year end transfer from the General Fund.....	20,000
Less: Transfers per Ch. 163 Sec. 58 from the General Fund.....	(20,000)
Subtotal, transfers and appropriations from the Stabilization Fund.....	-
Net transfers and appropriations from the Stabilization Fund during FY 2006.....	-
Reserved for Stabilization Fund - balance as of June 30, 2006	\$ 2,154,664

Calculation Of Transfers: Tax Reduction Fund

June 30, 2006
(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.....	\$ 2,154,664
Allowable Stabilization Fund balance (per Schedule B).....	<u>3,945,820</u>
Stabilization Fund excess, if any, transferable to Tax Reduction Fund.....	<u>\$ -</u>

Part 2: Status of Stabilization Fund after transfers:

Stabilization Fund balance.....	\$ 2,154,664
Transfer to Tax Reduction Fund.....	<u>-</u>
Stabilization Fund balance after transfer to Tax Reduction Fund.....	<u>\$ 2,154,664</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
FY2006 Tax Revenues By Revenue Class and
Calculation of Allowable Net Surplus

June 30, 2006
(Amounts in thousands)

Alcoholic Beverages.....	\$ 68,854
Banks: Commercial and Savings.....	349,932
Cigarette.....	435,336
Corporations.....	1,390,684
Deeds.....	219,555
Estate and Inheritance.....	196,260
Income.....	10,483,437
Insurance.....	396,683
Motor and Special Fuels.....	671,844
Public Utilities.....	118,493
Room Occupancy.....	144,808
Sales and Use.....	4,009,371
Club Alcoholic Beverages.....	672
Motor Vehicle Excise.....	76
Convention Center Surcharges.....	11,039
Community Preservation.....	36,088
State Racing.....	4,181
Beano	3,075
Raffles and Bazaars.....	1,121
DOI Excess and Surplus Lines.....	30,377
Boxing.....	119
UI Surcharge.....	21,400
	<hr/>
FY 2006 state tax revenue.....	\$ 18,593,405
	<hr/>
0.5% of total tax revenue.....	92,967
	<hr/>
Allowable consolidated net surplus	\$ 92,967
	<hr/>

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, 2006
(Amounts in thousands)

Total budgeted revenues and other financial resources pertaining to the budgeted funds.....	\$ 27,663,588
Elimination of budgetary interfund activity exclusive of fund closure (per Schedule C).....	<u>(1,358,122)</u>
Budgeted revenues and other financial resources pertaining to the budgeted funds.....	26,305,466
Allowable Stabilization Fund balance, 15% of budgeted revenue.....	<u>\$ 3,945,820</u>

Calculation of Stabilization Fund Transfers as defined by Massachusetts 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, 2006
(Amounts in thousands)

Adjustments to revenues :	
Transfer to the Intragovernmental Service Fund Revenues.....	\$ (187,897)
Adjustments to other financing sources and uses:	
Fringe benefit cost assessments.....	(59,200)
Year end Stabilization Fund transfer.....	(353,990)
Transfer from the Intragovernmental Service Fund to the General Fund.....	(870)
RMV license -plates.....	(3,223)
Transfer from the Stabilization Fund to the General Fund	(20,000)
Transfer from the General Fund to the Temporary Holding Fund -permissible tax	(52,103)
Year end transfer from the Temporary Holding Fund to the Stabilization Fund.....	(52,103)
Transfer from the Transitional Escrow Fund per Chapter 192 of the Acts of FY 2006.....	(303,838)
Fund consolidation transfer per Chapter 139 of the Acts of 2006	(324,769)
Other	(129)
Elimination of budgetary interfund activity	<u>\$ (1,358,122)</u>

Schedule D

Calculation of Transfers: Temporary Holding Fund

June 30, 2006
(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.

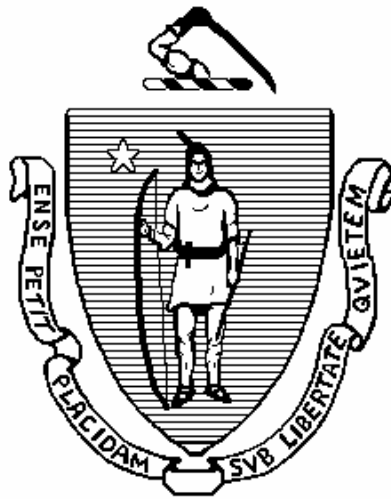
Period Ending:	<u>September 30, 2005</u>	<u>December 31, 2005</u>	<u>March 31, 2006</u>	<u>June 30, 2006</u>
Cumulative net state tax revenues, 2006	\$ 4,362,131	\$ 8,526,671	\$ 12,946,485	\$ 18,592,175
Cumulative net state tax revenues, 2005.....	\$ 4,046,872	\$ 7,889,352	\$ 11,994,245	\$ 17,190,450
Permissible growth rate defined as				
inflation plus 2%, but not less than 0%.....	6.32%	6.88%	7.44%	7.85%
Permissible state tax revenues defined as				
cumulative net state tax revenues,				
2005 multiplied by 1 plus the permissible growth rate.....	<u>4,302,513</u>	<u>8,432,376</u>	<u>12,886,497</u>	<u>18,540,072</u>
Cumulative net state tax revenues 2006				
in excess of permissible state tax revenues.....	<u>\$ 59,618</u>	<u>\$ 94,295</u>	<u>\$ 59,988</u>	<u>\$ 52,103</u>

**Schedule of Pension Funding Progress
Last Three Fiscal Years**

(Amounts in thousands except for percentages)

	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability (UAAL)	Funded Ratio	Annual Covered Payroll *	UAAL as a % of Covered Payroll *
State Employees Retirement System						
Actuarial Valuation as of January 1, 2006....	\$ 16,638,043	\$ 20,406,926	\$ 3,768,883	81.5%	\$ 4,200,577	89.7%
Actuarial Valuation as of January 1, 2005....	16,211,000	19,575,000	3,364,000	82.8%	3,967,000	84.8%
Actuarial Valuation as of January 1, 2004....	15,931,000	18,966,000	3,065,000	84.0%	3,842,000	79.8%
Teachers' Retirement System						
Actuarial Valuation as of January 1, 2006....	\$ 18,683,295	\$ 27,787,716	\$ 9,104,421	67.2%	\$ 4,819,325	188.9%
Actuarial Valuation as of January 1, 2005....	17,683,000	26,167,000	8,483,000	67.6%	4,643,000	182.7%
Actuarial Valuation as of January 1, 2004....	17,075,000	24,519,000	7,444,000	69.6%	4,556,000	163.4%
State - Boston Retirement System (Boston Teachers)						
Actuarial Valuation as of January 1, 2006....	\$ 1,055,435	\$ 2,237,332	\$ 1,181,897	47.2%	\$ 386,434	305.8%
Actuarial Valuation as of January 1, 2005....	1,044,000	2,141,000	1,097,000	48.8%	379,000	289.4%
Actuarial Valuation as of January 1, 2004....	1,040,000	2,022,000	982,000	51.4%	368,000	266.8%

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, 2006
(Amounts in millions)

	2006	% Total	2005	% Total	2004	% Total	2003	% Total
Taxes.....	\$ 18,593	43.9	\$ 17,192	40.7	\$ 16,055	36.8	\$ 15,032	36.2
Federal reimbursements.....	6,307	14.9	6,018	14.3	6,331	14.5	5,528	13.3
Federal grants.....	2,046	4.8	1,996	4.7	2,024	4.6	1,852	4.5
Lotteries.....	4,739	11.2	4,705	11.2	4,605	10.6	4,425	10.7
Assessments.....	793	1.9	785	1.9	746	1.7	634	1.5
Motor vehicle licenses and registrations.....	361	0.9	401	1.0	376	0.9	383	0.9
Fees, investment earnings, etc.....	2,891	6.8	2,945	6.8	2,556	5.9	2,140	5.2
Proceeds of general and special obligation bonds....	1,838	4.3	1,354	3.2	1,993	4.6	1,911	4.6
Proceeds of refunding bonds.....	633	1.5	1,385	3.3	3,302	7.6	3,398	8.2
Other interfund transfers.....	4,145	9.8	5,409	12.8	5,629	12.9	6,173	14.9
Other financing sources.....	-	0.0	-	-	-	-	-	-
Total revenues and other financing sources.....	<u>\$ 42,346</u>	<u>100.0</u>	<u>\$ 42,190</u>	<u>100.0</u>	<u>\$ 43,617</u>	<u>100.0</u>	<u>\$ 41,476</u>	<u>100.0</u>

2002	% Total	2001	% Total	2000	% Total	1999	% Total	1998	% Total	1997	% Total
\$ 14,341	39.6	\$ 16,753	43.5	\$ 15,702	41.0	\$ 14,304	42.1	\$ 14,038	43.7	\$ 12,874	46.8
5,237	14.5	4,668	12.1	4,364	11.4	4,230	12.5	4,409	13.7	4,084	14.9
1,595	4.4	1,450	3.8	1,360	3.6	1,236	3.6	1,220	3.8	1,185	4.3
4,425	12.2	4,138	10.7	3,913	10.2	3,572	10.5	3,430	10.7	3,377	12.3
582	1.6	585	1.5	487	1.3	534	1.6	517	1.6	557	2.0
326	0.9	311	0.8	285	0.7	281	0.8	295	0.9	295	1.1
2,122	5.9	2,212	5.7	2,014	5.3	2,638	7.8	1,647	5.1	1,085	3.9
1,358	3.7	1,912	5.0	1,762	4.6	1,334	3.9	1,447	4.5	899	3.3
1,501	4.1	999	2.6	-	0.0	499	1.5	862	2.7	723	2.6
4,749	13.1	5,487	14.3	8,403	21.9	5,317	15.7	4,240	13.2	2,416	8.8
-	-	-	-	-	-	-	-	-	-	-	-
<u>\$ 36,236</u>	<u>100.0</u>	<u>\$ 38,515</u>	<u>100.0</u>	<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>

Ten-Year Schedule Of Tax Revenues By Source
All Governmental Fund Types - Statutory Basis

June 30, 2006
(Amounts in millions)

	2006	% Total	2005	% Total	2004	% Total	2003	% Total
Income.....	\$ 10,483	56.4	\$ 9,690	56.4	\$ 8,830	55.0	\$ 8,026	53.4
Sales and use.....	4,009	21.6	3,891	22.6	3,743	23.3	3,708	24.7
Corporations.....	1,391	7.5	1,063	6.2	998	6.2	875	5.8
Motor fuels.....	672	3.6	685	4.0	684	4.3	676	4.5
Cigarette.....	435	2.3	424	2.5	425	2.6	451	3.0
Insurance.....	397	2.1	373	2.2	374	2.3	345	2.3
Estate and inheritance.....	196	1.1	255	1.5	195	1.2	181	1.2
Banks.....	350	1.9	199	1.2	239	1.5	269	1.8
Alcoholic beverages.....	70	0.4	69	0.4	69	0.4	67	0.5
Other.....	590	3.1	543	3.3	498	3.2	434	2.9
Total taxes.....	<u>\$ 18,593</u>	<u>100.0</u>	<u>\$ 17,192</u>	<u>100.0</u>	<u>\$ 16,055</u>	<u>100.0</u>	<u>\$ 15,032</u>	<u>100.0</u>

2002	% Total	2001	% Total	2000	% Total	1999	% Total	1998	% Total	1997
\$ 7,913	55.2	\$ 9,903	59.1	\$ 9,042	57.6	\$ 8,037	56.2	\$ 8,032	57.2	\$ 7,182
3,696	25.8	3,756	22.4	3,565	22.7	3,270	22.9	2,963	21.1	2,876
587	4.2	945	5.7	1,131	7.2	1,009	7.1	1,067	7.6	964
667	4.7	660	3.9	653	4.2	637	4.5	621	4.4	603
275	1.9	271	1.6	280	1.8	284	2.0	301	2.1	282
348	2.4	323	1.9	306	1.9	317	2.2	303	2.2	289
200	1.4	203	1.2	167	1.1	174	1.2	191	1.4	203
137	1.0	180	1.1	93	0.6	109	0.8	156	1.1	140
66	0.5	65	0.4	64	0.4	61	0.4	61	0.4	60
452	3.2	447	2.7	401	2.6	406	2.8	343	2.4	275
<u>\$ 14,341</u>	<u>100.0</u>	<u>\$ 16,753</u>	<u>100.0</u>	<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>

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

June 30, 2006
(Amounts in millions)

	2006	% Total	2005	% Total	2004	% Total	2003	% Total
Legislature.....	\$ 55	0.1	\$ 54	0.1	\$ 51	0.1	\$ 55	0.1
Judiciary.....	672	1.6	634	1.5	599	1.4	589	1.4
Inspector General.....	3	0.0	4	0.0	2	-	2	-
Governor and Lieutenant Governor.....	5	0.0	5	0.0	5	-	5	-
Secretary of the Commonwealth.....	45	0.1	50	0.1	45	0.1	49	0.1
Treasurer and Receiver-General.....	5,635	13.6	5,760	13.7	4,600	11.1	4,416	10.5
Auditor of the Commonwealth.....	19	0.0	18	0.0	16	-	17	-
Attorney General.....	49	0.1	45	0.1	44	0.1	45	0.1
Ethics Commission.....	1	0.0	2	0.0	1	-	1	-
District Attorney.....	88	0.2	82	0.2	81	0.2	79	0.2
Office of Campaign and Political Finance.....	1	0.0	1	0.0	1	-	1	-
Sheriff's Departments.....	251	0.6	226	0.5	218	0.5	216	0.5
Disabled Persons Protection Commission.....	2	0.0	2	0.0	2	-	2	-
Board of Library Commissioners.....	49	0.1	47	0.1	48	0.1	46	0.1
Comptroller.....	14	0.0	21	0.0	35	0.1	21	-
Administration and finance.....	6,601	16.1	6,235	14.8	6,184	15.0	6,241	14.9
Environmental affairs.....	390	0.9	346	0.8	336	0.8	357	0.9
Communities and development.....	659	1.6	597	1.4	589	1.4	568	1.4
Early Education and Care.....	482	1.2	-	0.0	-	0.0	-	0.0
Health and human services.....	13,539	32.6	13,383	31.8	12,504	30.1	11,338	27.0
Transportation and construction.....	1,376	3.3	1,569	3.7	1,586	3.8	1,844	4.4
Education.....	1,228	3.0	1,307	3.1	1,627	3.9	1,587	3.8
Educational affairs.....	-	0.0	-	0.0	-	-	-	-
Higher education.....	1,016	2.4	943	2.2	854	2.1	1,002	2.4
Public safety.....	1,180	2.8	1,111	2.6	1,160	2.8	1,156	2.8
Economic development*.....	323	0.8	299	0.7	326	0.8	31	0.1
Elder affairs.....	-	0.0	-	0.0	-	-	315	0.8
Consumer affairs*.....	-	0.0	-	0.0	-	0.0	55	0.1
Labor*.....	-	0.0	-	0.0	-	-	282	0.7
Pension.....	1,275	3.1	1,217	2.9	702	1.7	813	1.9
Debt service.....	2,028	4.9	1,719	4.1	1,605	3.9	1,467	3.5
Payments to refunded bond escrow agent.....	633	1.5	1,153	2.7	2,833	6.8	3,398	8.1
Fund deficit support.....	-	0.0	-	0.0	-	-	-	-
Other interfund transfers.....	3,887	9.4	5,197	12.4	5,503	13.2	5,963	14.2
Total expenditures and other financing uses.....	\$ 41,506	100.0	\$ 42,027	100.0	\$ 41,556	100.0	\$ 41,961	100.0

* NOTE: Economic Development, Consumer Affairs and Labor were consolidated into Economic Development effective FY2004.

2002	% Total	2001	% Total	2000	% Total	1999	% Total	1998	% Total	1997	% Total
\$ 59	0.2	\$ 58	0.2	\$ 53	0.2	\$ 51	0.2	\$ 51	0.2	\$ 52	0.2
589	1.5	604	1.6	570	1.5	532	1.6	476	1.5	438	1.6
2	-	3	-	3	-	3	-	2	-	2	-
6	-	6	-	6	-	5	-	5	-	5	-
41	0.1	50	0.1	50	0.1	48	0.1	29	0.1	18	0.1
4,398	11.4	4,155	11.3	3,841	10.0	3,982	12.0	3,780	12.1	3,694	13.6
16	-	16	-	15	-	14	-	15	0.1	13	0.1
47	0.1	43	0.1	37	0.1	35	0.1	35	0.1	28	0.1
2	-	2	-	1	-	1	-	1	-	1	-
88	0.2	85	0.2	78	0.2	74	0.2	69	0.2	61	0.2
2	-	2	-	1	-	1	-	1	-	1	-
217	0.6	203	0.6	176	0.5	132	0.4	41	0.1	-	-
2	-	2	-	2	0.0	2	-	2	-	1	-
58	0.2	57	0.2	61	0.2	51	0.2	45	0.1	42	0.2
11	-	11	-	9	-	9	-	10	-	8	-
6,315	16.4	5,937	16.1	5,616	14.6	1,522	4.6	1,487	4.8	1,328	4.9
440	1.1	426	1.2	395	1.0	375	1.1	367	1.2	309	1.1
533	1.4	527	1.4	497	1.3	448	1.4	437	1.4	419	1.5
-	0.0	0	0.0	0	0.0	0	0.0	-	0.0	-	0.0
11,124	28.9	10,058	27.3	9,394	24.3	8,785	26.5	8,478	27.2	7,730	28.4
2,052	5.3	2,212	6.0	3,402	8.8	3,010	9.1	2,835	9.1	2,507	9.2
1,563	4.1	1,422	3.9	1,287	3.3	3,706	11.2	3,314	10.6	2,963	10.9
-	-	-	-	-	-	-	-	-	-	-	-
1,085	2.8	1,142	3.1	1,032	2.7	964	2.9	893	2.9	818	3.0
1,138	3.0	1,104	3.0	1,009	2.6	1,020	3.1	966	3.1	979	3.6
36	0.1	53	0.1	43	0.1	60	0.2	38	0.1	42	0.2
304	0.8	241	0.7	217	0.6	197	0.6	188	0.6	167	0.6
58	0.2	59	0.2	55	0.1	52	0.2	40	0.1	37	0.1
237	0.6	195	0.5	211	0.5	193	0.6	214	0.7	193	0.7
796	2.1	1,040	2.8	986	2.6	990	3.0	1,070	3.4	1,069	3.9
1,382	3.6	739	2.0	1,237	3.2	1,212	3.7	1,215	3.9	1,278	4.7
1,277	3.3	1,649	4.5	-	-	499	1.5	862	2.8	723	2.7
-	-	-	-	2,980	7.7	-	-	-	-	-	-
4,626	12.0	4,761	12.9	5,319	13.8	5,149	15.6	4,199	13.5	2,284	8.4
<u>\$ 38,504</u>	<u>100.0</u>	<u>\$ 36,862</u>	<u>100.0</u>	<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>

**Ten-Year Schedule Of Budgeted Funds Expenditures and Other Uses By
Major Program Category**
June 30, 2006
(Amounts in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Direct local aid.....	\$ 4,619	\$ 4,477	\$ 4,784	\$ 5,069	\$ 5,189	\$ 4,969	\$ 4,674	\$ 4,310	\$ 3,949	\$ 3,558
Medicaid.*.....	6,852	5,977	5,742	5,485	5,259	4,642	4,270	3,856	3,666	3,456
Public assistance.....	1,129	1,095	1,019	1,019	1,030	991	959	988	1,023	1,090
Higher education.....	988	915	831	969	1,030	1,102	996	930	862	806
MBTA and regional transit authorities.....	50	49	53	42	49	69	592	538	530	520
Pension.....	1,275	1,217	702	813	796	1,040	986	990	1,070	1,069
Group health insurance.....	964	846	788	739	717	641	589	566	550	522
Debt service.....	1,666	1,581	1,420	1,374	1,305	676	1,193	1,174	1,213	1,276
Major programs.....	17,543	16,157	15,339	15,510	15,375	14,130	14,259	13,352	12,863	12,297
Other program expenditures.....	7,651	7,127	6,819	6,700	7,254	7,163	7,251	6,411	5,900	5,502
Interfund transfers and other uses.....	1,749	2,726	2,749	3,540	2,046	1,772	4,538	1,884	1,844	1,201
Total expenditures and other uses.....	\$ 26,943	\$ 26,010	\$ 24,907	\$ 25,750	\$ 24,675	\$ 23,065	\$ 26,048	\$ 21,647	\$ 20,607	\$ 19,000

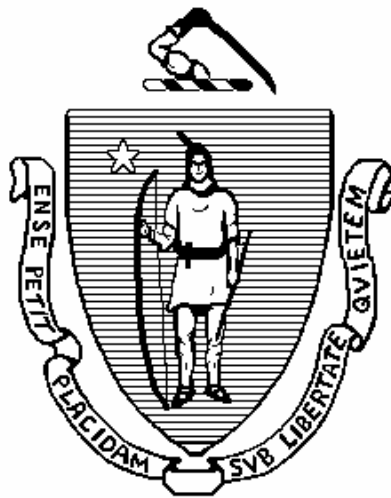
* Exclusive of Non-Budgeted Medicaid spending beginning in FY03 within the Health Care Quality Improvement Fund totalling \$201 million, \$288 million, \$292 million and \$292 million in FY03 through FY06 respectively.

Ten-Year Schedule Of Long-Term Bonds And Notes Outstanding

Fiscal Year Ended June 30, 2006
(Amounts in millions)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General obligation bonds.....	\$ 15,393	\$ 14,492	\$ 14,143	\$ 13,651	\$ 12,618	\$ 11,961	\$ 10,897	\$ 10,301	\$ 9,873	\$ 9,620
Grant anticipation notes*.....	1,789	1,907	1,907	1,499	1,499	1,499	922	922	600	-
Dedicated income tax bonds.....	-	-	-	-	-	-	-	-	-	130
Special obligation bonds.....	1,279	1,458	1,332	813	838	539	564	586	606	521
Commonwealth long-term bonds.....	\$ 18,461	\$ 17,857	\$ 17,382	\$ 15,963	\$ 14,955	\$ 13,999	\$ 12,383	\$ 11,809	\$ 11,079	\$ 10,271

*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, 2006
(Amounts in thousands)

	University of Massachusetts	State Colleges	Community Colleges	TOTALS	
				2006	2005
Revenues and other financing sources					
Federal grants and reimbursements.....	\$ 298,145	\$ 49,510	\$ 54,788	\$ 402,443	\$ 348,340
Departmental revenues.....	598,527	228,988	238,512	1,066,027	1,056,087
Miscellaneous revenues.....	642,254	144,295	109,449	895,998	999,404
Total revenues and other financing sources.....	1,538,926	422,793	402,749	2,364,468	2,403,831
Expenditures and other financing uses (by MMARS subsidiary):					
AA Regular employee compensation.....	417,954	58,089	63,920	539,963	528,717
BB Regular employee related expenses.....	19,520	3,983	3,303	26,806	23,287
CC Special employees and contracted services.....	153,113	59,512	89,413	302,038	298,526
DD Pension and insurance.....	102,255	17,227	15,960	135,442	118,467
EE Administrative expenditures.....	69,695	41,604	52,903	164,202	191,837
FF Facility operational supplies.....	130,088	12,064	20,416	162,568	203,221
GG Energy costs and space rental.....	109,004	22,646	17,452	149,102	129,127
HH Consultant services.....	150,096	8,923	11,075	170,094	191,680
JJ Operational services.....	49,218	24,878	10,581	84,677	106,736
KK Equipment purchase.....	27,182	5,798	8,225	41,205	70,107
LL Equipment leases, maintenance and repair.....	21,517	6,599	9,131	37,247	63,659
MM Purchased client services and programs.....	13,026	1,574	3,793	18,393	8,998
NN Construction and improvements.....	79,211	16,949	5,712	101,872	77,463
PP Aid to local governments.....	26	-	384	410	1,389
RR Benefit programs.....	57,933	37,417	74,619	169,969	207,454
SS Debt payment.....	212	8,106	1,740	10,058	7,358
TT Loans and special payments.....	125,854	62,772	3,926	192,552	131,638
UU Information technology (IT) expenses	57,977	13,720	12,031	83,728	-
Total expenditures and other uses.....	1,583,881	401,861	404,584	2,390,326	2,359,664
Excess (deficiency) of revenues and other financing sources over expenditures and other uses.....	(44,955)	20,932	(1,835)	(25,858)	44,167
Fund balance (deficit) at beginning of year.....	516,972	148,888	107,386	773,246	729,079
Fund balance (deficit) at end of year.....	\$ 472,017	\$ 169,820	\$ 105,551	\$ 747,388	\$ 773,246

University Of Massachusetts
Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	<u>2006</u>	<u>2005</u>
Revenues and other financing sources		
Federal grants and reimbursements.....	\$ 298,145	\$ 256,660
Departmental revenues.....	598,527	584,033
Miscellaneous revenues.....	<u>642,254</u>	<u>801,858</u>
Total revenues and other financing sources.....	<u>1,538,926</u>	<u>1,642,551</u>
Expenditures and other financing uses (by MMARS subsidiary):		
AA Regular employee compensation.....	417,954	410,877
BB Regular employee related expenses.....	19,520	16,782
CC Special employees and contracted services.....	153,113	162,187
DD Pension and insurance.....	102,255	85,844
EE Administrative expenditures.....	69,695	92,733
FF Facility operational supplies.....	130,088	172,416
GG Energy costs and space rental.....	109,004	96,861
HH Consultant services.....	150,096	167,047
JJ Operational services.....	49,218	70,571
KK Equipment purchase.....	27,182	49,888
LL Equipment leases, maintenance and repair.....	21,517	44,159
MM Purchased client services and programs.....	13,026	4,523
NN Construction and improvements.....	79,211	56,162
PP Aid to local governments.....	26	929
RR Benefit programs.....	57,933	93,922
RR Benefit programs.....	212	-
TT Loans and special payments.....	125,854	64,648
UU Information technology (IT) expenses	<u>57,977</u>	<u>-</u>
Total expenditures and other financing uses.....	<u>1,583,881</u>	<u>1,589,549</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(44,955)	53,002
Fund balance (deficit) at beginning of year.....	<u>516,972</u>	<u>463,970</u>
Fund balance (deficit) at end of year.....	<u>\$ 472,017</u>	<u>\$ 516,972</u>

State College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2006
(Amounts in thousands)

	Bridgewater State College	Framingham State College	Fitchburg State College	Massachusetts College of Art
Revenues and other financing sources				
Federal grants and reimbursements.....	\$ 7,316	\$ 1,514	\$ 2,936	\$ 1,255
Departmental revenues.....	52,364	23,447	26,484	16,695
Miscellaneous revenues.....	26,313	23,656	20,467	6,742
Total revenues and other financing sources.....	<u>85,993</u>	<u>48,617</u>	<u>49,887</u>	<u>24,692</u>
Expenditures and other financing uses (by MMARS subsidiary):				
AA Regular employee compensation.....	24,847	2,328	4,496	4,941
BB Regular employee related expenses.....	1,088	131	189	347
CC Special employees and contracted services.....	11,749	6,381	6,926	3,381
DD Pension and insurance.....	6,730	1,067	1,300	626
EE Administrative expenditures.....	7,133	16,806	1,204	1,130
FF Facility operational supplies.....	2,256	1,063	957	996
GG Energy costs and space rental.....	3,644	2,636	2,073	1,859
HH Consultant services.....	2,178	1,320	-	829
JJ Operational services.....	6,188	3,595	1,226	2,362
KK Equipment purchase.....	1,682	751	316	409
LL Equipment leases, maintenance and repair.....	1,742	543	138	760
MM Purchased client services and programs.....	550	153	244	-
NN Construction and improvements.....	3,698	1,857	2,720	246
PP Aid to local governments.....	-	-	-	-
RR Benefit programs.....	7,772	2,126	3,365	2,156
SS Debt payment.....	-	240	-	-
TT Loans and special payments.....	6,436	5,220	11,070	1,973
UU Information technology (IT) expenses	1,451	2,932	2,215	1,663
Total expenditures and other financing uses.....	<u>89,144</u>	<u>49,149</u>	<u>38,439</u>	<u>23,678</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses.....	(3,151)	(532)	11,448	1,014
Fund balance (deficit) at beginning of year.....	22,859	27,163	22,710	4,994
Fund balance (deficit) at end of year.....	<u>\$ 19,708</u>	<u>\$ 26,631</u>	<u>\$ 34,158</u>	<u>\$ 6,008</u>

Massachusetts Maritime Academy	Massachusetts College of Liberal Arts	Salem State College	Worcester State College	Westfield State College	TOTALS	
					2006	2005
\$ 620	\$ 1,494	\$ 29,098	\$ 2,440	\$ 2,837	\$ 49,510	\$ 25,558
14,764	13,163	14,558	29,385	38,128	228,988	240,017
5,010	6,759	37,269	8,475	9,604	144,295	107,944
20,394	21,416	80,925	40,300	50,569	422,793	373,519
1,800	2,289	10,082	1,725	5,581	58,089	53,543
348	311	705	540	324	3,983	3,511
3,155	1,983	12,589	5,813	7,535	59,512	52,980
569	512	3,677	333	2,413	17,227	16,128
2,071	2,208	6,558	1,963	2,531	41,604	42,671
1,967	604	2,010	1,154	1,057	12,064	11,461
1,780	1,662	3,119	2,413	3,460	22,646	17,764
814	540	1,177	978	1,087	8,923	11,616
3,238	3,370	2,477	997	1,425	24,878	24,580
428	202	638	613	759	5,798	10,996
280	479	701	1,260	696	6,599	8,057
-	-	382	-	245	1,574	1,621
636	166	3,479	2,352	1,795	16,949	16,722
-	-	-	-	-	-	15
107	3,311	9,250	5,204	4,126	37,417	40,123
-	-	-	3,116	4,750	8,106	5,828
2,314	1,386	26,766	251	7,356	62,772	61,258
315	1,430	3,315	353	46	13,720	-
19,822	20,453	86,925	29,065	45,186	401,861	378,874
572	963	(6,000)	11,235	5,383	20,932	(5,355)
3,787	7,217	17,192	30,886	12,081	148,888	154,243
\$ 4,359	\$ 8,180	\$ 11,192	\$ 42,121	\$ 17,464	\$ 169,820	\$ 148,888

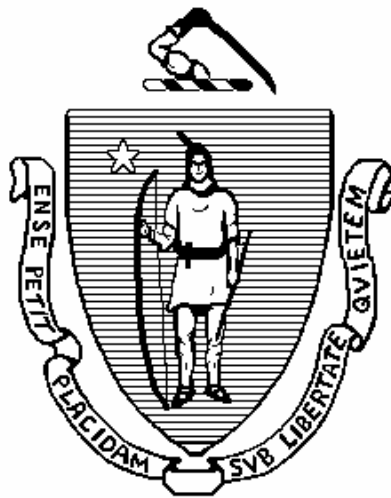
Community College System
Combining Higher Education Non-Appropriated Activity - Statutory Basis

Fiscal Year Ended June 30, 2006

(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
Revenues and other financing sources							
Federal grants and reimbursements.....	\$ 1,641	\$ 6,371	\$ 6,157	\$ 2,154	\$ 2,386	\$ 5,233	\$ 5,730
Departmental revenues.....	6,403	20,912	12,147	8,340	8,542	12,855	17,670
Miscellaneous revenues.....	2,036	11,287	12,737	5,450	9,503	8,980	3,704
Total revenues and other financing sources.....	10,080	38,570	31,041	15,944	20,431	27,068	27,104
Expenditures and other financing uses (by MMARS subsidiary):							
AA Regular employee compensation.....	1,028	11,347	4,629	2,102	6,444	2,309	3,227
BB Regular employee related expenses.....	72	344	175	198	247	356	139
CC Special employees and contracted services.....	2,100	7,824	7,885	4,416	4,566	5,706	6,642
DD Pension and insurance.....	583	761	1,810	1,046	1,471	840	1,136
EE Administrative expenditures.....	1,055	2,820	1,340	1,452	934	1,699	1,853
FF Facility operational supplies.....	1,231	829	777	516	952	2,665	1,095
GG Energy costs and space rental.....	626	1,324	1,408	654	819	879	1,565
HH Consultant services.....	340	539	696	347	359	454	324
JJ Operational services.....	699	2,770	332	391	605	740	324
KK Equipment purchase.....	142	952	337	327	349	1,791	812
LL Equipment leases, maintenance and repair.....	165	675	216	334	158	241	1,529
MM Purchased client services and programs.....	27	533	1,247	-	35	28	317
NN Construction and improvements.....	57	40	954	101	32	2,111	190
PP Aid to local governments.....	102	50	-	-	-	-	-
RR Benefit programs.....	2,258	6,639	5,481	2,913	2,991	6,342	5,471
SS Debt payment.....	-	-	-	-	-	57	-
TT Loans and special payments.....	213	24	204	18	449	-	2,276
UU Information technology (IT) expenses.....	467	2,402	805	1,241	902	1,941	25
Total expenditures and other financing uses.....	11,165	39,873	28,296	16,056	21,313	28,159	26,925
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses....	(1,085)	(1,303)	2,745	(112)	(882)	(1,091)	179
Fund balance (deficit) at beginning of year.....	3,693	12,258	14,989	9,286	1,172	9,944	5,356
Fund balance (deficit) at end of year.....	\$ 2,608	\$ 10,955	\$ 17,734	\$ 9,174	\$ 290	\$ 8,853	\$ 5,535

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	
								2006	2005
\$ 1,904	\$ 4,727	\$ 4,211	\$ -	\$ 5,166	\$ 3,368	\$ 3,089	\$ 2,651	\$ 54,788	\$ 66,122
7,578	16,575	15,316	41,374	14,169	21,705	4,656	30,270	238,512	232,037
1,454	10,131	4,448	2,743	10,406	4,876	12,946	8,748	109,449	89,602
10,936	31,433	23,975	44,117	29,741	29,949	20,691	41,669	402,749	387,761
766	9,803	6,104	1,678	9,993	2,789	413	1,288	63,920	64,297
194	402	323	9	175	236	88	345	3,303	2,994
3,676	8,353	5,077	31	5,868	7,727	13,423	6,119	89,413	83,359
227	3,437	1,005	456	797	1,074	165	1,152	15,960	16,495
1,414	2,086	1,655	29,958	2,113	1,781	525	2,218	52,903	56,433
381	914	1,002	17	2,814	3,501	596	3,126	20,416	19,344
1,215	1,900	1,685	53	1,518	1,004	444	2,358	17,452	14,502
186	1,490	1,644	43	1,234	1,420	148	1,851	11,075	13,017
905	978	186	31	391	445	581	1,203	10,581	11,585
5	324	1,142	7	840	245	42	910	8,225	9,223
204	566	1,160	-	674	730	147	2,332	9,131	11,443
-	5	173	-	267	-	15	1,146	3,793	2,854
390	-	53	-	225	7	15	1,537	5,712	4,579
-	-	219	-	-	-	13	-	384	445
2,854	3,935	3,935	11,367	5,993	5,103	1,888	7,449	74,619	73,409
100	-	363	-	1,122	98	-	-	1,740	1,530
-	346	143	-	-	172	81	-	3,926	5,732
1,361	27	19	25	294	2,097	373	52	12,031	-
13,878	34,566	25,888	43,675	34,318	28,429	18,957	33,086	404,584	391,241
(2,942)	(3,133)	(1,913)	442	(4,577)	1,520	1,734	8,583	(1,835)	(3,480)
16,145	(213)	2,790	4,016	11,520	3,973	2,741	9,718	107,386	110,866
\$ 13,203	\$ (3,346)	\$ 877	\$ 4,458	\$ 6,943	\$ 5,493	\$ 4,475	\$ 18,301	\$ 105,551	\$ 107,386



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